Fund Facilities for Low-Income Countries[1]

The current set of facilities for PRGT-eligible countries—henceforth low-income countries (LICs)—reflects reforms undertaken in 2009, which created three concessional facilities (the ECF, SCF, and RCF), in addition to existing nonfinancial instruments (PSI and SMP).

Extended Credit Facility (ECF): provides financial assistance to countries with deep-rooted balance of payments (BoP) problems. Supports countries' economic programs aimed at moving toward a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth.

Eligibility: countries facing a protracted BoP problem, i.e., when the resolution of the underlying macroeconomic imbalances would be expected to extend over the medium or longer term.

Duration and repeated use: initial duration of 3-4 years, extendable to 5 years. Consecutive ECF arrangements may be approved. The ECF is a disbursing instrument and not intended for precautionary use.

Highly concessional lending terms: zero interest rate at least through end-2018, grace period of 5½ years, and final maturity of 10 years.

Standby Credit Facility (SCF): provides financial assistance to LICs that have reached broadly sustainable macroeconomic positions, but may experience episodic, short-term financing and adjustment needs, including those caused by shocks.

Eligibility: countries facing an immediate or potential BoP need, where the financing and adjustment needs are normally expected to be resolved within 2 years, thus establishing a sustainable macroeconomic position.

Duration and repeated use: can range from 12–24 months. To address episodic short-term needs, therefore, use is normally limited to 2½ out of any 5 years. Subject to these limits, extensions and consecutive arrangements may be approved.

Precautionary arrangements: in case of potential but not immediate BoP need, access can be treated as precautionary. SCF arrangements treated as precautionary do not count toward the 2½ out of any 5 years' time limit.

Concessional lending terms: zero interest rate at least through end-2018, grace period of 4 years, and final maturity of 8 years. An availability fee of 0.15 percent p.a. is levied on the undrawn amounts available for drawing during each six-month period.

[1] This note is intended to summarize the main features of the Fund facilities available to PRGT-eligible countries; it is not intended to be a complete or comprehensive statement.

Rapid Credit Facility (RCF): provides low-access, rapid, and concessional financial assistance with limited conditionality to LICs facing an urgent BoP need. It can provide support in a wide variety of circumstances, including shocks, natural disasters, and emergencies resulting from fragility.

Eligibility: countries facing an urgent BoP need where a full-fledged economic program is either not necessary (e.g., because of the transitory and limited nature of the shock) or not feasible (e.g., because of capacity constraints or domestic fragilities).

Duration and repeated use: outright loan disbursement. Often one-off disbursements, as in the case of an urgent BoP need of limited duration (in particular under the shocks window). Repeated use is possible within any three-year period if the BoP need is caused primarily by an exogenous shock or the country has established a track record of adequate macroeconomic policies. For countries seeking repeated RCF disbursements to build a track-record, e.g., fragile states, concurrent use of a Staff-Monitored Program (SMP) is encouraged. Maximum of 2 disbursements in any 12-month period. Repeated use may facilitate transition to an ECF.

Highly concessional lending terms: zero interest rate, grace period of 5½ years, and final maturity of 10 years.

Policy Support Instrument (PSI): this non-financial instrument offers LICs that do not want or need Fund financial assistance a tool to secure Fund advice and support without a borrowing arrangement. It helps countries design effective economic programs that deliver clear signals of the Fund's endorsement of the strength of a member's policies.

Eligibility: countries that have no current or prospective BoP need, do not require any significant macroeconomic policy adjustment, and have institutions of sufficient quality to support continued good performance.

Duration and repeated use: initial duration of 1-4 years, extendable to a maximum of 5 years. Successive PSIs may be requested as long as the country continues to qualify.

Use with financial instruments: cannot be used concurrently with the ECF. Can be used in conjunction with the RCF or SCF, if short-term financing needs arise, or with a precautionary SCF in periods of increased uncertainty or risk.

Staff-Monitored Program (SMP): informal agreements between Fund staff and national authorities to monitor implementation of an economic program. SMPs can help build a track record of policy implementation, in turn paving the way for a new financial arrangement (e.g. ECF) or RCF disbursement, or for resuming an existing off-track arrangement.

Eligibility: available to all countries (not only PRGT-eligible members).

Duration and repeated use: normally expected to cover a minimum of 6 months, ranging up to 18 months. Repeated use is possible.

Use with financial instruments: can be used concurrently with the RCF.

PRGT access policy:
Access to PRGT financing is determined on a case-by-case basis, taking into account the country's BoP need, the strength of the economic program, capacity to repay the Fund, the amount of outstanding Fund credit and the member's record of past use of Fund credit. Access norms (see attached table) can serve as a starting point for considering the appropriate access level, but represent neither ceilings nor floors.

Blending of PRGT and GRA resources:
PRGT-eligible countries are presumed to receive Fund financial support in the form of a blend (in the ratio of 1:2) of concessional (PRGT) and nonconcessional (GRA) resources when:

- the country's per capita income level is above the prevailing IDA operational cutoff or the country's per capita income level exceeds 80 percent of the IDA operational threshold and the country has sustained past and prospective market access;

and

- the country is not assessed to be at high risk of debt distress or in debt distress.

Countries that do not meet these conditions (and hence are not "presumed blenders") are expected to meet their financing needs from PRGT resources. In cases where these financing needs exceed applicable PRGT access limits, the additional financing need can be met with GRA resources.

In blends as in other cases, access needs are determined case by case according to BoP need, program strength, and capacity to repay the Fund.

Interest rate mechanism:
The Fund reviews the level of interest rates for concessional facilities under the PRGT every two years. Interest rates are currently zero for all three PRGT facilities; for the RCF, the interest rate was set permanently to zero in July 2015. In October 2016, the Fund modified the mechanism for setting interest rates for PRGT facilities (relevant for the ECF and the SCF) and maintained zero interest rates on all Fund concessional loans until at least end-December 2018. The next review of interest rates is expected to take place before end-2018.

Table 1. Summary of Norms, Limits, and Procedural Safeguards

	Access Limits 1/
Cumulative access limits	
All PRGT facilities	
Normal	225
Exceptional	300
RCF	
Normal 2/	75
Exogenous shocks window /2	75
RFI	75
Annual access limits	
All PRGT-facilities	
Normal	75
Exceptional	100
SCF (precautionary)	
Average annual	37.5
At approval	56.25
RCF	
Normal 2/	18.75
Exogenous shocks window /2	37.5
RFI	37.5
Norms 3/	
3-year ECF 4/	
High access	90
Low access	56.25
18-month SCF 5/	
High access	90
Low access	56.25
Blending proportions (PRGT:GRA) for members presumed to blend 6/	1:2 with concessional access capped at the applicable norm (all GRA thereafter)
Procedural safeguards	
New DSA 7/	
Total access in any 24-month period	60
Informal Board Meeting in advance of new PRGT request 8/	
Total access in any 36-month period	135

1/ The new access limits in effect January 26, 2016 do not affect disbursements under arrangements approved prior to that date and any changes in access levels are to be justified by balance of payments needs in accordance with the standard policies for augmentation of access amounts. Outstanding PRGT credit in existence as of January 26, 2016 counts towards the current annual and cumulative PRGT access limits.

2/ Any RFI access also counts towards these limits.

3/ High access norms apply if PRGT credit outstanding is less than 75 percent of quota. Norms are not applicable if PRGT credit outstanding >150 percent of quota.

4/ For four-year ECF arrangements, access for the fourth year is expected to be set in line with the average annual access corresponding to the norm that would otherwise have applied to a successor three-year ECF arrangement. For countries whose outstanding PRGT access is above 150 percent of quota, the norms do not apply.

5/ For SCF arrangements of any other length, the norms will be proportionately adjusted to keep annualized average access unchanged.

6/ For the RCF, which has no norm, the cap on access to concessional resources is the annual limit, while for the SCF treated as precautionary this cap applies to the average annual access limit.

7/ A new DSA is also required for any PRGT financing request if it involves exceptional access to concessional resources or involves a member country with a high risk of debt distress or in debt distress.

8/ An early informal Board meeting is also required if the financial request would involve exceptional access to concessional financing.