INTERNATIONAL MONETARY FUND

IMF POLICY PAPER

TEMPORARY EXTENSIONS AND MODIFICATIONS OF ACCESS LIMITS IN THE FUND'S LENDING FACILITIES

March 2021

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 March 22, 2021 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on March 12, 2021 for the Executive Board's consideration on March 22, 2021.
- The **Temporary Extensions and Modifications of Access Limits in the Fund's Lending Facilities—Proposed Decisions** prepared by IMF staff and completed on March 18, 2021 for the Executive Board's consideration.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Electronic copies of IMF Policy Papers
are available to the public from
http://www.imf.org/external/pp/ppindex.aspx

International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR21/84

IMF Executive Board Approves Temporary Extensions and Modification of Access Limits in the Fund's Lending Facilities

FOR IMMEDIATE RELEASE

Washington, DC – March 25, 2021: The Executive Board of the International Monetary Fund (IMF) approved on March 22, 2021 further extensions of temporary adjustments made to its lending frameworks in the early months of the pandemic, allowing for adequate access to Fund financing through emergency instruments, the General Resources Account (GRA), and the Poverty Reduction and Growth Trust (PRGT). The extensions of these measures reflect the unique circumstances created by the pandemic and will ensure that member countries continue to be able to access IMF financing, through both IMF-supported programs and emergency financing in case of urgent balance of payments needs.

The IMF Executive Board approved an extension through end-2021 of the increases in annual and cumulative access limits that apply to the IMF's emergency financing instruments, introduced in April 2020 and extended in October 2020. So far during the pandemic, 74 member countries, of which 49 low-income countries, received emergency financing through these instruments.

The Executive Board also approved an extension of the increase in the annual access limit to the IMF's GRA, introduced in July 2020, through end-2021, and an increase in both annual and cumulative access limits on concessional lending through the PRGT, through end-June 2021. The increase in access to PRGT financing, as interim measure for a broader assessment of the Fund's approach to concessional financing, recognizes that many LICs have been hit particularly hard by the pandemic and have already borrowed significantly from the IMF. Higher limits would therefore provide flexibility for poorer countries in the coming months to avoid having to request support through the Fund's general resources on non-concessional terms.

Executive Board Assessment[1]

Executive Directors broadly agreed with the proposals to extend the temporary increases in access limits under the Fund's emergency financing instruments and the General Resources Account (GRA), which were approved in 2020 and have boosted the Fund's financial support in order to help member countries hit by the COVID-19 pandemic.

Directors supported extending the higher access limits for the regular window of the Rapid Financing Instrument (RFI) and the exogenous shocks window of the Rapid Credit Facility (RCF), with annual and cumulative access limits remaining at 100 percent of quota and 150 percent of quota respectively, through end-December 2021. They also agreed to extend

[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.

700 19th Street NW
Washington, DC 20431
USA

through end-December 2021 the current suspension of the two-disbursement limit on disbursements under the RCF within a 12-month period. Directors further approved the proposals for the automatic lapsing of approved RCF disbursements and RFI purchases.

Directors underscored their expectation that countries increasingly seek financial assistance under Fund arrangements that meet upper credit tranche quality standards rather than through emergency financing instruments, but noted that the latter remains available when a member has an urgent balance of payments need and a Fund arrangement is either not feasible or not necessary. Noting that some countries would not have access to these instruments for an extended period after the temporary higher access limits expire, Directors welcomed the proposal to review access limits under emergency financing instruments after the 2021 Annual Meetings.

Directors broadly supported extending the temporary increase in the annual access limit on GRA resources through end-December 2021, which would provide flexibility to respond to still-elevated uncertainties related to the pandemic. A view was expressed that the annual access limit under GRA resources should revert to the level in place before the temporary increase, so that countries in need of high access be subject to the safeguards provided by the exceptional access policy. Directors called on staff to use Board Briefings on Country Matters to keep the Board informed of cases where elevated annual access is under consideration ahead of formal discussions with country authorities.

Directors looked forward to a broader discussion of the Fund's lending facilities for low-income countries (LICs) and how these can be financed as part of the forthcoming Review of Concessional Financing and Policies. They also underscored that a medium-term solution to access limits under the PRGT should be adopted within this holistic review. In the interim, noting the need to sustain the Fund's support in the uncertain environment created by the pandemic, especially for LICs, which have been severely affected and have relatively limited policy space to respond, Directors agreed to raise temporarily the existing limits on access to PRGT resources without preempting the conclusions of the broader review.

Directors supported increasing the PRGT overall Normal Annual Access Limit and Normal Cumulative Access Limit to 245 percent and 435 percent of quota respectively, and the Exceptional Annual Access Limit and Exceptional Cumulative Access Limit under all PRGT facilities to 278.33 percent of quota and 535 percent of quota respectively, through end-June 2021. Directors reiterated the need to keep the Board informed of cases where elevated annual access is under consideration ahead of formal discussions with country authorities.

Directors underscored that access limits should not be seen as targets and constitute key elements of the Fund's risk management framework, providing safeguards to Fund resources and preserving their revolving nature and catalytic role. Directors agreed that existing safeguards are essential to manage risks and, in light of elevated debt vulnerabilities in many LICs, they supported staff's proposals for additional safeguards related to analysis of debt vulnerabilities and Fund credit exposure, including debt-related discussions in program documents and setting clear program objectives to reduce vulnerabilities. Directors agreed that the procedures applicable to high-access financing under the PRGT remain an important safeguard and endorsed the proposal to temporarily modify the threshold levels at which they apply.

INTERNATIONAL MONETARY FUND

March 12, 2021

TEMPORARY EXTENSIONS AND MODIFICATIONS OF ACCESS LIMITS IN THE FUND'S LENDING FACILITIES

EXECUTIVE SUMMARY

The Fund's membership has been hit hard by the economic effects of the pandemic, with GDP growth turning negative in 2020 across all major country groupings. The immediate outlook is subject to substantial uncertainty, with the pace of recovery hinging on the evolution of the pandemic and the provision of adequate policy support by governments and the international community.

The Fund introduced two main sets of temporary adjustments to its lending frameworks in the early months of the pandemic: (i) increases in the limits on access to its emergency financing instruments (April 2020) and (ii) increases in the annual limits on access to financing from both its general and concessional financing facilities (July 2020). Both sets of increases are set to expire on April 7, 2021, which would limit the Fund's ability to provide financial support to members at a time when uncertainty regarding the outlook remains high. The paper proposes that the temporary increases in (i) limits on access to emergency financing and (ii) limits on annual access to the Fund's general resources, financed via the General Resources Account (GRA), be kept in place through end-2021.

Low income countries (LICs) have been particularly badly hit by the pandemic, in part reflecting the limited policy space available to support economic activity. With many LICs having already borrowed significantly from the Fund's concessional lending facilities, financed through the Poverty Reduction and Growth Trust (PRGT), limits on access to these facilities make it likely that an increasing number of the Fund's poorest members will be required to access support from the Fund's GRA.

The Fund is undertaking a wider reassessment of its lending support for LICs, including the amount of new financing needed to restore the financial self-sustainability of the PRGT. As an interim measure while this reassessment is underway, the paper proposes that the normal annual and cumulative limits on access to PRGT resources be increased from 150 percent of quota to 245 percent and from 300 percent to 435 percent, respectively, for the period through end-June 2021.

Approved By
Ceyla Pazarbasioglu, Andrew Tweedie, and Rhoda Weeks-Brown

Prepared by the Strategy, Policy and Review Department, Finance Department, and Legal Department. The team was led by Sean Nolan, Christian Mumssen, and Bernhard Steinki, and comprised Jochen Andritzky, Daehaeng Kim, Kyungsuk Lee, Giulio Lisi, Wes McGrew, Toomas Orav, Kiichi Tokuoka (SPR), Charleen Gust, Beata Jajko, David Moore, Izabela Rutkowska, Nelson Sobrinho (FIN), Kyung Kwak, David McDonnell, Gomiluk Otokwala and Gabriela Rosenberg (LEG). Yudong Rao (SPR) provided research assistance and Merceditas San Pedro-Pribram and Phyo Zin (SPR) provided administrative support.

CONTENTS

FIGURES

TABLES

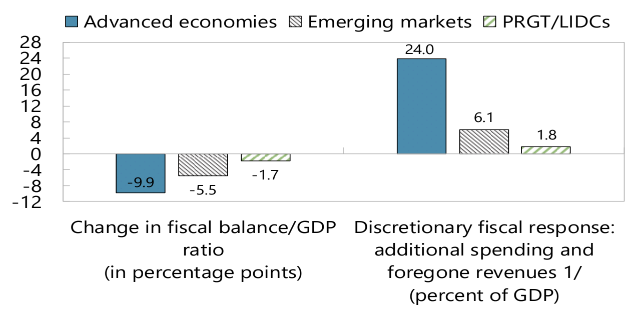
ANNEXES

INTRODUCTION

1. **The Fund's membership has been hit very hard by the economic effects of the pandemic.** In 2020, GDP growth turned negative across all major country groupings:[1] output in Emerging Market and Developing Economies (EMDEs) fell by 2.4 percent, compared with pre-COVID-19 expectations for growth of 4.4 percent, while aggregate output in Low Income Countries (LICs) declined for the first time in decades.[2] The World Bank has estimated that some 70 to 100 million people could fall into extreme poverty as a result of the pandemic, concentrated in countries with already significant levels of poverty, reversing much of the reduction in absolute poverty (outside China) recorded over the preceding decade.[3]

2. **The near-term economic outlook is subject to substantial uncertainty, with the pace of recovery expected to hinge on the evolution of the pandemic and on the provision of adequate policy support.** Limited policy space has constrained the crisis response in LICs and, to a lesser extent, emerging market economies (*Figure 1*). Further support from the international community, including the Fund, will be needed to support a strong policy response and limit the impact of the pandemic on human capital development and growth potential in countries tightly constrained by access to finance.

Figure 1. Selected Economic Indicators: Impact of COVID-19 in 2020



Sources: IMF, Fiscal Monitor and WEO databases; and staff calculations.
1/ Including the provision of equity, loans, and guarantees.

3. **To provide additional space to help countries manage the shock from the pandemic, the Fund introduced two sets of temporary adjustments to its lending frameworks in 2020:**

- In April 2020, limits on access under the Emergency Financing (EF) instruments—the Rapid Financing Instrument (RFI) under the GRA and Rapid Credit Facility (RCF) under the PRGT—were increased from 50 percent of quota for annual access and 100 percent of quota for cumulative access to 100 percent and 150 percent, respectively. The new limits applied initially for a six-month period and were later extended through April 6, 2021.
- In July 2020, the level of annual access to GRA resources that triggers application of the exceptional access (EA) framework was increased from 145 percent of quota to 245 percent

[1] See IMF WEO (January 2020 and January 2021).

[2] In this paper, the term "low income countries" refers to the 69 countries currently eligible to borrow from the PRGT; this group includes 11 small states (including 9 micro-states) that would usually be classified as middle-income.

[3] See Castaneda Aguilar, et. al. (2020), *September 2020 PovcalNet Update—What's New*, Global Poverty Monitoring Technical Note 14, the World Bank Group.

through April 6, 2021. At the same time, the limit on normal annual access to PRGT resources—a hard limit for all but the 28 countries eligible for exceptional access to concessional resources—was increased from 100 percent of quota to 150 percent.

4. The increases in access limits facilitated a strong response by the Fund to member countries' needs. Lending to 50 LICs amounted to SDR 9.3 billion in 2020, up from an annual average lending level to all LICs of SDR 0.9 billion during 2010–19, with the bulk of this financing provided through the EF instruments.[4] Financial assistance under the RFI has been approved for 25 emerging market economies, with 14 countries having received support through new Fund-supported programs, augmentations of access under existing arrangements, and the provision of new credit lines (the Flexible Credit Line (FCL) or the Precautionary and Liquidity Line (PLL)).

5. Looking ahead, there are three areas where immediate policy reforms are needed to ensure that the Fund has sufficient flexibility to support member countries during 2021:

- The expiration of temporary increases in access limits to the EF instruments—the RFI and RCF—on April 7 will, for many countries, limit or eliminate their access to the EF instruments for some time. While it is expected that most countries will seek financial support from the Fund through multi-year Upper Credit Tranche (UCT)-quality arrangements, the fall-off in EF access limits on April 7 would constrain the Fund's ability to support countries that find themselves in difficult situations where a UCT-quality program is not feasible.
- The expiration of the temporary increase in the GRA annual access limit (AAL) on April 7, 2021 will reduce the level of access that countries that borrowed large amounts under the RFI can tap under a Fund arrangement until the 12-month anniversary of their RFI purchase has passed. With the preponderance of RFI borrowing concentrated in the first few months of the pandemic (March–June 2020), this would be a relatively short-lived constraint for most of the countries that tapped the RFI, but would remain a significant limitation on access to Fund support for those who tapped the RFI later in the pandemic period.[5]
- With many PRGT-eligible countries having borrowed significantly from the Fund since the onset of the pandemic, the current limits on access to the PRGT make it likely that several "non-presumed blender" PRGT-eligible countries requesting Fund support in 2021 will be required to seek resources from the GRA.[6] This creates two difficulties for the borrower. *First*, the financing obtained from the GRA is on less favorable terms (interest rate, maturities) than financing from the Extended Credit Facility (ECF) of the PRGT. *Second*, a program supported under GRA arrangements must meet the policy requirements of the GRA, which are not well-suited for dealing with the protracted balance of payments (BOP) problems faced by poorer countries.

[4] The numbers cited reflect disbursements (PRGT) and purchases (GRA), not loan commitments.

[5] The issue of limit on annual access limits to the PRGT is discussed separately; see paragraph 14 below.

[6] The set of PRGT-eligible countries (69 countries in all) splits into (i) "*presumed blenders*" (who are required to blend GRA and PRGT resources when they seek PRGT support and (ii) "*non-presumed blenders*" (who are able to borrow PRGT resources up to the relevant access limits without requesting resources from the GRA). There are [currently] about 50 countries in the second "non-blend" group.

6. To address these emerging difficulties, this paper proposes further temporary extensions to selected access limits and a temporary increase to key PRGT access limits:

- *Extend through end-2021 the temporary increases that were introduced in April 2020 to the annual and cumulative access limits under the EF instruments.* Any request for EF would need to make a strong case that the country meets the requirements for accessing EF—in particular, the condition that a country is unable (as distinct from unwilling) to implement a UCT-quality program supported by a Fund arrangement at that juncture. The experience to date with EF and the case for the proposed extension are discussed in Section II.
- *Extend through end-2021 the temporary increase of the AAL in the GRA.* Staff will make use of the format for informal briefing on Country Matters to ensure that Directors are informed of cases where elevated annual access levels are under consideration ahead of any formal discussions with country authorities.[7] The experience to date with elevated annual access limits and the case for the proposed extension of the AAL to GRA resources are discussed in Section III.

  Increase the Normal Annual Access Limit (NAAL) and the Normal Cumulative Access Limit (NCAL) to the PRGT to 245 percent of quota and 435 percent of quota, respectively, through end-June 2021. The case for these changes and the associated safeguards envisaged are discussed in section IV. The wider issues of the Fund's lending policies for LICs and how these can be financed are being taken up in the ongoing Review of Concessional Financing and Lending Policies, which would, inter alia, determine access limits and policy beyond end-June 2021. Also, the increase in the NAAL and NCAL would be accompanied by a temporary increase through end-June 2021 in the exceptional annual and cumulative access limit applicable to the PRGT to 278.33 percent and to 535 percent of quota, respectively.

ACCESS TO EMERGENCY FINANCING INSTRUMENTS

A. Context

7. The Fund has two emergency financing (EF) instruments—the Rapid Financing Instrument (RFI), accessible by all members, and the Rapid Credit Facility (RCF), accessible only by PRGT-eligible members. Members qualify to access the EF instruments only when, among other things, (i) they are facing an urgent BOP need, and (ii) an IMF-supported program that meets the UCT-conditionality standard is either not necessary or not feasible.[8] Use of the EF instruments may involve prior actions (PAs) if deemed appropriate: during the pandemic period, such PAs have been used in the main to address serious governance concerns.

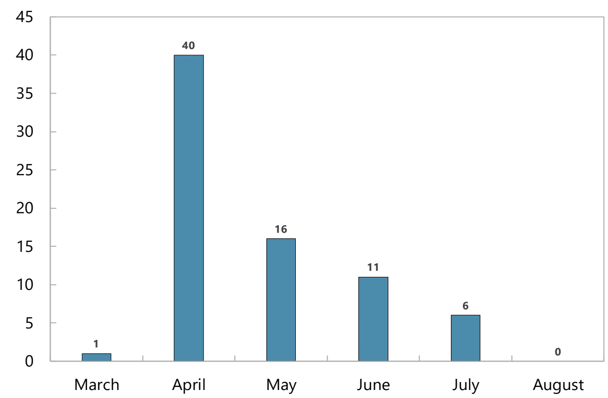
8. There are hard limits on the amounts that countries can borrow under the RFI and RCF. Financing from EF instruments is normally subject to a limit of 50 percent of quota during any 12-

[7] Elevated access here refers to requests with annual access between 145 and 245 percent of quota and cumulative access of less than 435 percent of quota.

[8] A UCT-quality arrangement is considered not necessary when the urgent BOP need is expected to be resolved within one year with no major policy adjustments.

month period and a cumulative limit on the stock of credit outstanding at any point in time of 100 percent of quota. With the onset of the pandemic, these limits under the regular window of the RFI and under the exogenous window of the RCF were increased on a temporary basis to 100 and 150 percent of quota on April 6, 2020, respectively—initially for a six-month period, later extended to 12 months. The temporary increases in the annual and cumulative limits are set to expire on April 7, 2021.

Figure 2. Number of RFI/RCF Requests Approved 1/
(From March 1 to August 31, 2020)



Sources: IMF staff calculations.
1/ As of end-August 2020, 74 RFI/RCFs were approved for 69 countries.

B. Usage

9. The EF instruments were used extensively in the first months of the pandemic, with 69 countries receiving assistance during the period through end-August 2020 (*Figure 2*).[9] This compares with an average of some three EF requests per year in the period of 2010–2019. This extensive usage was justified on the basis that, against the backdrop of sudden and urgent BOP needs and the elevated uncertainty regarding the near-term economic outlook both at the national and global levels, it was not feasible to design or implement UCT-quality economic programs that could be supported by new Fund arrangements, or that could underpin the completion of review under existing Fund arrangements.

10. EF requests dropped sharply from July 2020 onwards, and very few requests are expected in the period ahead. Between end-July 2020 and end-February 2021, only eight countries have received approvals of EF (all RCF or blended with RFI), three of which were countries that had already received support under the RCF earlier during the pandemic. Current expectations are that the Board will consider a few more EF requests in the period before the current temporary limits expire.

C. Discussion

11. Notwithstanding the increasing use of UCT-quality arrangements, the expiry of higher EF access limits implies many countries will have little to no room to obtain emergency financing. With the level of uncertainty reduced from Q2 2020 highs and the pandemic now underway for a year, it is expected that (i) the demand for Fund resources will continue to shift to UCT-quality arrangements and (ii) the frequency of circumstances justifying use of EF—in particular, the inability to implement UCT-quality programs—will return towards normal levels. However, were

[9] For further details on usage, see Review of Enhanced Access Limits Under the Rapid Credit Facility and Rapid Financing Instrument, paragraphs 7–10.

the limits on access to the EF instruments to revert to their established levels as of April 7, 2021, there would be many countries that will end up having little or no room to access these instruments, should the need arise in the months to come. To examine this issue, it is useful to consider separately the impact of the cumulative access limit (CAL) and the annual access limit (AAL).[10]

Limit on Cumulative Access

12. In normal times, the RFI and RCF, respectively, provide qualifying members with access of up to 50 percent of quota in financial support at short notice without the need for a full-fledged IMF-supported program, with a cumulative access limit of 100 percent of quota. The cumulative access limit was raised to 150 percent on April 7 to create room for the full use of the increase annual access limits of 100 percent of quota. Staff sees it as valuable to ensure that access to these emergency instruments at the current limits is maintained on a temporary basis, recognizing that its use is limited to circumstances where a UCT-quality arrangement is either not needed or not feasible.

- There are currently 21 "GRA-only" countries (i.e., not eligible to access the PRGT) that have borrowed 100 percent of quota under the RFI since the onset of the pandemic, with one request expected to come to the Board before April 7 (*Table 1*). Were the RFI CAL to revert to 100 percent of quota, these countries would not be able to access EF until they begin repayments of these loans after a 3¼ year grace period.
- There are currently 25 PRGT-eligible countries that have borrowed 100 percent of quota in EF since the onset of the pandemic (*Table 1*). Were the PRGT CAL to revert to 100 percent of quota, these countries would not be able to access the RCF until repayments of these loans begins after a 5½ year grace period (RCF financing) or 3¼ year grace period (RFI financing).

[10] The ensuing discussion focuses on countries that are (i) eligible only to access the GRA and (ii) are PRGT-eligible but not required to blend with the GRA when they access PRGT resources: the situation of PRGT-eligible countries that are required to blend is broadly similar, although they are formally less constrained in terms of access to the EF than GRA-only countries.

Table 1. Countries that have Received/have Pending Requests for Financial Support Through the Emergency Financing Instruments at 100 Percent of Quota in Total 1/
(47 countries)

GRA-only countries (22)		PRGT-eligible countries (25)	
Country	Instrument	Country	Instrument
Albania	RFI	Benin	RFI-RCF
Bahamas, The	RFI	Cabo Verde	RCF
Bolivia	RFI	Cameroon	RCF
Bosnia and Herzegovina	RFI	Côte d'Ivoire	RFI-RCF
Costa Rica	RFI	Djibouti	RCF
Dominican Republic	RFI	Ethiopia	RFI
Egypt	RFI	Ghana	RCF
El Salvador	RFI	Grenada	RCF
Eswatini	RFI	Kenya	RCF
Gabon	RFI	Kyrgyz Republic	RFI-RCF
Guatemala	RFI	Madagascar	RCF
Jamaica	RFI	Malawi	RCF
Mongolia	RFI	Maldives	RCF
Montenegro	RFI	Moldova	RFI-RCF
Namibia *	RFI	Mozambique	RCF
Nigeria	RFI	Myanmar	RFI-RCF
North Macedonia	RFI	Nepal	RCF
Panama	RFI	Papua New Guinea	RCF
Paraguay	RFI	Rwanda	RCF
Seychelles	RFI	Samoa	RCF
South Africa	RFI	Senegal	RFI-RCF
Tunisia	RFI	Solomon Islands	RFI-RCF
		St. Lucia	RCF
		St. Vincent and the Grenadines	RCF
		Uganda	RCF

Sources: IMF staff calculations.
* Including a pending EF request between end-February and April 7, 2021: Namibia (100 percent).
1/ From March 1, 2020 to end-February 2021

Limit on Annual Access

13. Access to the RCF and RFI would also be constrained if annual access limits returned to their normal levels.

- With the expiration of the temporary increase in the AAL for the RFI on April 7, 26 "GRA-only" member countries who have already tapped the RFI would be prevented by the AAL from being able to access 50 percent of quota via the RFI. However, this number declines quickly to four countries at end-June and one country at end-July, as the access approved in the early months of the pandemic drops out of the measurement of annual access to the RFI (*Figure 3*).

- Similarly, with the expiration of the temporary increase in the AAL for the RCF on April 7, 44 PRGT-eligible member countries would be prevented by the AAL from being able to access 50 percent of quota via the RCF. This number falls to eight countries at end-June and six countries by end-July (*Figure 4*).

Figure 3. GRA-Only Countries: Number of Countries with EF Access at 50% of Quota or Over in the Previous 12-Month Period 1/ 2/

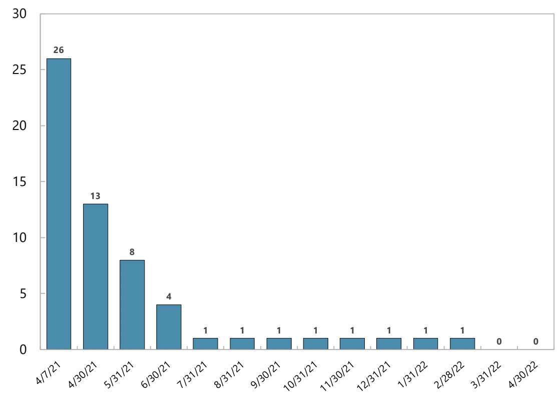
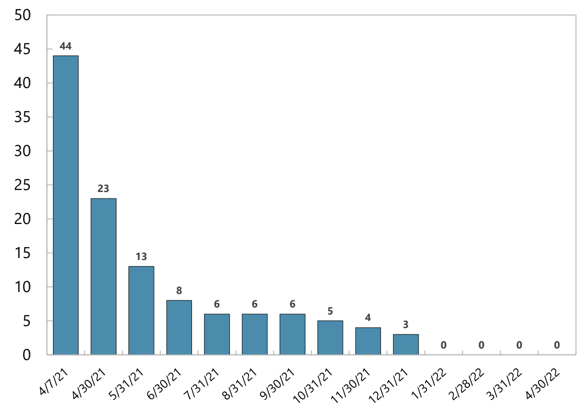


Figure 4. PRGT-Eligible Countries: Number of Countries with EF Access at 50% of Quota or Over in the Previous 12-Month Period 1/ 2/



Sources: IMF staff calculations.
1/ Based on data available as of end-February 2021.
2/ Including two expected EF requests between end-February and April 7, 2021: Namibia (GRA) and Sierra Leone (PRGT).

New Users of Emergency Financing

14. **The discussion above is based only on countries that have already accessed the RCF and/or RFI or have pending requests.** Given the uncertainty regarding the outlook, including the threat from both additional waves of widespread infection and new mutations of the virus, it is plausible that some countries will come to the Fund in the months beyond April 6 under circumstances where the BOP need is immediate and negotiation of a UCT-quality program is not feasible on the timeline required.

15. **In "normal times," annual access of up to 50 percent of quota under the EF instruments has been deemed appropriate, with any additional support to follow through a UCT-quality program.** The current conjuncture is quite remote from normal times, implying that the continuation of a higher cap on annual access levels to the EF instruments is warranted.

D. Staff Proposals

16. Considering the above, staff proposes to:

- *Extend the current level of the CAL (150 percent of quota) on access to the RFI and RCF through end-December 2021*. This would allow all qualifying countries, including the 46 countries that would have borrowed 100 percent of quota under these instruments, to obtain up to 50 percent of quota through the EF instruments through end-year, once the 12-month anniversary of their prior EF request has passed.
- *Extend the current level of the AAL (100 percent of quota) on the RFI and RCF through end-December 2021*. The primary beneficiaries of such a move would be countries hit by new shocks over the course of the year who are not constrained by the CAL.
- *Examine the case for any further extension of the AALs and CALs* after the 2021 Annual Meetings, by which time the pandemic-linked uncertainty regarding the economic outlook may have abated. At that point, staff would also provide proposals on how to address, on a lasting basis, the situation of countries that would be locked out of access to the EF instruments for an extended period should the CALs return to the pre-pandemic level of 100 percent of quota.

Proposed Additional Safeguards

17. Hard limits on access to the EF instruments limit the scope for "facility arbitrage". "Facility arbitrage" describes the situation where countries request financial assistance through EF instruments in situations where a UCT-quality arrangement with ex post conditionality would be more appropriate and feasible.[11] The mechanism to prevent this undesirable outcome is the rigorous application of the qualification criteria, which specify that EF is allowed only where a Fund-supported arrangement that meets UCT-quality conditionality standards is either not feasible or not necessary. Such situations could occur, for example, in the wake of large natural disasters, in post-conflict societies, or where there is a destabilizing resurgence of the pandemic. But EF should not be used as a backdoor to Fund resources without UCT-quality policies when a UCT arrangement can be put in place. It is therefore proposed that the staff report accompanying any request for EF would include an explicit discussion of as to how qualification criteria are met, making a convincing case that the country either does not need or is unable (as distinct from unwilling) to put in place a UCT-quality arrangement at that juncture.

[11] While the EF instruments do not involve ex post conditionality, they contain ex ante policy undertakings on economic policies laid out in a Letter of Intent, which can include prior actions.

Other Proposals Related to Emergency Financing

18. It is proposed that the current suspension of the limit on the number of disbursements under the RCF within a 12-month period (to two disbursements) would continue through end-December 2021.[12] The case for eliminating the limit (which does not feature in the RFI) on a permanent basis would be taken up in the post-Annual Meetings Board paper cited above.

19. Since the start of the pandemic period, the drawing of approved EF was delayed by more than a month in six cases and is pending in two further cases (*Table 2*). While the reasons for delay or inability to draw down approved financing differ across countries, a procedure to cancel EF that remains undrawn for an extended period is warranted. EF is intended to be disbursed immediately upon Board approval. There is, however, currently no explicit time limit for drawings which has led to committed resources remaining undrawn for an extended period.

20. It is proposed that Board approval of an EF request made after the adoption of this policy automatically lapse if the resources remain undrawn after 60 days following Board approval. Where the member makes a credible case that the impediments for drawing could be resolved quickly, the Executive Board could approve one additional extension for further 60 days, after which the purchase/disbursement would lapse. For purchases/disbursements under the RFI/RCF approved prior to the adoption of the proposed policy, staff propose that relevant countries would have up to 60 days after the adoption of the proposed policy to make the drawing/disbursement before it is canceled; and there is no possibility of extension beyond the 60 days.

Table 2. Countries with Delayed or Pending Drawings of Approved EF 1/

Instrument	Member	Board date	Disbursement date
		Delayed drawing	
RFI	Panama	4/15/2020	5/15/2020
RCF	Afghanistan	4/29/2020	6/23/2020
RCF	Uganda	5/6/2020	6/25/2020
RFI	Costa Rica	4/29/2020	9/15/2020
RFI	Eswatini	7/29/2020	9/21/2020
RCF/RFI	Nicaragua	11/20/2020	12/7/2020
		Pending drawing	
RFI	Paraguay	4/21/2020	
RFI	Guatemala	6/10/2020	

Sources: IMF staff calculations.
1/ Based on data available as of end-February 2021.

[12] See Policy Paper No. 2020/036. The suspension of this limit has provided flexibility to country teams in handling situations—e.g., where there are significant governance concerns—through multiple disbursements.

REVIEW OF TEMPORARY MODIFICATIONS OF ANNUAL ACCESS LIMITS AND PROPOSAL FOR THE GRA ANNUAL ACCESS LIMIT

A. Context

21. The Annual Access Limit (AAL) for GRA resources and the Normal Annual Access Limit (NAAL) for PRGT resources, increased on a temporary basis in July 2020, are set to return to their prior levels on April 7, 2021. Staff were called upon to present a review of the experience with these changes, along with any possible recommendations for extension or modification of these limits, before they expire. This section examines the extent to which countries have benefited from these increases and considers the case of extending/modifying the GRA AAL; the case for modifying the PRGT NAAL is considered in Section IV.

22. On July 13, 2020, the Board approved temporary increases in the AAL to GRA resources and the NAAL to PRGT resources. The decision increased the GRA AAL from 145 percent of quota to 245 percent and the PRGT NAAL from 100 percent of quota to 150 percent for the period through April 6, 2021. These increases followed in the wake of the temporary increases in limits on EF access on April 6, 2020 (discussed above). The higher limits on annual access to the GRA and PRGT sought to provide countries with additional space for EF or augmentation of access under existing arrangements and for some frontloading under follow-up UCT-quality programs without triggering application of the relevant Exceptional Access (EA) frameworks.

B. Usage

23. The higher limits on access under the EF instruments contributed to a dramatic surge in lending under these instruments, with limited use of follow-up UCT arrangements to date. Activity regarding UCT-quality arrangements has, to date, been more modest than might have been expected: between April 2020 and end-February 2021, there have been [five] new arrangements approved by the Board (Ukraine, Egypt, Ecuador, Panama (GRA) and Afghanistan (PRGT))[13], eleven augmentations of access under existing arrangements when concluding reviews (six involving PRGT-eligible countries), and fifteen completions of reviews under arrangements without augmentation (nine involving PRGT-eligible countries). Current indications are that two new UCT-quality arrangements coming to the Board before the Spring Meetings.

[13] Aside from approvals of three FCL arrangements (Chile, Colombia, Peru). The exceptional access policy does not apply to FCL arrangements.

24. The temporary increase in the GRA and PRGT annual access limits was expected to affect a significant number of countries, particularly those who had tapped the EF instruments alongside ongoing UCT-quality arrangements. In the event (*Table 3*):

- Two "GRA-only" member countries—Barbados and Jordan—benefited from the higher access limits, each in the context of reviews under Extended Fund Facility (EFF) arrangements: Barbados through an augmentation, Jordan through a rephasing of access.
- Seven PRGT-eligible countries benefited from the increase in access limits, one via blended GRA/PRGT access. Aside from this blend case (Benin), the extra borrowing space used has not been large; the 150 percent NAAL did not constrain any country's access to PRGT resources.

It is not surprising that there were more users among PRGT-eligible countries than among GRA-only countries, given that the PRGT NAAL—at 100 percent of quota though July 13, 2020—was equal to the (increased) RCF AAL, implying that those wishing to fully tap the RCF would have triggered the EA framework if they had recently borrowed or were scheduled to borrow even a miniscule amount of resources under a UCT-quality program.

Table 3. Countries with Approved Annual Access Above Specified Thresholds Since July 13, 2020

GRA		PRGT		GRA-PRGT blend	
Countries with approved access levels above 145% of quota	*Maximum approved annual access in period, percent of quota*	*Countries with approved access levels above 100% of quota*	*Maximum approved annual access in period, percent of quota*	*Countries with approved access levels above 145% of quota*	*Maximum approved annual access in period, percent of quota*
Barbados	176	Afghanistan	107	Benin	174
Ecuador (EA)*	515	Burkina Faso	115		
Egypt (EA)*	228	Cameroon	120		
Jordan	157	Chad	115		
		Madagascar	113		
		Malawi	123		

Sources: IMF staff calculations.
* Exceptional access criteria applied due to cumulative access limits.

25. Looking ahead, were the AAL to revert to 145 percent as of April 7, there would be 19 countries currently without a Fund-supported program whose ability to immediately borrow from the Fund without triggering application of the EA framework would decline from 145 percent of quota to 45 percent (*Table 4*), although this number would fall in the ensuing months.[14] How access is constrained depends on the timing of available amounts under the arrangement and the applicable annual limit, as illustrated in Box 1. Specifically:

[14] Access levels for countries in Fund arrangements that (i) were approved after July 13, 2020 or (ii) had reviews completed after July 13, 2020 already reflect the opportunities to increase annual access provided by the higher access levels approved on July 13, 2020.

- *Allowing the temporary increase in the GRA AAL to expire as of April 7, 2021 would have the consequence that arrangements approved after this date would be subject to an AAL of 145 percent,* with some restrictions on the *pattern* of intra-year disbursements for countries that drew on the RFI after April 7, 2020;
- *Extending the increased GRA AAL to end-December 2021, on the other hand, would result in arrangements approved through this date being subject to an AAL of 245 percent of quota,* again with some restrictions on the pattern of intra-year disbursements for countries that drew on the RFI in 2020.

Box 1. Constraints of Annual Access Limits: Example

Assume Country A had a 100 percent of quota RFI approved on April 28, 2020.

How quickly does this constraint on access to Fund resources ease even without an extension of the AAL? Were Country A to request an arrangement on or after April 7, 2021, it faces two constraints: (i) an annual access limit of 145 percent of quota; and (ii) a limit on purchases of 45 percent of quota during the period April 7–April 27 (before the one-year anniversary of its drawing under the RFI).

By end-June 2021, only three of 19 countries face such limitations on the first purchase under an arrangement, while by end-July the one-year anniversary will have passed for all GRA countries that have accessed the RFI.

What would be the impact of maintaining the AAL at 245 percent for the GRA through end-December 2021? Consider again the example of Country A above. Were it to have a new arrangement approved prior to April 28 (say, April 10, 2021), it would be able to borrow up to 245 percent of quota in the year from April 10 as follows: (i) up to 145 percent of quota (e.g., 145 percent) during the period April 10-27; and (ii) the remainder up to the total of 245 percent of quota (e.g., 100 percent) during the rest of the first program year without triggering application of the GRA exceptional access criteria.

Table 4. Borrowing Space Under the AAL for GRA-Only Countries *

(In percent of quota, as of end-2020)

	Notes	4/6/2021	4/7/2021	5/31/2021	6/30/2021	7/31/2021	Existing arrangement	RFI since pandemic
Countries with active UCT programs that have been approved/reviewed by the Executive Board since July 13, 2020								
Ecuador	EA	0	0	0	0	0	EFF	Yes
Egypt	EA	17	0	17	31	31	SBA	Yes
Barbados		69	69	158	158	158	EFF	
Jordan		88	0	73	73	73	EFF	Yes
Georgia		101	1	70	70	70	EFF	
Armenia		105	5	105	105	105	SBA	
Angola	NCAL constrained	199	199	127	127	127	EFF	
Others that will have immediate borrowing room of 245 percent of quota or less on April 6, 2021								
Ukraine	NCAL constrained	121	21	1	75	75	SBA	
Pakistan		135	35	85	101	101	EFF	Yes
Albania		145	45	145	145	145		Yes
Bahamas, The		145	45	45	145	145		Yes
Bolivia		145	45	145	145	145		Yes
Bosnia and Herzegovina		145	45	145	145	145		Yes
Costa Rica		145	45	145	145	145		Yes
Dominican Republic		145	45	145	145	145		Yes
El Salvador		145	45	145	145	145		Yes
Eswatini		145	45	45	45	145		Yes
Gabon		145	45	95	95	145		Yes
Jamaica		145	45	145	145	145		Yes
Mongolia		145	45	45	145	145		Yes
Montenegro		145	45	45	145	145		Yes
Nigeria		145	45	145	145	145		Yes
North Macedonia		145	45	145	145	145		Yes
Panama		145	45	145	145	145		Yes
Seychelles		145	45	145	145	145		Yes
South Africa		145	45	45	45	145		Yes
Tunisia		145	45	145	145	145		Yes
Kosovo		195	95	145	145	145		Yes
Equatorial Guinea		208	108	108	108	108	EFF	
Argentina		245	145	145	145	145		
Iraq		245	145	145	145	145		Yes
Sri Lanka		245	145	145	145	145		

Sources: IMF staff calculations.
Note: The borrowing space shows the percent of quota that could be borrowed at that date without triggering Exceptional Access with regard to annual access.
* The table shows the maximum access, in percent of quota, that could be borrowed at specific dates without triggering Exceptional Access criteria under annual access limits (AAL). For each country, borrowing space is computed as the difference between the AAL and the sum of Fund resources made available to that country over the previous 12 months ("backward-looking window").

26. The case for an extension rests on the merits of allowing front-loaded high access programs beyond April 6 that do not trigger application of the GRA EA framework. The limited extent to which the higher AAL has accommodated higher access levels arrangements since July 13, 2020 suggests that it may be relevant, at most, for a handful of countries. That said, the arguments made in the Board paper on access limits in July 2020 that some programs would legitimately need to be frontloaded, given the expected pattern of financing needs, remains valid.

C. Staff Proposals

27. Staff proposes:

- Given prevailing uncertainties regarding the economic outlook through 2021, staff proposes maintaining the temporary AAL at 245 percent of quota through end-December 2021, with the case for any further extension, or modification, to be considered alongside the proposed review of the access limits to the EF instruments (see Section II).
- Staff will make use of the Executive Board Briefings on Country Matters format to ensure that Directors are made aware of upcoming cases where elevated annual access levels are under consideration ahead of any formal discussions with country authorities. This briefing could cover recent developments in the country, key program objectives, the case for elevated annual access levels, and an illustrative timeline for discussions with country authorities and for Board consideration of a formal request.

PROPOSED TEMPORARY INCREASE IN PRGT ACCESS LIMITS

A. Context

28. The scale of LIC financing needs in the years ahead is expected to require a substantial increase in Fund financial support to these countries. Fund lending to current PRGT-eligible countries (including via GRA lending instruments) averaged some SDR 0.9 billion per annum during 2010–19, surging to SDR 9.3 billion in 2020 as 50 PRGT-eligible countries received financial support to address the impact of the pandemic, much of it through the emergency financing (EF) instruments.[15] Looking ahead, as countries seek to exit the pandemic, support economic recovery, and resume suspended development efforts, it is expected that many will be seeking Fund financial support via multi-year arrangements.

29. There is a strong case for a temporary increase in PRGT access limits to tackle an emerging problem—namely that under current policies, an increasing number of "non-presumed blender" (NPB) countries requesting Fund assistance would need to top up their borrowing with GRA resources, as current PRGT access limits become binding. This has two implications for the member: (i) the financing obtained from the GRA is on less favorable terms (interest rate, maturities) than under the ECF, and (ii) the program must meet the policy requirements of the GRA, which are less suitable for dealing with the protracted BOP problems faced by NPB countries.

B. The Case for an Increase in PRGT Access Limits

Current Policies

30. The case for raising PRGT access limits focuses on some 50 countries that are NPBs—countries that can borrow from the PRGT up to the relevant access limits without being required to also request resources from the GRA. The remaining 20-odd PRGT-eligible countries are required to blend GRA and PRGT resources when they seek PRGT support. Given that presumed blenders receive relatively small amount from the PRGT under the current blend formula (a 2:1 GRA-PRGT mix, with a cap on PRGT access) and must already meet GRA policy requirements, these countries are highly unlikely to be affected by changes in the PRGT access limits.

31. Under current policies, access to financing under the PRGT for NPB countries is subject to normal annual and cumulative access limits—currently 150 percent of quota (until April 6, 2021) and 300 percent of quota, respectively. 28 of NPB countries are also eligible to request exceptional access (EA) to PRGT resources, allowing additional access up to 33.33 percent of quota

[15] Lending data on a disbursement/purchase basis.

annually (i.e., 183.33 percent of quota) and 100 percent of quota cumulatively (i.e., 400 percent of quota).[16]

32. IMF support for NPB countries with financing needs that exceed the applicable PRGT access limits would require a GRA arrangement alongside the PRGT arrangement. Currently, the only country in such a position is Ethiopia, with access of 400 percent of quota under an ECF arrangement and 250 percent of quota under an Extended Fund Facility (EFF) arrangement.[17] As noted, the programs must meet the policy requirements for the relevant instrument under the GRA and under the PRGT, respectively.

33. Eligible countries seeking EA under the PRGT (e.g., cumulative access in excess of 300 percent of quota) must meet the PRGT EA criteria. Separately, any country requesting financial support that would entail combined access to the PRGT and the GRA in excess of 145 percent of quota (currently 245 percent, through April 6) annually or 435 percent of quota cumulatively is subject to the Policy Safeguards on High Combined Credit to the GRA-PRGT (PS-HCC) that are broadly aligned with the GRA EA policy.

The Case for Change

34. Several NPB countries began 2020 with significant PRGT credit outstanding, reflecting in several cases use of Fund arrangements to underpin adjustment to the commodity price shocks that began in mid-2014. Examples include Chad (204 percent of quota), Niger (142 percent of quota), and Cameroon (135 percent of quota); countries hit by the Ebola epidemic also borrowed substantially from the Fund during this period.

35. With the onset of the pandemic, provision of Fund support resulted in credit outstanding rising significantly across a wide range of countries during 2020, with most of the support provided through the Rapid Credit Facility (RCF). By end-year, seven NPB countries had PRGT credit outstanding in excess of 200 percent of quota, and a further ten had credit outstanding in the 150–200 percent of quota range (*Table 5* and Annex I).[18]

Table 5. PRGT Outstanding Credit: Non-Presumed Blenders with Credit Over 150 Percent of Quota
(As of end-2020)

Chad	298
Cameroon	255
Madagascar	224
Burkina Faso	221
Malawi	216
Niger	215
Mali	205
Ghana	198
Mauritania	181
Grenada	181
Rwanda	178
Central African Republic	174
Sierra Leone	170
Togo	169
Guinea	169
Mozambique	162

Sources: IMF staff calculations.

[16] A full list of PRGT-eligible countries, classified by blend status and EA eligibility, is provided in the Annex. There are 8 PRGT-eligible countries whose blend status depends on a staff assessment of the extent of the country's access to international capital markets, including on a prospective basis, made when they request financial assistance.

[17] Ethiopia also has an RFI credit of 100 percent outstanding.

[18] Thirteen of these seventeen countries are EA-eligible; four are not.

36. Looking ahead, it is expected that most countries requesting assistance will be seeking multi-year arrangements, with many seeking relatively high access that will push them into PRGT EA (where eligible) and/or the GRA. Chad is currently expected to request access on the order of 225 percent of quota, which would entail both PRGT EA and access to the GRA. A few other countries may request levels of financing that —unless normal PRGT access limits are increased—would require them to request GRA access. For example, in the case of Cameroon, which is not eligible for PRGT EA, a financing request in excess of 45 percent of quota would require it to seek GRA assistance.[19]

37. Requiring NPB countries to access GRA resources because the PRGT limit has been reached imposes a higher financing burden on the borrower and raises the bar for the relevant program. ECF arrangements (the primary instrument in the PRGT) are on concessional financing terms (zero interest rate, 5½ year grace period, and 10-year maturity) and aim to support member countries with a protracted BOP problem to make *significant progress* toward stable and sustainable macroeconomic positions consistent with strong and durable poverty reduction and growth. In contrast, programs supported by GRA resources entail floating interest rates and generally shorter repurchase periods and are designed to resolve the member's BOP problem during the program period—specifically, the policy measures needed to resolve a member's BOP problem should be undertaken during the program period and such policies must be implemented in a manner that will lead to a strengthening of the member's BOP before repurchases begin. This is more restrictive than the ECF requirement, implicitly requiring a faster pace of adjustment than would be expected under an ECF arrangement. For NPB countries, the poorest and/or most debt-constrained of the Fund's membership, the ECF rather than GRA financing is the appropriate financing vehicle.

38. Staff therefore sees a case for raising access limits to the PRGT to allow NPB countries higher access to concessional financing in situations where it is warranted. This would not modify the Fund's established approach to determining access levels to Fund resources (PRGT and GRA) under a Fund-supported program (see below), but rather provide this level of access on better financial terms to the borrower country.

C. Staff Proposals

39. Staff is currently undertaking a general assessment of the Fund's approach to concessional financing, covering a broad range of issues, including PRGT access limits. An initial engagement with the Board on potential reforms and a strategy to raise the necessary funding is scheduled for April 1.

[19] The annual access limit could also push countries into the GRA; the impact of annual access limits is discussed in Section III.

40. With this wider assessment underway, staff proposes an interim reform measure that would modify access limits to PRGT resources on a temporary basis, recognizing that the final contours of a general reform proposal will follow in due course. Specifically, it is proposed that:

- the NCAL on borrowing would be increased from 300 to 435 percent of quota through end-June 2021.
- the NAAL on borrowing (now 150 percent of quota, set to return to 100 percent on April 7) would be increased to 245 percent of quota through end-June 2021.[20] [21]

These changes would ensure that an NPB country requesting access at levels that would not be viewed as "exceptional" either in the GRA or under the combined High Access Policy Safeguards could receive all its financing from the PRGT.[22]

41. It is further proposed that: (i) all access norms in the PRGT would remain unchanged over the same time period;[23] and (ii) the PRGT exceptional access framework would also remain unchanged, thus making available up to 33.33/100 percent of quota in additional PRGT resources for EA-eligible countries that meet the relevant criteria. Specifically, the increase in the normal access limits would be accompanied by a temporary increase through end-June 2021 in the exceptional annual and cumulative access limits applicable to the PRGT to 278.33 percent and 535 percent of quota, respectively).

Safeguards

42. NPB countries that are EA-eligible and request access to PRGT resources in excess of the current EA thresholds of 150 percent (annual, through April 6) and 300 percent of quota (cumulative) must meet the exceptional access criteria—this safeguard would be weakened by the proposed higher limits. The proposed approach would shift these thresholds for higher scrutiny to 245 percent and 435 percent of quota respectively, thereby eroding one of the safeguards to protect PRGT resources. This easing of safeguards is of significance because countries

[20] The highest level of annual access approved to date for an NPB country since the NAAL was increased on July 13 2020 is 123 percent of quota (Table 3); it seems unlikely that an NPB member country will seek annual access close to the proposed temporary limit of 245 percent in the period through end-June 2021.

[21] For explanation on how annual access levels are calculated, see Box 1 in Temporary Modification to the Fund's Annual Access Limits.

[22] The higher limits would apply to all new requests for financing and augmentation of access under existing arrangements. Accordingly, the new proposal would not affect existing arrangements subject to the PRGT exceptional access criteria that were grandfathered from the application of the Policy Safeguards on High Combined Credit to the GRA-PRGT (PS-HCC) in September 2020—the only such arrangement is with Ethiopia—unless an augmentation request is made. This is to ensure adequate and even-handed safeguards for exceptional/high access across all PRGT borrowers.

[23] Combined GRA-PRGT access for blend countries (in a ratio of 2:1) would continue to be constrained by the relevant PRGT norm. Staff will review these norms in the context of the assessment of the Fund's approach to concessional financing, cited above.

relieved of this scrutiny are those set to have high levels of debt to the Fund, at a time when some 70 percent of NPB countries are at high risk of, or in, debt distress.

43. The Fund relies on a multilayered framework for credit risk mitigation, including program design and access policies. The approach to setting access under an arrangement (PRGT or GRA) entails a case-by-case determination, where access needs to be justified on the basis of a rigorous assessment informed by the standard access policy criteria, including the member's BOP need, the strength of its adjustment program and capacity to repay, and the member's record in using Fund credit in the past. Such case-by-case assessments will remain critical to ensuring adequate safeguards for PRGT resources. In addition, program measures in the areas of public financial management and debt management will work to strengthen controls on the use of public resources and promote transparency, thereby supporting debt sustainability and capacity to repay.

44. Existing safeguard measures would be retained, albeit adjusted given the high levels of EF provided early in the pandemic to ensure that, "routine-sized" programs would not trigger procedural safeguards:

- **The PRGT EA framework would remain in place.** A request for annual or cumulative access under the PRGT exceeding 245 and 435 percent would trigger the PRGT EA policy with unchanged EA criteria**.**
- **The PRGT lending framework has high access procedural safeguards:** these are triggered when access to PRGT resources over any 36-month period exceeds 180 percent of quota ("flow trigger"), or where overall exposure to the PRGT exceeds 225 percent ("stock trigger").
    - With the majority of NPB countries having obtained exceptional emergency financing in the first months of the pandemic, it is proposed that the flow trigger be set at 240 percent of quota through end-2023, by which time all the financing provided in response to the initial shock will have dropped out of the "36 month" calculation.
    - With many countries already having exposure to the PRGT close to (or above) 225 percent of quota, it is proposed that the stock trigger be increased to 300 percent of quota through June 30, 2021 to avoid triggering the procedural safeguards in cases involving modest new access.
- **The Policy Safeguards triggered by high combined access to the GRA and PRGT would remain in place.**

45. Consistent with the proposed approach for temporarily elevated AAL in the GRA (Section III), staff will make use of the Briefings on Country Matters format to ensure that Directors are made aware of upcoming PRGT cases where elevated access levels are under consideration ahead of any formal discussions with country authorities.[24]

[24] Elevated access levels here mean annual access between 145 percent and 245 percent of quota; requests entailing cumulative access in excess of 300 percent of quota would trigger the high access procedural safeguards.

46. Additional and broadly applied safeguards regarding debt sustainability would build on existing policies. The aim would be to limit risks to PRGT resources from high volume-lending to countries with serious debt vulnerabilities and corresponding risks to their capacity to repay the Fund. In particular:

- Program documents would be expected to include: (i) a discussion of the structure of public external debt and its projected evolution over the course of the program period; (ii) cross-country comparisons of outstanding and projected Fund credit relative to key economic metrics, where large exposures would require justification in terms of balance of payments/financing needs and program strength; and (iii) tables showing external debt (and its evolution over the program) with two distinct breakdowns: *de facto senior debt* (IMF credit; debt to the World Bank and other major multilateral development banks; known collateralized debt) versus *other debt*, and *multilateral* versus *official bilateral* versus *private* debt.[25]
- For countries at high risk of debt distress or in debt distress, program objectives would include the achievement of a concrete reduction in debt vulnerabilities over the course of the program and beyond. This would expand the number of programs where lessening debt vulnerabilities are a key objective, which to date has only been required where exceptional access or high combined access is involved. Reducing debt vulnerabilities would typically involve reducing breaches of LIC-DSF thresholds under the baseline scenario: staff do not propose a mechanical approach to assessing the projected improvement in debt vulnerabilities, preferring instead an overall assessment of the strength of the program and any assurances from creditors in tackling debt vulnerabilities.

D. Resource Implications

47. The surge in demand for concessional financing has created a substantial resource gap for the PRGT. Credit outstanding, which had been relatively stable at around SDR 6 billion over the last decade, doubled in 2020, to SDR 12.5 billion. Demand is expected to remain high in the near term, with PRGT credit outstanding projected to increase to around SDR 16–20 billion in 2024 under current policies. The fast-track PRGT loan mobilization campaign launched in April 2020 has secured SDR 16.9 billion in new effective and pledged loan resources so far, which should be broadly sufficient to cover demand under current policies for the coming years. The surge in crisis lending has also created a large subsidy gap, which has significantly eroded the PRGT's self-sustained lending capacity, to below the target of SDR 1.25 billion annually under the original three-pillar framework. To return the PRGT to self-sustainability under current policies and avoid access erosion in real terms, an estimated SDR 2.3 billion in new subsidy resources would need to be mobilized.

48. The proposed temporary increases in access limits through end-June 2021 would have very modest effects on the PRGT resource gap, given the short period for which the increases would be in effect. Staff estimates that the subsidy resource gap would rise by about SDR 0.25

[25] The new Debt Limits Policy requires reporting of the breakdown of external debt described here, but not an explicit discussion in program documents.

billion compared to current policies (to about SDR 2.5 billion). The loan resources mobilized so far would be sufficient to cover the loan needs of the proposed measures**.**

49. The access policy changes proposed here are made with the understanding that mobilization of the necessary resources will be part of a broader concessional financing package that would be developed alongside wider PRGT reforms. Under the three-pillar PRGT funding model, proposed policy changes should preserve the self-sustained lending envelope. Given that (i) the proposed temporary access increases would not entail a fundamental change in PRGT finances, with only modest increases in the very sizeable resource gaps created by the crisis, and (ii) under current scenarios, available PRGT subsidy resources will not run out any time soon in the current low interest environment, it is proposed that options for restoring a fully funded PRGT be discussed in the context of the broader reforms to be discussed in the Review of Concessional Financing and Policies.

SUMMARY OF PROPOSALS

50. In sum, staff proposes the following changes related to access limits under the PRGT and the GRA.

i. Extend the current levels of the AAL (100 percent of quota) and the CAL (150 percent of quota) on access to the RFI and RCF through December 31, 2021.

ii. Extend the current suspension of the limit on the number of disbursements under the RCF within a 12-month period (to two disbursements) through December 31, 2021.

iii. Allow amounts approved under an RCF or RFI to cease to be available if the resources remain undrawn after 60 days with the possibility of further extension for further 60 days.

iv. Extend the temporary GRA annual access limit at 245 percent of quota through end-December 31, 2021.

v. Increase the PRGT NAAL (currently 150 percent until April 7) and NCAL (currently 300 percent) to 245 percent of quota and 435 percent of quota respectively through June 30, 2021.

vi. Increase the exceptional access annual limit applicable to PRGT arrangements to 278.33 percent of quota[26] and the exceptional access cumulative limit to 535 percent of quota, both through June 30, 2021.

vii. Modify existing safeguards measures as set forth above.

51. Three decisions are proposed for adoption by the Executive Board. Decision I would implement the proposed amendments to the Decision on Access Policy and Limits on Overall Access to the Fund's General Resources, and Exceptional Access Policy ("GRA access decision"). Decision II would implement the proposed amendments to the PRGT Instrument. Decision III would implement the proposed amendments to the RFI. Annexes I, II and III of the supplement set forth for the convenience of Executive Directors redlined texts that show revisions against the current GRA access decision, the PRGT Instrument and the RFI Instrument, respectively.

[26] Currently temporarily increased to 183.33 percent, set to return to 133.33 percent on April 7

Annex I. List of PRGT-Eligible Countries that are Eligible for PRGT EA

Country	IMF Credit Outstanding in % of Quota (end-2020)	2019 GNI per capita (US $)	Program in Place (end-2020)	Risk of Debt Distress (end-2020)
EA-Eligible Countries (28 countries)				
Chad	298	700		High
Madagascar	224	520		Moderate
Burkina Faso	221	790		Moderate
Malawi	216	380		Moderate
Niger	215	560		Moderate
Mali	205	880	ECF	Moderate
Rwanda	178	820	PCI	Moderate
Ethiopia	174	850	ECF-EFF	High
Central African Republic	174	520	ECF	High
Sierra Leone	170	500	ECF	High
Togo	169	690		Moderate
Guinea	169	950		Moderate
Mozambique	162	480		In debt distress
Somalia	158	-	ECF-EFF	In debt distress
Nepal	120	1090		Low
Uganda	100	780		Low
Afghanistan	87	540	ECF	High
Tajikistan	84	1030		High
Liberia	79	580	ECF	Moderate
Haiti	78	790		High
Guinea-Bissau	72	820		Moderate
Gambia, The	68	740	ECF	High
Congo, Dem. Rep.	50	520		Moderate
Sudan	32	590		In debt distress
South Sudan	15	-		High
Burundi	12	280		High
Yemen	11	940		High
Eritrea	0	-		In debt distress

Sources: World Bank, World Development Indicators; and IMF staff calculations.

Annex II. List of PRGT-Eligible Countries that are Not Eligible for PRGT EA

Country	IMF Credit Outstanding in % of Quota (end-2020)	2019 GNI per capita (US $)	Program in Place (end-2020)	Risk of Debt Distress (end-2020)
Presumed Blenders: Countries above the IDA operational cutoff with L or M risk of debt distress (17 countries) or above 80 percent of the cutoff with market access (1 country) (18 countries)				
Côte d'Ivoire	278	2290		Moderate
Benin	268	1250		Moderate
Moldova	201	3930		Low
Kyrgyz Republic	147	1240		Moderate
Honduras	135	2390	SBA-SCF	Low
Comoros	116	1420		Moderate
Solomon Islands	104	2050		Moderate
Senegal	100	1450	PCI	Moderate
Bangladesh	89	1940		Low
Lesotho	72	1360		Moderate
Nicaragua	51	1910		Moderate
Uzbekistan	50	1800		Low
Myanmar	50	1390		Low
Vanuatu	32	3170		Moderate
Bhutan	0	2970		Moderate
Timor-Leste	0	1890		Low
Cambodia	0	1480		Low
Tanzania	0	1080		Low
Potential Presumed Blenders if assessed as having prospective market access (8 countries)				
Cameroon	255	1500		High
Ghana	198	2220		High
Dominica	148	8090		High
Kenya	130	1750		High
Maldives	100	9650		High
Cabo Verde	100	3630	PCI	High
Papua New Guinea	100	2780		High
Lao PDR	0	2570		High
Others not eligible for EA due to GNI per capita above the IDA cutoff (15 countries)				
Mauritania	181	1660	ECF	High
Grenada	181	9980		In debt distress
São Tomé and Principe	125	1960	ECF	In debt distress
St.Vincent and the Grenadines	118	7460		High
Samoa	118	4180		High
Djibouti	110	3540		High
St. Lucia	102	11020		High
Congo, Rep.	20	1750	ECF	In debt distress
Zambia	0.2	1450		In debt distress
Tuvalu	0	5620		High
Marshall Islands	0	4860		High
Tonga	0	4300		High
Micronesia	0	3400		High
Kiribati	0	3350		High
Zimbabwe	0	1390		In debt distress

Sources: World Bank, World Development Indicators; and IMF staff calculations.
The IDA operational cutoff is defined as GNI per capita at $1,185 in fiscal year 2021.

INTERNATIONAL MONETARY FUND

March 18, 2021

TEMPORARY EXTENSIONS AND MODIFICATIONS OF ACCESS LIMITS IN THE FUND'S LENDING FACILITIES—PROPOSED DECISIONS

Approved By
Rhoda Weeks-Brown, Ceyla Pazarbasioglu, and Andrew Tweedie

Prepared by the Legal Department (LEG) comprising of Gabriela Rosenberg and Kyung Kwak; Strategy, Policy, and Review Department (SPR) comprising of Daehaeng Kim and Wes McGrew; and the Finance Department (FIN) comprising of Charleen Gust.

SUMMARY OF THE PROPOSED DECISIONS

This supplement sets forth the proposed decisions that implement the proposals in the main paper, *Temporary Extensions and Modifications of Access Limits in the Fund's Lending Facilities* (SM/21/33). The decisions implement the staff proposals as follows:

Decision on Access Policy and Limits on Overall Access to the Fund's General Resources, and Exceptional Access Policy

Decision I

- implements the proposal to extend through December 31, 2021 the temporary increase in the GRA annual access limit (normally 145 percent of quota but currently increased to 245 percent of quota until April 6, 2021).[1]

Poverty Reduction and Growth Trust Instrument

Decision II

- temporarily increases the PRGT Normal Annual Access Limit (normally 100 percent of quota but currently at 150 percent of quota until April 6, 2021) to 245 percent of quota and PRGT Normal Cumulative Access Limit (currently 300 percent of quota, net of scheduled repayments) to 435 percent of quota, net of scheduled repayments, through June 30, 2021;

- temporarily increases the PRGT Exceptional Annual Access Limit (normally 133.33 percent of quota but temporarily increased to 183.33 percent of quota until April 6, 2021) to 278.33 percent of quota and the PRGT Exceptional Cumulative Access Limit (normally 400 percent of quota, net of scheduled repayments) to 535 percent of quota, net of scheduled repayments, through June 30, 2021. The proposed access limit increases shall apply to new financing requests (i.e., a new arrangement or a new RCF loan, or an augmentation of access under an existing arrangement) approved through June 30, 2021;[2]

- provides a transitional regime for new arrangements and augmentations of access under existing arrangements, approved between the date of approval of the new temporarily increased PRGT annual and cumulative access limits and June 30, 2021. Under this transitional regime, the relevant arrangement will remain subject to the temporarily increased access limits even after

[1] For the computation of the annual access under financing requests covered under the temporary access limit increase, the annual access limit of 245 percent of quota shall apply for any 12-month period that includes any part of the period of temporary access limit increase through December 31, 2021.

[2] For the computation of the annual access under New Financing Requests covered under the temporary access limit increase, the annual access limits of 245 percent of quota and 278.33 percent of quota shall apply for any 12-month period that includes any part of the period of temporary access limit increase through June 30, 2021.

June 30, 2021, unless on or after July 1, 2021, the Fund approves additional PRGT resources through an augmentation of access under such arrangement or through a new RCF loan;

- extends until December 31, 2021 the temporary increase of the annual access limit (normally 50 percent of quota but temporarily increased to 100 percent of quota until April 6, 2021) and the cumulative access limit (normally 100 percent of quota, net of scheduled repayments, but currently increased to 150 percent, net of scheduled repayments, until April 6, 2021) under the exogenous shocks window of the RCF;

- extends the current suspension of the limit on the number of disbursements under the RCF within a 12-month period (to two disbursements) through December 31, 2021; and

- provides for automatic expiration of approval for an RCF disbursement after 60 days following the approval of RCF loan disbursement if the concerned member does not request that such a disbursement be made (i.e., send the member's authenticated instructions to request the disbursement under the RCF), with a possibility for the Board to further extend the time limit for an additional period of 60 days upon request from the member made before the initial 60 days expire.

Rapid Financing Instrument

Decision III

- extends until December 31, 2021 the temporary increase of the annual access limit (normally 50 percent of quota but temporarily increased to 100 percent of quota until April 6, 2021) and the cumulative access limit (normally 100 percent of quota, net of scheduled repurchases but temporarily increased to 150 percent of quota, net of scheduled repurchases until April 6, 2021) under the regular window of the RFI; and

- provides for automatic expiration of approval for an RFI purchase after 60 days following the approval of RFI purchase if the concerned member does not request that such a purchase be made (i.e., send the member's authenticated instructions to request the purchase under the RFI), with a possibility for the Board to further extend the time limit for an additional period of 60 days upon request from the member made before the initial 60 days expire. For those purchases under the RFI approved prior to the adoption of this proposed decision, Board approval for such purchases shall automatically expire 60 days after the adoption of this decision.[3]

[3] In contrast to the RFI, there are currently no RCF loans approved by the Fund that remain undrawn.

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 Decision on Access Policy and Limits on Overall Access to the Fund's General Resources, and Exceptional Access Policy

Paragraph 2(B) of Decision No. 14064-(08/18), adopted February 22, 2008, as amended, shall be further amended by replacing the reference to "April 6, 2021" with "December 31, 2021" to read as follows:

"(B) during the period from July 13, 2020 to December 31, 2021 (the "Applicable Period"), the annual limit to overall access by members to the Fund's general resources specified in paragraph 2(i) above shall be 245 percent of quota, provided that this limit shall apply to requests for new arrangements or Rapid Financing Instruments and to requests for augmentation or rephasing of access approved through December 31, 2021 (hereinafter the "Eligible Financing"), and provided further that for the computation of the annual access under the above specified "Eligible Financing", the annual access limit of 245 percent of quota shall apply for any 12-month period that includes any part of the "Applicable Period".

Decision II. Amendments to the PRGT Instrument

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, along with its Appendices, shall be further amended as follows:

Limit on disbursements under the RCF

The proviso in the last sentence of Section II, Paragraph 1(d)(2) shall be revised to read as follows:

"provided that (A) effective as of January 1, 2022, a member may not receive more than two disbursements under the RCF during any 12-month period and (B) any disbursements between July 13, 2020 and December 31, 2021 shall not count towards the limit set forth in (A) above."

Normal Annual and Cumulative Access Limits and Exceptional Annual and Cumulative Access Limits

Section II, Paragraph 2(a)(B) shall become Section II, Paragraph 2(a)(B)(i) and shall be revised to replace the references to "April 6, 2021" to read "[date prior to the date of Board approval of this decision]". In addition, new subparagraphs 2(a)(B)(ii) and 2(a)(B)(iii) shall be added to read as follows:

"(B)(ii) During the period from [date of Board approval of this decision] to June 30, 2021 (the "Applicable Period"), the overall access of a member to the resources of the Trust under all facilities shall be subject to (a) a normal annual access limit of 245 percent of quota and an exceptional annual access limit of 278.33 percent of quota, and (b) a normal cumulative access limit of 435 percent of quota, net of scheduled repayments, and an exceptional cumulative access limit of 535 percent of quota, net of scheduled repayments, provided that these limits in (a) and (b) above shall apply when a member requests new PRGT resources (i.e., a new arrangement or a new RCF loan, or an augmentation of access under an existing arrangement) and any such request is approved through June 30, 2021 (the "Eligible Financing"). In the absence of approval of such Eligible

Financing, a member's overall access to the resources of the PRGT shall be subject to the access limits specified in Section II, Paragraph 2(a)(A), provided that for the period from July 13, 2020 to [date prior to the date of Board approval of this decision], the annual limits shall be as specified in Paragraph 2(a)B)(i) above. For the computation of the annual access under the above specified "Eligible Financing", the annual access limits of 245 percent of quota and 278.33 percent of quota shall apply for any 12-month period that includes any part of the "Applicable Period"."

"(B)(iii) New arrangements approved between [date of Board approval of this decision] and June 30, 2021 and existing arrangements with additional access approved during the same period, that involve cumulative access above 300 percent of quota, net of scheduled repayments, or annual access above 100 percent of quota (or above 150 percent of quota for any 12-month period that includes the period from July 13, 2020 to [date prior to the date of Board approval of this decision]), will remain subject to the annual and cumulative access limits specified in (a) and (b) of Section II, Paragraph 2(a)(B)(ii) for the entire duration of the arrangement, including when the duration of such arrangement is subsequently extended, unless on or after July 1, 2021, the Fund approves additional access to PRGT resources through an augmentation of access under the arrangement or through a new outright loan under the RCF."

Extension of Temporary increase in sub-limits for access under the RCF

Section II, Paragraph 2(b)(iii) 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 by replacing the reference to "April 6, 2021" with "December 31, 2021" and shall read as follows:

"(iii) for the period from April 6, 2020 to December 31, 2021, 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"

Automatic Expiration of RCF Approvals

A new Section II, Paragraph 3(h) shall be added to read as follows:

"(h) The Trustee's approval of a loan disbursement under the RCF after [date of Board approval of this decision] shall automatically expire after 60 days following the date of such approval (the "automatic expiration date") if the Trustee has not received the member's authenticated instructions to request the disbursement of the approved RCF loan. The Trustee, at the member's request made prior to the automatic expiration date, may decide to delay such expiration date for an additional period not exceeding 60 days from the automatic expiration date."

Decision III. Amendments to the RFI Instrument

1. Paragraph 5(A) of the Decision establishing the Rapid Financing Instrument (RFI), Decision No. 15015-(11/112), November 21, 2011, as amended, ("RFI Decision") shall be amended by replacing the reference to "April 6, 2021" with "December 31, 2021" and shall read as follows:

"(A) for the period from April 6, 2020 to December 31, 2021, the above annual and cumulative access limits shall be 100 percent of quota and 150 percent of quota, net of scheduled repurchases, respectively; and"

2. A new paragraph 6 shall be added to the RFI Decision to read as follows:

"6. The Executive Board approval of a purchase under the RFI after [date of Board approval of this decision] shall automatically expire after 60 days following the date of such approval (the "automatic expiration date") if the Fund has not received the member's authenticated instructions to request the approved purchase. The Executive Board, at the member's request made prior to the automatic expiration date, may decide to delay such expiration date for an additional period not exceeding 60 days from the automatic expiration date. For those purchases under the RFI approved before [date of Board approval of this decision] that remain undrawn, Executive Board approvals for such purchases shall automatically expire 60 days after [the date of Board approval of this decision]."

3. Paragraph 6 of the RFI Decision shall be renumbered as paragraph 7 and the original paragraph 7 shall be deleted.

Annex I. Amendments to the Decision on Access Policy and Limits on Overall Access to the Fund's General Resources, and Exceptional Access Policy – Redlined Version

****

2. The overall access by members to the Fund's general resources shall be subject to (i) an annual limit of 145 percent of quota; and (ii) a cumulative limit of 435 percent of quota, net of scheduled repurchases; provided that:

(A) these limits will not apply in cases where a member requests a Flexible Credit Line arrangement or where a member requests a Short-term Liquidity Line arrangement, although outstanding holdings of a member's currency arising under such arrangements will be taken into account when applying these limits in cases involving requests for access under other Fund facilities; and

(B) during the period from July 13, 2020 to ~~April 6, 2021~~ December 31, 2021 (the "Applicable Period"), the annual limit to overall access by members to the Fund's general resources specified in paragraph 2(i) above shall be 245 percent of quota, provided that this limit shall apply to requests for new arrangements or Rapid Financing Instruments and to requests for augmentation or rephasing of access, approved through ~~April 6, 2021~~ December 31, 2021 (hereinafter the "Eligible Financing") and provided further that for the computation of the annual access under the above specified "Eligible Financing", the annual access limit of 245 percent of quota shall apply for any 12-month period that includes any part of the "Applicable Period".

****

Annex II. 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 1. *Eligibility and Conditions for Assistance*

(a) The members on the list annexed to Decision No. 8240-(86/56) SAF, as amended, shall be eligible for assistance from the Trust.

****

(d) Assistance under the RCF

****

(2) Before approving a disbursement under the RCF, the Trustee shall be satisfied (a) that the member is experiencing an urgent balance of payments need characterized by a financing gap that, if not addressed, would result in an immediate and severe economic disruption; (b) that the member's balance of payments difficulties are not predominantly caused by a withdrawal of financial support by donors; and (c) normally, that the member either (i) has a balance of payments need that is expected to be resolved within one year with no major policy adjustments being necessary, or (ii) lacks capacity to implement an upper credit tranche-quality economic program owing to its limited policy implementation capacity or the urgent nature of its balance of

payments need. If a member has received a disbursement under the RCF within the preceding three years, then any additional disbursements under the RCF may be approved only where the Trustee is satisfied that: (i) the member's balance of payments need was caused primarily by a sudden and exogenous shock, or (ii) the member has established a track record of adequate macroeconomic policies for a period of normally about six-months prior to the request; provided that (A) effective as of January 1, 2022 ~~April 7, 2021~~, a member may not receive more than two disbursements under the RCF during any 12-month period and (B) any disbursements between July 13, 2020 and ~~April 6, 2021~~ December 31, 2021 shall not count towards the limit set forth in (A) above.

****

Paragraph 2. Amount of Assistance

(a) (A) Except as specified in sub-paragraph (B) below, the overall access of each eligible member to the resources of the Trust under all facilities of the Trust as specified in Section I, Paragraph 1(a) shall be subject to (i) an annual limit of 100 percent of quota; and (ii) a cumulative limit of 300 percent of quota, net of scheduled repayments (hereinafter the "normal annual access limit" and the "normal cumulative access limit", respectively). The Fund may approve access in excess of these limits in cases where 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); provided that access shall in no case exceed (i) a maximum annual limit of 133.33 percent of quota, and (ii) a maximum cumulative limit of 400 percent of quota, net of scheduled repayments (hereinafter the "exceptional annual access limit" and the "exceptional cumulative access limit" respectively). For the purpose of this sub-paragraph, a member is deemed to have sustained past access to international financial markets if, in addition to having income above 80 percent of the IDA operational cutoff, the public debtor has issued or guaranteed external bonds or has received disbursements under external commercial loans contracted or guaranteed by the public debtor, as defined in Executive Board Decision No. 14521-(10/3), as amended, during at least two of the past five years in a cumulative amount equivalent to at least 25 percent of the member's quota.

(B) (i) During the period from July 13, 2020 to ~~April 6, 2021~~ [date prior to the date of Board approval of this decision] (the "Applicable Period"), the normal annual access limit and the exceptional annual access limit specified in sub-paragraph (A) above shall be 150 percent of quota and 183.33 percent of quota respectively, approved through ~~April 6, 2021~~ [date prior to the date of Board approval of this decision] (hereinafter the "Eligible Financing"). For the computation of the annual access under the above specified "Eligible Financing", the annual access limits of 150 percent of quota and 183.33 percent of quota shall apply for any 12-month period that includes any part of the "Applicable Period".

(ii) During the period from [date of Board approval of this decision] to June 30, 2021 (the "Applicable Period"), the overall access of a member to the resources of the Trust under all facilities shall be subject to (a) a normal annual access limit of 245 percent of quota and an exceptional annual access limit of 278.33 percent of quota, and (b) a normal cumulative access limit of 435 percent of quota, net of scheduled repayments, and an exceptional cumulative access limit of 535 percent of quota, net of scheduled repayments, provided that these limits in (a) and (b) above shall apply when a member requests new PRGT resources (i.e., a new arrangement or a new RCF loan, or an augmentation of access under an existing arrangement) and any such request is approved through June 30, 2021 (the "Eligible Financing"). In the absence of approval of such Eligible Financing, a member's overall access to the resources of the PRGT shall be subject to the access limits specified in Section II, Paragraph 2(a)(A), provided that for the period from July 13, 2020 to [date prior to the date of Board approval of this decision], the annual limits shall be as specified in Paragraph 2(a)B)(i) above. For the computation of the annual access under the above specified "Eligible Financing", the annual access limits of 245 percent of quota and 278.33 percent of quota shall apply for any 12-month period that includes any part of the "Applicable Period"."

(iii) New arrangements approved between [date of Board approval of this decision] and June 30, 2021 and existing arrangements with additional access approved during the same period, that involve cumulative access above 300 percent of quota, net of scheduled repayments, or annual access above 100 percent of quota (or above 150 percent of quota for any 12-month period that includes the period from July 13, 2020 to [date prior to the date of Board approval of this decision]), will remain subject to the annual and cumulative access limits specified in (a) and (b) of Section II, Paragraph 2(a)(B)(ii) for the entire duration of the arrangement, including when the duration of such arrangement is subsequently extended, unless on or after July 1, 2021, the Fund approves additional access to PRGT resources through an augmentation of access under the arrangement or through a new outright loan under the RCF.

(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:

****

(iii) for the period from April 6, 2020 to ~~April 6, 2021~~ December 31, 2021, 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

****

Paragraph 3. Disbursements

****

(h) The Trustee's approval of a loan disbursement under the RCF after [date of Board approval of this decision] shall automatically expire after 60 days following the date of such approval (the "automatic expiration date") if the Trustee has not received the member's authenticated instructions to request the disbursement of the approved RCF loan. The Trustee, at the member's request made prior to the automatic expiration date, may decide to delay such expiration date for an additional period not exceeding 60 days from the automatic expiration date.

****

Annex III. 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 December 31, 2021, 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.

6. The Executive Board approval of a purchase under the RFI after [date of Board approval of this decision] shall automatically expire after 60 days following the date of such approval (the "automatic expiration date") if the Fund has not received the member's authenticated instructions to request the approved purchase. The Executive Board, at the member's request made prior to the automatic expiration date, may decide to delay such expiration date for an additional period not exceeding 60 days from the automatic expiration date. For those purchases under the RFI approved before [date of Board approval of this decision] that remain undrawn, Executive Board approvals for such purchases shall automatically expire 60 days after [the date of Board approval of this decision].

~~6.~~ 7. In order to carry out the purposes of this Decision, the Fund will be prepared to grant a waiver of the limitation of 200 percent of quota in Article V, Section 3(b)(iii), whenever necessary to permit purchases under this Decision or to permit other purchases that would raise the Fund's holdings of the purchasing member's currency above that limitation because of purchases outstanding under this Decision.

~~7. Decision No. 12341-(00/117), adopted November 28, 2000, which established the special GRA policy on emergency assistance, is hereby repealed.~~

****