



IMF POLICY PAPER

STREAMLINING PROCEDURES FOR BOARD CONSIDERATION OF THE FUND'S EMERGENCY FINANCING DURING EXCEPTIONAL CIRCUMSTANCES INVOLVING A PANDEMIC

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STREAMLINING PROCEDURES FOR BOARD CONSIDERATION OF THE FUND'S EMERGENCY FINANCING DURING EXCEPTIONAL CIRCUMSTANCES INVOLVING A PANDEMIC

EXECUTIVE SUMMARY

The COVID-19 pandemic has inflicted an unprecedented shock on the global economy and created an enormous demand for Fund resources. To accelerate processing and approval of members' requests in such circumstances, the paper proposes measures to expedite Board consideration and approval of requests for purchases and/or disbursements under the Rapid Financing Instrument and/or the Rapid Credit Facility, respectively, completion of reviews and requests for changes in access in existing arrangements, and requests for assistance under the Catastrophe Containment and Relief Trust (CCRT), by shortening the circulation period for Board documents. The paper also proposes extending the use of the shortened circulation period to selected Article IV consultations necessary for use of Fund resources during a global pandemic. Management will also streamline internal procedures to accelerate program processing and reduce the burden on the Fund's administrative capacity, and will seek the support of creditors to expedite the processing of financial transactions under COVID-19 emergency financing.

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INTRODUCTION

1. The COVID-19 pandemic has inflicted an unprecedented shock on the global economy and created an enormous demand for Fund resources. Unlike previous epidemics, the coronavirus is global in scale and in a short period has been extremely destructive of economic growth and stability. This has generated an enormous demand for Fund resources. Around 80 emerging markets and developing countries are expected to request significant amounts of Fund assistance in multiples of what has been disbursed under the Fund's emergency facilities, the Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI), during a normal period.

2. In order to respond more quickly to members' needs, the paper proposes to create "pandemic emergency procedures" to streamline the consideration and approval of certain new emergency financing requests. The risks of contagion, both within and across borders, mean that even the normal lags associated with the approval and disbursements under the RCF and RFI of "urgent" emergency financing could be costly. On average, the lag between a shock affecting a member and a related Fund disbursement under the RCF and RFI is between three and four months, with the fastest disbursement (Mozambique 2019) taking over three weeks. While some countries may have sufficient buffers to mount an immediate policy response, and then use Fund support to replenish reserves later, others have immediate financing needs. To accelerate processing and approval of member requests, the paper proposes measures to expedite Board consideration and approval of emergency financing requests by shortening the circulation period for Board documents. These streamlined procedures are also proposed to apply to program reviews and requests for changes in access in existing arrangements and requests for assistance under the Catastrophe Containment and Relief Trust (CCRT). This paper also proposes extending the use of the shortened circulation period to selected Article IV consultations related to use of Fund resources. Management will establish streamlining of internal procedures to accelerate review and other related processing of Fund financing requests, and to reduce the burden on the Fund's administrative capacity, and will seek the support of creditors to expedite the processing of financial transactions under COVID-19 emergency financing.

PROPOSALS

3. It is proposed that on an exceptional basis during pandemics, such as the current COVID-19 pandemic, the circulation period for documents for emergency financing to the Board be shortened to expedite the approval of Fund financing.

- Staff proposes the adoption of a four business-day review period after document circulation to the Executive Board for RCF and RFI requests and for stand-alone requests for assistance under the CCRT. This timeframe is longer than the 48–72 hours period provided under the Emergency Financing Mechanism (EFM) for consideration of a Fund arrangement in exceptional circumstances (although it does not include the additional safeguards applicable to this mechanism) and for Board consideration of a request for a Flexible Credit Line (FCL) arrangement in exceptional circumstances (see Box). The planned Board date for consideration

of the request would be announced at least 6 business days ahead of time, thereby providing Executive Directors with significant advance notice that an RCF/RFI request will be coming to the Board.

- *The same minimum circulation period would also apply to requests for completion of program reviews and changes in access (both as part of reviews and on an ad hoc basis).* Given that completion of a program review involves a wider range of issues that do not feature in an RCF/RFI request (such as obtaining financing assurances and ensuring adequate prospective progress towards program objectives), it is envisaged that this shorter circulation period would be used only in cases where completion of the review and provision of the requisite financing is considered to be a key component of the external support being provided for the authorities' efforts to contain the impact of the pandemic.
- In all cases where this new minimum circulation period is applicable, it is expected that a longer circulation period would be provided where the internal review process has identified complications, and the request required additional time for evaluation and adjudication.
- For other financing requests, current rules would continue to apply--including the option for Directors representing the country to request a waiver of the minimum circulation period for UFR cases.
- To support streamlining efforts, the Chair's summing up will be relatively short and focused on a few key issues. Gray statements are expected to be considerably shorter as well.
- Finally, management will explore the scope for use of synchronized or clustered Board consideration of broadly similar financing requests, where appropriate and feasible, both to exploit synergies and efficiency gains from joint discussion of country cases and to minimize first-mover problems for any countries with stigma concerns.¹ As is currently the case, each country's financing request would be accompanied by a staff assessment and individual Board decision.

4. It is also proposed on an exceptional basis during a pandemic that a four business-day review period be used for Article IV consultations associated with FCL and Precautionary and Liquidity Line (PLL) requests or reviews. While the Managing Director has proposed temporarily postponing most bilateral surveillance under Article IV during the present pandemic, some countries will still require the conclusion of Article IV consultations in connection with an FCL or PLL request or review. Therefore, staff proposes in this paper that the Board decide to allow the use of a four business-day circulation period for such Article IV consultations to allow the Board's most recent assessment of the member's policies to be fully integrated into the assessment of qualification in the context of approval of or reviews under FCL or PLL arrangements.

¹ This approach was adopted for Board consideration of financing requests from the three countries badly impacted by the Ebola epidemic in September 2014.

5. Staff proposes ringfencing the streamlined procedures for consideration and approval of requests for emergency financing under the pandemic emergency procedures.

The proposed streamlined procedures for Board consideration and approval of Fund emergency financing -- through the RCF and the RFI, program reviews and changes in access, and for approval of debt relief under the CCRT, as well as for those Article IV cases specified in paragraph 4—during a pandemic would require the Board to balance the need to act swiftly with the challenges of a compressed decision-making process and time schedule. To ring-fence this risk, staff proposes that the Board would establish standing “pandemic emergency procedures” that could be activated by the Board when the Managing Director, informed by the World Health Organization’s assessment, determines that a life-threatening global pandemic is inflicting severe economic disruption across the Fund’s membership. The framework would limit the application of these exceptional procedures to a three-month period from the Board’s decision to implement the procedures. At the end of the three-month period, the Board would have the option of renewing the pandemic emergency procedures or discontinuing them. The Executive Board would also have the ability to terminate the emergency procedures before the end of the three-month period if global conditions no longer warrant their application, provided that any discontinuation will not apply to the Board consideration of requests issued to the Executive Board pursuant to these procedures.

6. In light of the COVID-19 pandemic, the Managing Director now proposes that the Board immediately activate the Pandemic Emergency Procedures concurrently with the approval of this framework. Staff will keep the Board apprised of upcoming requests under the pandemic emergency procedure.

7. Management has implemented several measures to accelerate processing of Fund emergency financing and CCRT requests by staff and Management and to reduce the burden on the Fund’s administrative capacity:

- Policy notes (PNs) and staff reports prepared for emergency financing requests have been considerably shortened, with staff having the option of using a shortened PN or, in lieu of a PN, a draft staff report and letter of intent with a one-page cover note. The documents would be modified at the staff report stage to reflect discussions with the authorities and any recent developments. Shorter PNs and staff reports will also reduce the burden on the Board and make it easier to review within the proposed shorter circulation period.
- The normal 3-day departmental review period for PNs and staff reports has been shortened to 2 days. Management review of PNs has been reduced from 3 days to 12 hours and conducted on a lapse of time basis, unless there are complications to the case that warrant further internal consultations. Staff reports and LOIs will be cleared by management within 24 hours.
- Finally, to expedite approval of an exceptionally large number of RCF and RFI financing requests, staff are developing templates for standard elements in the PN, staff report and LOI, and the optional use of a single central “top-down” shock scenario, which could be tailored by teams to country circumstances.

8. Staff will also seek support from creditors for temporary changes to expedite the processing of financial transactions under COVID-19 emergency financing. These changes will include:

- **Advance notification of purchases and flexibility under the Financial Transactions Plan (FTP), PRGT lending agreements and Voluntary Trading Arrangements (VTAs):** Temporarily adjusting advance notification to participants under the FTP, and the PRGT borrowing/note purchase agreements from the current five-seven business days to no later than five business days ahead of the value date.² It is possible that advance notice could be reduced to three business days in the event of delay of issuance of a Board paper for Board approval. Staff will also seek maximum flexibility from participants in the VTAs to meet members' COVID-19-related emergency requests;
- **Rebalancing of creditor positions:** During the period of immediate emergency financing, staff plan to give lower priority to maintaining balanced positions and burden sharing across creditor members and use existing flexibility to the maximum extent possible. This additional flexibility would help simplify the financing of individual transactions and facilitate the provision of rapid financing to members in need. At the same time, staff will monitor developments closely and continue to explore opportunities to balance positions over time through repurchases and successive disbursements, where this can be done without causing delays;
- **Multiple purchases on the same day:** As part of the effort to accelerate emergency financing, it may be necessary to disburse multiple transactions on the same day. This could be facilitated by simplifying individual transactions, as noted above, and may also require creditor support for "bundled purchases"—whereby the Fund would allocate transfers to as few participants as possible and such creditors could be asked to transfer funds to multiple borrowing members on the same day; and
- **Ensuring adequate resources.** In the very short term, staff plans to propose an augmentation and possible extension of the current FTP which would take into account the Managing Director's announcement of possible emergency Fund financial support. If it subsequently becomes necessary to propose an activation of the NAB, staff would issue a Resource Mobilization Plan (RMP) and revised FTP also with an accelerated timeline and would also invoke the emergency provisions for reduced advance notification for draws. In terms of PRGT loan resources, staff plans to continue to draw down old PRGT agreements to the extent possible, but if needed will also use flexibility in the PRGT Trust to begin drawing down newer agreements in order to expand the use of PRGT loan agreements.

² Assuming issuance of the Board paper is before the close of business, otherwise the next business day.

Box 1. Existing Mechanisms to Expediate the Requests for the Use of Fund Resources

In exceptional circumstances, the following two mechanisms enable consideration of a Fund financing request by the Executive Board within 48-72 hours, once the staff report has been circulated to the Board.

Emergency Financing Mechanism

The IMF's Emergency Financing Mechanism (EFM)¹ was set up in 1995 to strengthen the ability of the Fund to respond rapidly in support of members facing a crisis in their external accounts and seeking Fund assistance. Since then, it has been used on several occasions—in 1997 during the Asian crisis for the Philippines, Thailand, Indonesia, and Korea; in 2001 for Turkey; during the Global Financial Crisis for Latvia, Iceland, Ukraine, Hungary, Ireland, Greece, and Georgia; and most recently in 2018 for Argentina.

The emergency mechanism enables the IMF's Executive Board to act more quickly than for normal IMF's financing support. Under the procedure, IMF management informs the Board of the intention to activate emergency procedures and explains the reason; a short written report is circulated as soon as feasible, describing the member's economic situation; during program discussions with the member, the Executive Board is briefed regularly and consultations with key creditors are initiated (where necessary); once understandings with the authorities have been reached on a program, the IMF staff report would be circulated, and the Board would consider the request for an arrangement within 48-72 hours—instead of the normal two weeks.²

The emergency procedures would be expected to be used only in circumstances that represented or threatened to give rise to a crisis in a member's external accounts requiring immediate response from the Fund to forestall or to contain damage to the country itself or to the international monetary system.

FCL Expedited Procedures³

EFM procedures do not apply to requests for FCL arrangements. Instead, the FCL Decision⁴ itself sets out FCL-specific expedited procedures to be followed, if necessary (FCL decision, paragraph 6(a)(v)). This would be the case if a crisis were imminent or already underway, necessitating fast disbursement of Fund resources. However, it could also apply in cases where a crisis is not imminent (and the member does not intend to draw on approval) but where, against a backdrop of fragile financial conditions, there are serious concerns about repercussions if the qualification process and determination of access is protracted, and the resulting uncertainty could send the opposite signals than what the FCL aims for.

In such cases, a possible timetable could be as follows: (i) staff and management brief the Board on FCL qualification and the proposed access level on the basis of documentation provided to the Board at least two hours prior to the informal Board meeting; and (ii) Directors would be consulted during the informal Board meeting on possible issuance of a press release indicating the authorities' interest and management's intention to recommend Board approval of the FCL request. The press release would take special care not to prejudge the Board's exercise of its responsibility to take the final decision on an FCL arrangement. A formal Board meeting could consider the member's request within 48 to 72 hours following the circulation of the staff reports to the Board (FCL decision, paragraph 6(a)(v)).

¹ [Summing Up by the Chairman—Emergency Financing Mechanism, Executive Board Meeting 95/85, September 12, 1995](#)

² The Emergency Financing Mechanism also carries with it expectations of use of prior actions and an understanding that the member would make early repurchase if it overcame its crisis quickly.

³ [Flexible Credit Line – Operational Guidance Note](#), Annex VI

⁴ [FCL decision](#)

PROPOSED DECISIONS

The following draft decisions, which may be adopted by a majority of the votes cast, are proposed for adoption by the Executive Board:

Decision A: Pandemic Emergency Procedures

1. Pandemic Emergency Procedures.

- a. When the Managing Director, informed by the World Health Organization's assessment, determines that a life-threatening global pandemic is inflicting severe economic disruption across the Fund's membership, the Executive Board may activate the pandemic emergency procedures specified in this decision. For a period of three months from the Executive Board's approval, the Executive Board will generally be prepared to consider, in cases of urgent actual balance of payments need, requests for approval of purchases or disbursements under the Rapid Financing Instrument and/or the Rapid Credit Facility, respectively, program reviews and requests for changes in access in existing arrangements, and requests for assistance under the Catastrophe Containment and Relief Trust (CCRT) within 4 business days after the circulation of the relevant documentation to the Executive Board. The same circulation period will apply for Article IV consultations where the use of Fund resources under a Flexible Credit Line arrangement or Precautionary and Liquidity Line arrangement is under discussion or anticipated.
- b. In such cases, the standard minimum circulation periods for such documentation shall not apply.

2. **Renewal.** Prior to the end of the three-month period from the date of the Executive Board's activation decision pursuant to paragraph 1 above, the Executive Board shall determine whether to renew their application for an additional period of up to three months or to discontinue them, provided that any discontinuation will not apply to the Board's consideration of requests issued to the Executive Board pursuant to these procedures prior to such discontinuation.

3. **Early termination:** At any time, the Executive Board may decide that conditions no longer warrant the use of these procedures and terminate their application, provided that any termination will not apply to the Board's consideration of requests issued to the Executive Board pursuant to these procedures prior to such discontinuation.

Decision B: Activation

1. The Executive Board decides, in light of the COVID-19 pandemic, to activate the Pandemic Emergency Procedures pursuant to Decision A, for three months from the date of this decision.