



IMF POLICY PAPER

ENHANCING THE EMERGENCY FINANCING TOOLKIT— RESPONDING TO THE COVID-19 PANDEMIC

April 9, 2020

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:

- A **Press Release** summarizing the views of the Executive Board as expressed during its April 6, 2020 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on April 2, 2020 for the Executive Board's consideration on April 6, 2020.
- A **Staff Supplement**

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International Monetary Fund
Washington, D.C.



IMF Executive Board Approves Proposals to Enhance the Fund's Emergency Financing Toolkit to US\$100 Billion

FOR IMMEDIATE RELEASE

Washington, DC – April 9, 2020 The Covid-19 pandemic is taking a human toll and has unleashed a series of shocks on the Fund's entire membership, creating severe disruption in the global economic and financial system. As a result, many emerging market and developing country (EMDC) members face urgent and unprecedented financing needs, creating significant immediate demand for Fund resources. In this context, the IMF Executive Board approved proposals to enhance the Fund's emergency financing toolkit, specifically the Rapid Financing Instrument (RFI), available to all members, and the Rapid Credit Facility (RCF), available only to low-income countries eligible for concessional financing.

"As we are responding to this unprecedented number of calls for emergency financing—from over 90 countries so far—doubling access to our emergency facilities will help us to meet the expected demand of about US\$100 billion in financing and provide stronger support to our member countries in addressing the COVID-19 crisis", IMF Managing Director Kristalina Georgieva said.

These proposals are part of a broader package to ensure a rapid and decisive Fund response to the urgent financing needs of the membership. The Executive Board also adopted complementary proposals to accelerate Board consideration of member financing requests under the RCF and RFI, and assistance under the Catastrophe Containment and Relief Trust (see *Streamlining Procedures for Board Consideration of the Fund's Emergency Financing During Exceptional Circumstances Involving a Pandemic*).

Executive Board Assessment¹

Executive Directors welcomed the timely discussion on enhancing the Fund's emergency financing toolkit, emphasizing the importance of a rapid and decisive Fund response to COVID-19 to help members meet their urgent financing needs. To that end, Directors agreed on a temporary increase in access limits under the regular window of the RFI and the exogenous shocks window of the RCF, with annual access limits rising from 50 to 100 percent of quota and cumulative limits rising from 100 to 150 percent of quota, net of scheduled repayments or repurchases, respectively.

¹ An explanation of any qualifiers used in summings up can be found here: <http://www.imf.org/external/np/sec/misc/qualifiers.htm>.

Directors agreed that the new access limits would apply for a temporary six-month period, with a review of the limits as proposed. To facilitate urgent financing requests, most Directors supported the proposal to temporarily suspend the procedures for high access RCF requests under the PRGT. Directors emphasized that this emergency financing provided by the Fund should be truly additional, both for access to the PRGT and GRA. In this regard, many Directors looked forward to exploring ways in which a temporary relaxation in normal access limits could accommodate the surge in emergency lending. Directors also highlighted the important catalytic role of Fund emergency financing in spurring additional resources from other partners.

Directors stressed the importance of carefully monitoring implementation, including by putting in place appropriate safeguards of accountability, transparency, and control to ensure the appropriate use of emergency financing, where governance and corruption vulnerabilities are macro-critical. Careful consideration will also need to be given to debt sustainability issues.

Directors concurred that the impact of higher RFI access limits on the General Resources Account would be manageable, subject to heightened Covid-19 uncertainties. However, they recognized that the higher access limits under the RCF would exacerbate growing pressures on PRGT loan resources, and stressed the need for expedited and ambitious fundraising efforts.

Provided that sufficient resources were raised quickly, Directors looked forward to considering an increase in the overall PRGT annual normal access limit. This would provide additional space for PRGT financing later in the year, including blended with potential arrangements in the GRA. In this regard, Directors asked for close assessments of the self-sustainability of the PRGT. They looked forward to considering additional suggestions to strengthen the Fund's efforts in the upcoming review of the Fund's concessional financing.



April 2, 2020

ENHANCING THE EMERGENCY FINANCING TOOLKIT - RESPONDING TO THE COVID-19 PANDEMIC

EXECUTIVE SUMMARY

The Covid-19 pandemic is taking a human toll and has unleashed a series of shocks on the Fund's entire membership, creating severe disruption in the global economic and financial system. As a result, many emerging market and developing country (EMDC) members face urgent and unprecedented financing needs, creating significant immediate demand for Fund resources. In order to respond to members' large and urgent financing needs, the paper proposes to enhance the Fund's emergency financing toolkit, through a temporary increase in access limits for both the Rapid Financing Instrument (RFI), available to all members, and the Rapid Credit Facility (RCF), available to Poverty Reduction Growth Trust-eligible members only. It is proposed to increase these access limits for a proposed period of six months, which may be extended by the Executive Board. A companion Board paper (see [Streamlining Procedures for Board Consideration of the Fund's Emergency Financing During Exceptional Circumstances Involving a Pandemic](#)) sets out proposals to accelerate Board consideration of member requests for financing under the RCF and RFI, completion of reviews and requests for changes in access in existing arrangements, and requests for grant assistance under the Catastrophe Containment and Relief Trust.

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CONTENTS

INTRODUCTION	3
PROPOSALS	3
Proposed Decisions	9
Decision I. Amendments to the PRGT Instrument	9
Decision II. Amendments to the RFI Instrument	11
BOX	
1. Evolution of RFI and RCF Access Limits	8
ANNEXES	
I. Instrument to Establish the Poverty Reduction and Growth Trust—Redlined Version	12
II. Rapid Financing Instrument—Redlined Version	14

INTRODUCTION

1. **The Covid-19 pandemic is taking a human toll and has unleashed a series of shocks on the Fund’s entire membership, creating severe disruption in the global economic and financial system.** For the majority of Fund members, what started as a sudden increase in health and other pandemic-related spending, has been compounded by a broader supply shock due to containment measures, domestic and external demand shocks, a large terms of trade shock for commodity producers, and a dramatic tightening of financial conditions for emerging markets (EMs).

2. **As a result, many emerging market and developing country (EMDC) members face urgent and unprecedented financing needs, creating significant immediate demand for Fund resources.** Staff estimates that total EMDC financing needs could be in the region of \$2.5 trillion for the rest of 2020. Even if a significant proportion of these needs is met through existing policy buffers and adjustment, and augmented support from development partners, there could be an unprecedented surge in demand for Fund financing over the next 6-9 months. The Fund has already received requests or inquiries from 87 members, for emergency financing or augmentation of existing arrangements, involving financing of around \$27 billion, based on current access limits. This number is likely to increase as the crisis unfolds—and where necessary emergency support will pave the way for follow up Upper Credit Tranche (UCT)-quality programs—with the potential for Fund financing to substantially exceed that provided during other global crises.

3. **In order to respond to members’ large and urgent financing needs, the paper proposes enhancing the Fund’s emergency financing toolkit.** Section II sets out specific proposals to increase access limits under the Fund’s Rapid Financing Instrument (RFI), which is available to all Fund members, and the Rapid Credit Facility (RCF), which is only available to members that are eligible to use resources under the Poverty Reduction Growth Trust (PRGT).¹ It also discusses the resource implications of the proposed changes for the Fund’s General Resources Account (GRA) and the PRGT. The paper sets forth the proposed decisions for adoption by the Executive Board, including the redlined versions of the PRGT Instrument and the RFI Decision incorporating the proposed modifications for the convenience of Executive Directors. Separately, a companion paper (see [Streamlining Procedures for Board Consideration of the Fund’s Emergency Financing During Exceptional Circumstances Involving a Pandemic](#)) sets out proposals to streamline the Executive Board’s consideration of requests for emergency financing under the RCF and RFI in order to respond more quickly to members’ urgent balance of payments (BoP) needs.

PROPOSALS

4. **The Fund’s emergency financing toolkit can provide urgent rapid financing to the membership, but current maximum access levels are too low to deal with this crisis effectively.** The RCF and RFI are available in the form of outright disbursements or purchases without a requirement for UCT-quality policies. However, as noted above, staff analysis suggests

¹ All other policies governing financing under the RCF and the RFI remain unchanged.

that, for many EMDCs, BoP needs will result in emergency demands for Fund financing that are likely to exceed the annual access limits of 50 percent of quota under the regular window of the RFI and the exogenous shock window of the RCF, respectively. Moreover, the damage threshold for accessing the large natural disaster window (and its higher annual and cumulative access limits of 80 and 133.33 percent of quota, respectively) is too high to provide support for COVID-19-related needs under this window, given the limited damage to physical assets at present.² It is therefore proposed to increase the annual and cumulative limits on the RFI and RCF on a temporary basis, initially for six months, in order to provide more room for emergency financing.

RFI

5. **Staff proposes a temporary increase of the annual and cumulative access limits under the regular window of the RFI, for an initial six-month period.** The annual and cumulative access limits under the regular window of the RFI would be increased from 50 and 100 percent of quota to 100 percent and 150 percent of quota, respectively.³ Higher access is justified by the need to more effectively respond to members' urgent BoP needs arising from rapid prevention/containment and mitigation measures to limit the human and economic costs of the pandemic. Importantly, an effective immediate response will have positive regional and global externalities, helping contain further demand for Fund resources arising from a potential escalation of the pandemic, for the member and the broader membership. It is proposed that the increase in annual and cumulative access limits under the RFI be approved by the Executive Board on an exceptional basis, for a period of six months, beginning from the date of the decision approving such limits, which could be further extended (see paragraph 10).

6. **This targeted and temporary increase in access limits is preferable to a more long-term increase.** A temporary increase would move access for RFI resources without UCT-quality policies closer to the GRA overall annual access limit (145 percent of quota) at the time of crisis, but would not increase the risks of moral hazard and facility shopping to avoid UCT-standard instruments during normal times. The current policy safeguards for the use of RFI resources, i.e., the qualification requirements⁴ and limits to repeat use,⁵ would remain in place.

7. **The impact of the increase in access limits under the RFI on near-term demand for GRA resources would be manageable, subject to the heightened COVID-19 uncertainties.**

² The threshold for the large natural disaster window is damage equivalent to, or in excess of, 20 percent of GDP.

³ Access limits for the large natural disaster window of the RFI would remain unchanged.

⁴ An RFI is available where the urgent BOP needs are expected to be resolved within one year, with no major policy adjustments being necessary, or where the member lacks capacity to implement a UCT-quality program due to its limited implementation capacity or due to the urgent nature of the BOP need.

⁵ Specifically, where a member has made a purchase under the RFI within the three preceding years, any additional RFI purchases, except those requested to meet an urgent BOP need caused primarily by an exogenous shock, could only be approved if the member has established a track record of adequate macroeconomic policies at least over a period of six months immediately prior to the request.

- **Resource demand:** To date, requests for financial assistance or expression of interest for RFI financing have been received from over 30 emerging market countries, with potential demand of SDR 23 billion under the proposed access limits, and by over 10 PRGT-eligible countries with potential access of about SDR 2½ billion of GRA resources under the RFI/RCF blend. Staff estimates that total immediate potential RFI-related demand for GRA resources could increase to up to some SDR 60 billion, assuming more EMs come forward, which are currently not covered by any precautionary arrangements and meet the general criteria of access to Fund resource, including debt sustainability.⁶
- **Supply impact:** The *demand* for Fund resources could also impact the *supply* of resources, as the Fund would no longer draw on members' resources once they request the use of resources. To estimate this impact by excluding all participants in the Financial Transactions Plan (FTP) with a potential for drawing on GRA resources under the RFI, the Fund's 12-months forward commitment capacity (FCC) of about SDR 198 billion would decline to some SDR 171 billion. This would leave the FCC still nearly three times above the higher potential demand.
- **Outlook for other GRA resources:** Depending on the future path and impact of the COVID-19 shock, demand for Fund financial assistance under other Fund facilities could quickly rise above these estimates. This could potentially require activation of the New Arrangements to Borrow to bolster the FCC, which is currently only based on available quota resources.

RCF

8. **Staff also proposes a temporary increase of the annual and cumulative access limits under the exogenous shock window of the RCF, and to begin immediate fundraising efforts, given the expected large increase in demand for PRGT resources.** Access limits under the RFI and RCF have historically moved in lockstep, and it is important to ensure that emergency financing on concessional terms can be provided to PRGT-eligible members at the same higher access limits as will be available under the RFI under the above proposal. It is therefore proposed to increase the annual and cumulative access limits under the RCF's exogenous shock window from 50 percent and 100 percent of quota to 100 and 150 percent of quota (net of repayments), respectively.⁷ As with the RFI, it is proposed that the increase of access limits be approved by the Executive Board on an exceptional basis, for a period of six months, beginning from the date of the decision approving such limits. Staff estimates that this will increase demand for PRGT emergency financing from SDR 4.4 billion to SDR 8.1 billion,⁸ which could be accommodated by available loan resources of SDR 8.4 billion. With little room remaining for other new PRGT-supported programs, staff would also propose to begin immediate fundraising efforts to secure more loan resources. The surge in PRGT credit will also strain the PRGT's self-sustainability in the post-crisis period. The review of the Fund's

⁶ The total estimate also includes comparable augmentations in lieu of an RFI request in a few cases, and the RFI portion of blended access by some 20 PRGT-eligible countries.

⁷ Access limits for the regular and large natural disaster windows of the RCF would remain unchanged.

⁸ This assumes that countries' borrowing remains within prevailing normal access limits.

concessional financing, scheduled for the fall of 2020, will assess the impact of the surge in demand and consider options to address the issue.

9. **If fundraising efforts secure sufficient additional loan resources, staff would also bring a proposal to the Board to temporarily increase the overall annual normal access limit under all PRGT facilities.** The global limit on annual normal access under the PRGT is currently 100 percent of quota, implying that: (i) any country that has tapped PRGT resources over the past year will not be able to access the full amount available under the proposed temporary RCF access limit of 100 percent of quota for some time, unless it satisfies the exceptional access requirements; and (ii) any country that accesses the RCF at the temporary limit of 100 percent of quota will not be able to obtain PRGT financing under a Fund arrangement for the ensuing 12 months, unless the exceptional access criteria for the PRGT are satisfied.⁹ If sufficient additional loan resources are secured, staff will bring a proposal to the Board that the global annual normal access limit under the PRGT be increased on a temporary basis (through end-April 2021) to 130 percent of quota, thereby providing some additional space for PRGT financing, including initial disbursement under potential Extended Credit Facility (or Standby Credit Facility) arrangements later in the year. Staff estimate that this measure would increase total demand for PRGT resources to around SDR 13 billion in 2020.

Ringfencing reforms

10. **Staff proposes to temporarily increase access limits under the regular window of the RFI and the exogenous shock window of the RCF for a period of six months.** In light of the global pandemic, and to mitigate risks, staff proposes that (i) the Executive Board approves the increase for a limited period of six months; and (ii) one month prior to the end of the six-month period, the Executive Board will review the increased access limits and decide whether the increased access limits under each of the RCF and RFI could be extended for a further period to be specified by the Board. Any request for RCF and RFI support making use of the proposed higher access limits would need to be approved before the end of the six-month period. Upon expiration of the six-month period and absent an extension by the Executive Board, future requests for RCF and RFI financing could be approved only within the current access limits.¹⁰

11. **Ringfencing the proposed reforms in this way balances the need to manage somewhat higher lending risks, with the need for a swift and decisive Fund response.** A larger share of Fund financing provided without UCT-quality policies would mean somewhat higher operational, credit and PRGT funding risks for the Fund, which would be mitigated by the internal review process, existing and prospective policies of the requesting members to address the exogenous shock, prior actions if needed, and fundraising. Staff will ensure that the members' commitments (set out in the

⁹ Exceptional access to the PRGT requires that the member is experiencing an exceptionally large balance of payments need, has a comparatively strong adjustment program and ability to repay the Fund, does not have sustained past access to international financial markets and has income at or below the prevailing operational cutoff for assistance from the International Development Association (IDA).

¹⁰ Outstanding credit resulting from the RCF and RFI disbursements or purchases during the six-month period may exceed the RCF/RFI annual and cumulative limits once the increase ceases to be effective. Such credit will count towards the applicable PRGT and GRA access limits.

letters of intent (LOIs)) focus explicitly on resolving the BoP needs and cushioning the economic impact of the pandemic, and provide policy advice to authorities on how best to deploy the member's resources to address the exogenous shock. More generally, increasing RFI and RCF access limits to enable higher purchases and disbursements now, for use in containment, prevention and mitigation of the pandemic by the membership, will mitigate the risks of much larger future demands for Fund financing, as well as reputational risks if the Fund is unable to effectively meet the needs of the membership.

12. For members that have already received pandemic-related emergency support under the current RFI and RCF access limits, additional rapid emergency financing may be needed.

Given the size of the identified BOP need for some countries that received financing under RCFs and RFIs during March 25-April 3, staff expects that further requests for assistance may be made shortly after approval of the higher access limits proposed in this paper. In light of the urgent BOP needs arising from the Covid-19 pandemic—a sudden shock with a protracted impact—such additional requests could be approved where the relevant policy requirements are met.¹¹ In such cases, a short staff report with a supplemental LOI would be sufficient for consideration by the Executive Board.

¹¹ In the case of the RCF, the additional RCF disbursement would be required to observe the limit on repeat use (i.e., the limit of two disbursements in a 12-month period).

Box 1. Evolution of RFI and RCF Access Limits

The Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) were established around a decade ago to upgrade the IMF's emergency financing toolkit. In 2009, the RCF was introduced as a unified instrument for concessional emergency financing, replacing the Exogenous Shock Facility-Rapid Access Component (ESF-RAC), and the subsidized use of Emergency Natural Disaster Assistance (ENDA) and Emergency Post Conflict Assistance (EPCA).¹ The RCF provided rapid low-access emergency financing under two windows: a *regular window* with annual and cumulative access limits of 25 and 75 percent of quota, respectively; and an *exogenous shock window* with annual and cumulative access limits of 50 and 100 percent of quota, respectively. In 2011, the Rapid Financing Instrument (RFI) was established as part of a package of reforms to the General Resources Account (GRA) lending toolkit.³ The RFI was modeled on the RCF exogenous shock window with annual and cumulative access limits of 50 and 100 percent of quota, respectively. In 2013, the cumulative limit of the exogenous shock window was increased from 100 to 125 percent of quota to allow greater use, particularly by natural disaster-prone small states.²

In July 2015, RCF and RFI access limits were increased by 50 percent, in the context of broader discussions on the financial safety net for developing countries. This increase was designed to address the erosion of access norms relative to GDP, trade, and gross financing needs, and was particularly important to support small states hit by natural disasters and other shocks.⁴ Annual and cumulative access limits under the RCF *regular window* (exogenous shock window) increased from 25 to 50 (50 to 75) percent of quota and 100 to 150 (125 to 150) percent of quota, respectively. Similarly, the annual and cumulative access limits under the RFI regular window increased from 50 to 75 percent of quota and 100 to 150 percent of quota, respectively. In addition, steps were taken to eliminate “double-dipping” of RCF and RFI resources in blended cases, by ensuring that any purchases under the RFI would count toward the applicable RCF annual and cumulative limits. Subsequently, RCF and RFI access limits were halved in 2016 with the doubling of Fund quotas under the 14th General Review of Quotas, disadvantaging several countries, notably small states, whose quotas rose by less than 100 percent.

In May 2017, the Executive Board approved a large natural disasters window under the RCF and RFI to enhance the financial safety net for developing countries. Under this window annual access increased from 37.5 to 60 percent of quota, while the cumulative access limits were maintained at 75 percent of quota. A member would qualify for the higher access limit under the RCF and RFI where the urgent balance of payment needs stem from a natural disaster resulting in damage equivalent to, or in excess of, 20 percent of GDP.

Most recently, the 2018-19 Review of Facilities for LICs introduced a generalized increase in access limits for all concessional facilities, including the RCF, and the RFI to ensure symmetry in the emergency toolkit.⁵ The annual and cumulative access limits under the RCF regular and exogenous shock window increased to 50 and 100 percent of quota, respectively, to provide greater flexibility to fragile states where a UCT-quality program is not yet feasible, while introducing associated safeguards. To preserve broad harmonization across emergency financing tools, the annual and cumulative access limits under the RFI also moved to 50 and 100 percent of quota respectively, while the annual and cumulative limits under the RCF and RFI large natural disaster windows increased from 60 to 80 percent of quota and 100 to 133.33 percent of quota, respectively. The simultaneous increase under the RCF and RFI was designed to improve flexibility to support fragile states and countries hit by large natural disasters.

¹ See [A New Architecture of Facilities for Low-Income Countries](#) (IMF, 2009a) and [A New Architecture of Facilities for Low-Income Countries—Proposed Decision](#) (IMF, 2009b) and Decision No. 14354-(09/79).

² See [Review of Facilities for Low-Income Countries—Proposal for Implementation](#) (IMF, 2013).

³ See [The Fund's Financing Role—Reform Proposals on Liquidity and Emergency Assistance](#) (IMF, 2011) [The Fund's Financing Role—Reform Proposals on Liquidity and Emergency Assistance—Proposed Decisions](#), and [The Fund's Financing Role—Reform Proposals on Liquidity and Emergency Assistance—Decisions](#), as well as [Press Release](#) and [Public Information Notice](#).

⁴ [Financing for Development—Enhancing the Financial Safety Net for Developing Countries](#) (IMF, 2015). (FfD hereafter).

⁵ [2018-19 Review of Facilities for Low-Income Countries](#) (IMF, 2019).

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. Amendments to the PRGT Instrument

1. 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:

"(b) Subject to the provisions in subparagraphs (i) to (iv) 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;

(iii) for the period from [April 6, 2020] to [October 5, 2020], 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 and a cumulative access limit of 150 percent of quota, net of scheduled repayments; and

(iv) outstanding credit by a member under the rapid-access component of the ESF or outstanding purchases from the General Resources Account under emergency post conflict/natural disaster assistance covered by Decision No. 12341-(00/117), shall count towards the annual and cumulative limits applicable to access under the RCF. With effect from July 1, 2015, any purchases from the General Resources Account under the Rapid Financing Instrument shall count towards the annual and cumulative limits applicable to access under the RCF."

2. The access limits set out in Section II, paragraph 2(b)(iii) of the PRGT Instrument shall be reviewed one month prior to the expiration of the period set out therein.

Decision II. Amendments to the RFI Instrument

1. Paragraph 5 of the Decision establishing the Rapid Financing Instrument (RFI), Decision No. 15015-(11/112), November 21, 2011, as amended, (“RFI Decision”) shall be further amended to read as follows:

“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 [October 5, 2020], the above annual and cumulative access limits shall be 100 percent of quota and 150 percent of quota, net of scheduled repurchases, respectively; 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.”

2. The access limits set out in paragraph 5(A) of the RFI Decision shall be reviewed one month prior to the expiration of the period set out therein.

Annex I. Instrument to Establish the Poverty Reduction and Growth Trust—Redlined Version

Introductory Section

To help fulfill its purposes, the International Monetary Fund (hereinafter called the “Fund”) has adopted this Instrument establishing the Poverty Reduction and Growth Trust (hereinafter called the “Trust”), which shall be administered by the Fund as Trustee (hereinafter called the “Trustee”). The Trust shall be governed by and administered in accordance with the provisions of this instrument.

Section II. *Trust Loans*

Paragraph 2. Amount of Assistance

(b) Subject to the provisions in subparagraphs (i) to (iv) below, The 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, subject to the following provisions 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), ~~and the member’s existing and prospective policies are sufficiently strong to address the shock;~~

(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; ~~and~~

~~(iii)~~ for the period from [April 6, 2020] to [October 5, 2020], 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 and a cumulative access limit of 150 percent of quota, net of scheduled repayments; and

~~(iii)~~ (iv) outstanding credit by a member under the rapid-access component of the ESF or outstanding purchases from the General Resources Account under emergency post conflict/natural disaster assistance covered by Decision No. 12341-(00/117), shall count towards the annual and cumulative limits applicable to access under the RCF. With effect from July 1, 2015, any purchases from the General Resources Account under the Rapid Financing Instrument shall count towards the annual and cumulative limits applicable to access under the RCF.

Annex II. Rapid Financing Instrument—Redlined Version

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 [October 5, 2020], the above annual and cumulative access limits shall be 100 percent of quota and 150 percent of quota, net of scheduled repurchases, respectively; 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.



April 3, 2020

ENHANCING THE EMERGENCY FINANCING TOOLKIT – RESPONDING TO THE COVID-19 PANDEMIC — SUPPLEMENTARY PROPOSAL ON HANDLING PRGT HIGH- ACCESS PROCEDURES UNDER EMERGENCY FINANCING REQUESTS

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Prepared by: Strategy, Policy, and Review Department, Legal Department, and Finance Department.

It is proposed to suspend the implementation of high-access (HA) procedures called for under the policies governing access to the Fund’s concessional facilities for all requests for financing under the Rapid Credit Facility (RCF) during the period for which the Board has activated Pandemic Emergency Procedures. HA procedures are triggered when a request for Fund financing brings total access to more than 180 percent of quota over a 36-month period or when total outstanding credit from the PRGT exceeds or is projected, given proposed commitments, to exceed 225 percent of quota. The 225 percent of quota credit threshold was added to trigger HA procedures in the context of the 2019 Review of Facilities for Low-Income Countries, to provide an extra level of scrutiny of PRGT financing requests against a backdrop of heightened debt vulnerabilities. HA procedures require an informal Board session based on a short staff note that includes discussion of program strength, capacity to repay, and debt vulnerabilities. The proposal to temporarily suspend HA procedures for RCF requests, including the staff note, is motivated by the urgent nature of the financing needs of members confronting the pandemic, which calls for a streamlining of procedures. If the RCF annual access limit is increased to 100 percent, accessing the maximum amount available would trigger HA procedures in up to 10 cases—some by small margins.