

IMF Publication

Review of The Cumulative Access Limits Under The Rapid Financing Instrument and The Rapid Credit Facility

INTERNATIONAL MONETARY FUND



IMF POLICY PAPER

REVIEW OF THE CUMULATIVE ACCESS LIMITS UNDER THE RAPID FINANCING INSTRUMENT AND THE RAPID CREDIT FACILITY

June 2023

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following documents have been released and are included in this package:

- The **Staff Report**, prepared by IMF staff and completed on May 31, 2023 for the Executive Board's consideration on June 27, 2023.

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International Monetary Fund
Washington, D.C.



IMF Executive Board Approves an Extension of the Temporarily Higher Cumulative Access Limits under the Fund's Emergency Financing Instruments and an Extension of the Food Shock Window

FOR IMMEDIATE RELEASE

- The Executive Board of the International Monetary Fund (IMF or the Fund) approved a limited extension of the higher Cumulative Access Limits (CAL) under its emergency financing (EF) instruments, the Rapid Credit Facility and the Rapid Financing Instrument.
- The Executive Board also approved a 6-month extension of the Food Shock Window (FSW), established in September 2022, until end-March 2024.
- These two decisions will allow the Fund to continue to be able to support member countries facing urgent Balance of Payment (BOP) needs amid a challenging economic environment and ongoing global food shock.

Washington, DC – June 30, 2023: The IMF Executive Board approved on June 27, 2023 an extension of the temporarily higher Cumulative Access Limits (CALs) under the Fund's Emergency Financing (EF) instruments, the [Rapid Credit Facility](#) (RCF) and the [Rapid Financing Instrument](#) (RFI). The temporarily higher cumulative access limits ensure the Fund will have the capacity to support countries in case of renewed emergency situations, in the period in which countries are still in the process of repaying emergency financing received during the pandemic.

The temporarily higher cumulative access limits under the RFI will be maintained until end-June 2024, when most RFI recipients will have repaid a significant part of their past emergency financing. The temporarily higher cumulative access limits under the RCF will be maintained until the completion of the 2024/25 comprehensive review of the Fund's concessional facilities and financing, given the longer repayment schedule for RCF financing.

The Board also approved a 6-month extension of the Food Shock Window (FSW) under the RCF and RFI, until end-March 2024. The Food Shock Window was [approved by the Executive Board in September 2022](#) for 12 months, as a complement to the tools used by the Fund to support the broader international effort to address the global food shock. The Fund has been working closely with the World Bank, the World Food Programme, the World Trade Organization and the Food and Agriculture Organization, both at headquarter and country levels, to provide a coordinated international response to the global food shock. The Fund has contributed through policy advice, technical assistance and lending. Where needed and possible, financial support to countries affected by the global food shock has been delivered by the IMF through multi-year Fund-supported programs (Upper-Credit Tranche quality programs). Since September 2022, twenty-one countries affected by the global food shock have benefited from this type of programs. The Food Shock Window complemented this support in situations where UCT-quality programs were not feasible or not necessary. The Fund disbursed in total US\$1.8 billion (SDR 1.4 billion) for six countries under the Food Shock Window.

As the global food shock and associated balance of payment pressures are expected to continue throughout 2023, the 6-month extension will allow the Food Shock Window to continue serving as a contingency tool in case members affected by this shock face urgent balance of payment needs and a UCT-quality program would not be feasible or not necessary. This extension will also provide sufficient time to observe if the Food Shock Window can lapse without limiting the capacity of the Fund to support its members. To ensure sufficient borrowing space under the emergency financing limits for those countries that have received support through the Food Shock Window, the Executive Board also approved the extension of the additional 25 percent of quota added to the Cumulative Access Limit until end-2026 for countries that have accessed the Food Shock Window through the RFI and until the completion of the 2024/25 PRGT review for those that accessed the Food Shock Window through the RCF.

The Fund will continue to work closely with its partners, using the whole range of its tools, to support countries affected by the global food shock.

Executive Board Assessment¹

Executive Directors welcomed the opportunity to review (i) the temporarily higher cumulative access limits under the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF) and (ii) the experience with the Food Shock Window (FSW) under the RFI and the RCF. They broadly supported a limited extension of the temporarily higher cumulative access limits under the RFI and RCF, and a six-month extension—until end-March 2024—of the FSW.

Directors welcomed the strong transition from pandemic-related emergency financing under the RCF and the RFI to upper credit tranche (UCT) quality programs since 2021. They considered that the past two years have demonstrated that the qualification requirements for RCF and RFI financing ensure that these instruments are only used when a UCT-quality program is either not feasible or not necessary. At the same time, Directors considered that the continued challenging global economic environment, which has left many countries with depleted macroeconomic buffers, calls for maintaining some borrowing space under the Fund's emergency financing instruments.

Directors noted that many countries that used the RFI and/or the RCF during the pandemic would be left with little or no borrowing space under these emergency financing instruments if their cumulative access limits were to return to pre-pandemic levels at the end of June 2023. Against this backdrop, most Directors supported an extension of the temporarily higher cumulative access limits for the RFI (150 percent of quota for the regular window and 183.33 percent of quota for the Large Natural Disaster (LND) window) until the end of June 2024; with a few of these Directors noting that they would have preferred an even longer extension, while another view raised concerns about the extension's potential impact on countries' transition to UCT-quality programs. Directors also supported extending the temporarily higher cumulative access limits for the RCF (150 percent of quota for the exogenous shock window and 183.33 percent of quota for the LND window) until the date of the Board completion of the comprehensive review of the Poverty Reduction and Growth Trust (PRGT) facilities planned for 2024/25. Directors noted that these temporary extensions in cumulative access limits for

¹ At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here:

<http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

the RFI and RCF will enable the Fund to continue to provide support to members that experience urgent Balance of Payment needs where a UCT-quality program is not feasible or not necessary.

Directors welcomed the opportunity to discuss the Fund's response to the global food shock and the experience with the FSW that was established in September 2022 for a period of 12 months. They agreed that the food shock is still ongoing, and that the Fund should continue its effort to support countries, working with partners. While noting that the Fund should endeavor to deliver financial support through UCT-quality program in most cases, they broadly agreed that it would be prudent to extend the availability of the FSW as a contingency tool to support members strongly affected by the ongoing food shock in situations where a UCT-quality program is not feasible or not necessary. Directors concurred that extending the availability of the window would also allow a longer period for observing demand developments and provide confidence that the window could then lapse without limiting the Fund's ability to support its members.

Against this backdrop, Directors supported extending the availability of the FSW under the RFI and the RCF for an additional 6 months—until March 31, 2024. Most Directors preferred the FSW to automatically expire at that time unless demand developments warrant another Board discussion before such date. A number of Directors requested, however, that the Executive Board decide on the FSW's expiration rather than letting it elapse automatically. A few other Directors would have preferred extending the FSW for a longer period, whereas another view favored a shorter extension.

Directors also agreed to extend the application of an additional 25 percent of quota to cumulative access limits until end-2026 for countries that have accessed the FSW through the RFI, and until the completion of the comprehensive review of PRGT facilities planned for 2024/25 for those countries that have received FSW support under the RCF. A number of Directors emphasized that RCF-eligible countries should not be placed at a disadvantage as an outcome of the different timelines and the PRGT facilities review.

Many Directors reiterated their support for the combination of a FSW with a Staff Monitored Program or a Program Monitoring with Board Involvement, which can help countries building a track record of policy implementation. A number of Directors also highlighted that appropriate governance safeguards for FSW financing, tailored to country circumstances, remain essential to ensure transparency and accountability in the spending of these emergency resources. Directors called for effectively communicating the Fund's role and policies to address the global food shock, and in particular the role of the FSW. Many Directors noted the limited uptake of the FSW relative to their initial expectation and expressed concerns on potential evenhandedness issues. Some Directors also considered that the design of the FSW may not have sufficiently reflected the full range of circumstances of all eligible countries. In this context, a few Directors called for an ex-post evaluation of the FSW experience after the expiration of the window.

Directors noted staff's assessment that the further temporary extension of the higher cumulative access limits for emergency financing instruments and the extension of the FSW would have a limited impact on the General Resources Account and PRGT resources. Some Directors considered that concluding the 16th General Review of Quotas with a quota increase would help ensure members' access to adequate Fund financing.



May 31, 2023

REVIEW OF THE CUMULATIVE ACCESS LIMITS UNDER THE RAPID FINANCING INSTRUMENT AND THE RAPID CREDIT FACILITY

EXECUTIVE SUMMARY

In December 2021, the Executive Board called on staff to propose by June 2023 a forward strategy for the Cumulative Access Limits (CALs) of the Fund’s emergency financing (EF). Together with an increase in Annual Access Limits (AALs), the CALs for the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF) were temporarily increased in 2020 to 150 percent of quota from the earlier 100 percent of quota to help members respond to emergency needs linked to the COVID-19 pandemic. While the AALs were brought back to their pre-pandemic levels in December 2021, the Board decided to maintain the higher CALs until the end of June 2023 and requested staff to prepare a forward strategy for the CALs by that time. Absent a new decision, the CALs will revert to the pre-pandemic levels on July 1, 2023.

This paper responds to the call for a forward strategy and suggests a limited extension of the temporarily higher CALs. Specifically, staff proposes that the CAL under the regular window of the RFI be maintained at 150 percent of quota (and at 183.33 percent for the large natural disaster (LND) window) until end-June 2024, before reverting to the pre-pandemic level of 100 percent of quota on July 1, 2024. For the exogenous shock window of the RCF, staff proposes to maintain the CAL at 150 percent of quota (and at 183.33 percent for the LND window) until the date of the completion of the comprehensive review of PRGT facilities and funding planned for 2024/25.

Staff’s proposal aims to ensure that the Fund can continue to support members that accessed EF during the COVID-19 pandemic in case of renewed emergencies, while limiting associated risks. Reverting the higher EF CALs to their pre-pandemic levels in July 2023 would undermine the Fund’s ability to respond effectively to emergency situations over the coming years, as countries that used the RFI and/or RCF during the pandemic would be left with little or no borrowing space under the emergency instruments. Their borrowing space would be replenished only gradually in line with repurchases/repayments of the financing disbursed in the Spring of 2020. This would make it impossible for the Fund to support these countries effectively in the near term in case they face BOP needs associated with emergencies and when UCT-quality programs are not feasible or not necessary. Such situations may happen in the current global economic environment of low growth and sizable downside risks, which follows

several years of sizeable shocks that have strained buffers in many countries. The suggested temporary extension would resolve this issue while limiting associated risks. Contrary to earlier concerns, the transition from EF to UCT-quality programs has already taken place. In addition, the past two years have demonstrated that the qualification requirements for emergency financing are effective in ensuring that EF is not accessed when a UCT-quality program is feasible and necessary. This also limits the potential impact on Fund resources.

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INTRODUCTION

1. As requested by the Executive Board in December 2021, this paper proposes a forward-looking strategy on the temporarily higher cumulative access limits (CAL) for emergency financing (EF). Under existing decisions, these limits would return to their pre-pandemic levels at end-June 2023, leaving many countries without borrowing space under the EF instruments. However, it might be appropriate to maintain some borrowing space under the EF instruments and thereby enable the Fund, going forward, to support countries facing emergency situations with urgent Balance of Payment (BOP) needs in circumstances in which a UCT-quality program would not be feasible or not necessary. Allowing for some borrowing space under EF instruments appears particularly relevant amid the current high uncertainty and weak outlook for the global economy, with elevated downside risks and depleted macroeconomic buffers after the compound shock of the COVID-19 pandemic and the economic fallout from Russia’s war in Ukraine. In this conjuncture, the need for EF could be heightened in the event of exogenous shocks. At the same time, the proposed strategy aims to ensure that EF continues to be utilized only where a UCT-quality program is not feasible or is not necessary.

2. On balance, staff consider that the temporarily higher CALs for the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF) should be extended at this juncture. Reverting the higher EF CALs to their pre-pandemic level on July 1, 2023, would undermine the Fund’s ability to respond effectively in emergency situations in the coming years. Many countries, and especially PRGT-eligible members, would have exhausted access and would not have space for any EF borrowing until they gradually start repaying their outstanding obligations starting in the second half of 2025. By contrast, the risks involved in extending the temporarily higher CALs seem limited. The transition from emergency financing during the pandemic to UCT-quality programs has already taken place in 2021, and the past two years have demonstrated that the qualification requirements for EF ensure that it is not used when a UCT-quality program is feasible and necessary. This also limits the possible impact of an extension on the Fund’s lending resources. Based on these considerations, this paper presents a proposal to extend the current EF CAL at 150 percent of quota (183.33 percent for the Large Natural Disaster (LND) window) until the end of June 2024 for the RFI, and for the RCF until the date of the Board completion of the comprehensive review of PRGT facilities planned for 2024/25. The difference in the proposed timeline for the GRA and the PRGT is motivated by the different repayment schedules under the two instruments.

3. The rest of the paper is organized as follows. The next section provides a short overview of the Fund’s EF since the start of the COVID-19 pandemic. The paper then shows that a return of the CALs for the RFI/RCF to their pre-pandemic levels on July 1, 2023 would leave an elevated number of countries that accessed such financing during the pandemic without any further EF borrowing space for a year or more. Based on this analysis, the paper lays out the proposal to temporarily extend the current CALs for the RFI and RCF, before assessing associated risks and resource implications. The paper concludes with issues for Executive Directors’ consideration.

BACKGROUND

4. In response to the COVID-19 pandemic, the Fund has made several modifications to EF access limits to better respond to members' increased urgent BOP needs. In April 2020, the annual access limits (AAL) and cumulative access limits (CAL) for the RFI regular window and the RCF exogenous shock (ES) window were temporarily raised by 50 percent of quota to 100 and 150 percent of quota from the earlier levels of 50 and 100 percent of quota, respectively. These temporary increases were extended twice, in October 2020 and March 2021, until the end of December 2021. The AAL and CAL under the Large Natural Disaster (LND) windows of the RFI and RCF were also increased by 50 percent of quota to 130 and 183.33 percent of quota, respectively, through the end of 2021 (See Table 1).¹

5. In December 2021, the Executive Board decided to restore the temporarily higher AAL for RFI and RCF to their pre-pandemic levels (Table 1). As the acute phase of the pandemic began to subside, the RFI/RCF AAL were brought back to 50 percent of quota (RFI regular and RCF ES windows) and 80 percent of quota (LND window). By then, the borrowing space under the AALs had been largely restored for most countries, as the emergency financing that was received during the pandemic no longer appeared in the 12-month backward- and forward-looking calculation of annual access.²

6. At the same time, the Executive Board decided to maintain the temporarily higher CALs for RFI and RCF until end-June 2023 (Table 1). This approach was assessed as appropriate to maintain sufficient borrowing space to support urgent BOP needs for most members for which UCT-quality programs would not be feasible or not necessary. Indeed, many members had outstanding EF credit of 100 percent of quota (or more), so that a return to pre-pandemic CAL at that stage would have left them with little to no room to access EF.³ EF CALs were thus kept unchanged at 150 percent of quota (RFI regular/RCF exogenous shock windows) and 183.33 percent of quota (RFI/RCF LND window) until end-June 2023. The 18-month extension of temporarily higher CAL allowed access of at least 50 percent of quota (cumulatively) under EF for most countries. By default, and absent any new decision from the Executive Board, the EF CALs will revert to the pre-pandemic level of 100 percent of quota (RFI regular/RCF ES windows) and 133.33 percent of quota (RFI/RCF LND window) on July 1, 2023.

¹ [Temporary Modifications to Access Limits Under the Large Natural Disaster Window of The Rapid Credit Facility and of the Rapid Financing Instrument](#) (2021).

² [See Review of Temporary Modifications to The Fund's Access Limits in Response to The COVID-19 Pandemic](#).

³ The AAL and CAL for EF instruments are hard limits on the amounts that countries can borrow under the RFI and RCF. In contrast, the GRA and PRGT overall AAL and CAL trigger the application of higher scrutiny under the Exceptional Access frameworks, which subjects financing requests to additional substantive and procedural requirements.

Table 1. Overview of Emergency Financing (EF) Access Limits*

	Pre-pandemic period	Pandemic period (until 12/31/2021)	Extended higher CAL period (1/1/2022 - 6/30/2023)	Existing Board decision (7/1/2023)
RFI				
Regular window				
Annual Access Limit	50	100	50	50
Cumulative Access Limit	100	150	150	100
LND window				
Annual Access Limit	80	130	80	80
Cumulative Access Limit	133.33	183.33	183.33	133.33
RCF (for PRGT-eligible countries)				
Regular window				
Annual Access Limit	50	50	50	50
Cumulative Access Limit	100	100	100	100
Exogenous shock (ES) window				
Annual Access Limit	50	100	50	50
Cumulative Access Limit	100	150	150	100
LND window				
Annual Access Limit	80	130	80	80
Cumulative Access Limit	133.33	183.33	183.33	133.33

* Outstanding disbursements (purchases) from all other RCF (RFI) windows are included in the calculation of the annual and cumulative access.

7. Assuming that a robust economic recovery would be underway, the Executive Board also called on staff to present a strategy towards a post-pandemic EF access limit policy by June 2023. This timing reflected the plausible expectation as of December 2021 that global economic conditions would have improved significantly by 2023 as the COVID-19 pandemic subsides. The 18-month extension was deemed adequate to provide time for staff to review the impact of the pandemic, take stock of the shift toward UCT-quality programs, and reassess the post-pandemic role of the EF assistance in the Fund's lending toolkit. The Executive Board's decision to limit the extension of the higher CALs also aimed to encourage transition to tailored UCT-quality programs whenever appropriate and feasible to support structural reforms and to address underlying macroeconomic vulnerabilities and larger financing needs.

8. However, the economic fallout from the war in Ukraine and global economic challenges have dramatically changed the context and highlighted the need to enable the Fund to support members faced by emergency situations. The war in Ukraine led to a dramatic increase in the international prices for food and fertilizers that already saw a significant upward trend for several years and triggered an extreme hike in energy prices. These price increases added to already existing inflationary pressures in many countries, triggering monetary policy tightening in advanced economies, that in turn increased debt service burdens throughout the global economy and contributed to tighter market access conditions, especially for low-income countries (LICs). As a result, many members have been experiencing strains on their external and fiscal accounts, which further weakened their macroeconomic buffers that were already depleted due to the economic impact of the COVID-19 pandemic. Overall, as noted most recently in the April 2023 World Economic Outlook, the confluence of these factors has led to an anemic growth outlook at the current juncture with significant downside risks. The confluence of these factors has increased the

likelihood that countries facing economic shocks, and for which a UCT-quality program is not feasible, could request EF from the Fund.

9. As part of its response to urgent food-shock related BOP needs faced by many members, the Fund has introduced a Food Shock Window (FSW) under the RFI/RCF in September 2022. This window was designed to support countries particularly affected by the global food shock to address associated urgent BOP needs. The FSW has offered total access of up to 50 percent of quota, additional to the existing AAL under the RFI/RCF. Moreover, for countries using the FSW, the CAL under the RFI regular window and RCF ES window has been increased to 175 percent of quota.⁴ A review of the FSW is being presented to the Board concurrently with this review of the EF CALs.

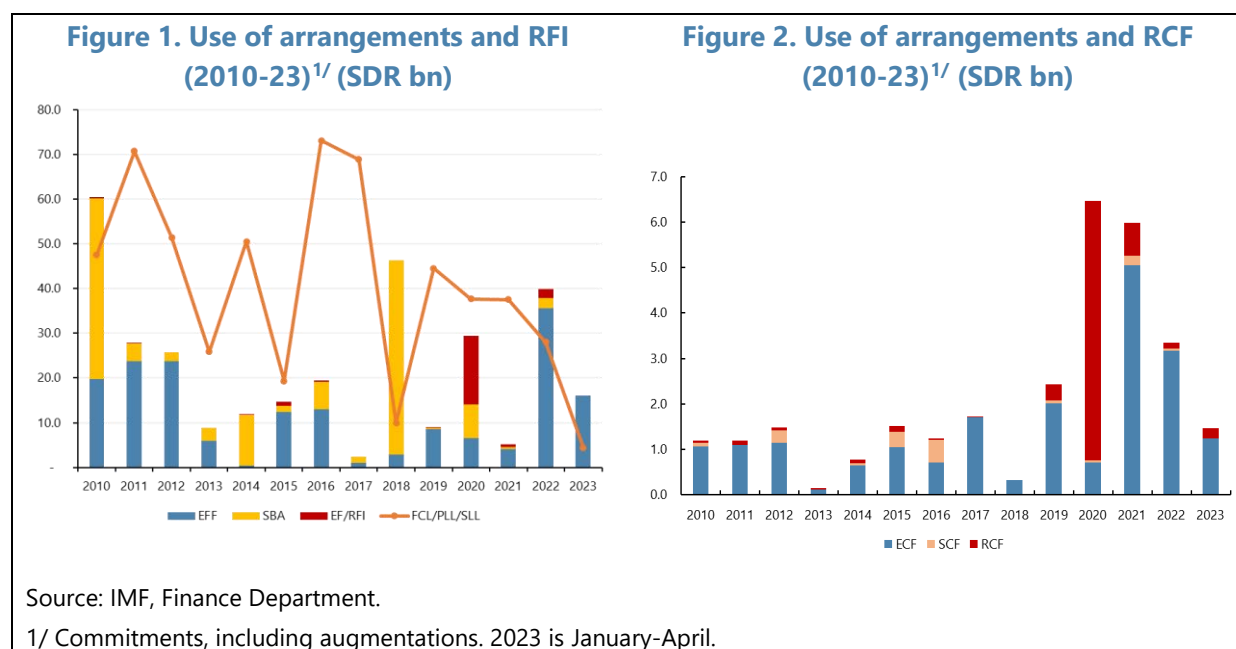
10. Notwithstanding the urgency of support, the Fund has provided financial support to its members largely through UCT-quality programs. For most countries experiencing BOP needs since April 2021 and through April 2023, the Fund has provided financial support through UCT-quality programs (Figures 1 and 2):

- **39 new arrangements with SDR 103.4 billion in commitments.** These included seven arrangements under the Extended Fund Facility (EFFs, SDR 37.6 billion), three Stand-by arrangements (SBAs, SDR 2.2 billion), seven precautionary arrangements (Flexible Credit Line(FCL)/Precautionary and Liquidity Line(PLL)/Short-term Liquidity Line(SLL), SDR 50.5 billion), six Extended Credit Facility(ECF)-EFF blended arrangement (SDR 5.7 billion), one SBA-Stand-by Credit Facility(SCF) blended arrangement (SDR 0.5 billion), 12 ECFs (SDR 6.7 billion) and three Policy Coordination Instruments(PCIs).
- **11 cases of EF, most of which occurred in 2021 (pre-FSW) or under the FSW.** These cases included a RCF LND for Saint Vincent and the Grenadines in July 2021, three EF operations in September-October 2021 for Burundi (RCF), Equatorial Guinea (RFI) and Tanzania (RFI/RCF blend)⁵, an RFI for Ukraine in March 2022, and six disbursements under the FSW between October 2022 and March 2023 (Burkina Faso, Guinea, Haiti, Malawi, South Sudan, and Ukraine).⁶

⁴ [See Proposal for a Food Shock Window Under the Rapid Financing Instrument and Rapid Credit Facility](#) (2022).

⁵ Tanzania received support through a blended RCF-RFI, despite no longer being a presumed blender at the time of the approval in September 2021. The RCF-RFI was subsequently replaced by a full RCF, in line with Tanzania's blending status.

⁶ In the cases of Haiti, Malawi, South Sudan and Ukraine, the use of FSW was combined, concurrently or shortly after, with [Staff Monitored Programs \(SMP\) or Program Monitoring with Board Involvement \(PMB\)](#) to build track record towards UCT-quality programs.



THE CHALLENGES OF RETURNING TO PRE-PANDEMIC EF CALS BY JULY 2023

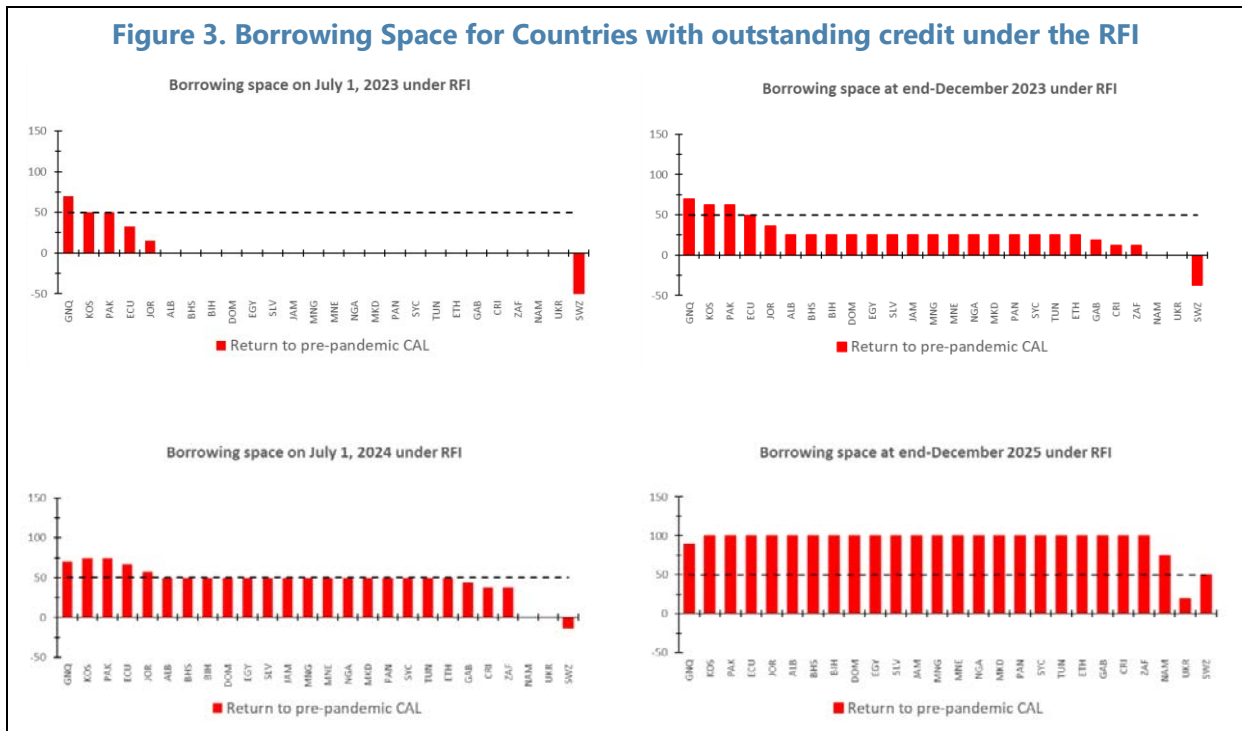
11. A return of temporarily higher EF CALs to their pre-pandemic levels on July 1, 2023, would leave an elevated number of countries without any space to borrow in case an urgent BOP need arises. Reverting the CALs to their pre-pandemic levels would strongly reduce the borrowing space available to members facing an urgent BOP need. Most countries that have accessed EF since 2020 would have zero borrowing space (i.e., the available access under the EF instruments, calculated as CAL minus the country's cumulative outstanding credit under EF) (Figures 3-5).⁷

- **Member countries that accessed financing under the RFI (Figure 3).** Most of these countries would have zero borrowing space under the RFI on July 1, 2023. These members would gradually restore borrowing space under the RFI of 50 percent of quota through the progressive repurchase of the financing disbursed in the Spring of 2020 as RFI repurchases are due after 3¼ years of grace period and with 5-year maturity. Most countries would have restored a borrowing space of 50 percent of quota by end-June 2024 and reach space of 100 percent of quota by end-2025.
- **PRGT-eligible members that accessed financing under the RCF (Figure 4).** Similar to the RFI cases, most of these members would have no borrowing space under the RCF on July 1, 2023. But in contrast to RFI cases, the borrowing space under the RCF would be constrained for

⁷ If a member has requested financing under the Food Shock Window (FSW), 25 percent of quota was added to the cumulative access limits. Please see the companion paper "Review of the Experience with the Food Shock Window".

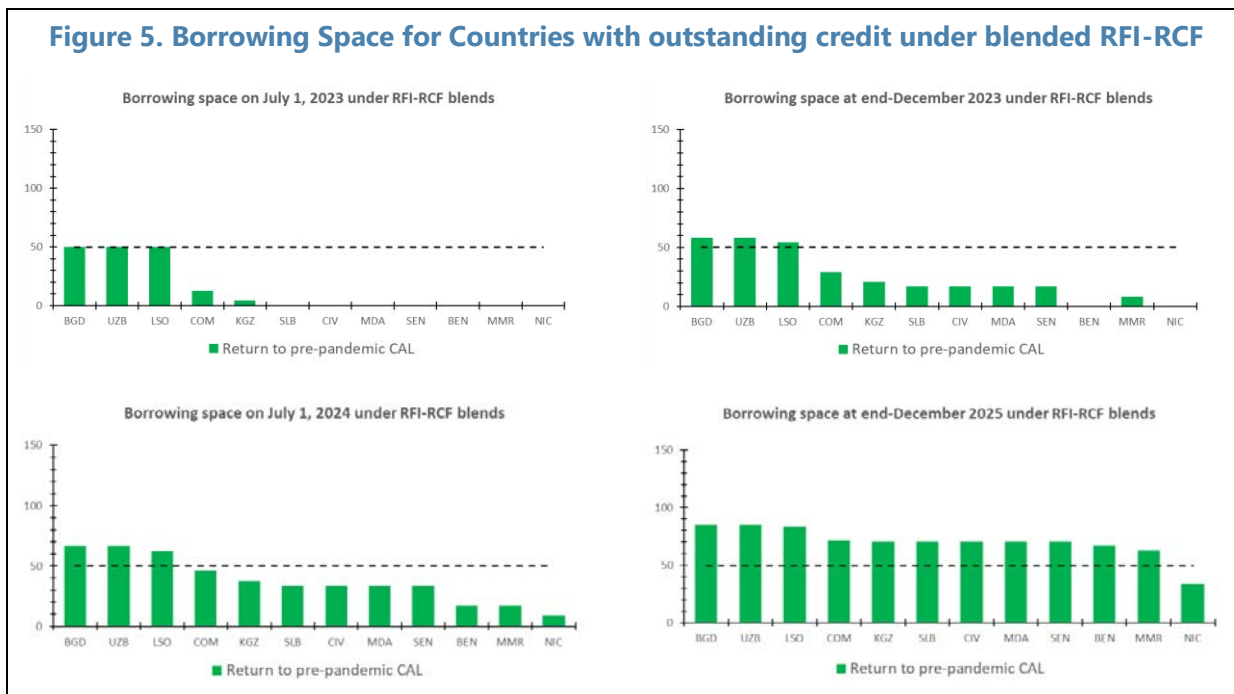
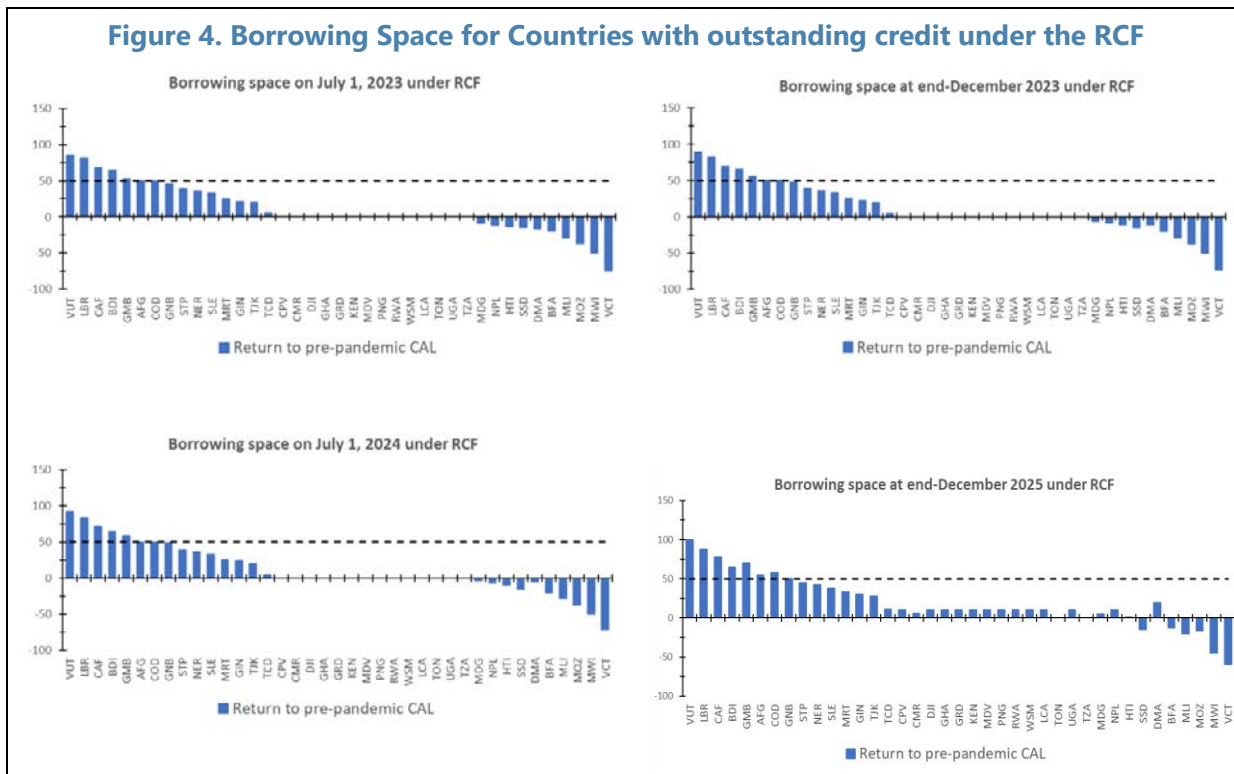
longer, as RCF repayments are due after 5½ years of grace period and within a 10-year maturity.⁸ In practice, most of these members would have less than 50 percent borrowing space until end-June 2027.

- **Members that had blended RFI-RCF access (Figure 5).** Most presumed blenders would also have no EF borrowing space on July 1, 2023. They would restore EF borrowing space more slowly than RFI-only countries but more quickly than countries that only accessed financing under the RCF, owing to the faster repurchase of the RFI portion (which is the larger component) of their EF access.⁹



⁸ Tanzania is shown in this group given that the initial support under the RCF-RFI blend was later replaced with a full RCF, see footnote 5.

⁹ For presumed blenders, any RFI access also counts towards RCF access limits.



12. Staff is of the view that leaving a large number of countries without any EF borrowing space in case of urgent BOP needs would not be appropriate in the current difficult economic context. Countries for which a UCT-quality program is not feasible would be exposed to such risks, in particular PRGT-eligible countries given the relatively longer repayment period of RCF credit

borrowed during the COVID-19 pandemic. Moreover, returning to the pre-pandemic EF CALs that limit their access to the RCF may reduce external financing available from other sources, given the catalytic role played by the Fund's financial support.

STAFF'S PROPOSAL

13. Staff proposes a pragmatic and tailored approach to maintain adequate capacity for the Fund to support countries faced with urgent BOP needs. Specifically:

- **For the RFI, staff proposes to maintain the CAL at 150 percent of quota** (and at 183.33 percent of quota for the LND window) until end-June 2024. The CAL would revert to the pre-pandemic level of 100 percent of quota (and 133.33 percent of quota for the LND window) on July 1, 2024 (Table 2).
- **For the RCF, staff proposes to maintain the CAL at 150 percent of quota (and at 183.33 percent of quota for the LND window) until the date of the Board completion of the comprehensive review of PRGT facilities planned for 2024/25¹⁰.** The 2024/25 comprehensive review of PRGT facilities is expected to present an assessment of key policies for concessional financing including access policy for the RCF, and will provide an opportunity to formulate a suitable strategy as part of the broader reflection on PRGT facilities.
- **For presumed blenders, access would reflect the different path for the RFI and RCF access limits based on an unchanged 2:1 blending mix between GRA and PRGT resources.** On July 1, 2024, the RFI portion of the emergency financing would be subject to the pre-pandemic CALs. The RCF portion would be subject to the temporarily higher CALs until the review of PRGT facilities in 2024/25.

¹⁰ The date of the Board completion of the comprehensive review refers to the date of the Board's adoption of the decision to complete the review, and, unless otherwise specified by the Board, irrespective of any deferred effectiveness of reforms under that decision.

Table 2. Emergency Financing (EF) Access Limits – Current Decision vs. Staff Proposal

	Current limits (1/1/2022 - 6/30/2023)	Existing Board decision (7/1/2023)	Proposed limits (7/1/2023- 6/30/2024 for RFI; 7/1/2023-PRGT review for RCF)	Proposed limits (7/1/2024 and onwards for RFI; PRGT review and onwards for RCF) 3/
RFI				
Regular window				
Annual Access Limit	50	50	50	50
Cumulative Access Limit	150	100	150	100
Large Natural Disaster (LND) window				
Annual Access Limit	80	80	80	80
Cumulative Access Limit	183.33	133.33	183.33	133.33
RCF (for PRGT-eligible countries) 2/				
Regular window				
Annual Access Limit	50	50	50	50
Cumulative Access Limit	100	100	100	100
Exogenous shock (ES) window				
Annual Access Limit	50	50	50	50
Cumulative Access Limit	150	100	150	100
Large Natural Disaster (LND) window				
Annual Access Limit	80	80	80	80
Cumulative Access Limit	183.33	133.33	183.33	133.33

1/ Outstanding disbursements (purchases) from all other RCF (RFI) windows are included in the calculation of the annual and cumulative access.

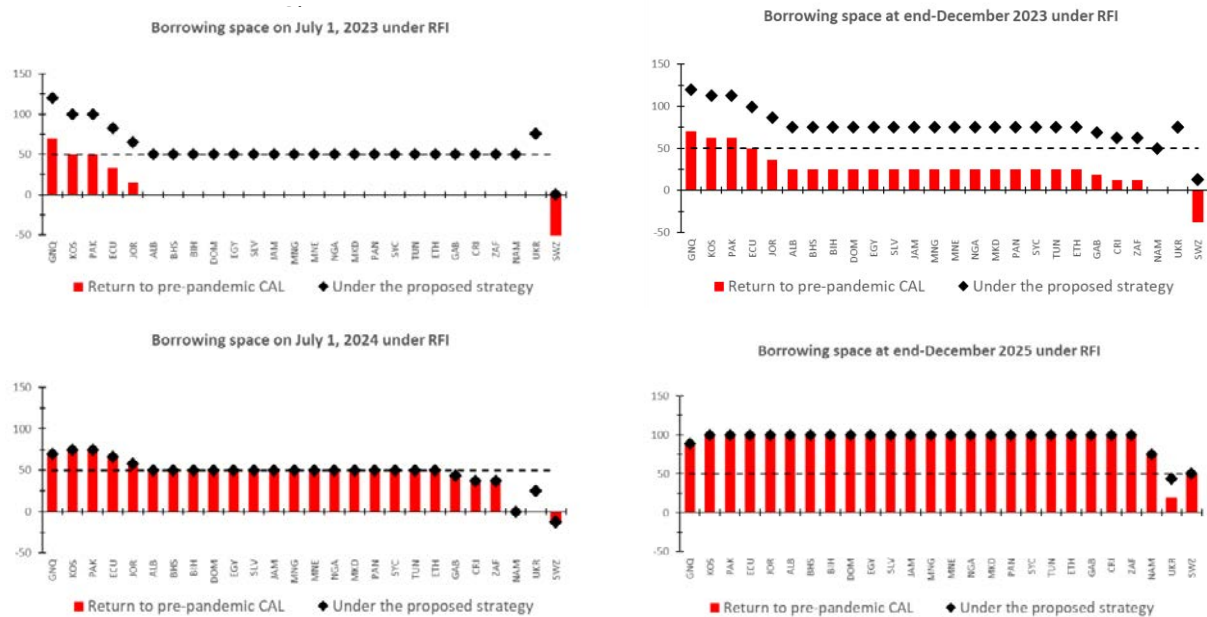
2/ Any RFI access also counts towards RCF limits.

3/ For RCF ES and LND windows, the CAL would return to pre-pandemic levels on the date of completion of the comprehensive PRGT review.

14. This proposal would ensure that most countries have at least 50 percent of quota in borrowing space under the EF instruments over the coming years, when outstanding EF balances accumulated mostly during the pandemic are not yet fully repaid. The proposal would increase countries' EF borrowing space compared to the option of returning to pre-pandemic limits on July 1, 2023 (Figures 6-8):

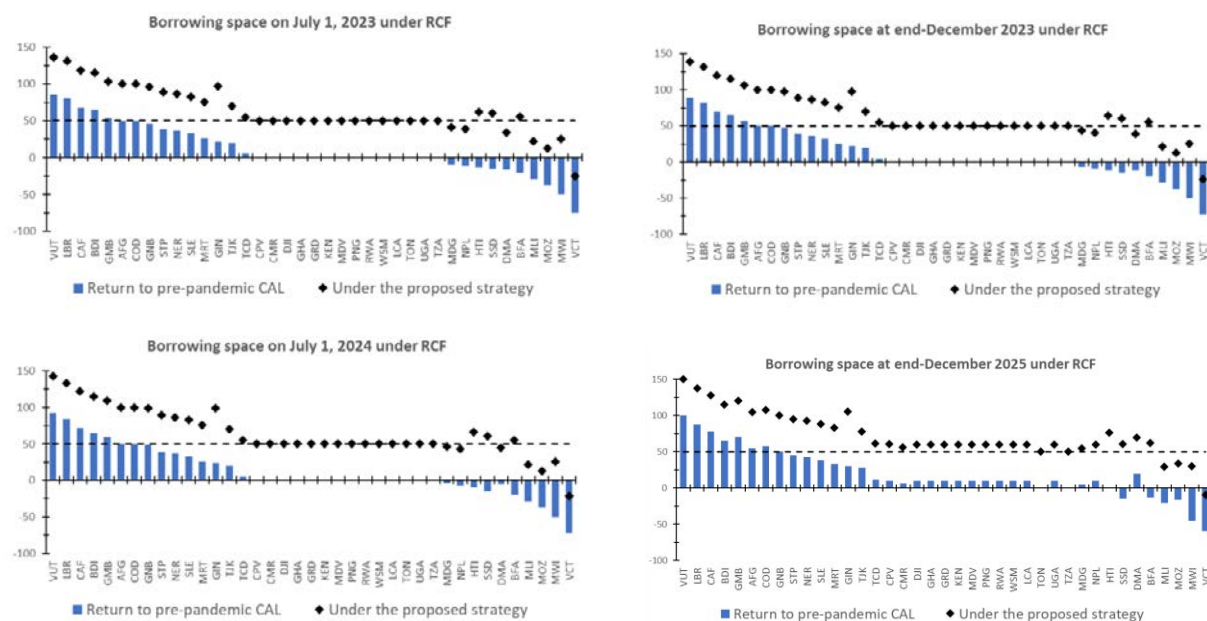
- **Member countries that accessed financing under the RFI (Figure 6)** would in most cases maintain at least 50 percent of quota of borrowing space under the RFI. This space would initially be due to the higher CALs, and, after July 1, 2024, reflect the gradual repurchases that would restore the borrowing space.
- **PRGT-eligible members that accessed RCF financing (Figure 7)** would in most cases maintain at least 50 percent of quota in EF borrowing space over the next years as a result of the extension of the higher CALs.
- **Countries that accessed blended financing under the RFI and RCF (Figure 8)** would maintain at least 50 percent of quota in EF borrowing space until July 1, 2024, after which most countries in this group would have borrowing space restored to 50 percent of quota due to the repurchase of the RFI portion, which along with continued higher RCF limits would ensure sufficient space to borrow under the EF instruments.

Figure 6. Borrowing Space for Countries with outstanding credit under the RFI

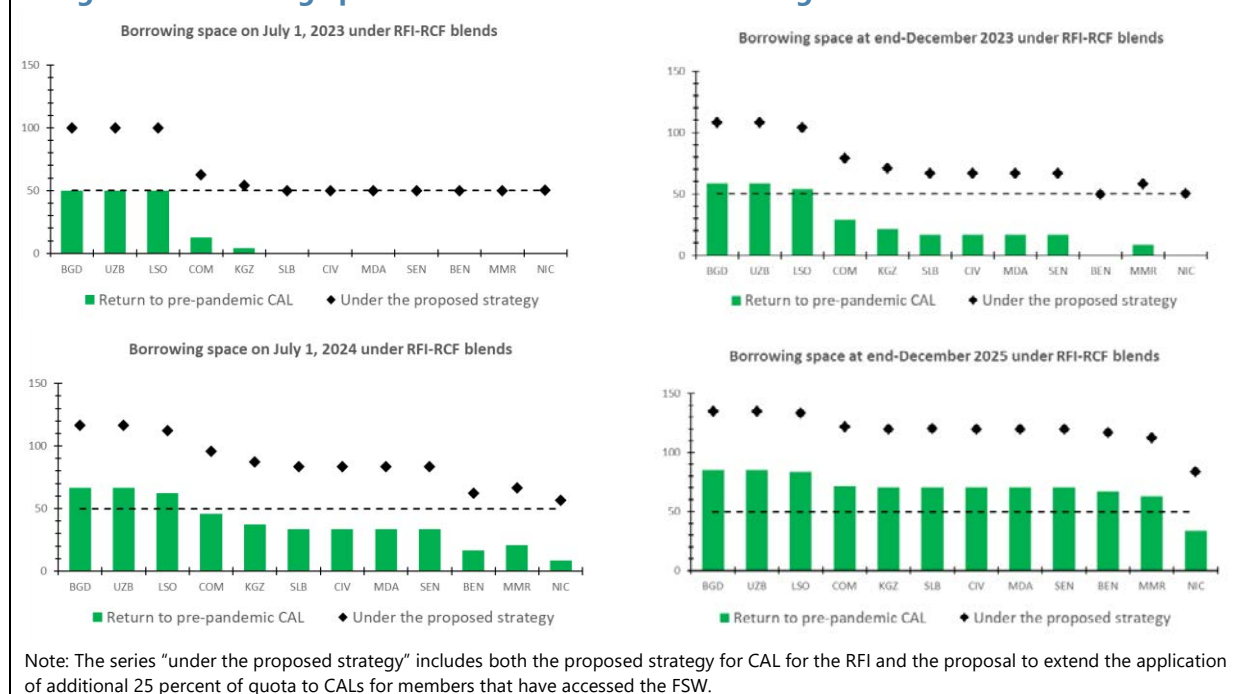


Note: The series "under the proposed strategy" includes both the proposed strategy for CAL for the RFI and the proposal to extend the application of additional 25 percent of quota to CALs for members that have accessed the FSW.

Figure 7. Borrowing Space for Countries with outstanding credit under the RCF



Note: The series "under the proposed strategy" includes both the proposed strategy for CAL for the RFI and the proposal to extend the application of additional 25 percent of quota to CALs for members that have accessed the FSW.

Figure 8. Borrowing Space for Countries with outstanding credit under blended RFI-RCF

15. This paper sets forth two decisions for adoption by the Executive Board. Decision I proposes amendments to the Rapid Financing Instrument Decision to extend the CAL under this instrument through end-June 2024. Decision II proposes amendments to the Emergency Financing instrument to implement the proposal to extend the current, temporarily higher CAL for financing under the Rapid Credit Facility until the date of the Board completion of the 2024/25 Review of Facilities for Low-Income Countries.

ENTERPRISE RISKS

16. Extending the current EF CAL raises a number of enterprise risks. These include: (1) financial risks to Fund credit and adequacy and liquidity of lending resources; (2) reputational credibility risk arising from the possibility that the extension could lead to more reliance on EF than UCT-quality programs; and (3) human capital risks, given the staffing resource constraints for both country teams and for administering the policy.

17. The financial risks from extending the current EF CAL are assessed as low/moderate under both the GRA and PRGT lending. Since April 2021, the Fund has provided financial assistance for most countries experiencing BOP needs through UCT-quality programs rather than EF (see paragraph 10) for under both GRA and PRGT. In addition, the relative size of Fund EF in new lending is small, constituting only 2.1 percent of total Fund financial assistance approved in FY2022. However, shortfalls in subsidy contributions, higher interest rates, and stronger demand for PRGT borrowing are straining PRGT finances. The IMFC has supported reaching the 2021 funding targets by the Marrakech Annual Meetings and advancing technical work on the full range of options to put the PRGT on a sustainable footing.

18. The risk that countries would opt for EF instead of UCT-quality programs under Fund arrangements is assessed as low, for the following reasons:

- Rigorous application of the qualification requirements for accessing the RCF and RFI continues to ensure that countries resort to EF financing only when a UCT quality program is not necessary or not feasible.¹¹ As mentioned above, the experience since 2021 suggests that staff has steered countries towards UCT-quality programs except in cases where those were not necessary or not feasible, and staff intends this to continue.
- The standard safeguards applicable to all Fund financing will continue to apply to access to EF, including the requirement of debt sustainability and adequate capacity to repay.
- The amount of financing provided under EF is relatively low, as it would continue to be constrained by the annual and cumulative access limits, which are hard caps.
- The disbursements under the RCF are limited to two times in any 12-month period (except for disbursements under the Food Shock Window).
- Prior actions may be used in EF where upfront implementation of specific measures is critical. Also, all EF requests must include policy commitments, including the policies the member plans to pursue to address its balance of payment difficulties.

19. The human capital resource constraint risk is judged to be low/moderate, and is being addressed by resource reallocation and project prioritization within the concerned departments.

20. In contrast, the risks from not extending the CAL of EF are multi-dimensional and could outweigh the risks that may emanate from the extension. As reported in the April 2023 World Economic Outlook, the forecast for growth in 2023 is anemic, and the risks to the outlook are heavily skewed to the downside. Also, high risks of climate-related shocks, including El Nino in 2023, warrant adequate borrowing space under the EF instruments for countries where a UCT quality program may not be feasible or necessary. At this juncture, leaving a large number of qualifying countries without any access to financing under the EF instruments would increase the Fund's enterprise risk in terms of member engagement as the products and/or services offered by the Fund may not meet the members' needs. Not providing adequate borrowing space under EF instruments for many countries that meet the qualification for EF and for Fund lending more generally, over a significant period may also increase *perceptions* that the Fund is not responsive to its members' needs and thus entails potential reputational risks, particularly in the event that some of these countries were to face a severe exogenous shock.

¹¹ Furthermore, in line with staff proposals in March 2021, staff reports accompanying any request for EF would continue to include an explicit discussion on how qualification criteria are met. In particular, a convincing case needs to be established that the country either does not need or is unable (as distinct from unwilling) to implement a UCT-quality program.

RESOURCE IMPLICATIONS OF STAFF'S PROPOSAL

21. The proposed strategy is not expected to have significant resource implications. At the time of the December 2021 review, staff assessed that a temporary extension of the higher CALs for EF instruments would have a limited impact on GRA and PRGT resources. This picture has not changed significantly since, as shown in Figure 1 and paragraph 10, the use of RFI has been very limited since April 2021. Similarly, a further temporary extension of the higher CALs for the RCF is not expected to have an additional significant effect on demand for PRGT resources and on PRGT subsidy needs beyond the baseline projections presented to the Board on April 6, 2023. This reflects an assumption that EF would only be available for qualifying countries for whom a UCT-quality program is either not feasible or not necessary. Furthermore, the lower AAL (50 percent of quota for the RCF ES window and RFI regular window, and 80 percent of quota for the RCF and RFI LND window), in place since December 2021, limit the potential resource implications.

ISSUES FOR DISCUSSION

22. Do Directors agree with the proposal to extend the temporarily higher CAL for RFI (i.e., 150 percent of quota for the RFI regular window¹² and 183.33 percent of quota for the RFI LND window) until end-June 2024?

23. Do Directors agree with the proposal to extend the temporarily higher CAL for RCF (i.e., 150 percent of quota for the RCF ES window¹³ and 183.33 percent of quota for the RCF LND window) until the 2024/25 comprehensive review of PRGT Facilities?

Proposed Decisions

The following decisions, which may be adopted by a majority of the votes cast, are proposed for adoption by the Executive Board:

Decision I: Amendment to the RFI Decision

The Decision establishing the Rapid Financing Instrument (RFI), Decision No. 15015-(11/112), November 21, 2011, as amended, shall be further amended to read as follows:

1. In paragraph 5A, the references "from April 6, 2020 to June 30, 2023" shall be revised to read "from April 6, 2020 to June 30, 2024" .

¹² If the FSW is used, the cumulative limits under the RFI regular window would be increased to 175 percent of quota.

¹³ If the FSW is used, the cumulative limits under the RCF ES window would be increased to 175 percent of quota.

2. In the final sentence of paragraph 5B the references “from June 21, 2021 to June 30, 2023” shall be revised to read “from June 21, 2021 to June 30, 2024”.

Decision II: Amendment to the PRGT Instrument

Section II, paragraph 2(b) of the Instrument to Establish the Poverty Reduction and Growth Trust (“PRGT Instrument”), Annex to Decision No. 8759-(87/176) ESAF, adopted December 18, 1987, as amended, shall be further amended to read as follows:

1. In the final sentence of paragraph 2(b)(ii), the references “from June 21, 2021 to June 30, 2023” shall be revised to read “from June 21, 2021 to the date of the Executive Board decision completing the next Comprehensive Review of PRGT facilities in 2024/25.”
2. In paragraph 2(b)(iii) the references “from April 6, 2020 to June 30, 2023” shall be revised to read “from April 6, 2020 to the date of the Executive Board decision completing the next Comprehensive Review of PRGT facilities in 2024/25 by the Executive Board”

Annex I - Redlined Modifications to the Decision Establishing the Rapid Financing Instrument (Decision 15015-(11/112)) and Redlined Modifications to the Instrument to Establish the Poverty Reduction and Growth Trust (annexed to Decision No. 8759-(87/176) ESAF)

Paragraph 5 of Decision Establishing the Rapid Financing Instrument (RFI), Decision No. 15015-(11/112), 11/21/2011

"5. Assistance under this Decision shall be made available to members in the form of outright purchases. Access by members to resources under this Decision shall be subject to (a) an annual limit of 50 percent of quota, and (b) a cumulative limit of 100 percent of quota, net of scheduled repurchases, provided that:

(A) for the period from April 6, 2020 to December 31, 2021, the above annual access limit shall be 100 percent of quota and for the period ~~from April 6, 2020, to June 30, 2023~~ **from April 6, 2020 to June 30, 2024**, the above cumulative access limit shall be 150 percent of quota, net of scheduled repurchases, and

(B) the annual access limit shall be 80 percent of quota and the cumulative access limit shall be 133.33 percent of quota, net of scheduled repurchases, where (i) the member requests assistance under the RFI to address an urgent balance of payments need resulting from a natural disaster that occasions damage assessed to be equivalent to or to exceed 20 percent of the member's gross domestic product (GDP), and (ii) the member's existing and prospective policies are sufficiently strong to address the natural disaster shock. For the period from June 21, 2021 to December 31,

2021, the above annual access limit shall be 130 percent of quota and for the period from ~~June 21, 2021, to June 30, 2023~~ from June 21, 2021 to June 30, 2024, the above cumulative access limit shall be 183.33 percent of quota, net of scheduled repurchases.

Section II, Paragraph 2(b) of the *Instrument to Establish the Poverty Reduction and Growth Trust ("PRGT Instrument")*, annexed to Decision No. 8759-(87/176) ESAF.

"(b) Subject to the provisions in subparagraphs (i) to (v) below, the access of each eligible member under the RCF shall be subject to an annual limit of 50 percent of quota, and a cumulative limit of 100 percent of quota, net of scheduled repayments, including where the assistance is requested to address an urgent balance of payments need resulting primarily from a sudden and exogenous shock and the member's existing and prospective policies are sufficiently strong to address the exogenous shock:

(i) each disbursement shall not exceed 25 percent of quota except where the member requests assistance under the RCF to address an urgent balance of payments need resulting primarily from a sudden and exogenous shock (including a large natural disaster under (ii) below);

(ii) the annual and cumulative access limits under the RCF shall be 80 percent of quota and 133.33 percent of quota, net of scheduled repayments, respectively, where (a) the member requests assistance under the RCF to address an urgent balance of payments need resulting from a natural disaster that occasions damage assessed to be equivalent to or to exceed 20 percent of the member's gross domestic product (GDP) and (b) the member's existing and prospective policies are sufficiently strong to address the natural disaster shock. For the period from June 21, 2021 to December 31, 2021, the above annual access limit shall be 130 percent of quota and for the period ~~from June 21, 2021 to June 30, 2023~~ June 21, 2021 to the date of the Executive Board decision completing the next Comprehensive Review of PRGT facilities in 2024/25, the above cumulative access limit shall be 183.33 percent of quota, net of scheduled repayments;

(iii) a member's request for assistance under the RCF to address an urgent balance of payments need resulting primarily from a sudden and exogenous shock shall be subject to an annual access limit of 100 percent of quota for the period from April 6, 2020 to December 31, 2021, and to a

cumulative access limit of 150 percent of quota, net of scheduled repayments for the period ~~from April 6, 2020 to June 30, 2023~~ from April 6, 2020 to the date of the Executive Board decision completing the next Comprehensive Review of PRGT facilities in 2024/25 by the Executive Board;