



GENERAL ARRANGEMENTS TO BORROW

December 2017

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International Monetary Fund
Washington, D.C.



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December 18, 2017

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Prepared by the Finance Department in consultation with the Communications, Legal, and Strategy, Policy, and Review Departments.

1. This notification summarizes the outcome of consultations with Washington-based representatives of participants in the General Arrangements to Borrow (GAB) on a possible renewal of the GAB decision. By way of background, the GAB was established in 1962 and is a standing agreement between the Fund and 11 participants to supplement the Fund's quota resources (see Box 1). The GAB decision stipulates that the arrangements are subject to periodic renewal, and that decisions on renewal must be taken one year prior to expiration. The last renewal became effective in December 2013. Accordingly, the Fund would need to adopt a decision on renewal not later than twelve months before the end of the current period, i.e., not later than December 25, 2017.¹

2. At a November 28, 2017 meeting of Washington-based representatives, GAB participants unanimously agreed that, in light of its diminished usefulness, the GAB decision should be allowed to lapse at the end of the current period.² The representatives noted that, while the GAB has served a useful role in the past, its importance as a backstop against potentially systemic shocks has declined substantially over the years. They also highlighted that the GAB does not add to the Fund's total resource envelope and that its size, which has remained unchanged since 1983, has fallen sharply relative to quotas and the NAB. Furthermore, the GAB resources can be called upon only in limited circumstances and, in practice, the GAB has not been activated in almost 20 years. The modalities of borrowing under the GAB are also less flexible than those under the NAB.³

¹ Paragraphs 19(a) and (b) of Decision No. 1289-(62/1), adopted January 5, 1962, as amended.

² At the time of the 11th renewal of the GAB Decision, it was agreed that future consultations on further renewal would normally be conducted with Washington based representatives of GAB participants.

³ Proposals for calls under the GAB may be made in the context of financing purchases under specific stand-by and extended arrangements, and GAB claims have a maturity of five years. NAB activations may be proposed for a specified period and NAB resources can be used more flexibly to finance any GRA purchases within such period with claims having a maximum maturity of 10 years (effective November 17, 2012). See Decision No. 15014-(11/110), adopted November 16, 2011.

Box 1. GAB – Historical Background

The GAB was established in 1962 and is a standing agreement between the Fund and 11 participants to supplement the Fund's quota resources. It was increased to its current size of SDR 17 billion in 1983 (text table). At the same time, the Fund also entered into an associated borrowing arrangement with Saudi Arabia for an amount equivalent to SDR 1.5 billion. The decisions on the GAB and the associated agreement with Saudi Arabia have since been renewed at periodic intervals, most recently in 2012.

The role of the GAB changed in 1998 with the establishment of the New Arrangements to Borrow (NAB).

The NAB became the Fund's first and principal recourse to borrowed resources in case of need, and a proposal for calls under the GAB may now only be made when a proposal for the establishment of an activation period under the NAB is not accepted by NAB participants.¹ The credit arrangements under the GAB also no longer add to the Fund's overall resource envelope, as outstanding drawings and available commitments under the NAB and GAB cannot exceed the total amount of NAB credit arrangements. The GAB was last activated in 1998,² and its relative size has declined sharply since 1983 with the subsequent increases in quotas and the NAB.³

**GAB Participants
and Credit Arrangements**
(In millions of SDRs)

Participants	Amount
Belgium	595.0
Canada	892.5
Deutsche Bundesbank	2,380.0
France	1,700.0
Italy	1,105.0
Japan	2,125.0
Netherlands	850.0
Sveriges Riksbank	382.5
Swiss National Bank	1,020.0
United Kingdom	1,700.0
United States	4,250.0
Total	17,000.0

¹ See Paragraph 21 of Decision No. 11428-(97/6), adopted January 27, 1997, as amended.

² The GAB was activated in July 1998 for an amount of SDR 6.3 billion (SDR 1.4 billion of which was drawn) in connection with the financing of an extended arrangement for Russia. This activation was the first in 20 years and took place after the Executive Board had made the decision on the establishment of the NAB, but before the NAB came into effect.

³ Following the more than ten-fold expansion of the NAB in 2011 and the aggregate doubling of quotas under the 14th General Review (and the associated rollback of the NAB) in 2016, the combined quota and NAB resources amount to about SDR 658 billion.

3. In light of the outcome of the consultations with GAB participants, staff proposes no further action by the Executive Board and that the GAB decision be allowed to lapse. If the Executive Board does not renew the GAB decision by the renewal deadline of December 25, 2017, the decision would remain in effect through the end of the current period (i.e., through December 25, 2018), after which it would lapse. A press release would be issued after the renewal deadline of December 25, 2017 (see Attachment).

4. Against this background, the associated borrowing agreement with Saudi Arabia will also not be renewed and its term will also end on December 25, 2018.