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John Neagle

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I.m.f. Approves $4.6 Billion Structural Adjustment Loan For Venezuela

by John Neagle
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On June 23, the International Monetary Fund (IMF) announced approval of a $4.6 billion three-year structural adjustment loan for Venezuela. Of the total, Caracas could use up to $1.8 billion to reduce principal and interest on its foreign debt. Last week, the World Bank approved a $755 million loan for Venezuela of which the government could use $187.5 million for debt relief purposes. At the end of May, the IMF approved a $4 billion loan for Mexico, part of which was earmarked for debt relief. The amount of money available for debt reduction made available to Mexico and Venezuela was established in IMF guidelines issued in late May. The guidelines specify that a borrower can use about 25% of loan monies for debt principal reduction, and can augment the loan by up to 40% of its IMF quota for interest payment reduction. Thus, Venezuela can set aside $1.15 billion from its IMF loan for debt principal reduction. Based on Venezuela's IMF quota of $1.7 billion, Caracas could use an additional $686 million for interest relief. Similar to the loan extended to Mexico, Venezuela is required to conclude an accord with private bank creditors on interest reduction before it can make use of IMF loan monies for reducing interest payments.

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