INTERNATIONAL MONETARY FUND

Modification of Access Policies for the Poverty Reduction and Growth Facility and the Exogenous Shocks Facility

Prepared by the Strategy, Policy, and Review and the Finance Departments
(In consultation with other departments)

Approved by Reza Moghadam and Andrew Tweedie

April 10, 2009

Contents Page

Tables

Figures

EXECUTIVE SUMMARY

The paper proposes a doubling of access limits on concessional lending to ensure that the Fund can respond effectively to the needs of low-income countries (LICs) severely affected by the current world economic downturn. Pending adoption of broader reforms to the LIC facilities architecture, higher access limits under the Poverty Reduction and Growth Facility (PRGF) and Exogenous Shocks Facility-High-Access Component (ESF-HAC) would give the Fund greater flexibility in assisting LICs, which have become more exposed to global volatility over time. A doubling of access limits would restore them to their 1998 levels in percent of GDP and would be consistent with the approach taken in determining new access limits for General Resources Account (GRA) resources. It would also be in line with the projected doubling of medium-term demand for concessional resources.

It is also proposed that most PRGF access norms be doubled. Matching the increase in limits with a proportional increase in norms would help prevent an overly concentrated distribution of concessional financing and would be in line with recent trends, with actual access exceeding norms in most cases. For first- and second-time PRGF arrangements, a smaller increase may be appropriate to provide a more balanced increase in absolute terms.

The proposed higher access limits and norms take into account resource constraints. They could raise demand to SDR 1.8–2.5 billion per year on average in 2009-10, from SDR 1.3–2.0 billion based on current policies. Existing PRGF-ESF subsidy resources appear sufficient to accommodate projected demand over the next two years, even assuming the doubling of access limits and norms. Options to generate the additional subsidies required to meet resource needs over the medium term will be presented in a forthcoming companion paper.

Additional procedural safeguards are proposed to protect debt sustainability and resource availability. Access should not be raised to a level that would pose serious risks to debt sustainability. This will require a careful assessment of debt vulnerabilities, in many cases with an updated Debt Sustainability Analysis (DSA). Early involvement of the Executive Board is proposed for high-access financing requests to allow for a timely appraisal of potential debt vulnerabilities, and help safeguard the Fund's concessional resources.

I. Background

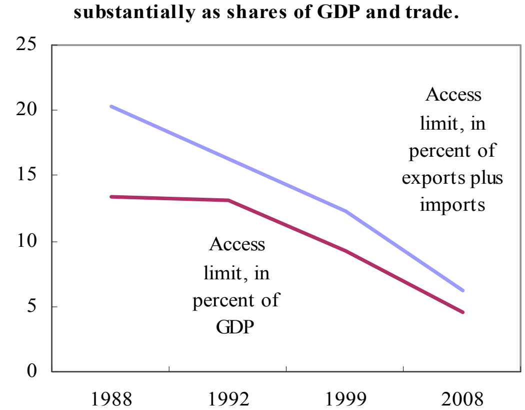
1. **At the Board discussion of the Fund's Low-Income Country (LIC) facilities and financing framework on March 20, Executive Directors asked staff to prepare a proposal for higher access limits and norms for existing LIC facilities for consideration before the Spring Meetings.**[1] Most Directors favored urgent action to increase access limits and norms, with a number of Directors supporting a doubling. Some other Directors preferred a more cautious approach in light of the scarcity of the Fund's concessional resources and the temporary nature of the crisis-related increase in demand. More generally, Directors noted the importance of ensuring that actual program access in individual cases would be compatible with debt sustainability, especially for countries with a high risk of debt distress.

2. **An upfront increase in access limits and norms would enable the Fund to provide timely and effective assistance to those LICs that are hardest hit by the global crisis, pending adoption of a new facilities architecture.** A more comprehensive revision of access rules would be developed in the context of the envisaged broader reform of the Fund's LIC facilities, as set out in *The Fund's Facilities and Financing Framework for Low-Income Countries*.

II. The Case for Raising Access Limits and Norms

3. **The gradual erosion of Poverty Reduction and Growth Facility (PRGF) access limits and norms in relation to GDP and trade could hamper the Fund's ability to assist LICs effectively, especially in the near term as many are being hit hard by the global economic crisis** (Figure 1). As discussed in *The Fund's Facilities and Financing Framework for Low-Income Countries*, the relative decline partly reflects downward revisions to the access limits and partly the more rapid GDP and trade growth of eligible countries relative to quota increases.[2]

Figure 1. Access limits have declined substantially as shares of GDP and trade.



Sources: Fund staff estimates. China, India, and countries with insufficient GDP and trade data are excluded.

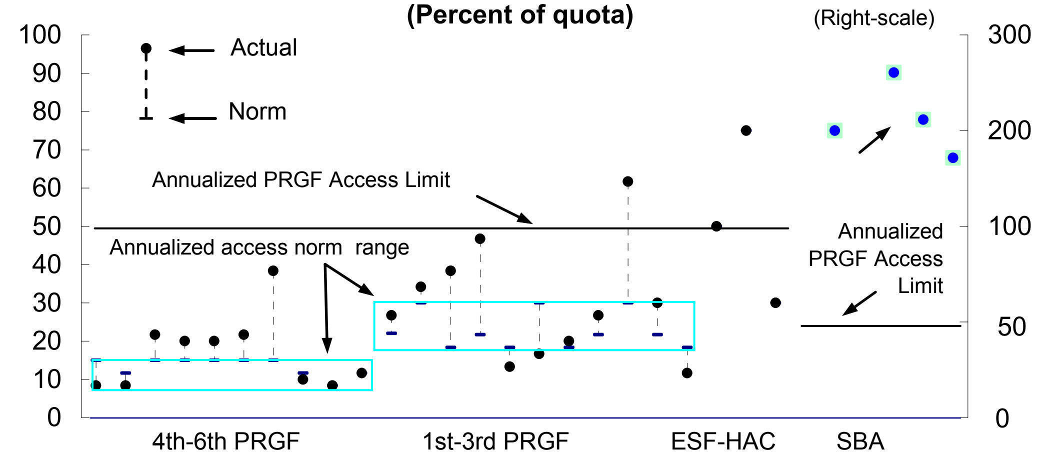
[1] Access under the facilities for LICs is subject to access limits and access norms. Under both the PRGF and the Exogenous Shocks Facility's (ESF) high-access component (HAC), there are limits on access that can, however, be exceeded in exceptional circumstances. Access under the PRGF is also subject to an "exceptional" limit that can never be exceeded. The rapid access component (RAC) of the ESF also includes a hard cap that cannot be exceeded. Under the PRGF, actual access is generally expected to be in line with access norms—that represent neither an entitlement nor a maximum. These norms are tapered depending on the number of prior arrangements. For countries with limited balance of payments needs, a standardized low access level has been set.

[2] The maximum and exceptional limits on access were originally set at 250 and 350 percent of quota, respectively, when the Enhanced Structural Adjustment Facility (ESAF) Trust was established in 1987. The determination of the maximum limit was based on projections of members' financing needs and the amount of resources available. The limits have been reduced twice in the context of the 9th and 11th quota reviews in 1992 and 1999, respectively.

Moreover, with the recent doubling of limits on General Resources Account (GRA) access,[3] the difference between PRGF and GRA access limits has widened sharply.

4. **Access has already been at the limits in a number of recent PRGF and ESF cases, and several LICs have requested GRA financing where their needs exceed the applicable limits of concessional facilities.**[4] Moreover, access has been above the relevant norm in 60 percent of existing PRGF arrangements, and several further such cases are expected in the near future. (Figure 2)

Figure 2. PRGF-Eligible Countries: Annual Average Access 1/
(Percent of quota)



1/ Under current arrangements, excluding the ESF-RAC and standardized PRGF.

5. **Higher access limits and norms would allow greater flexibility in assisting LICs as most face a sharp deterioration in economic conditions and higher financing needs.** The global economic crisis is likely to raise financing needs substantially in many countries, as highlighted in *The Implications of the Global Financial Crisis for Low-Income Countries*. A recent survey of mission chiefs (*The Fund's Facilities and Financing Framework for Low-Income Countries—Supplementary Information*) indicated that access limits and norms have either already become too restrictive or could become restrictive in the next three years for more than half of LICs. Higher access limits and norms would allow more effective Fund financial support in cases with large needs and would also reduce the risk that LICs resort to non-concessional financing, which may add to debt vulnerabilities.

---

[3] *Review of Access to Financing in the Credit Tranches and Under the Extended Fund Facility, and Overall Access Limits Under the General Resources Account.*

[4] PRGF access was set at the maximum limit for Haiti and at the exceptional limit for Liberia (in the context of arrears clearance). Access under the ESF-HAC is at the limit for the Kyrgyz Republic and Malawi. Stand-By Arrangements (SBAs) for Pakistan, Mongolia, Armenia, and Georgia have access well above the PRGF limit.

III. Proposed New Access Limits and Norms for the PRGF and ESF

6. **Determining the appropriate level of access limits and norms requires balancing potential financing needs against resource constraints and other considerations.** As discussed below, higher access limits and norms can be expected to result in greater use of the Fund's concessional resources. While this may be appropriate in the context of rising financing needs, it will be important to maintain the incentive for LICs to seek financing from donors on more concessional terms and to avoid access levels that could lead to an excessive debt service burden.

7. **In light of the projected increase in demand and the decline in access levels relative to economic indicators, staff estimates that access limits and norms may need to be roughly doubled to meet potential financing needs.** Specifically:

- ***Projected demand:*** Over the medium term, demand for the Fund's concessional resources is projected to be around SDR 1.5 billion a year, roughly twice the level in 2008 (see *The Fund's Facilities and Financing Framework for Low-Income Countries*).[5] In the near term, demand is likely to be higher, reflecting the fallout from the global economic crisis.
- ***Erosion of effective access limits:*** As noted above, access limits have been eroded over time, falling by just over half relative to GDP since the late 1990s. While gains on macroeconomic stabilization and debt relief might imply a reduced need for Fund financial support, there are factors working in the opposite direction, notably LICs' increased vulnerability to volatility in global growth and commodity prices, higher exposure to private sector financing, and, in some cases, an increasing likelihood of emerging market-type stress periods.

8. **The possibility of a general SDR allocation to all Fund members, as called for at the recent G20 Summit, does not materially alter this analysis.** Given the adverse impact of the global crisis on LICs and their very large gross financing requirements,[6] the envisaged SDR allocation could make an important contribution by helping LICs build an adequate reserve cushion without excessive recourse to more expensive debt (domestic or external). It could also be used as a bridge to a concessional Fund arrangement in case of urgent needs. Since use of the allocated SDRs for balance of payments purposes would incur interest costs

[5] This projection is based on the estimated share of the Fund's concessional financing in LICs' projected gross financing requirements (GFR) for 2009-2013. The Fund's contribution to meeting LICs' GFR has averaged about 3 percent in the past, but has fallen to around 1¼ percent in recent years, reflecting favorable global conditions and availability of financing from other sources. Looking ahead, the Fund's contribution is expected to rise from the exceptionally low levels of the recent past, but remain below its long-run average, which was elevated by the high levels of Fund lending associated with macro-stabilization efforts in the 1990s.

[6] The one-time allocation proposed by the G20 would be equivalent to 77 percent of quota for all members. This would amount to about US$19 billion for all LICs. Excluding India and the protracted arrears cases, the allocation would provide SDR 9 billion, compared to projected gross financing requirements of approximately SDR 500 billion through 2015 (see *The Fund's Facilities and Financing Framework for Low-Income Countries*, Table 6).

at the SDR interest rate (and the rate is likely to rise in the future), the additional liquidity would not be a substitute for program-based concessional Fund financing, which would remain a more appropriate vehicle for smoothing adjustment toward a sustainable external position given the low-income levels and debt vulnerabilities of LICs.

9. **Resource and debt sustainability considerations also need to be taken into account.** As discussed in Section IV, available subsidy resources appear sufficient to accommodate a doubling of PRGF and ESF access limits and norms over the next two years, while additional loan resources would need to be mobilized promptly even without higher access limits and norms. Given the large uncertainties with demand projections, new safeguards may be necessary to address resource concerns. Moreover, it will be critical to strengthen the approach to determining access in individual cases, in particular for countries with moderate or higher risk of debt distress. Proposals on both topics are discussed in Section V.

10. **On balance and in light of the urgency arising from the global crisis, staff favors doubling PRGF and ESF-HAC access limits to ensure that the Fund can effectively respond to members' needs, pending adoption of a new LIC facilities architecture.** The proposed new limits are set out in Table 1. Such an increase would restore access limits in percent of GDP to their 1998 levels (at the time of the 11th General Quota Review) and would be consistent with the approach taken in *Review of Access to Financing in the Credit Tranches and Under the Extended Fund Facility, and Overall Access Limits Under the General Resources Account* to determine new access limits for GRA resources. Annual average access limits for both the PRGF and the ESF-HAC would rise to about 100 percent of quota under this proposal. The doubling of limits ahead of the implementation of the envisaged new facilities architecture would help ensure that the Fund can provide timely and effective assistance to those countries that are hit hardest by the global crisis, and may help prevent a precipitous deterioration in economic conditions that could have long-lasting consequences and jeopardize the hard-won gains LICs have made on macroeconomic stabilization, growth, and poverty reduction.

11. **It is also proposed that PRGF access norms be doubled, although a smaller increase may be appropriate for first and second PRGF arrangements.** Matching the proposed doubling of access limits with a proportional increase in PRGF norms would reduce the risk that the distribution of total concessional financing is unduly tilted in favor of a few high-access users, which would leave fewer concessional resources available for members with potentially stronger policies. Moreover, the proposed increase in access norms would address the fact that actual access levels have surpassed relevant norms, often by significant margins, in over half of current PRGF arrangements. At the same time, it is proposed to raise access norms for first and second PRGF arrangements by a somewhat lower percentage to provide a more balanced increase in access norms (in percent of quota) across PRGF users.[7] Standardized access for low-access PRGFs should remain at 10 percent of quota to maintain its signaling function.

[7] Under this proposal, norms would increase by between 25 and 60 percent of quota, depending on the number of prior ESAF/PRGF arrangements; if, instead, all norms were doubled, the range of increases would be 25–90 percent.

12. **No changes are proposed for the ESF-RAC, Emergency Post-Conflict Assistance (EPCA), and Emergency Assistance for Natural Disasters (ENDA).** Access limits for the ESF-RAC should remain at 25 percent of quota, as this instrument can be used in cases where policies do not meet upper credit tranche policy standards. Similarly, no changes are proposed to emergency assistance for natural disasters and post-conflict situations (ENDA and EPCA), which apply to the whole membership, do not require policies that meet upper credit tranche standards, and were not amended in the context of the changes to GRA access policies.

Table 1. Access Limits and Norms

	2008	Revised	*Memo item:* Annual Average
	(In percent of quota)		
ESF			
Limits			
HAC	75	**150**	100 1/
RAC	25	**25**	n/a
PRGF			
Caps			
Maximum access	140	**280**	93
Exceptional access	185	**370**	123
Norms			
1st-time users	90	**140**	47
2nd-time users	65	**125**	42
3rd-time users	55	**110**	37
4th-time users	45	**90**	30
5th-time users	35	**70**	23
6th-time users	25	**50**	17
Standardized low access	10	**10**	3
ENDA	25-50	**25-50**	n/a
EPCA	25	**25**	25
GRA			
Annual access	100	**200**	200
Cumulative access	300	**600**	n/a

1/ Assumes ESF duration of 1.5 years, the midpoint of the 1-2 year range.

IV. Resource Implications

13. **Based on current policies, demand for the Fund's concessional lending is projected to average SDR 1.3–2.0 billion a year in 2009–10 (*The Fund's Facilities and Financing Framework for Low-Income Countries*).** These projections reflect country-specific information provided by area departments and the analysis of the impact of the crisis contained in *The Implications of the Global Financial Crisis for Low-Income Countries*, but do not explicitly take into account the impact of a potential increase in access norms and limits.

14. **A doubling of PRGF and ESF-HAC access limits and norms could boost near-term use to SDR 1.8–2.5 billion per year (Table 2).** The new demand range was derived using the same methodology as in *The Fund's Facilities and Financing Framework for Low-Income Countries*, with updated information received from area departments, while allowing for the doubling of access limits and norms:

- For the lower-bound estimate, Scenario 3 below assumes that (i) on average, half of current PRGF users would request augmentations, with those identified in *The Implications of the Global Financial Crisis for Low-Income Countries* as highly vulnerable requesting 30 percent of quota (twice the average size of the augmentations in 2008), and those that were not highly vulnerable requesting 15 percent of quota; (ii) access under new PRGF arrangements for highly vulnerable countries would be at the proposed new norms, while access for non-vulnerable countries would be 15 percent of quota lower than the proposed new norms and (iii) a few highly vulnerable countries would request access under the ESF-RAC.

- For the upper-bound estimate, Scenario 4 below assumes that (i) all current PRGF users request augmentations of 30 percent of quota; (ii) all countries that are expected to seek new PRGF arrangements request access at the proposed new norms, less prior access under the ESF-RAC where relevant.[8]

Table 2. Demand for PRGF/ESF Resources Under Different Scenarios, 2009-10
(In billions of SDRs)

	Normal Access*			Doubling of Access	
	Number of requests	Scenario 1	Scenario 2	Scenario 3	Scenario 4
augmentation under current PRGF/ESF arrangements	22	**0.2**	**0.5**	**0.3**	**0.7**
Highly vulnerable countries 1/	7	0.1	0.3	0.2	0.4
Others	15	0.1	0.2	0.1	0.4
B. Expected requests for new PRGF/ESF arrangements	34	**2.5**	**3.6**	**3.4**	**4.3**
Highly vulnerable countries 1/	18	1.6	2.6	2.1	2.7
Others	16	0.9	1.0	1.3	1.6
Total	**56**	**2.7**	**4.0**	**3.7**	**5.0**
Annual level		**1.3**	**2.0**	**1.8**	**2.5**

Source: Staff estimates.
1/ The list of countries identified as highly vulnerable to the current global crisis is provided in *"The Implications of the Global Financial Crisis for Low-Income Countries"*. However, several of the countries identified as highly vulnerable are not expected to request concessional resources either because they have arrears to the Fund or they are expected to request assistance from the GRA.

[8] The relatively moderate increase in the upper bound reflects the fact that the original upper bound already allowed for a substantial deviation of access from previous norms.

15. **Assuming actual demand falls between these upper and lower bounds, a reasonable central estimate for near-term use of PRGF-ESF resources would be an average of SDR 2 billion per year over the next two years.** This would be consistent with the G-20 communiqué of April 2, 2009, which called on the Fund to provide US$6 billion (SDR 4 billion) in additional concessional financing over the next 2–3 years.

16. **Existing PRGF-ESF subsidy resources appear sufficient to accommodate the proposed increase in PRGF and ESF access limits and norms for the next two years, but additional loan resources will need to be mobilized soon.** As discussed in *The Fund's Facilities and Financing Framework for Low-Income Countries*, existing subsidy resources (about SDR 1 billion) could support new PRGF/ESF lending of about SDR 4.5 billion, covering roughly two years under the scenario with doubled access limits and norms. Available loan resources stood at SDR 2.5 billion at end-2008 (including commitments not yet received), and additional resources would need to be mobilized promptly.

17. **Additional subsidy resources will also need to be identified to cover medium-term demand.** Based on the revised near-term demand projection (about SDR 2 billion a year) and staff's central projection for 2011–15 (of about SDR 1.5 billion a year), it is estimated that an additional SDR 0.7 billion (end-2008 NPV terms) in subsidy resources would be needed to supplement the resources available from the PRGF-ESF Reserve Account (*The Fund's Facilities and Financing Framework for Low-Income Countries*) through 2015. A forthcoming companion paper sets out options for mobilizing these additional subsidy resources, including additional resources from the agreed gold sales consistent with the new income model.

18. **There are significant uncertainties associated with these projections, especially given the volatile global environment.** While it is possible that demand may fall short of staff's central scenario, the risk of a stronger-than-expected impact of the global downturn, as well as the possibility of a greater-than-expected number of LICs with large quotas requesting financial assistance, imply upside risks to the projected demand range (both with and without doubling of access norms and limits) in the near term. Medium-term demand under new access limits and norms is even more difficult to project, as this would depend on a number of factors, including the implications of a possibly longer-lasting fallout from the global economic crisis on LICs and the potential creation of new LIC financing instruments. The proposed SDR allocation, if approved, would provide LICs with additional liquidity in case of larger-than-expected needs.

V. Policies for Determining Access and Related Safeguards

19. **While access norms provide useful guidance, actual access under PRGF arrangements will continue to be determined on the basis of a number of criteria that are specified in the PRGF-ESF Trust Instrument.**[9] These criteria include (i) the member's

[9] Access norms were designed to provide general guidance for access decisions, primarily in cases of repeated PRGF use, not ceilings (or floors) on access for specific arrangements. Accordingly, they have been applied flexibly.

balance of payments need, (ii) the strength of its program, and (iii) the amount of the member's outstanding use of Fund credit and its record of such use in the past. The criterion on strength of the member's adjustment program takes into account, inter alia, its ability to repay the Fund, and includes debt sustainability considerations. In most cases, where there are clear balance of payments needs and sufficiently strong policies, the access level is expected to be around the norm. In all cases, the staff report should continue to justify the proposed level of access for new PRGF arrangements and augmentations with reference to the above criteria.[10]

20. **The basic criteria for determining access under the ESF-HAC also remain unchanged.** Under the PRGF-ESF Trust Instrument, the level of access in any particular case would take into account: (i) the size and likely persistence of the shock, (ii) the member's balance of payments need, (iii) the strength of the member's adjustment program, (iv) the amount of outstanding Fund credit and the member's record of using Fund credit in the past, (v) the likelihood of additional donor assistance.[11]

21. **The revised access norms and access limits do not alter the existing policies and guidance on augmentations of existing PRGF or ESF arrangements for members facing increased balance of payments needs as a result of exogenous or other shocks.** In the context of the adverse impact of the global financial crisis on PRGF-eligible countries, it is expected that many will experience higher balance of payments needs than projected at the time existing arrangements were approved, which could justify augmentation of access. More generally, prospective access should be similar (on an annualized basis) for comparable country cases under new PRGF arrangements and under existing arrangements.

22. The proposed increase in access limits and norms will necessitate a careful assessment of the implications of Fund financing for debt sustainability and resource

---

[10] Financing under the PRGF requires that a member has a "protracted balance of payments problem" at the time of approval of the arrangement; financing under the ESF requires that a member experiences a balance of payments need whose primary source is a sudden and exogenous shock. Augmentations can be provided in response to increased balance of payments needs or, in case of the PRGF, to support a strengthening of the program.

[11] Capacity to repay was also included as an express criterion (rather than being subsumed under the strength of the adjustment program) when the RAC was added to the ESF. This criterion was meant to apply specifically to the RAC, to reflect the fact that RAC support could be provided outside of a traditional adjustment program. See *Proposed Reforms to the Exogenous Shocks Facility, Supplement 1.*

availability. The degree of concessionality of Fund financing under the PRGF-ESF Trust is less than that of many other donors, which could raise concerns about debt vulnerabilities and the country's ability to repay the Fund in cases of high levels of access. Moreover, as discussed above, the increase in access limits and norms is likely to boost the use of the Fund's scarce concessional resources.

23. **To protect debt sustainability under the proposed access limits and norms, additional procedural safeguards are proposed for determining access in individual financing requests.** These procedures are aimed at ensuring that access is not raised to a level that would pose serious risks to debt sustainability, and hence to meeting the objectives of the program. To this end, the following strengthened procedures are proposed:

- For financing requests (new arrangements and augmentations) by countries with moderate or higher risk of debt distress, the staff report should assess debt vulnerabilities based on projected financing from all sources, including IMF disbursements. The depth of the analysis would depend on the degree of debt vulnerabilities and the share of Fund financing in total debt inflows. For new arrangements, an updated Debt Sustainability Analysis (DSA) is recommended, except when a recent DSA is available and the environment has not changed significantly.

- In cases where the most recent DSA indicates that the country is at a high risk of debt distress (or in debt distress) or where the proposed access level under a new arrangement (or a proposed augmentation of an existing arrangement) exceeds 40 percent of quota on an annualized basis, the relevant staff report should always be accompanied by an updated DSA and include a discussion of the implications of the proposed Fund financing.[12]

24. **The analysis of the implications of Fund lending on debt sustainability should take into account the unique role of the Fund's financial support.** In particular, while the DSA focuses on gross debt, Fund financing is often partly used to bolster international reserves, limiting the increase in net debt and thus the impact on debt vulnerabilities. Moreover, Fund financing often allows countries to limit borrowing from private domestic and external sources (which is often on less concessional terms), and may also reduce arrears accumulation or replace prior Fund credit (in particular, EPCA), which would limit the impact on total debt vulnerabilities. Conversely, while Fund financing should generally not crowd out financing that is available on more concessional terms, there may be a risk that it could reduce incentives for exploring new sources of such financing. These factors should generally be taken into account in the analysis proposed above.

---

[12] This analysis may take the form of either a joint Bank-Fund DSA, if one is scheduled, or a DSA update prepared by Fund staff that draws on a prior full joint DSA. For pre-completion point HIPC-eligible countries, the analysis of the implications of additional Fund financing should take into account the prospects for debt relief.

25. **To safeguard the Fund's concessional resources and allow for a timely appraisal of potential debt vulnerabilities, it is proposed that the Executive Board be involved at an early stage in high-access financing requests.** When total access is envisaged at more than 180 percent of quota for a PRGF or 90 percent of quota for an ESF, and for augmentations of more than 60 percent of quota, an advance informal Board meeting could serve to inform the Board and alert staff to Directors' concerns on key aspects of the program. Information to the Board would typically include (i) the factors underlying the large balance of payments need, taking into account projected financing from donors, (ii) expectations for the strength of the program, (iii) an assessment of debt vulnerabilities, including the potential impact of IMF financing, and (iv) the impact on the Fund's concessional resources, drawing on the latest available paper on concessional financing prepared by the Finance Department. The meeting should take place before staff reaches understandings, *ad referendum*, with the authorities. In addition, it is also proposed that staff would provide early notice to the Board, for instance in an informal country matters session, of upcoming PRGF/ESF arrangement requests or augmentations where the envisaged financing commitment, in absolute terms, would have a large impact on the Fund's overall concessional resources.

VI. NEXT STEPS

26. **The new access limits and norms, if approved, will come into effect on the date of the Board decision, while the strengthened procedural safeguards will be subject to a brief transition period.** Specifically, the safeguards on debt vulnerabilities discussed above will become fully effective for Board meetings taking place six weeks after the Board decision on access or later.[13] The safeguards on concessional resource availability will apply to all cases where understandings are expected to be reached ad referendum six weeks after the Board decision or later. As a transition measure, until six weeks after the Board decision on access limits and norms, staff should include a discussion of access and its implications on debt vulnerabilities and resources, as appropriate, either in the staff report or in a statement issued before the Board meeting.

27. **In the second stage of the review of LIC facilities, staff will develop a comprehensive new access framework alongside broader reforms of facilities and concessional financing.** The objective will be to balance projected financing needs, available resources, and debt vulnerability considerations. Moreover, it will be important to make access rules consistent across existing and potential new facilities to avoid arbitrage and reduce the risk that LICs turn to the GRA for financing. Another objective will be to ensure that high-access cases do not unduly constrain access to concessional financing by other members. Finally, access policies will need to be considered in conjunction with potential new policies regarding financing terms and blending.

[13] As an additional transitional measure, in the first four weeks during which the new safeguards are fully effective, DSAs and other material can be submitted as a supplement to the staff report up to one week before the proposed Board date. Thereafter, the DSA should be subject to normal circulation procedures.

28. **In any case, the proposed increase in access limits and norms will be reviewed within one year or replaced by new access policies under a reformed architecture of LIC facilities.** In the event that it takes more time to set up a new facilities and financing framework for LICs, as proposed in *The Fund's Facilities and Financing Framework for Low-Income Countries*, the proposed access limits and norms should be reviewed no later than one year from the date of the Board decision, and possibly earlier if resource or other considerations warrant a revision.

PROPOSED DECISION*

*The decision that was adopted by the Executive Board establishes that in addition to the amendments cited below, a further amendment is added as follows: "The percentage of quota referred to in paragraph 3(i) shall be changed from 25 percent to 50 percent." Subsequently, the approved decision as amended was repealed in the context of Decision No. 14354 (09/79), effective January 7, 2010.

The Fund as Trustee of the Poverty Reduction and Growth Facility and Exogenous Shocks Facility Trust ("PRGF-ESF Trust") has reviewed the maximum limits on access to ESF resources of the PRGF-ESF Trust and has also reviewed, pursuant to Decision No. 14065-(08/18), adopted February 22, 2008, the maximum access limit and the exceptional maximum limit on access to PRGF resources of the PRGF-ESF Trust, and decides as follows:

1. Decision No. 8845-(88/61) ESAF, April 20, 1988, as amended, shall be amended as follows:

(a) The percentage of quota referred to in paragraph 1 shall be changed from 140 percent to 280 percent;

(b) The percentage of quota referred to in paragraph 2 shall be changed from 185 percent to 370 percent; and

(c) The percentage of quota referred to in paragraph 3(ii) shall be changed from 75 percent to 150 percent.

2. The Fund shall review the maximum access limit and the exceptional maximum limit under the PRGF, and the maximum access limits under the ESF, no later than April 20, 2010.