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# IMF Said to Limit Exposure to Greece at EU30 Billion After Second Loan

By Sandrine Rastello - Feb 23, 2012

The International Monetary Fund will seek to keep its exposure to Greece under a new bailout package at 30 billion euros ($39.8 billion), including money still owed from a previous loan, an IMF official said.

IMF Managing Director Christine Lagarde has indicated that the fund's credit to Greece after the second loan will remain at the maximum available under a 30 billion-euro loan agreed in 2010, said the official, who spoke to reporters in Washington yesterday on condition of anonymity. About 10 billion euros of the first loan hasn't been disbursed, the official said.

The IMF has yet to announce its share of the 130 billion- euro bailout package. With about $108 billion already promised to euro countries, including Portugal and Ireland, Lagarde must heed members' calls to limit its commitments to the currency bloc, said Thomas Costerg, a European economist with Standard Chartered Bank in London.

"One of the main uncertainties of this Greek deal is the IMF participation," Costerg said. "There's some pressure from emerging markets and the U.S. to limit the IMF exposure to Europe, and it's also a way to put pressure on Europeans so that they beef up their own existing rescue mechanism."

Group of 20 nations should discuss possible further resources for the IMF after Europe decides on its financial firewall, the U.S. Treasury Department's top international official said.

Lael Brainard, the U.S. Treasury's undersecretary for international affairs, said yesterday that a "large share" of the funding to solve the euro-area crisis will come from the region itself.

## 'Constructive Role'

"The IMF should continue to play a constructive role in Europe but IMF resources cannot substitute for a strong and credible European firewall in response," Brainard told a news briefing in Washington. "I'm sure when Europe's response becomes clear the G-20 will be able to better assess IMF resources."

Europe’s debt crisis will be the focus when G-20 nations’ finance chiefs, including U.S. Treasury Secretary Timothy F. Geithner, meet this weekend in Mexico City. Brainard reiterated that the Obama administration will not seek more funds for the IMF this year.

Even after European finance ministers this week backed the new bailout package aimed at paring Greece’s debt to levels the IMF deems “sustainable,” Lagarde stopped short of detailing how much the Washington-based lender will provide.

## Central Bank Profits

Debt-stricken Greece won a second bailout after European governments wrung concessions from private investors and tapped into European Central Bank profits to shield the euro area from a precedent-setting default.

Greece also met a key condition for aid by spelling out 325 million euros in additional spending cuts, the latest round of the measures that have provoked street protests in Athens as unemployment tops 20 percent.

The 10 billion euros remaining from the first loan will be rolled over to the second one along with fresh money, according to the IMF official. Greek repayments of the first loan slated to start in 2013 will reduce the fund’s exposure, giving it leeway to commit additional money toward the second package.

“The IMF is attempting a delicate balancing act -- staying involved in the Greek bailout but without damage to its own credibility,” said Eswar Prasad, a senior fellow at the Brookings Institution in Washington and a former IMF official. “There is a serious risk, however, that it is simply not credible that Greece will take the measures needed to bring its debt down to a sustainable level.”

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