INTERNATIONAL MONETARY FUND

IMF POLICY PAPER

March 6, 2023

TEMPORARY MODIFICATIONS TO THE FUND'S ANNUAL AND CUMULATIVE ACCESS LIMITS

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its [March 6, 2023] consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on February 17, 2023 for the Executive Board's consideration on [March 6, 2023].

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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR 23/61

IMF Executive Board Makes Temporary Modifications to the Annual and Cumulative Access Limits for Fund Lending

FOR IMMEDIATE RELEASE

Washington, DC – **March 6, 2023:** The Executive Board of the International Monetary Fund (IMF) today agreed to temporarily increase the limits on members' annual and cumulative access to Fund resources in the General Resources Account (GRA). These changes are intended to better support the Fund's members in a particularly challenging and uncertain economic environment.

IMF lending is subject to both an annual and a cumulative limit on a member's access to the Fund's general resources. Access to resources beyond these limits is subject to the requirements of the Fund's exceptional access framework. The access limits for the GRA were last set in 2016, with an annual limit of 145 percent of quota and a cumulative limit of 435 percent of quota[1].

Today's decision raises the annual limit in the GRA to 200 percent of quota and the cumulative limit to 600 percent of quota for a period of 12 months. These changes will provide member countries—particularly emerging markets and developing economies—that face increased financing pressures and vulnerabilities to access with higher Fund financial support without triggering the exceptional access framework. If circumstances warrant, staff would re-engage the Executive Board before the end of the 12-month period on a proposal to maintain for longer the higher GRA access limits.

The Executive Board also discussed possible changes in access limits under the Poverty Reduction and Growth Trust (PRGT), the Fund's concessional financing arm. PRGT access limits were last raised by 45 percent in 2021, bringing them into alignment with GRA access limits for the first time. Demand for PRGT resources has increased sharply and is expected to grow further given successive shocks. The Fund will undertake a review of PRGT access limits once sufficient additional resources have been pledged to the PRGT, which currently faces a sizable subsidy resource gap. The IMF is working closely with members to fill this gap.

Executive Board Assessment[2]

Executive Directors welcomed the proposal to raise, on a temporary basis for 12 months, the annual and cumulative limits on overall access to Fund resources in the General Resources Account (GRA). Directors noted the challenging economic environment and uncertain prospects faced by emerging markets and developing economies and

[1] The annual limit was also temporarily increased during mid-2020 until end 2021 to 245 percent of quota, to help Fund members contain the impact of the COVID-19 pandemic.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

recognized that in this context Fund members are likely to have an increased need to access Fund resources to support their pressing financing needs and adjustment efforts.

Against this background, Directors supported a temporary increase in the annual access limit in the GRA from 145 percent of a member's quota to 200 percent of quota and an increase in the cumulative access limit from 435 percent of quota to 600 percent of quota for the next 12 months. They agreed that an extension of the temporary increase could be appropriate, if circumstances warrant, which should be considered before the expiration of the 12-month period. Many Directors called for staff to engage early with the Executive Board on this issue. Directors noted that the impact of the proposed increases in the access limits on the Fund's liquidity and on the demand for Fund resources even under extreme scenarios is expected to be limited, though subject to uncertainty.

Directors agreed with the proposed limited grandfathering following the expiration of the period of temporarily higher access limits. They noted and supported the automatic adjustment of thresholds for the combined access to GRA and PRGT resources under the policy on safeguards for high combined GRA and PRGT exposure with any changes to the overall GRA access limits, and also supported the proposed limited grandfathering in the application of this policy.

Directors emphasized the importance of the alignment of PRGT access limits with those of the GRA that was achieved in 2021. While access limits under the PRGT would be part of the expected comprehensive review of concessional facilities in 2024/25, Directors also agreed that, once substantial progress with PRGT fundraising toward the SDR 2.3 billion first stage target for subsidy resources agreed in 2021 has been made—with total pledges of SDR 2 billion or more—access limits under the PRGT would be reviewed at an ad hoc interim review. In this context, it was recognized that efforts to fill the resource gap should be expedited, and most Directors called on members in a strong economic position to accelerate their support for PRGT fundraising efforts. Many Directors also called for an early examination of the possible use of the Fund's internal resources.

Directors underscored that access limits are key elements of the Fund's risk management framework, providing an important safeguard to Fund resources, preserving their revolving nature, and supporting the catalytic role of Fund financing. They stressed the importance of diligent application of standard (non-exceptional access) policy criteria for determining access to Fund resources on a case-by-case basis. They also emphasized the importance of enhanced scrutiny and additional safeguards for exceptional access cases. Although the increased access limits heighten risks to the Fund, Directors considered that these risks are expected to be manageable. They agreed that an interim review of the adequacy of the precautionary balances could also serve as risk mitigation.

Directors agreed that a comprehensive review of access limits, tentatively planned for 2024, will assess the GRA access limits in the context of the outcome of the 16th General Review of Quotas.

INTERNATIONAL MONETARY FUND

February 17, 2023

TEMPORARY MODIFICATIONS TO THE FUND'S ANNUAL AND CUMULATIVE ACCESS LIMITS

EXECUTIVE SUMMARY

The global economy remains on the back foot. Emerging markets and developing economies face uncertain prospects, while coping with the pandemic's legacies of higher debt and weaker external conditions. In this context, members are more likely to have an increased need to access Fund resources to support their pressing financing needs and adjustment efforts.

To better support members in this adverse environment, this paper proposes temporary changes to limits on access under the Fund's General Resources Account (GRA) from the levels last set in 2016 of 145 percent of quota annually and 435 percent of quota cumulatively. These changes, which would be in place for 12 months, would increase the GRA annual access limit to 200 percent of quota and the cumulative limit to 600 percent of quota. If circumstances warrant, staff would re-engage with the Executive Board on a proposal for an extension before the expiration of the 12-month period.

The paper also discusses possible changes for the Poverty Reduction and Growth Trust (PRGT), for which the access limits were raised by 45 percent in 2021, bringing them into alignment with GRA access limits for the first time. While these changes helped address low-income countries' (LICs) financing needs, these needs are projected to further increase in the medium term. An increase in the PRGT access limits in line with the proposed increase in the GRA access limits would help address these needs. However, the PRGT faces a sizable subsidy resource gap in fundraising under the first stage of the 2021 funding strategy, and consideration of any increase in access limits should therefore be deferred until more progress has been made in closing this resource gap and the PRGT is more adequately financed. Accordingly, this paper proposes that the Executive Board review PRGT access limits once sufficient subsidy resources have been pledged to the PRGT.

The impact on GRA resources and risks to the Fund from the proposed changes are expected to be manageable. While risks to the Fund's liquidity and credit would be expected to rise from these changes, such risks would remain well within historical ranges and acceptable risk tolerances.

Approved By
Ceyla Pazarbasioglu (SPR), Bernard Lauwers (FIN), and Rhoda Weeks-Brown LEG)

Prepared by the Strategy, Policy and Review, Finance, and Legal Departments. The team was led by Bikas Joshi (SPR) and Carlo Sdralevich (FIN)—under the supervision of Zuzana Murgasova, Craig Beaumont (both FIN), Guillaume Chabert (SPR), and Bernhard Steinki (LEG)—and comprised Alexander Culiuc, Daehaeng Kim, La-Bhus Fah Jirasavetakul, Alex Grohovsky, Andreja Lenarčič, and Maxwell Tuuli (all SPR); Beata Jajko, Joseph Thornton, Qianying Chen, Alexander Massara, Nicolás Magud, Sandra Saveikyte, and Shan He (all FIN); and Gabriela Rosenberg, Jonathan Swanepoel, and Hoang Pham (all LEG). Further guidance was provided by Andreas Bauer (FIN), Mark Flanagan (SPR), and Yan Liu (LEG). Administrative assistance was provided by Rafael Flores and Atiya Mahdi (FIN).

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Glossary

AE	Advanced Economies
BoP	Balance of Payments
BBAs	Bilateral Borrowing Agreements
AAL	Annual Access Limit
CAL	Cumulative Access Limit
CtR	Capacity to Repay
EA	Exceptional Access
EFF	Extended Fund Facility
EF	Emergency Financing
EFN	External Financing Needs
EMs	Emerging Markets
EMDEs	Emerging Markets and Developing Economies
FTP	Financial Transaction Plan
FCL	Flexible Credit Line
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GRA	General Resources Account
GRQ	General Review of Quotas
LICs	Low-income countries
PFAs	Post Financing Assessments
PLL	Precautionary Liquidity Line
PRGT	Poverty Reduction and Growth Trust
PS-HCC	Policy Safeguard for High Combined Credit
RCF	Rapid Credit Facility
RFI	Rapid Financing Instrument
SBA	Stand-By Agreement
SDR	Special Drawing Rights
SDRi	Special Drawing Rights Interest Rate
SLL	Short-Term Liquidity Line
UCT	Upper-Credit Tranche

INTRODUCTION

1. **The global economy is facing multiple challenges.** These include—as outcomes of spillovers from Russia's war in Ukraine and the post-pandemic tightening of global financial conditions—volatile food and fuel prices, supply chain shortfalls, challenges in securing external financing, and slowdowns in major export markets. These sustained headwinds come at a time when many countries are still grappling with the legacy of the pandemic—shrinking policy buffers, output scarring, and debt vulnerabilities remaining above pre-pandemic levels. Acute economic pressures currently faced by emerging markets and developing economies (EMDEs) call for not only macroeconomic adjustment but also additional financing. The latter would require addressing access limits sooner than in the forthcoming comprehensive access review, tentatively planned for 2024, after the conclusion of the 16th General Review of Quotas (GRQ) expected at end-2023.

2. **Access limits are reviewed periodically.** The most recent comprehensive review, which took place in 2016, changed the GRA overall access limits to their current levels—145 percent of quota for the annual limit and 435 percent of quota for the cumulative limit—upon the effectiveness of the 14th GRQ. While access limit changes have generally taken place in the context of quota reviews, they have also been adjusted on an *ad hoc* basis at various points in time. In 2009, an adjustment took place in the face of severe economic challenges during the global financial crisis (GFC) and in light of the need to address erosion of the access limits relative to key economic metrics that had occurred since the 11th GRQ went into effect in 1999. Likewise, as a response to the COVID-19 pandemic, GRA annual access limits were temporarily increased in 2020 by 100 percent of quota to 245 percent of quota. Similarly, Poverty Reduction and Growth Trust (PRGT) access limits have typically been adjusted in the context of comprehensive reviews of low-income countries (LIC) facilities, the most recent in 2018-19 (with the next review envisaged for 2024-25). A more targeted *ad hoc* review, however, was conducted in July 2021, resulting in the adoption of the financing reform package to enhance the Fund's support to LICs, which included a 45-percent increase in PRGT access limits in SDR terms to meet higher financing needs as LICs recover from the pandemic. This, *inter alia*, brought PRGT access limits into alignment with GRA access limits for the first time.

3. **As key elements of the Fund's risk management framework, access limits provide important safeguards to Fund resources, help preserve their revolving nature, and support the catalytic role of Fund financing.** Such limits balance the need to provide confidence to member countries and financial markets regarding the availability of Fund financing with the need to preserve liquidity and the revolving character of Fund resources. While overall access limits under the GRA and PRGT are not hard caps on the amount of financing a member can obtain,[1] they act as a threshold for triggering the application of higher scrutiny under the exceptional access (EA)

[1] For presumed blenders (higher-income PRGT-eligible countries that receive PRGT financing only in a blend with GRA resources), PRGT-financing is capped at 145 percent of quota per arrangement, with all access needs above this level met from the GRA. In addition, exceptional access in the PRGT is not available to higher-income countries (i.e., those meeting the income criterion for blending).

framework, which subjects financing requests to additional substantive and procedural requirements (see Annex I).[2]

4. This paper builds on informal discussions with Executive Directors on the Fund's lending, crisis response, and possible ways forward. Directors generally agreed on the need to increase GRA access limits on a temporary basis, with a broader spectrum of views regarding a corresponding increase in access limits for the PRGT, especially given the need to secure additional subsidy resources prior to any increase. Reflecting these discussions, this paper proposes to temporarily increase the GRA normal annual access limit to 200 percent of quota and the normal cumulative access limit to 600 percent of quota for a period of 12 months. An extension could be considered by the Board before the expiration of this period. The paper also proposes that a review of PRGT access limits be conducted once sufficient subsidy resources have been pledged in bilateral contributions toward the stage 1 fundraising target of SDR 2.3 billion adopted in the context of the 2021 changes to PRGT facilities. The paper does not propose changes to the specific access limits applicable to the Precautionary and Liquidity Line (PLL) and the Short-Term Liquidity Line (SLL), as any changes to these instruments will be considered in the forthcoming review of precautionary facilities. Cumulative access limits of the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF), temporarily increased by the Executive Board in 2020 (see footnote 2), will require a follow-up discussion in the coming months. Given the temporary nature of the proposed changes, the paper does not address other policies linked to access levels, such as the policy on Post Financing Assessments or the extended consultation cycle for Article IV consultations, among others.

5. The paper is structured as follows. Section I analyzes the challenging global economic context in which the current access limits are being reviewed. Section II highlights recent trends in GRA resources and the erosion that has taken place since the GRA access limits were last adjusted in 2016, and proposes to adjust the GRA access limits on a temporary basis. Section III provides a similar analysis of PRGT access limits and proposes to review PRGT access limits once sufficient subsidy resources have been pledged. Section IV highlights the resource implications of the proposed changes and potential enterprise risks. Section V addresses implications and changes for other policies linked to access limits. Section VI sets out the proposed decision.

ECONOMIC CONTEXT

EMDEs face a confluence of multiple shocks—soaring inflation, tightening global financing conditions, and heightened geopolitical uncertainty—while enduring the pandemic's legacies of higher debt and lower growth prospects. Raising access limits on a temporary basis would help facilitate financing for member countries at this unprecedented conjuncture to support the needed adjustment efforts.

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[2] In contrast, RCF- and RFI-specific access limits are hard caps, providing critical safeguards to Fund resources absent UCT-quality conditionality. See *Temporary Modification to the Fund's Annual Access Limits*, July 2020, and *Review of Temporary Modifications to the Fund's Access Limits in Response to the COVID-19 Pandemic*, December 2021.

6. **Due to a series of multiple shocks, the global economy is facing formidable challenges and prolonged uncertainty.** The war in Ukraine continues to undermine the fragile global economic recovery by, among other things, exacerbating the rise in energy and other commodity prices and disruptions to supply chains that have emerged during the pandemic, while diverting international trade and capital flows. Meanwhile, persistently high inflation—exceeding levels observed in several decades—has prompted an accelerated and synchronized tightening of monetary conditions at a time of subdued growth.

7. **Spillovers to EMDEs have resulted in tightening financing conditions and, for some, wider current account deficits.** Monetary tightening in advanced economies (AEs), coupled with geopolitical uncertainty, has led to a sharp tightening in global financial conditions—with significantly higher borrowing costs, lower capital inflows, and currency depreciation in EMDEs. These financial headwinds are expected to continue, with major central banks likely keeping interest rates high for a substantial period of time, effectively marking the end to the period of exceptional global liquidity after the GFC. Commodity importers have seen elevated current account deficits as adverse terms-of-trade shocks from high energy and other commodity prices have counteracted ongoing adjustment of domestic demand. These impacts are particularly pronounced for LICs, given their higher share of energy and food in their import baskets. Moreover, slow global growth has weakened export prospects, making adjustment more difficult.

8. **At the same time, EMDEs' ability to cushion shocks is limited and policy buffers have been eroding.** Most EMDEs entered this period of tightening global financial conditions with the pandemic's legacies of economic scarring and elevated public debt levels. Despite declining from the peak, median public debt ratio for EMDEs remains high, at about 55 percent of GDP. The number of EMDEs with high debt and high external gross financing needs remains above pre-pandemic levels.[3] Furthermore, the share of EMDEs in debt distress or at a high risk of debt distress remains elevated, at about 35 percent, and is even higher for LICs at about 55 percent. LICs, which already experienced a strong decline in international reserves over the past years, continue to face large financing needs to address the more pronounced pandemic-induced scarring and accelerate development efforts to resume the convergence path towards more advanced economies. In this environment, resurgent inflationary pressures could de-anchor inflation expectations, trigger a sudden repricing of assets, and/or require an even tighter monetary policy. The impact of further tightening of global financial conditions will likely be more severe for vulnerable EMDEs with high public debt, significant foreign exchange exposure, and lower current account balances, adding to already-large movements in their currencies, higher borrowing costs, and capital outflows over the past year.

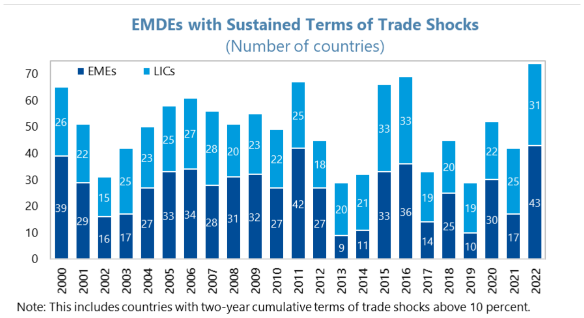
9. **Increased financing pressures and vulnerability among EMDEs emphasize the need to step up financing support, complementing ongoing macroeconomic policy adjustments.** Given the multiple challenges affecting EMDEs, significant downside risks prevail. Clear communication and commitment to achieve price stability are crucial to preserve credibility and

[3] Countries with high debt and high external gross financing needs are those with public debt over 70 percent of GDP and external gross financing needs over 15 percent of GDP.

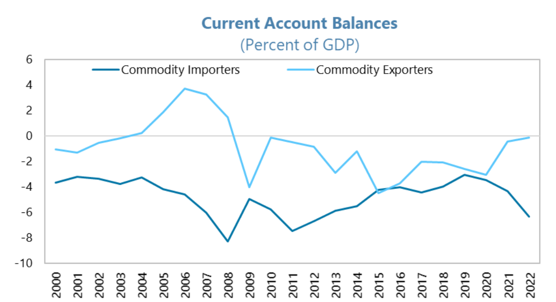
avoid unwarranted market volatility, and policy adjustments by EMDEs aimed at reducing macroeconomic imbalances and enhancing debt sustainability remain imperative. Nevertheless, amid unavoidable tight market financing conditions and high gross financing needs across many EMDEs, Fund arrangements could help smooth the necessary adjustment. In this context, increased access to Fund resources—including through temporary increases in access limits—could play an important role in supporting EMDEs' pressing financing needs and adjustment efforts.

Figure 1. EMDEs. Economic Headwinds and Vulnerability

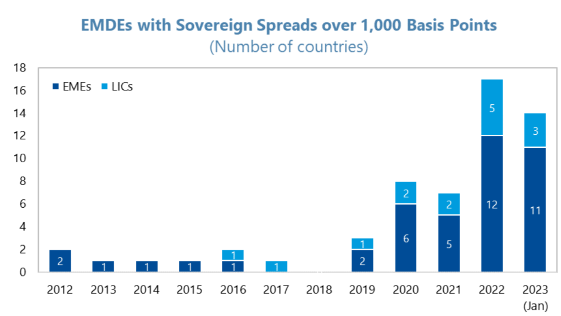
Sustained terms of trade shocks are putting pressures on EMDEs' external balances, …



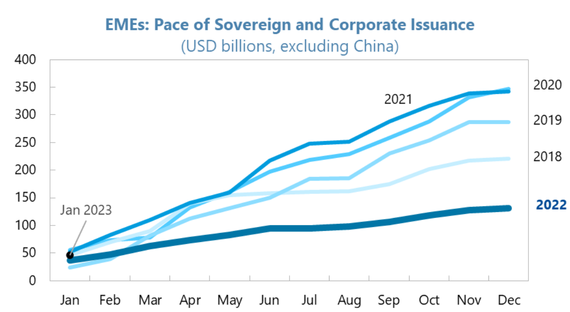
… especially of commodity importers.



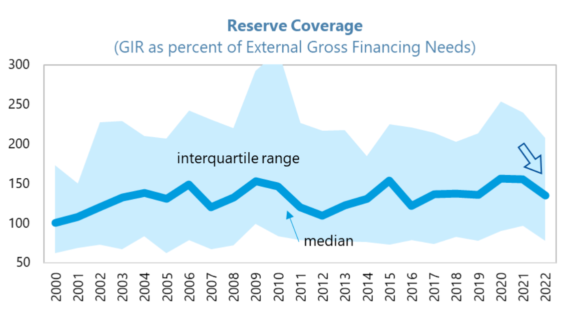
Meanwhile, monetary tightening in AEs and geopolitical uncertainty has pushed up EMDEs' borrowing costs…



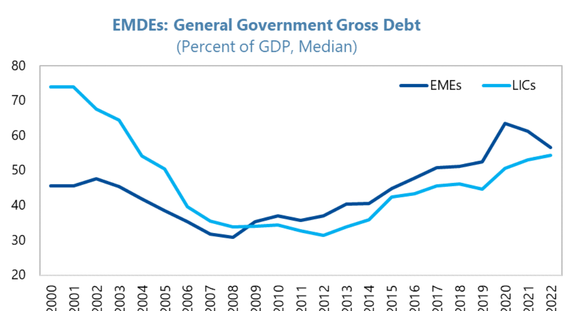
… and disrupted their capital flows…



… amidst post-pandemic reduced financial buffers…



… and debt remaining above pre-COVID levels.



Sources: Bloomberg; World Economic Outlook; and IMF staff calculations.

MODIFICATIONS TO THE GRA ACCESS LIMITS

10. The GRA access limits were last raised in 2016 upon the effectiveness of the 14th GRQ. The 14th GRQ, in aggregate, doubled the Fund's quota resources in nominal terms. The adjustment of access limits at that time—from 200 percent (annual) and 600 percent (cumulative) to the current 145 and 435 percent of quota, respectively—raised nominal access limits by 45 percent in SDR terms, thereby helping attenuate the erosion of nominal access limits that had taken place since 2009.

A. Trends in the Use of GRA Resources and Evolution of Access Metrics

11. The recent demand for GRA resources reflects the countercyclical nature of Fund financing (Figure 4). After plateauing over 2017-18, the demand for new GRA arrangements—including arrangements approved for precautionary use ("precautionary") and for blenders[4]—picked up in 2021-2022. At end-2022, there were 23 GRA arrangements in effect ("active arrangements"). In addition, after reaching an unprecedented level at the peak of the COVID-19 pandemic, the number of approved RFI purchases has dropped substantially. With two RFI purchases in 2022, demand for emergency financing (EF) has broadly returned to its annual levels of 2010-2019.

12. GRA resources are being committed for longer periods, signaling stronger focus on structural issues under recent Fund arrangements. The demand for GRA resources has evolved towards Extended Fund Facility (EFF) arrangements, which have longer maturities. Demand under the EFF has accelerated in the last two years, as more members shifted to addressing structural balance of payments (BoP) problems and vulnerabilities. The number of new extended arrangements approved in 2021 (seven, including three GRA-PRGT blended arrangements) was the highest since the previous uptick in 2016.[5]

13. The volume of GRA credit outstanding has recently reached its highest level. At end-2022, GRA credit outstanding reached SDR 96.9 billion, with total commitments[6] climbing to levels not observed since the GFC. Based on credit outstanding at end-December 2022, eight members (out of 50 members with outstanding credit from the Fund) had less than 100 percent of quota available for additional financing from the Fund before reaching the exceptional access threshold.

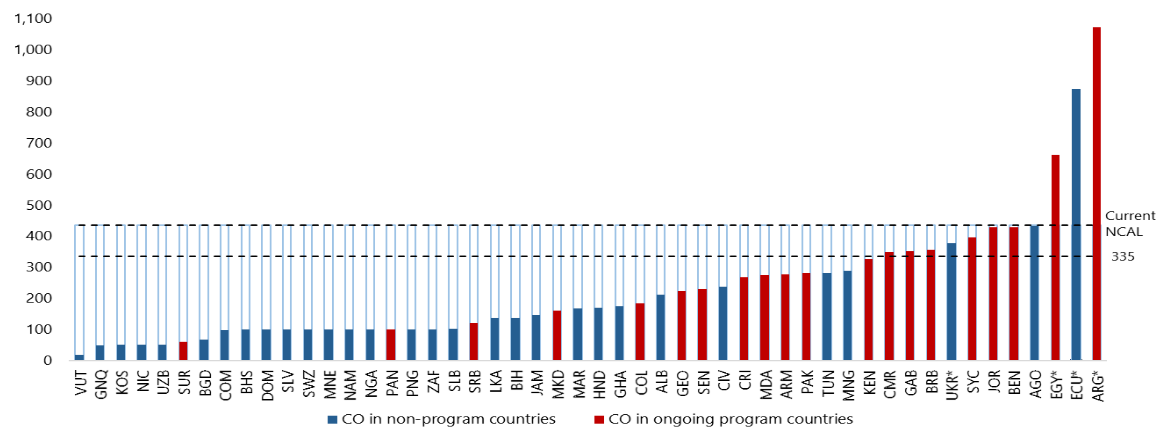
[4] GRA arrangements include Stand-By Arrangements (SBA), Extended Arrangements under the Extended Fund Facility (EFF); and Arrangements under the Flexible Credit Line (FCL), the Precautionary and Liquidity Line (PLL), and the Short-Term Liquidity Line (SLL). The SLL was established in 2020.

[5] Four out of those seven new arrangements followed the recently expired ones (SBAs or EFFs). At the same time, more members have sought support from facilities approved for precautionary use, increasing the number of FCL and PLL arrangements (to six at end-2022).

[6] Total commitments comprise credit outstanding, undrawn balances under existing arrangements, and commitments under precautionary arrangements.

Figure 2. GRA Credit Outstanding Relative to Cumulative Access Limits for GRA Borrowers and Blenders with Credit Outstanding, end-December, 2022

(Percent of quota)



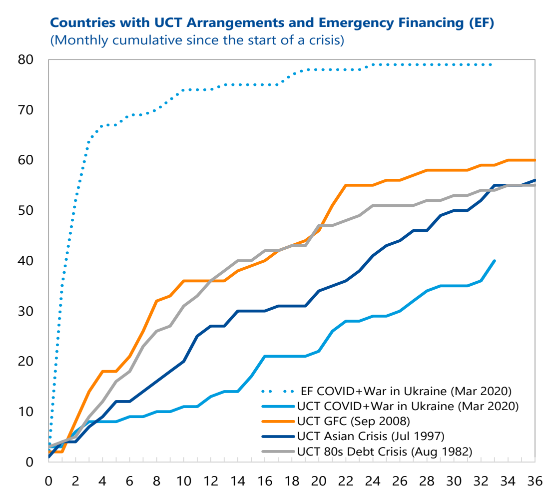
Source: IMF staff calculations.
* Countries with credit outstanding from exceptional access programs.

Box 1. UCT-Quality Arrangements Since 2020

The number of countries with active UCT-quality arrangements since the COVID-19 pandemic has been generally lower than that observed in other crisis periods. This trend has likely been driven by two main factors:

- A temporary increase in the use of RCF and RFI emergency financing in the early phase of the COVID-19 pandemic prompted by the urgent nature of members' BoP needs and inability of designing or implementing UCT-quality programs, which temporarily suppressed the demand for Fund arrangements.

- Until recently, exceptionally easy global financing conditions that, combined with the 2021 general SDR allocation, boosted global liquidity and reserve buffers, thus increasing policy space and lowering the need for additional UCT-quality financing.



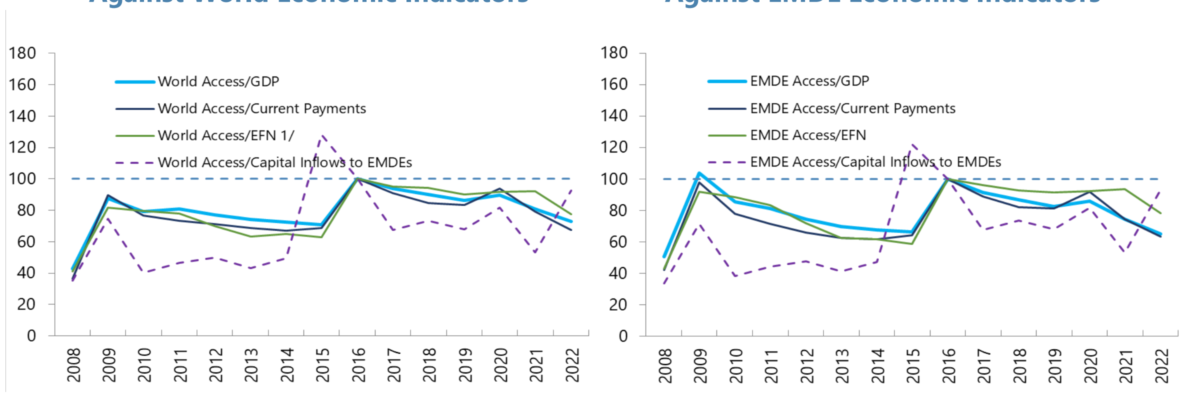
Since early 2021, however, the number of UCT arrangements has risen steadily, driven mainly by the surging demand from LICs, including blenders. The worsening global outlook and tightening financial conditions in 2022 have put additional pressure on EMDEs, with the number of "active" requests for arrangements (i.e., those with ongoing negotiations) showing a steady climb. In some cases, the need to resolve outstanding debt issues have delayed Executive Board approval of program requests.

14. **Since they were last adjusted in 2016, GRA access limits have eroded against standard access metrics.** The appropriateness of access limits is traditionally assessed against relevant metrics, comprising GDP, current payments, capital inflows, and external financing needs. Since

2016, the current annual and cumulative GRA access limits have eroded relative to these metrics, particularly compared to GDP and current payments. Although the erosion is evident for all Fund members on the aggregated level, it appears even more pronounced for EMDEs, specifically relative to GDP and current payments (Figure 3).[7] This is due, in part, to access limits not having been reviewed following the completion of the 15th GRQ, which concluded with no increase in quotas. This erosion could also imply that the Fund's risk tolerance has tightened over time. With the 16th GRQ underway and an increasingly severe economic environment, the situation faced by member countries now could be comparable to 2009, when access limits were doubled in the context of the GFC.

Figure 3. Evolution of GRA Access Limits Against Selected Economic Indicators

Against World Economic Indicators | **Against EMDE Economic Indicators**



Source: WEO, IFS and IMF staff calculations.

1/ EFN = total external financing needs of past borrowers from the Fund, defined as members that have had GRA arrangements and outright disbursements since 1990, for which data are available.

[7] Similar conclusion holds when using 2009—rather than 2016—as the base year.

Box 2. Past Reviews of GRA Access Limits

Changes in access limits following GRQs have been linked to the effectiveness of quota increases. In the 1980s, upon the effectiveness of quota increases agreed at the 7th and 8th GRQs, the annual and cumulative access limits were gradually reduced in percent of quotas to prevent their sharp increase in SDR terms. In 1994, after the increase in quotas agreed under the 9th GRQ became effective,[1/] annual access limits were raised temporarily to partially correct their erosion relative to GDP and trade. Annual and cumulative access limits remained at 100 and 300 percent of quota, respectively between 1994 and 2008 as the temporary increase in access limits were retained following the increase in quotas agreed at the 11th GRQ access limits (leading to their increase in absolute terms).

Access limits were doubled in percent of quota in the 2009 ad hoc review, amidst the GFC.[2/] Overall GRA annual access limits were increased to 200 percent of quota and cumulative access limits to 600 percent of quota to address the erosion of access limits relative to global trade and capital flows since the 1999 quota increase and in anticipation of a quota increase under the 14th GRQ. Prior reviews of access limits in 2003, 2005, and 2008 had not resulted in changes.

The most recent comprehensive review of access in 2016, resulted in an increase of access in SDR terms upon the effectiveness of the 14th GRQ approved in 2010.[3/] The 2016 review sought to attenuate the erosion of absolute access limits that had taken place since the 2009 review. While access limits were lowered in terms of quota (which were doubled in aggregate) to the current levels, they were raised by 45 percent in SDR terms on average.

The annual GRA access limit was also increased for a limited period in response to the large and synchronized COVID-19 shock. The shock led numerous member countries to request substantial emergency financing assistance. In July 2020, the annual access limit was temporarily raised from 145 to 245 percent of quota, initially for 12 months, but the increase was then extended to end-2021, given the persistence of the pandemic. No change was made to the cumulative GRA access limit.[4/]

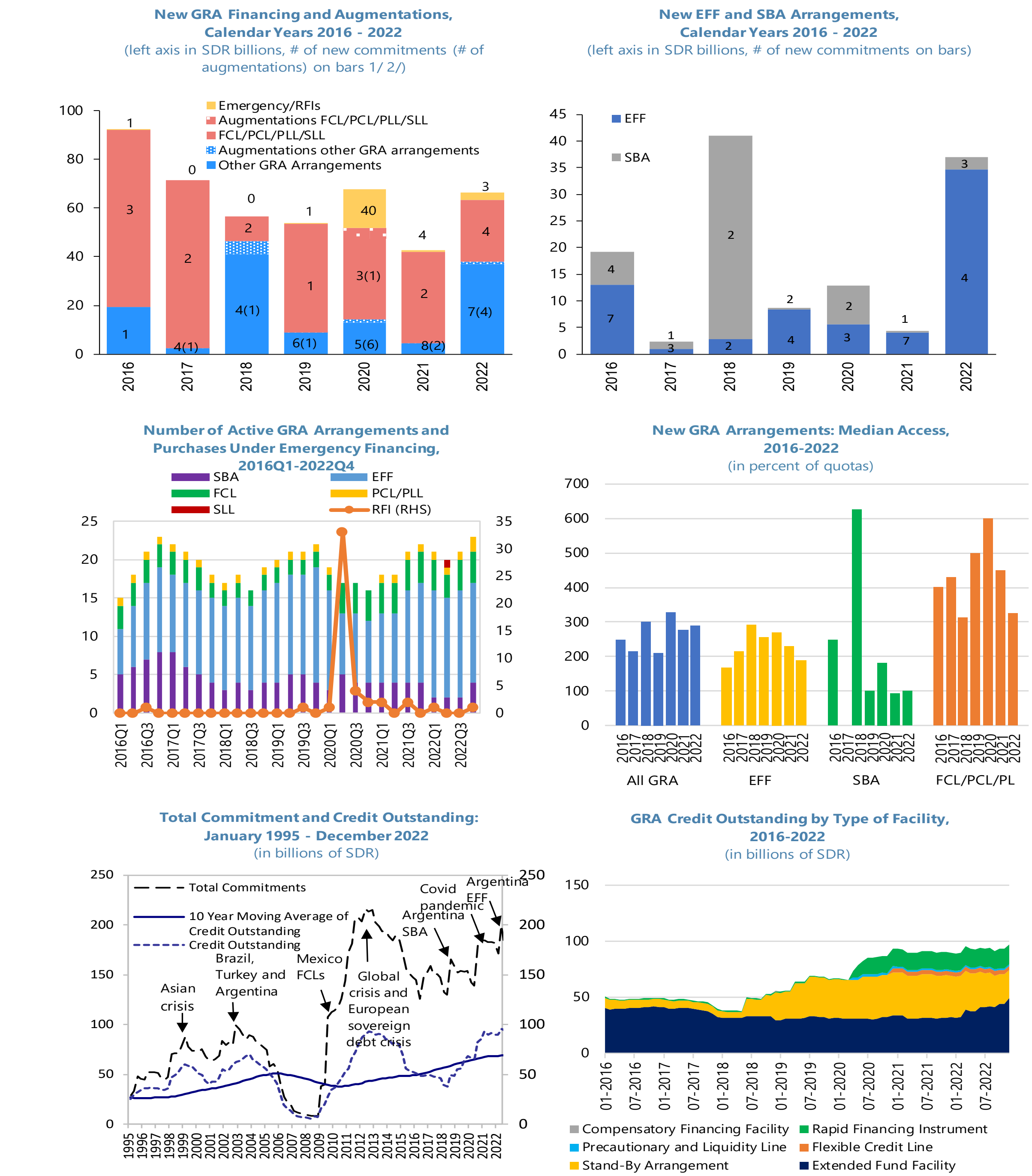
1/ The 9th GRQ was approved in July 1990 and became effective in November 1992.

2/ *GRA Lending Toolkit and Conditionality—Reform Proposals*, March 2009.

3/ *Review of Access Limits and Surcharge Polices*, January 2016.

4/ RFI specific annual and cumulative access limits —both the regular window and the large natural disaster window—were also increased since the onset of the COVID-19 pandemic.

Figure 4. Evolution of GRA Arrangements, 2016-2022



Source: IMF staff calculations.

1/ For each bar, there are three rows of numbers: (1) Bottom: # of other GRA arrangements (# of augmentations of other GRA arrangements). (2) Middle: # of FCL/PCL/PLL/SLL (# of augmentations of FCL/PCL/PLL/SLL). (3) Top: # of emergency assistance/RFIs.

2/ Chile's Short-term Liquidity Line arrangement (approved on May 20, 2022) was cancelled on August 29, 2022, thus was excluded in the graph.

B. Staff Proposal for Modifying GRA Access Limits

15. Staff sees merit in a temporary increase in the annual and cumulative GRA overall access limits. This assessment recognizes the exceptional shocks and uncertainties facing the membership. While any increase in access limits could imply lower safeguards and a higher risk tolerance since the more rigorous exceptional access (EA) criteria and procedures would apply only at higher access levels, staff considers the proposed temporary increase in access limits as appropriate, on balance, given the need for the Fund to support members in this difficult economic environment.

16. Staff proposes a temporary increase in the annual GRA access limits to 200 percent of quota and in the cumulative GRA access limit to 600 percent of quota.[8] The proposed increase would preserve the traditional 1:3 ratio of the annual to cumulative GRA access limits, restore the Fund's risk tolerance to levels more consistent with the Board-endorsed level at the end of the last review of access limits in 2016, and help ease constraints faced by members in accessing Fund resources at a time of global economic challenges and heightened volatility. Specifically, the temporarily less restrictive annual limit would provide an immediate additional breathing room for members seeking Fund support amid high uncertainty in the near-term without triggering the enhanced scrutiny of the EA framework.

17. The higher GRA limits would apply for 12 months and could be extended with a Board decision. The temporary nature of the increase would be consistent with expected heightened economic pressures and headwinds in the near term. The higher limits could be extended by the Executive Board should the circumstances warrant, and staff would re-engage with the Executive Board on a proposal for an extension before the expiration of the 12-month period.

18. A limited grandfathering would facilitate exit from the temporarily higher access limits when they are lowered to the current levels. Following the expiration of the proposed temporary increase in the GRA access limits and their reversal to the current levels, members that were not subject to the EA framework during the period would be grandfathered from the application of the EA framework triggered by the lower levels. As a result, if, following the expiration, a member's GRA access exceeds the restored normal GRA access limits, the EA framework would not apply for the remainder of existing arrangements (including in the event of a rephasing at unchanged overall access).[9] However, additional access from a new arrangement, outright purchase, or an augmentation of an existing arrangement in an amount that would exceed the restored lower access limits[10] would trigger the application of the EA framework.

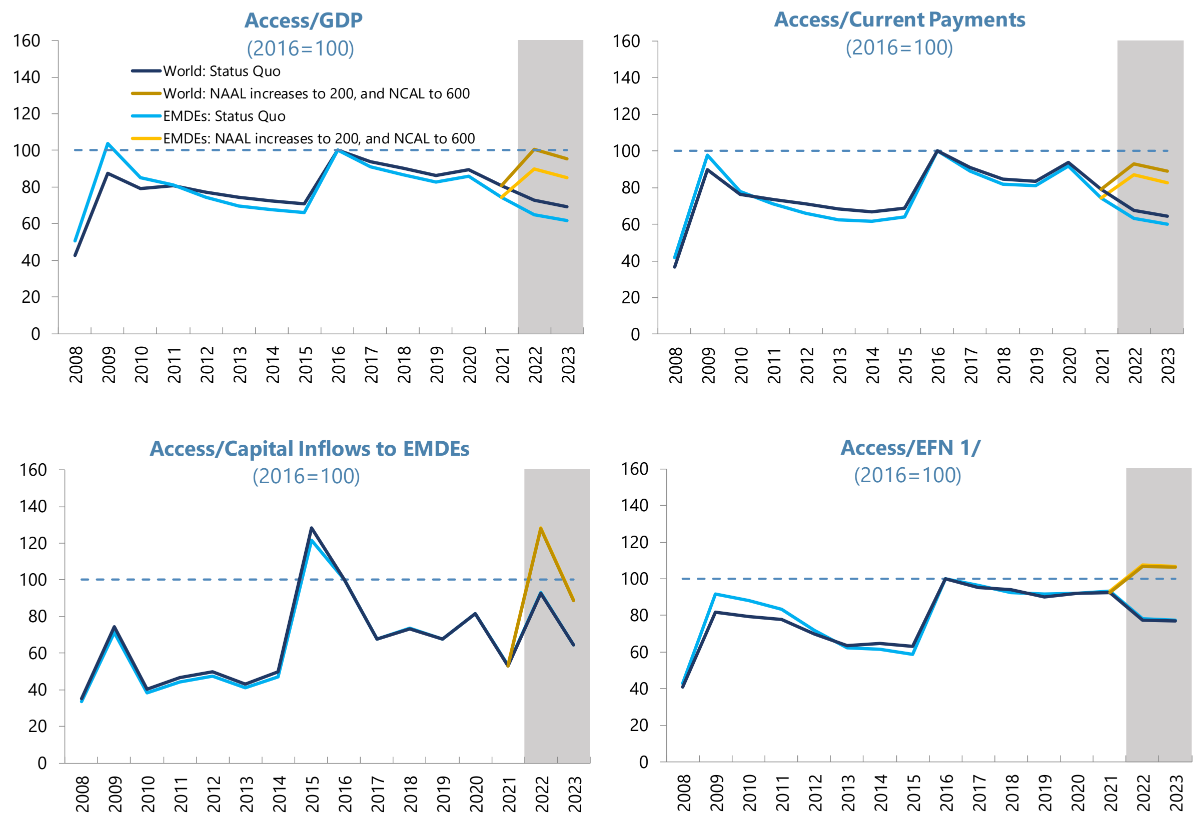
[8] At this stage, staff does not propose any changes to access limits for the GRA precautionary instruments that have specific access limits (the PLL and the SLL). The FCL does not have any access limits. Modifications to EF cumulative access limits will be handled in a different workstream.

[9] For a rephasing of an arrangement approved during the period of temporarily higher access limits, during the duration of the grandfathering, the higher annual access limit would apply as the trigger of the EA framework.

[10] For arrangements approved before the temporarily higher access limits enter into force, any augmentation of the arrangement during the period of higher access limits would be subject to the higher access limits.

19. A comprehensive review of access tentatively planned for 2024 will assess the GRA access limits in the context of the outcomes of the 16th GRQ. This review will further examine the erosion of access limits against key metrics. This comprehensive review will also cover other access-related policies that are currently not being addressed in separate workstreams (Section V).

Figure 5. Evolution of GRA Access Limits Against Key Economic Indicators Under the Proposed GRA Access Limits Increase



Source: WEO, IFS and IMF staff calculations.

1/ EFN stands for total external financing needs of past borrowers from the Fund, defined as members that have had GRA arrangements and outright disbursements since 1990, for which data are available.

MODIFICATIONS TO THE PRGT ACCESS LIMITS

20. The PRGT access limits were last reviewed and raised in July 2021, bringing them into alignment with the GRA access limits for the first time. The PRGT access limits are normally reviewed in the context of a comprehensive review of LIC facilities (the most recent was conducted in 2018-19, with the next agreed for 2024-25 to implement the second stage of the two-stage PRGT funding strategy adopted in July 2021) or on an *ad hoc* basis as in July 2021 in the context of the financing reform package to enhance Fund support to LICs as they recover from the COVID-19 pandemic. They can also be adjusted to take into account GRQs; in 2015, the Board decided to raise PRGT access limits by 50 percent, while at the same time deciding that those new limits would be halved when the 14th GRQ doubling of quotas became effective, to broadly preserve the higher access in SDR terms. As in the case of GRA access limits, the reviews assess the adequacy of access limits against a set of metrics comprising GDP, current payments, capital inflows, and external financing needs. The 2021 *ad hoc* review included a 45 percent increase in the PRGT access limits, bringing them into alignment with the GRA limits for the first time. Maintaining the alignment of PRGT access limits with the GRA access limits going forward may be considered desirable subject to adequate financing in the PRGT.

21. As in the case of the GRA limits, an increase in the PRGT access limits would imply an increase in risk tolerance compared to current access levels. The July 2021 reforms elevated the thresholds for exceptional access relative to historical experience, with the thresholds relative to GDP and current payments reaching about 50 percent above the average for 2015-2019 (Figure 7). Increasing PRGT access limits would entail the Executive Board, as trustee of the PRGT, determining that it would be acceptable from a risk perspective to further raise the threshold beyond which the exceptional access safeguards apply, and to rely on the other key safeguards (i.e., phasing of access, program design and conditionality, debt sustainability and capacity to repay requirements, safeguards assessments, strategy on overdue financial obligations, and *de facto* preferred creditor status) for the increased access instead.

22. The current financial status of the PRGT is already very stretched by high loan demand and shortfalls in subsidy pledges.[11] In the context of the 2021 reforms to PRGT access limits, the Board agreed a two-stage funding strategy to ensure a self-sustained PRGT in the medium-term. Under the first stage, SDR 2.8 billion in additional subsidy resources would be sought, including SDR 0.5 billion to be generated from internal resources and SDR 2.3 billion in the form of bilateral contributions.[12] The second stage of the funding strategy will be discussed in 2024/25 as part of the comprehensive review of concessional financing and policies, which will examine, *inter alia*, PRGT lending policies, the appropriate longer-term lending envelope for the PRGT, and associated funding options including potential use of Fund internal resources. At present

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[11] See the 2023 *Review of Adequacy of Poverty Reduction and Growth Trust Finances*, forthcoming.

[12] The basic goal of the self-sustained PRGT is to have sufficient subsidy resources for a pre-defined permanent PRGT annual lending envelope that does not depend on periodic new subsidy contributions. When the self-sustained PRGT was initiated in 2012, the Board endorsed a three pillar strategy as follows: (i) a base envelope for annual PRGT lending capacity; (ii) contingent measures that can be invoked when average financing needs exceed the base envelope by a substantial margin for an extended period; and (iii) a principle of self-sustainability under which future modifications to LIC facilities would be expected to ensure that demand for IMF concessional lending can be reasonably met with the available resources. The high demand for PRGT lending following the COVID crisis and the increases in access limits in 2020 and 2021 created a subsidy shortfall for the self-sustained PRGT that the Executive Board decided in 2021 to address under a 2-stage strategy, with an initial fundraising/suspension of GRA expense reimbursement (SDR 2.8 billion), followed by a more comprehensive review in 2024/2025 to decide on an appropriate longer-term PRGT envelope and related funding options (see ¶67 of *Fund Concessional Financial Support for Low-Income Countries—Responding to the Pandemic*, July 2021). The amount of SDR 2.8 billion for the first stage was calculated to secure the subsidy resources for the estimated baseline loan demands in the period of 2020 to 2024 (SDR 20 billion), and sustainable PRGT lending in real terms at pre-crisis levels of annual SDR 1.6 billion SDR after 2024.

the first stage of the funding round is falling well short of its goals, with subsidy pledges received amounting to only SDR 1 billion of the SDR 2.3 billion sought, leaving a fundraising gap of SDR 1.3 billion relative to the first stage target. As further discussed in the forthcoming review of PRGT adequacy, the pipeline of new borrowing is expected to be considerably above the baseline estimates made in 2021, which, together with higher interest rates to be subsidized and lower returns on investments, would result in a significantly larger subsidy gap in order to attain the SDR 1.65 billion in annual lending capacity originally envisaged for the PRGT post-2025. Higher lending is also resulting in a decline in the reserve coverage ratio.

A. Trends in the Use of PRGT Resources and Evolution of PRGT Access Metrics

23. The demand for PRGT resources has increased substantially since the onset of the COVID-19 pandemic. Since March 2020, the Board approved 96 financing requests from 57 PRGT-eligible countries, with 2/3 of approvals constituting outright purchases under the RCF or RFI/RCF blends. In total, PRGT disbursements between 2020-2022 reached SDR 11.8 billion, almost five times the pre-pandemic annual average. The surge in demand pushed total PRGT credit outstanding to SDR 15.9 billion as of end-December 2022, more than twice the historical average.

24. UCT-quality arrangements have comprised the bulk of new approvals of use of PRGT resources since an initial wave of requests for emergency financing in early 2020. RCF requests and combined RFI/RCF requests made up roughly 90 percent of the SDR 5.9 billion in new PRGT financing between March and July 2020. For the subsequent 2½ years, however, close to 90 percent of new approved financing came from ECF arrangements.

25. While credit outstanding has increased significantly, most countries have space for additional borrowing within normal access limits. Of the 69 PRGT-eligible countries, 56 have credit outstanding, with just six countries having triggered enhanced safeguards, the high-access procedure, and/or policy safeguards for high combined credit (PS-HCC).[13] Most PRGT-eligible countries currently have room under the existing access limits (Figure 6). A number of LICs, however, could be constrained by access limits under a scenario where multiple shocks materialize concurrently. This would require them to request exceptional access arrangements with safeguards in the form of stricter standards to qualify for higher access, which could become difficult to meet.

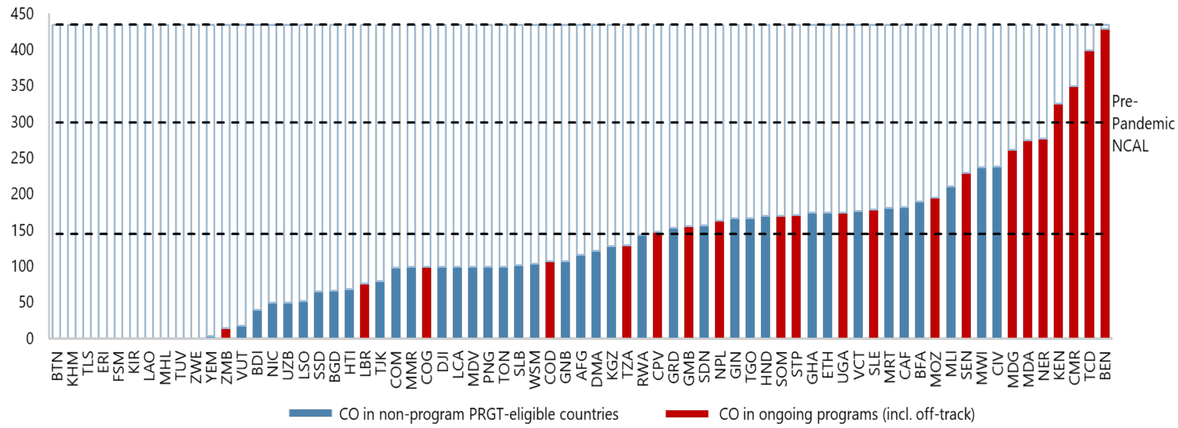
26. Based on the expected pipeline of requests for PRGT resources, staff projects sharply higher demand in the near term. PRGT loan demand has increased more than expected since the April 2022 PRGT adequacy review, driven by larger-than-anticipated high-access requests and new demand for emergency financing under the Food Shock Window. The PRGT baseline lending outlook through 2024 is now at almost SDR 30 billion in cumulative commitments, just below the July 2021 high case of SDR 33 billion commitments. The increase raises projections for credit

[13] See Annex I.

outstanding, which staff anticipates will peak in 2026-27 at around SDR 28 billion, a level that exceeds the July 2021 and April 2022 baseline estimates by about one-third.

Figure 6. PRGT Credit Outstanding Relative to Cumulative Access Limits, end-December, 2022[1/]

(Percent of quota)

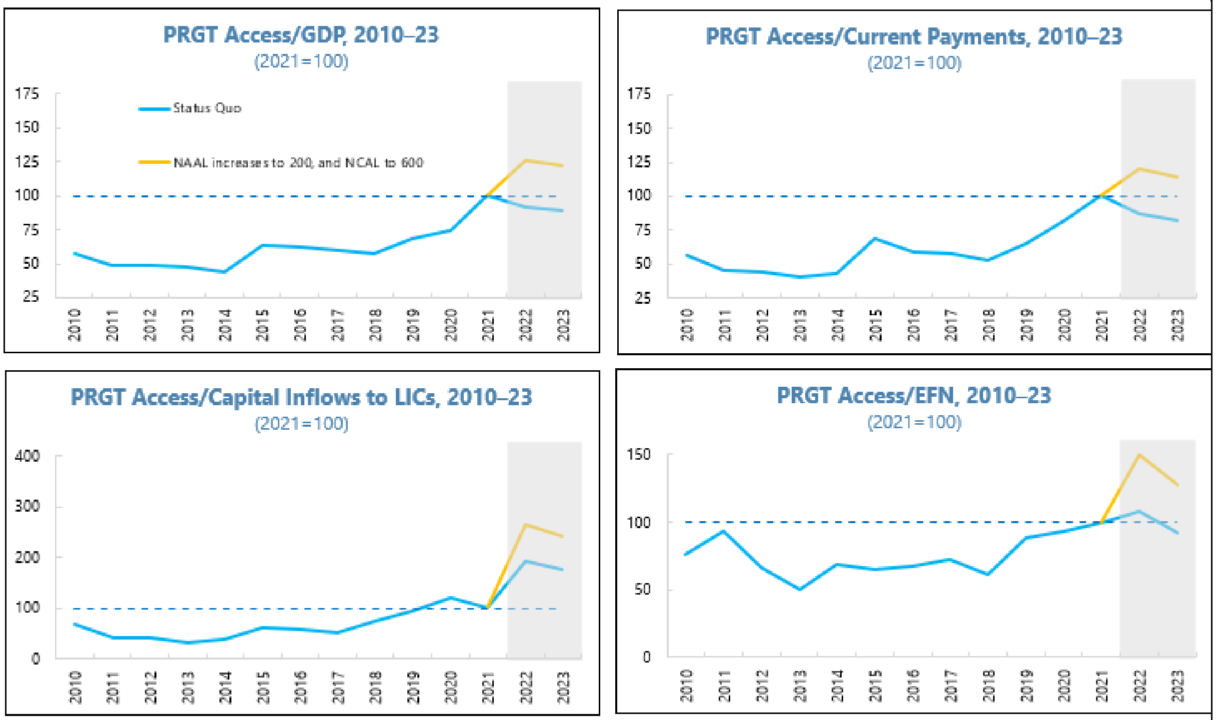


Source: IMF staff calculations.

1/ Space under the normal cumulative access limit (NCAL) of 435 percent of quota, excluding scheduled disbursements and including GRA credit outstanding in the case of blenders.

27. **Since 2021, there has been some erosion of PRGT access limits in relation to key metrics (Figure 7).** Median access in relation to median GDP has fallen by about 9 percent, while access relative to current payments has fallen by about 13 percent. Global financial tightening in 2022, and the related reduction in capital flows to PRGT countries, led to a significant increase in the median access-to-capital flows ratio. Finally, median external financing needs-to-access is expected to remain close to 2021 levels over the near term.

Figure 7. Evolution of PRGT Access Limit Against Key Economic Indicators



Sources: FDQT, WEO, and Fund staff calculations. Data through 2021 and projections thereafter.

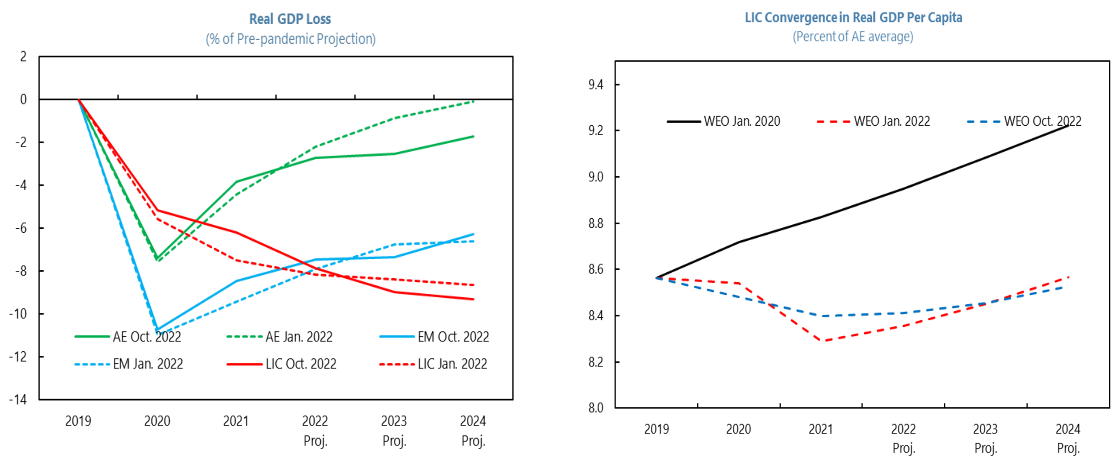
B. Staff Proposal to Defer the Review of PRGT Access Limits

28. The 2021 PRGT access limits increase, designed to support the recovery of LIC members from the COVID-19 pandemic, only partially addressed LICs higher financing needs, which are in aggregate projected to further increase throughout the medium term. The 2022 report on macroeconomic developments and prospects in low-income countries estimated that LIC additional financing needs to further address the impact of the COVID pandemic, rebuild reserves, and restore the pre-COVID income convergence path with higher income groups (Figure 8), amount to some US$440 billion through 2026, of which US$170 billion is required to address the legacy of COVID and rebuild external buffers.[14] An adverse scenario of slower recovery would increase these needs by another US$100 billion. Many LICs are also particularly susceptible to the fluctuations in global food, fertilizer, and energy prices, which are forecasted to remain elevated in the coming years; and LICs are more prone to natural disasters which worsen the prospects of recovery. More pronounced scarring compared to the AEs and EMs also calls for support to help LICs address the long-term impact of the recent crises and accelerate their developmental efforts to regain a path of income convergence to more advanced countries. While there is significant heterogeneity across LICs, in aggregate, the need for external financing is projected to increase

[14] See *Macroeconomic Developments and Prospects in Low-Income Countries*, December 2022.

further as a result of elevated current account deficits and higher external debt service amid the combination of tight global financial conditions and increased volatility.

Figure 8: GDP Loss and Income Convergence Amid the War in Ukraine and the Pandemic



Sources: WEO and IMF staff calculations.

29. Increasing PRGT access limits in line with the proposed increase in GRA access levels would help address LICs' large financing needs as they face multifaceted shocks, while maintaining the alignment with GRA access levels achieved in 2021, but a review of PRGT access limits should be deferred until the PRGT is more adequately financed. While recognizing the strong case for an increase in PRGT access limits in the current economic circumstances, in view of the PRGT's current financial status as discussed above, staff considers that such an increase should be evaluated once additional subsidy resource pledges have been secured that bring total bilateral pledges close to the stage 1 target of SDR 2.3 billion which is needed to finance near-term PRGT demand. Attaining pledges for a further SDR 1 billion in subsidies, for example, would bring total subsidy pledges to SDR 2 billion, closing the large majority of the existing fundraising gap. Even as fundraising continues, once PRGT donor fundraising makes such substantial progress toward the SDR 2.3 billion first stage target for subsidy resources, staff proposes that access limits for the PRGT be reviewed at an interim review. In particular, if this threshold is reached while the higher GRA limits are in place, staff would return to the Executive Board with an updated analysis as the basis for the Board to consider an increase in the PRGT access limits. Access limits would also be part of the comprehensive review of concessional facilities in 2024/25. In parallel, efforts to bolster loan resources and reserve coverage will continue.

RESOURCE IMPLICATIONS OF STAFF PROPOSAL AND ENTERPRISE RISKS

A. Summary of the Proposal

30. Staff proposes an increase in the annual GRA access limits to 200 percent of quota and in the cumulative GRA access limit to 600 percent of quota for 12 months that could be extended by a Board decision. The proposed increase would help ease constraints faced by members in accessing Fund resources at a time of global economic challenges and heightened volatility, restore the Fund's risk tolerance to levels more consistent with the Board-endorsed level at the end of the last review of access limits in 2016, and preserve the usual 1:3 ratio of the annual to cumulative GRA access limits. The 12-month window could be extended by a decision of the Executive Board, if circumstances warrant. Additionally, staff proposes a limited grandfathering that would facilitate exit from the temporarily higher access limits when the limits are lowered to the current levels, i.e., members that were not subject to the EA framework during the period of higher access limits would be grandfathered from the application of the EA framework triggered by the lower levels.

Table 1. Access Limits Before Triggering the Exceptional Access Framework
(in percent of quota)

	Current Limits	**Staff Current Proposal (next 12 months)**
Overall Access Limits		
GRA		
Annual Access Limit	145	200
Cumulative Access Limit	435	600
PRGT		
Annual Access Limit	145	145 1/
Cumulative Access Limit	435	435 1/
High combined GRA and PRGT credit (HCC thresholds) 2/		
Annual Access Limit	145	200
Cumulative Access Limit	435	600

1/ Subject to the Executive Board review PRGT an increase of PRGT access limits in line with the newly proposed GRA access limits would be considered once sufficient subsidy resources have been pledged to the PRGT.

2/ See Section V and Annex I.

B. Impact on Fund Resources

GRA Resource Implications

31. The impact of the proposed temporary increase in the GRA access limits on the demand for Fund GRA resources is difficult to determine with precision. Since the annual and cumulative GRA access limits are not hard caps but thresholds for higher standards and greater scrutiny under the EA policy, higher access limits relax the requirements for access to resources above those limits, but do not automatically qualify a member country for higher access. In all cases—for augmentation of access under existing arrangements and new arrangements—standard (non-exceptional access) policy criteria would continue to apply for determining access, including the size of the balance of payments need, the strength of program policies, the country's track record, debt sustainability, and capacity to repay the Fund. Under the standard policy on access to Fund resources, these criteria will continue to inform each access decision and will be considered on a case-by-case basis and carefully assessed during the review process.

32. Staff has used scenario analysis to gauge possible additional demand for Fund GRA resources resulting from higher access limits. Staff estimated additional demand for GRA financing under several scenarios that model the use of additional borrowing space. In these scenarios, members with existing arrangements and those expected to request GRA financing are assumed to utilize to varying degrees (including up to the potential maximum) the additional borrowing space under the proposed temporarily higher access limits. This approach is prudent as it tends to produce upper-bound estimates by assuming that (a) all members are qualified for accessing Fund financing at the requested level, whereas in reality, the access will be determined by the standard access policy, and (b) all existing and prospective arrangements would be able to increase access during the 12-month window.[15]

33. The impact of the proposed increases in the access limits on Fund's liquidity and on the demand for Fund resources even under extreme scenarios is expected to be limited, though subject to uncertainty. Under staff's scenarios, total additional demand for GRA resources under the proposed increase in access limits could reach up to SDR 19-42 billion. Because of the conservative nature of the estimates which focus on the upper bound, actual demand would likely be closer to the lower end of the range. Staff therefore assesses the impact of the proposed increases on Fund's liquidity as manageable. Due to the volatile economic environment and risks, this assessment is subject to uncertainty and warrants close monitoring of liquidity and credit developments.

[15] Staff's simulations exclude the PLL, SLL and RFI as no change is proposed in the respective specific limits under these instruments at this stage.

C. Enterprise Risk Considerations

Risk to the Fund Without Access Limit Increase

34. The Fund could face risks in the absence of a temporary access limit increase:

- **Member engagement risk.** Failure to increase access limits could somewhat hinder the Fund's ability to respond to members' needs for financial assistance in the face of unprecedented exogenous global shocks by requiring greater use of exceptional access policies and procedures than would be the case with higher access limits.

- **Strategic risks.** An inadequate response to members' financing needs could trigger member disengagement and increased reliance on self-insurance and other sources of financing such as swap lines or regional financing arrangements, leading to a more fragmented and less efficient global financial safety net. It may also result in excessive adjustment for members who do not have access to alternative sources of financing.

- **Reputational risks.** The Fund may be perceived as lacking alignment with its members' needs, leading to a loss of trust in the institution's effectiveness.

Risks to the Fund Under the Access Limit Increase

Risks to the Adequacy and Liquidity of Lending Resources

35. In staff's assessment, the proposed temporary increase in normal access limits is expected to have a limited impact on the Fund's liquidity and demand for Fund resources, with manageable impact even under extreme scenarios (see Section B). However, due to the volatile economic environment and risks, this assessment is subject to uncertainty and warrants close monitoring of liquidity and credit developments.

Credit Risks

36. The erosion of access limits against the standard access metrics since 2016 implies that the Fund's risk tolerance has tightened over time.[16] The increased access limits therefore would help temporarily restore the risk tolerance balance towards the levels implicitly adopted by the Executive Board at the time of the 2016 access limit increase (Figure 5).

37. With an increase in access limits, credit risk would rise somewhat compared to the status quo. Higher access limits would mean that the thresholds triggering higher scrutiny under GRA exceptional access policies are raised, temporarily relaxing a credit risk safeguard. Higher access without the additional scrutiny could raise debt sustainability risks for countries, including from a possible increase in non-restructurable debt. These risks can, however, be mitigated by other layers of the Fund's risk management framework. In particular, a member country would not

[16] In an aggregate sense, as the metrics for each member could be different.

automatically be qualified for higher access, containing the actual increase in credit. While the higher exceptional access scrutiny would not apply, access would continue to be determined by rigorous assessments informed by standard access policy criteria, including the size of the balance of payments need, the strength of program policies, the country's track record, debt sustainability, and capacity to repay the Fund.

38. The coverage for residual GRA credit risk provided by the Fund's financial buffers could decline, but would be expected to remain in the accepted range. Staff assesses that under its very conservative demand scenarios (see section B), the credit coverage ratio of precautionary balances could decline by 3 to 5 percentage points by FY2024 compared to the projections presented in the paper on the adequacy of precautionary balances but would still remain within the Board-approved 20-30 percent range.[17] These are upper-bound impact estimates as they assume no income from additional lending due to temporarily higher access limits. In practice, the higher Fund credit would increase income and accelerate the accumulation of precautionary balances, thus mitigating over time the decline in the coverage. An interim review of the adequacy of the precautionary balances before the regular two-year review cycle could serve as risk mitigation, if warranted by actual developments in Fund credit.

IMPLICATIONS FOR AND CHANGES TO OTHER POLICIES

39. The proposed increase in GRA overall access limits will automatically adjust the thresholds that trigger policy safeguards for cases involving high combined GRA and PRGT credit (HCC thresholds). Under the Fund policy adopted in 2020, certain enhanced policy safeguards apply when requests for financing entail levels of combined access to GRA and PRGT resources in excess of specified thresholds. These thresholds are set at the same levels as the overall GRA access limits and adjust automatically with any changes made to these limits. Consistent with the limited grandfathering proposed for the temporarily higher GRA access limits (¶18), following the expiration of the temporary increase in access limits for high combined GRA and PRGT exposures and their reversal to the current levels, members that were not subject to the policy safeguards for high combined GRA and PRGT exposure during the period would be grandfathered from the applications of these policy safeguards triggered by the lower levels.

40. Staff does not propose any changes to the thresholds of outstanding credit that call for an annual Article IV consultation cycles or the thresholds for determining expectations of a member's participation in Post Financing Assessments (PFAs). Given that access limits are proposed to be restored to their current level in 12 months, staff considers it appropriate to maintain the current thresholds of outstanding credit (i.e., outstanding credit above 145 percent of

[17] See *Review of The Adequacy of the Fund's Precautionary Balances*, December 2022. Precautionary balances, which were SDR 22.1 billion as of end-December 2022, or 23 percent of credit outstanding, are growing at a healthy pace, and under the baseline are expected to reach the SDR 25 billion medium-term target by late FY2024 to early FY2025.

quota) that warrant an annual cycle for Article IV consultations, and to keep the current PFA safeguards in place. This will preserve the current level of monitoring once the access limits return to their existing levels. Additionally, the PFA absolute thresholds are risk management tools directly linked to the minimum floor of GRA precautionary balances and the PRGT reserve account balances, instead of to access limits, and the quota-based threshold has been a feature of post program monitoring since 2005 with no direct mapping to the Fund's access limit frameworks. These thresholds were last reviewed by the Board in 2021 and remain appropriate in staff's view.[18]

[18] See *Post Program Monitoring During the Pandemic: Proposal for Temporary Streamlining of Procedures and Renaming of the Policy,* May 2021.

Proposed Decision

The following decision, which may be adopted on a majority of votes cast, is proposed for adoption by the Executive Board:

1. Paragraph 2 of Decision No. 14046-(08/18), as amended, shall be further amended to read as follows:

"2. The overall access by members to the Fund's general resources shall be subject to (i) an annual limit of 145 percent of quota; and (ii) a cumulative limit of 435 percent of quota, net of scheduled repurchases. For the period from March 6, 2023 to March 5, 2024, the annual limit will be 200 percent of quota and the cumulative limit will be 600 percent of quota, net of scheduled repurchases. These limits will not apply in cases where a member requests a Flexible Credit Line arrangement or where a member requests a Short-Term Liquidity Line arrangement, although outstanding holdings of a member's currency arising under such arrangements will be taken into account when applying these limits in cases involving requests for access under other Fund facilities."

2. The roll back of the temporary increase in access limits set forth under this decision shall not cause members to be subject to the exceptional access policy after March 5, 2024 if they were not subject to the said policy as of that date, unless following March 5, 2024 the Executive Board approves access to the Fund's general resources account under a new arrangement, or through an augmentation of access under an arrangement that was in place on March 5, 2024, or through an outright purchase under the RFI, in an amount that would cause the member to exceed the overall annual or cumulative access limits in place at that time.

3. The roll back of the temporary increase in the thresholds for High Combined GRA and PRGT Credit Exposures resulting from the roll back of the temporary increase in access limits set forth under this decision shall not cause members to be subject to the policy safeguards for high combined GRA and PRGT exposures set forth under Decision No. 16873-(20/91) after March 5, 2024 if they were not subject to the said policy as of that date, unless following March 5, 2024 the Executive Board approves access to the Fund's general resources account and/or to the Poverty Reduction and Growth Trust under a new arrangement, or through an augmentation of access under an arrangement that was in place on March 5, 2024, or through an outright purchase under the RFI or RCF, in an amount that would cause the member to exceed the High Combined GRA and PRGT Credit thresholds in place at that time.

Annex I. Fund's Exceptional Access Framework

1. Access limits are key elements of the Fund's risk management framework as they provide an important safeguard to Fund resources, preserve their revolving nature, and support the catalytic role of the Fund financing. They balance the need to offer confidence to members and financial markets of the availability of Fund financing with the need to preserve Fund liquidity and the revolving character of Fund resources. While overall access limits in the GRA and, for the poorest eligible members, under the PRGT do not limit how much financing a member can obtain from the Fund, they act as a threshold for triggering the application of higher scrutiny under the exceptional access (EA) framework, which subjects financing requests to additional substantive and procedural requirements.[1] In contrast, the sub-limits on access under the RCF and RFI are hard caps, which provide critical safeguards to Fund resources absent UCT conditionality.[2]

2. Overall access limits to GRA and PRGT resources are currently set at 145 percent of quota annually and at 435 percent of quota for cumulative access, net of scheduled repurchases/repayments. The current proposal would temporarily increase these limits for the GRA to 200 percent annually and 600 percent cumulatively. The Fund may approve access in excess of these limits in exceptional circumstances, provided four substantive criteria are met (see Table A.1). These criteria impose more stringent conditions for Fund lending than those that are applied in the context of normal access and provide safeguards given the additional risks that arise for the Fund as a result of significant financial exposure to the member.

3. In addition to the need to meet substantive criteria, procedures for consideration of exceptional access requests by the Executive Board have evolved over time. At present, once Fund management decides that new or augmented exceptional access may be appropriate, the Board is consulted promptly in an informal meeting. A note is shared with the Board that assesses the member country's current balance of payments problem, needed policy measures, basis for the assessment that EA may be necessary, and preliminary evaluation of the criteria. For countries requesting exceptional access under the PRGT, this will also include an assessment of the impact on concessional resources. Additional consultations are expected to occur, and information shared

[1] In the PRGT, normal overall access limits are hard caps for PRGT-eligible countries that meet the income criterion for presumed blending, as these members cannot qualify for PRGT EA. In addition to the PRGT EA, enhanced safeguards for debt sustainability and capacity to repay (ES) and high-access procedure (HAP) are additional safeguards for PRGT resources triggered at lower levels of access. ES are triggered where requests for new PRGT arrangements or augmentations entail access above 100 percent of quota annually or 300 percent of quota cumulatively, and/or when the requesting country is assessed at high risk of, or in, overall debt distress (see *Poverty Reduction and Growth Trust—Guidance Note on New Enhanced Safeguards for Debt Sustainability and Capacity to Repay*, June 2022). HAP is triggered where requests for new PRGT arrangements or augmentations where PRGT access exceeds 240 percent of quota over any 36 months or when PRGT credit outstanding is above 300 percent of quota at any point during the program (see *Fund Concessional Financial Support for Low-Income Countries—Responding to The Pandemic*, July 2021).

[2] See *Temporary Modification to the Fund's Annual Access Limits*, July 2020, and *Review of Temporary Modifications to the Fund's Access Limits in Response to the COVID-19 Pandemic*, December 2021.

between the time of the initial informal meeting and the Board's formal consideration of the request.

4. Policy safeguards also exist in cases of high combined access to GRA and PRGT (the "PS-HCC" policy). The PS-HCC are outlined in column 3 of the table below. PS-HCC are triggered, when the financing request entails a combined access to PRGT and GRA resources, which is above 145 percent of quota annually and/or above 435 percent of quota in cumulative terms, net of repayments and repurchases (see Policy Safeguards For Countries Seeking Access To Fund Financial Support That Would Lead To High Levels Of Combined GRA-PRGT Exposure (2020)). The procedural requirements are the same as described above. The thresholds for triggering the PS-HCC will increase automatically with the approval of the increase in the GRA access limits to 200 percent of quota annually and 600 percent of quota cumulatively.

30 INTERNATIONAL MONETARY FUND

Table AI1. Comparing Criteria for GRA and PRGT Exceptional Access with Safeguards for High Combined Credit Exposures

	GRA	PRGT	High Combined Credit Exposure Safeguards
Criterion 1	The member is experiencing or has the potential to experience exceptional balance of payments pressures on the current account or the capital account, resulting in a need for Fund financing that cannot be met within the normal limits.	The member is experiencing or has the potential to experience exceptional balance of payments pressures on the current account or capital account, resulting in a need for Fund financing that cannot be met within the normal limits.	The member is experiencing or has the potential to experience exceptional balance of payments pressures on the current account or capital account, resulting in a need for Fund financing that cannot be met without giving rise to a combined access to PRGT and GRA resources in amounts exceeding the thresholds that apply as limits in the GRA.
Criterion 2	A rigorous and systematic analysis indicates that there is a high probability that the member's public debt is sustainable in the medium term. Where the member's debt is assessed to be unsustainable ex ante, exceptional access will only be made available where the financing being provided from sources other than the Fund restores debt sustainability with a high probability. Where the member's debt is considered sustainable but not with a high probability, exceptional access would be justified if financing provided from sources other than the Fund, although it may not restore sustainability with high probability, improves debt sustainability and sufficiently enhances the safeguards for Fund resources. For purposes of this criterion, financing provided from sources other than the Fund may include, inter alia, financing obtained through any intended debt restructuring.	Risks to the sustainability of public debt are adequately contained. This is evidenced by ○ A rigorous and systematic analysis indicates that there is a high probability that the member's public debt is sustainable in the medium term. This is generally considered to be met for countries that are assessed under the LIC-DSF as having low or moderate overall risk of public debt distress; or ○ Where the member's public debt is not assessed to be sustainable with high probability, access above the proposed thresholds will only be made available if the combination of the member's policies and financing from sources other than the Fund, which may include debt restructuring, restores public debt sustainability with high probability (i.e., to a point where application of the LIC-DSF would yield a rating of low or moderate overall risk of public debt distress) (i) within 36 months from Board approval of the financing request or within the period of a newly approved arrangement (whichever is longer) or (ii) within the remaining period of an arrangement, in cases where the Board approves an augmentation or rephasing request.	Risks to the sustainability of public debt are adequately contained. This is evidenced by • *For members for whom use of the Bank-Fund Debt Sustainability Framework for Low Income Countries (the "LIC-DSF") is warranted*: ○ A rigorous and systematic analysis indicates that there is a high probability that the member's public debt is sustainable in the medium term. This is generally considered to be met for countries that are assessed under the LIC-DSF as having low or moderate overall risk of public debt distress; or ○ Where the member's public debt is not assessed to be sustainable with high probability, combined access above the proposed thresholds will only be made available if the combination of the member's policies and financing from sources other than the Fund, which may include debt restructuring, restores public debt sustainability with high probability (i) within 36 months from Board approval of the financing request or within the period of a newly approved arrangement (whichever is longer) or (ii) within the remaining period of an arrangement, in cases where the Board approves an augmentation or rephasing request.

TEMPORARY MODIFICATIONS TO THE FUND' S ANNUAL AND CUMULATIVE ACCESS LIMITS

Table AI1. Comparing Criteria for GRA and PRGT Exceptional Access with Safeguards for High Combined Credit Exposures (concluded)

	GRA	PRGT	High Combined Credit Exposure Safeguards
			• *For members for whom use of the MAC DSA is warranted*: the debt sustainability requirements for providing exceptional access to GRA resources are met.
Criterion 3	The member has prospects of gaining or regaining access to private capital markets within a timeframe and on a scale that would enable the member to meet its obligations falling due to the Fund.	Countries that do not meet the income criterion for presumed blending at the time when a new financing request (including augmentation/rephasing) is made.	
Criterion 4	The policy program of the member provides a reasonably strong prospect of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment.	The policy program of the member provides a reasonably strong prospect of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment.	The policy program of the member provides a reasonably strong prospect of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment.

TEMPORARY MODIFICATIONS TO THE FUND' S ANNUAL AND CUMULATIVE ACCESS LIMITS

Annex II. Redline Version: Proposed Modifications to Existing Decisions

Access Policy and Limits in the Credit Tranches and Under the Extended Fund Facility and on Overall Access to the Fund's General Resources, and Exceptional Access Policy—Review and Modification

1. The Fund has reviewed the guidelines and the limits for access by members to the Fund's general resources set forth in Decision No. 14064- (08/18), adopted February 22, 2008, as amended, and decides as follows.

~~2. The overall access by members to the Fund's general resources shall be subject to (i) an annual limit of 145 percent of quota; and (ii) a cumulative limit of 435 percent of quota, net of scheduled repurchases; provided that:~~

~~(A) these limits will not apply in cases where a member requests a Flexible Credit Line arrangement or where a member requests a Short-Term Liquidity Line arrangement, although outstanding holdings of a member's currency arising under such arrangements will be taken into account when applying these limits in cases involving requests for access under other Fund facilities; and~~

~~(B) during the period from July 13, 2020 to April 6, 2021 (the "Applicable Period"), the annual limit to overall access by members to the Fund's general resources specified in paragraph 2(i) above shall be 245 percent of quota, provided that this limit shall apply to requests for new arrangements or Rapid Financing Instruments and to requests for augmentation or rephasing of access, approved through April 6, 2021 (hereinafter the "Eligible Financing") and provided further that for the computation of the annual access under the above specified "Eligible Financing", the annual access limit of 245 percent of quota shall apply for any 12-month period that includes any part of the "Applicable Period".~~

2. The overall access by members to the Fund's general resources shall be subject to (i) an annual limit of 145 percent of quota; and (ii) a cumulative limit of 435 percent of quota, net of scheduled

repurchases. For the period from March 6, 2023 to March 5, 2024, the annual limit will be 200 percent of quota and the cumulative limit will be 600 percent of quota, net of scheduled repurchases. These limits will not apply in cases where a member requests a Flexible Credit Line arrangement or where a member requests a Short-Term Liquidity Line arrangement, although outstanding holdings of a member's currency arising under such arrangements will be taken into account when applying these limits in cases involving requests for access under other Fund facilities.

3. Subject to paragraph 4 below, the Fund may approve access in excess of the limits set forth in this Decision in exceptional circumstances, provided the following four substantive criteria are met:

(a) The member is experiencing or has the potential to experience exceptional balance of payments pressures on the current account or the capital account, resulting in a need for Fund financing that cannot be met within the normal limits.

(b) A rigorous and systematic analysis indicates that there is a high probability that the member's public debt is sustainable in the medium term. Where the member's debt is assessed to be unsustainable ex ante, exceptional access will only be made available where the financing being provided from sources other than the Fund restores debt sustainability with a high probability. Where the member's debt is considered sustainable but not with a high probability, exceptional access would be justified if financing provided from sources other than the Fund, although it may not restore sustainability with high probability, improves debt sustainability and sufficiently enhances the safeguards for Fund resources. For purposes of this criterion, financing provided from sources other than the Fund may include, inter alia, financing obtained through any intended debt restructuring. This criterion applies only to public (domestic and external) debt. However, the analysis of such public debt sustainability will incorporate any relevant contingent liabilities, including those potentially arising from private external indebtedness.

(c) The member has prospects of gaining or regaining access to private capital markets within a timeframe and on a scale that would enable the member to meet its obligations falling due to the Fund.

(d) The policy program of the member provides a reasonably strong prospect of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment.

4. When exceptional access is approved under a PLL arrangement pursuant to paragraph 3, such access, combined with the member's access to the Fund's resources under other PLL arrangements, shall in no event exceed a cumulative limit of 500 percent of quota, net of scheduled repurchases.

5. Unless otherwise specified in a general decision of the Executive Board, the procedures set forth in BUFF/02/159 (9/20/02), BUFF/03/28 (3/5/03), and BUFF/05/68 (4/13/05) shall apply to all cases involving access in excess of the limits set forth in this Decision.

6. This Decision shall be reviewed on an as needed basis in accordance with Decision No. 15764-(15/39), adopted April 23, 2015, on implementing streamlining of policy reviews.