IMF Executive Board Approves a Temporary Increase in Annual Access Limits to Financial Support

QUESTIONS & ANSWERS

Why has the IMF Executive Board decided to raise the limits on annual access to Fund resources on a temporary basis? What does this mean?

"Access to Fund resources" is the amount of financing that a member country requests from the IMF. There are limits to how high that amount can be on an annual basis: requests for amounts in excess of these access limits are viewed as "exceptional" and are subjected to tighter scrutiny in terms of strength of policy, sustainability of debt levels, and assessed capacity to repay.

The severe impact of the COVID-19 pandemic on global economic conditions has resulted in an unprecedented number of member countries seeking financial support from the IMF. As of July 13, 2020, 72 countries have already received financial assistance from the IMF's emergency financing instruments since the onset of the pandemic, facilitated by the doubling of the hard limits on annual access to these facilities approved by the Executive Board on April 6. However, many of the countries that have received financial support from the IMF have reached, or are approaching, the relevant limits for annual access.

The decision to temporarily raise the limits on annual access to Fund resources will allow these countries to receive higher levels of financing within the current year while remaining within the normal access limits.

What happens if the Exceptional Access framework is triggered?

The Exceptional Access (EA) framework serves a prudential function: when a member country faces an exceptionally large balance of payments need, the Fund can lend beyond the normal access limits only under heightened scrutiny of the ability of the borrowing member country to deliver a successful economic program and later repay the Fund. In other words, the bar is higher in terms of strength of policy, sustainability of debt levels, and assessed capacity to repay.

Given the unique circumstances created by the pandemic, the large financing needs expected over the first year of the pandemic are likely to reflect the truly exceptional global conjuncture. The current annual access limits could constrain a timely response by the IMF to financing requests, by triggering additional requirements where country-specific factors are not the main driver of requests for high annual access. The Executive Board therefore approved a temporary increase of the level of annual access at which the extra scrutiny under the EA framework is required. The cumulative access limits, which trigger the EA framework based on the Fund's total credit exposure to a member country, remain unchanged.

Given COVID and the exceptional needs, why have you not increased the cumulative access limits? Are you planning to?

Cumulative access is the total amount of credit outstanding to the IMF: IMF program requests where cumulative access is expected, at any point, to exceed a specified limit trigger implementation of the EA framework.

Raising the limits on total credit exposure to the Fund – the amount of country risk that the Fund is willing to take under normal circumstances – has wider consequences for Fund’s risk management strategy. A decision to raise these limits would need to be taken up in the context of broader discussions of the Fund’s level of risk tolerance—which the Executive Board is expected to consider in due course.

Why is there a limit on the number of disbursements under the Rapid Credit Facility (RCF) within a 12-month period?

The limit was introduced to discourage repeated use of emergency financing in response to distinct shocks within a short period, reflecting the view that the country would be better served by seeking a regular IMF-supported program in such circumstances.

In current circumstances, with the limits on annual access to the RCF having been doubled and the pandemic having created financing needs over an extended period, the “two-disbursement rule” limits the flexibility with which access to the RCF can be used over the course of the pandemic. The Executive Board therefore approved a temporary suspension of this rule.