



# IMF POLICY PAPER

## REVIEW OF EXPERIENCE WITH THE FOOD SHOCK WINDOW UNDER THE RAPID FINANCING INSTRUMENT AND THE RAPID CREDIT FACILITY

June 2023

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:

- The **Staff Report**, prepared by IMF staff and completed on May 31, 2023 for the Executive Board's consideration on June 27, 2023.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Electronic copies of IMF Policy Papers  
are available to the public from  
<http://www.imf.org/external/pp/ppindex.aspx>

**International Monetary Fund**  
**Washington, D.C.**



## IMF Executive Board Approves an Extension of the Temporarily Higher Cumulative Access Limits under the Fund's Emergency Financing Instruments and an Extension of the Food Shock Window

### FOR IMMEDIATE RELEASE

- The Executive Board of the International Monetary Fund (IMF or the Fund) approved a limited extension of the higher Cumulative Access Limits (CAL) under its emergency financing (EF) instruments, the Rapid Credit Facility and the Rapid Financing Instrument.
- The Executive Board also approved a 6-month extension of the Food Shock Window (FSW), established in September 2022, until end-March 2024.
- These two decisions will allow the Fund to continue to be able to support member countries facing urgent Balance of Payment (BOP) needs amid a challenging economic environment and ongoing global food shock.

**Washington, DC – June 30, 2023:** The IMF Executive Board approved on June 27, 2023 an extension of the temporarily higher Cumulative Access Limits (CALs) under the Fund's Emergency Financing (EF) instruments, the [Rapid Credit Facility](#) (RCF) and the [Rapid Financing Instrument](#) (RFI). The temporarily higher cumulative access limits ensure the Fund will have the capacity to support countries in case of renewed emergency situations, in the period in which countries are still in the process of repaying emergency financing received during the pandemic.

The temporarily higher cumulative access limits under the RFI will be maintained until end-June 2024, when most RFI recipients will have repaid a significant part of their past emergency financing. The temporarily higher cumulative access limits under the RCF will be maintained until the completion of the 2024/25 comprehensive review of the Fund's concessional facilities and financing, given the longer repayment schedule for RCF financing.

The Board also approved a 6-month extension of the Food Shock Window (FSW) under the RCF and RFI, until end-March 2024. The Food Shock Window was [approved by the Executive Board in September 2022](#) for 12 months, as a complement to the tools used by the Fund to support the broader international effort to address the global food shock. The Fund has been working closely with the World Bank, the World Food Programme, the World Trade Organization and the Food and Agriculture Organization, both at headquarter and country levels, to provide a coordinated international response to the global food shock. The Fund has contributed through policy advice, technical assistance and lending. Where needed and possible, financial support to countries affected by the global food shock has been delivered by the IMF through multi-year Fund-supported programs (Upper-Credit Tranche quality programs). Since September 2022, twenty-one countries affected by the global food shock have benefited from this type of programs. The Food Shock Window complemented this support in situations where UCT-quality programs were not feasible or not necessary. The Fund disbursed in total US\$1.8 billion (SDR 1.4 billion) for six countries under the Food Shock Window.

As the global food shock and associated balance of payment pressures are expected to continue throughout 2023, the 6-month extension will allow the Food Shock Window to continue serving as a contingency tool in case members affected by this shock face urgent balance of payment needs and a UCT-quality program would not be feasible or not necessary. This extension will also provide sufficient time to observe if the Food Shock Window can lapse without limiting the capacity of the Fund to support its members. To ensure sufficient borrowing space under the emergency financing limits for those countries that have received support through the Food Shock Window, the Executive Board also approved the extension of the additional 25 percent of quota added to the Cumulative Access Limit until end-2026 for countries that have accessed the Food Shock Window through the RFI and until the completion of the 2024/25 PRGT review for those that accessed the Food Shock Window through the RCF.

The Fund will continue to work closely with its partners, using the whole range of its tools, to support countries affected by the global food shock.

### **Executive Board Assessment<sup>1</sup>**

Executive Directors welcomed the opportunity to review (i) the temporarily higher cumulative access limits under the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF) and (ii) the experience with the Food Shock Window (FSW) under the RFI and the RCF. They broadly supported a limited extension of the temporarily higher cumulative access limits under the RFI and RCF, and a six-month extension—until end-March 2024—of the FSW.

Directors welcomed the strong transition from pandemic-related emergency financing under the RCF and the RFI to upper credit tranche (UCT) quality programs since 2021. They considered that the past two years have demonstrated that the qualification requirements for RCF and RFI financing ensure that these instruments are only used when a UCT-quality program is either not feasible or not necessary. At the same time, Directors considered that the continued challenging global economic environment, which has left many countries with depleted macroeconomic buffers, calls for maintaining some borrowing space under the Fund's emergency financing instruments.

Directors noted that many countries that used the RFI and/or the RCF during the pandemic would be left with little or no borrowing space under these emergency financing instruments if their cumulative access limits were to return to pre-pandemic levels at the end of June 2023. Against this backdrop, most Directors supported an extension of the temporarily higher cumulative access limits for the RFI (150 percent of quota for the regular window and 183.33 percent of quota for the Large Natural Disaster (LND) window) until the end of June 2024; with a few of these Directors noting that they would have preferred an even longer extension, while another view raised concerns about the extension's potential impact on countries' transition to UCT-quality programs. Directors also supported extending the temporarily higher cumulative access limits for the RCF (150 percent of quota for the exogenous shock window and 183.33 percent of quota for the LND window) until the date of the Board completion of the comprehensive review of the Poverty Reduction and Growth Trust (PRGT) facilities planned for 2024/25. Directors noted that these temporary extensions in cumulative access limits for

---

<sup>1</sup> 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>.

the RFI and RCF will enable the Fund to continue to provide support to members that experience urgent Balance of Payment needs where a UCT-quality program is not feasible or not necessary.

Directors welcomed the opportunity to discuss the Fund's response to the global food shock and the experience with the FSW that was established in September 2022 for a period of 12 months. They agreed that the food shock is still ongoing, and that the Fund should continue its effort to support countries, working with partners. While noting that the Fund should endeavor to deliver financial support through UCT-quality program in most cases, they broadly agreed that it would be prudent to extend the availability of the FSW as a contingency tool to support members strongly affected by the ongoing food shock in situations where a UCT-quality program is not feasible or not necessary. Directors concurred that extending the availability of the window would also allow a longer period for observing demand developments and provide confidence that the window could then lapse without limiting the Fund's ability to support its members.

Against this backdrop, Directors supported extending the availability of the FSW under the RFI and the RCF for an additional 6 months—until March 31, 2024. Most Directors preferred the FSW to automatically expire at that time unless demand developments warrant another Board discussion before such date. A number of Directors requested, however, that the Executive Board decide on the FSW's expiration rather than letting it elapse automatically. A few other Directors would have preferred extending the FSW for a longer period, whereas another view favored a shorter extension.

Directors also agreed to extend the application of an additional 25 percent of quota to cumulative access limits until end-2026 for countries that have accessed the FSW through the RFI, and until the completion of the comprehensive review of PRGT facilities planned for 2024/25 for those countries that have received FSW support under the RCF. A number of Directors emphasized that RCF-eligible countries should not be placed at a disadvantage as an outcome of the different timelines and the PRGT facilities review.

Many Directors reiterated their support for the combination of a FSW with a Staff Monitored Program or a Program Monitoring with Board Involvement, which can help countries building a track record of policy implementation. A number of Directors also highlighted that appropriate governance safeguards for FSW financing, tailored to country circumstances, remain essential to ensure transparency and accountability in the spending of these emergency resources. Directors called for effectively communicating the Fund's role and policies to address the global food shock, and in particular the role of the FSW. Many Directors noted the limited uptake of the FSW relative to their initial expectation and expressed concerns on potential evenhandedness issues. Some Directors also considered that the design of the FSW may not have sufficiently reflected the full range of circumstances of all eligible countries. In this context, a few Directors called for an ex-post evaluation of the FSW experience after the expiration of the window.

Directors noted staff's assessment that the further temporary extension of the higher cumulative access limits for emergency financing instruments and the extension of the FSW would have a limited impact on the General Resources Account and PRGT resources. Some Directors considered that concluding the 16<sup>th</sup> General Review of Quotas with a quota increase would help ensure members' access to adequate Fund financing.



May 31, 2023

## REVIEW OF EXPERIENCE WITH THE FOOD SHOCK WINDOW UNDER THE RAPID FINANCING INSTRUMENT AND THE RAPID CREDIT FACILITY

### EXECUTIVE SUMMARY

**Global food prices are receding but the global food shock is not over.** Global food prices remain significantly higher than before the COVID-19 pandemic, and there is continued uncertainty overhanging the global market outlook for food staples and agricultural inputs. Domestic food prices have continued an upward trend, especially in low-income countries (LICs), reflecting a gradual pass-through from international prices and the impact of local currency depreciations, and acute food insecurity has not subsided since last year.

**The Fund has responded strongly to the global food shock, as part of a globally coordinated policy response.** Since March 2022, as the fallout of Russia's war in Ukraine further intensified already rising pressures on global markets for food and fertilizers, the Fund has been working closely with other international organizations, including the World Bank, the World Food Programme, the Food and Agriculture Organization and the World Trade Organization, to help mitigate the crisis. This has included analytical support to partners and policy advice, capacity development, and, where needed, financing support to member countries, as a third line of defense complementing actions from humanitarian organizations and grants and highly concessional loans from multilateral development banks. In practice, Fund financial support in response to the global food shock has been substantial, involving 32 countries or two-thirds of the members most affected by the shock.

**As part of the Fund's response, the Executive Board approved the temporary Food Shock Window (FSW) in September 2022 and called for its review by end-June 2023.** While most of the financial response has been delivered through upper credit tranche (UCT)-quality programs, the FSW has allowed the Fund to provide financing to six members that were facing urgent balance of payment (BOP) needs related to the food shock and for which a UCT-quality program was not feasible. Disbursements under the FSW were used by the authorities to mitigate the impact of the global food shock on their populations and were supported by *ex-ante* governance commitments. Moreover, in most cases, the FSWs were combined with a Staff Monitored Program (SMP) or Program Monitoring with Board involvement (PMB) to foster continuous engagement and build track record towards potential UCT-quality programs.

**As part of the review of the FSW presented in this paper, staff recommends extending the FSW by six months until end-March 2024**, recognizing that the BOP pressures related to the global food shock remain a major challenge for many members making it appropriate to have sufficient time to observe if the FSW can lapse without limiting the capacity of the Fund to support its members. The ongoing engagement with members does not indicate many more expression of interest in the FSW, including due to the strong demand for UCT-quality programs that are better suited to address BOP needs which also largely explain the lower-than-initially expected number of FSW requests so far. Therefore, staff considers it appropriate to maintain the FSW until end-March 2024 to allow a longer period of observation from the time of the last request discussed by the Board before closing the window. The continued availability of the FSW during the second half of 2023 and beginning of 2024, amid a continuing food shock, seems prudent as a contingency tool to support, if needed, members strongly affected by the shock and for whom UCT-quality programs are not feasible or not necessary.

**Staff also proposes to extend the additional 25 percent of quota in cumulative access limits (CALs) under the Rapid Financing Instrument (RFI) and Rapid Credit Facility (RCF) for countries that used the FSW.** This would maintain the principle that part of the resources accessed through the FSW should be additional to other borrowing under the Fund's emergency financing instruments. For countries that accessed the FSW through the RFI, staff proposes that the additional 25 percent of quota in CAL remains in place until the end of 2026. For countries that accessed the FSW through the RCF, the additional 25 percent of quota in CAL would remain in place until the conclusion of the 2024/25 comprehensive PRGT review.

Approved By  
**Guillaume Chabert,**  
**Craig Beaumont,**  
**and Yan Liu**

Prepared by: the Finance Department, the Legal Department, and the Strategy, Policy, and Review Department. The team comprised Guillaume Chabert, Björn Rother, Daehaeng Kim, Jung Yeon Kim, Andreja Lenarčič, Jocelyn Boussard, Maxwell Tuuli, Toomas Orav (all SPR); Yan Liu, Gabriela Rosenberg, Gomiluk Otokwala, Kyung Kwak, Anjum Rosha, Mathias Emmanuel, and David McDonnell (all LEG); and Craig Beaumont, Zuzana Murgasova, Heikki Hatanpaa, Carlos Sdravlevich, Nelson Sobrinho, Beata Jajko, Andrew Swiston, Natalia Aivazova and Alexander Massara (all FIN). Alexandra Panagiotakopoulou and Linda Bisman (SPR) provided excellent administrative support.

## CONTENTS

<b>INTRODUCTION</b>	<b>5</b>
<b>UPDATE ON THE GLOBAL FOOD SHOCK</b>	<b>5</b>
<b>THE FUND'S ROLE DURING THE GLOBAL FOOD SHOCK</b>	<b>7</b>
<b>EXPERIENCE WITH THE FOOD SHOCK WINDOW</b>	<b>11</b>
<b>STAFF PROPOSAL TO EXTEND THE FSW FOR A LIMITED TIME</b>	<b>15</b>
<b>ENTERPRISE RISK</b>	<b>16</b>
<b>ISSUES FOR DISCUSSION</b>	<b>17</b>
<b>BOX</b>	
1. Design of Food Shock Window	11
<b>FIGURES</b>	
1. International Energy, Fertilizer and Food Prices	7
2. Domestic Food Inflation minus Core Inflation	7
3. Fund Engagement in 50 Countries Identified as Most Affected by the Food Crisis, as of September 2022	10
<b>TABLES</b>	
1. IMF Financing to Countries Identified as Most Affected by the Food Crisis, as of September 2022	10
2. Key Objectives of the FSW in Countries Accessing Financing Through the FSW	13
3. Governance Commitments of Countries Accessing the FSW	14

**ANNEX**

I Redlined Modifications to the Instrument to Establish the Poverty Reduction and Growth Trust  
(annexed to Decision No. 8759-(87/176) ESAF) and to the Decision Establishing the Rapid Financing  
Instrument (Decision 15015-(11/112)) \_\_\_\_\_ 20



## INTRODUCTION

**1. When the Executive Board approved the 12-month Food Shock Window (FSW) in September 2022, Executive Directors set out the expectation to review the FSW by June 2023.**

The Executive Board approved this new window under the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF) as part of the Fund's response to the global food shock, and specifically to strengthen the Fund's lending toolkit for countries facing urgent balance of payment (BOP) needs related to the food shock in circumstances where an upper credit tranche (UCT)-quality program is either not feasible or not necessary. The Board set an expectation that the impact of the FSW would be reviewed by end-June 2023 ahead of the expiration of the 12-month period.<sup>1</sup> This paper responds to the Executive Board's call. It provides an update on the global food shock, assesses the role of the Fund in assisting member countries' efforts to mitigate the impact of the crisis, and reviews the experience with the FSW, as part of the Fund's broader efforts to this aim.

**2. Staff recommends extending the FSW until end-March 2024, recognizing that BOP pressures related to the global food shock remain a challenge for many members.** While the ongoing engagement with members does not indicate many more expressions of interest in the FSW, mostly because UCT-quality programs are a better option to address BOP pressures and recent experience has demonstrated that these are feasible in a majority of cases, staff considers it appropriate to extend the FSW for six months until end-March 2024 to allow a longer period of observation before closing the window. Indeed, the global food shock is expected to continue throughout 2023, with acute food insecurity and elevated uncertainty about the future course of prices for key food staples. In this context, the FSW could continue to serve over the second half of 2023 and early 2024 as a contingency tool to support, if needed, members affected by the food shock for whom UCT-quality programs are not feasible or not necessary. Depending on demand for the FSW until early 2024, staff could propose another Board discussion before the FSW is terminated. No further action would otherwise be needed to terminate the window at end-March 2024.

**3. The rest of the paper is organized as follows.** The next section provides an update on the global food shock, drawing on a recent IMF Note.<sup>2</sup> The following section discusses the role of the Fund during the global food shock to provide context for the review of the experience with the FSW in the subsequent section. The paper then sets out the staff proposal to extend the FSW until end-March 2024 and concludes with questions for Executive Directors' consideration.

## UPDATE ON THE GLOBAL FOOD SHOCK

**4. Russia's war in Ukraine has further intensified already developing pressures on global markets for food and key agricultural inputs.** The war generated immediate global repercussions

<sup>1</sup> Please see the companion paper *Review of the Cumulative Access Limits under the Rapid Financing Instrument (RFI) and Rapid Credit Facility (RCF)*.

<sup>2</sup> See [Global Food Crisis Update: Recent Developments, Outlook, and IMF Engagement](#) (IMF Note 2023/002).

as Ukraine and Russia are major exporters of agricultural products and of inputs for food production, such as fertilizer and energy. The fall in current and anticipated supplies of food and fertilizer, made worse by export bans in several food-exporting countries, triggered a sharp rise in global food prices and created food shortages in countries that could not shift to alternative supply sources quickly. Low-income countries (LICs) have been suffering the most from the resulting BOP pressures and food insecurity, as food imports often account for a large share of food consumption (e.g., between 50 percent and 85 percent of the consumption of wheat, palm oil, and rice in Sub-Saharan Africa).

**5. Global food prices have eased in recent months but remain at historic highs.** After peaking in March 2022, global food prices have been on a declining path, supported by the Black Sea Grain Initiative, the removal of some export bans and higher-than-expected food production in exporting countries (e.g., in Australia and Russia). Nevertheless, as of March 2023, global food prices remain significantly higher than before the COVID-19 pandemic, reflecting continued uncertainty about the outlook on global markets for food and agricultural inputs (Figure 1).

**6. Moreover, domestic food prices have continued an upward trend in most regions and acute food insecurity has not subsided since last year (See Figure 2).** The continued rise in domestic food prices reflects a gradual pass-through from international prices and the impact of local currency depreciations. This, together with continued disruptions in food supply, contributed to a continued increase in the number of acutely malnourished people. The number of people projected to need food assistance in 2023 is more than twice the number for 2020.<sup>3</sup>

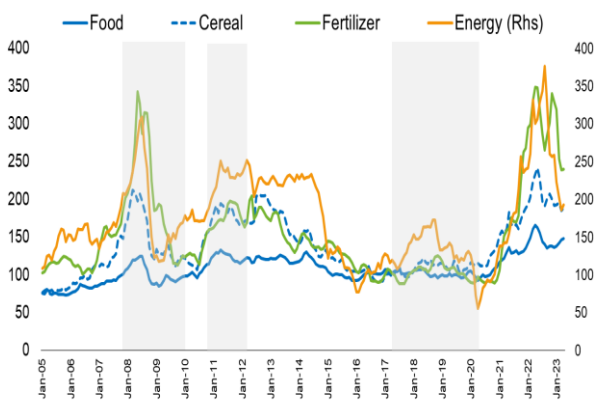
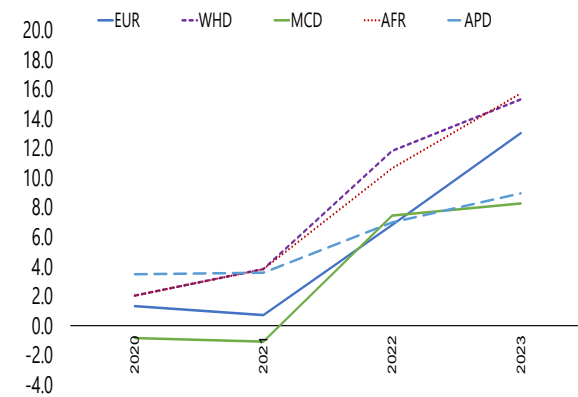
**7. The outlook remains challenging and subject to elevated uncertainty about global food supplies.** Global food supplies are projected to drop to a three-year low in 2022–23 under a baseline scenario. Moreover, international markets for food staples are facing significant downside risks, including due to climate shocks and conflicts.<sup>4,5</sup> Households in LICs will likely continue to suffer the most given the weight of food in their consumption basket, limited savings, and borrowing constraints. The combination of weak growth prospects, low reserve buffers, high public debt levels (60 percent of LICs are at high risk of or in debt distress), and elevated borrowing costs continues to limit the capacity of governments to respond adequately to the food shock. This, in turn, could become a driver of social and political instability or compel the country authorities to resort to disruptive economic measures such as trade protection.

---

<sup>3</sup> See [World Food Programme: Global Operational Response Plan Update](#).

<sup>4</sup> [FAO, 2022. Crop Prospects and Food Situation—Quarterly Global Report No. 4, December 2022. Rome.](#)

<sup>5</sup> See [Global Food Crisis Update: Recent Developments, Outlook, and IMF Engagement](#) (IMF Note 2023/002).

**Figure 1. International Energy, Fertilizer and Food Prices (Indices, 2016=100)****Figure 2. Domestic Food Inflation minus Core Inflation (Indices, 2019=100, median by region)**

Source: Staff calculation, IMF Primary Commodity Price Indices, Haver.

Notes: The shaded areas in Figure 1 refer to the 2008–2010 global financial crisis, the 2011–2012 food crisis, and the Covid-19 pandemic followed by the current global food shock. 2023 data covers up to March for both Figures 1 and 2.

## THE FUND'S ROLE DURING THE GLOBAL FOOD SHOCK

**8. As part of a globally coordinated policy response, the Fund has been playing an important role with policy advice, capacity development, and where needed, financing.** The Fund has been working in close collaboration especially with the World Bank (WB), the World Food Programme (WFP), the Food and Agriculture Organization (FAO), and the World Trade Organization (WTO) to mitigate growing food insecurity. This collaboration has involved strategic coordination at the level of the heads of institutions, including policy messaging through joint statements to mobilize the international community and support a joint agenda to address the food shock, as well as operational collaboration through regular meetings of staff. Consistent with its mandate, the Fund has been active across its three main areas of engagement:

- **Surveillance-policy advice and analytical work.** Most Article IV staff reports issued since March 2022 discussed the macroeconomic impact of higher food prices, and Article IV staff reports for lower- and middle-income countries typically expanded the coverage to food insecurity. In terms of policy recommendations, the Fund has been highlighting the need to (i) protect vulnerable households from food insecurity through timely and, as much as possible, targeted support; and (ii) the criticality of maintaining open trade to ensure the flow of food staples to where they are needed. The Fund also published a series of IMF notes and departmental papers providing updates on the global food shock and discussing policy

responses.<sup>6</sup> In support of the work of country teams, the Fiscal Affairs Department (FAD) developed a Food Insecurity Assessment Tool (FIAT) to assist staff in the assessment of a country's vulnerability to food insecurity based on food availability, accessibility, affordability, and the policy response.

- Capacity development.** The Fund has also stepped-up capacity development assistance for countries affected by the impact of the war in Ukraine on food prices and supply. For example, the regional technical assistance (TA)/training centers have been providing monetary policy workshops on assessing the impact of shocks to domestic food prices (e.g., a course on monetary policy at the capacity development office in Thailand). TA provided to member countries by the Monetary and Capital Markets Department (MCM) and the Institute for Capacity Development (ICD) focused *inter alia* on enhancing short-term inflation forecasting (nowcasting) with an emphasis on capturing changes in food and energy prices (e.g., Honduras, Solomon Islands). TA provided by the Statistics Department (STA) also focused on better capturing food prices (Ghana) as well as on enhancing the process underlying the Forecasting and Policy Analysis System (FPAS), including through the separate modelling for food categories (Mauritius). TA support on fiscal issues has often focused on more efficient delivery of social spending, including through public financial management initiatives (Mauritania, Haiti, Cambodia). Finally, one area of emphasis in ICD's training involves debt challenges and food security, while the Fund's new climate change module (Climate-Public Investment Management (PIMA)) focuses on enhancing public financial management and public investment management related to climate issues, which are relevant for improved food production.<sup>7</sup>
- Financing support.** Fund financial support is typically a third line of defense in efforts to mitigate the impact of the global food shock, as actions from humanitarian organizations, such as the WFP, and grants and highly concessional loans from multilateral development banks, in particular the World Bank, are more suitable responses. Moreover, as is the case with all its financing, the Fund's financial support in the context of the food shock must be consistent with the Fund's mandate and policies, including with regard to urgent BOP needs, debt sustainability and capacity to repay requirements. This said, and as discussed below, the Fund responded swiftly and strongly to assist member countries affected by the food shock through existing financing instruments and the new FSW.

**9. Fund financing support in response to the global food shock has been substantial, involving 32 countries, i.e., two-thirds of the most affected members.** As the global food shock unfolded, the Fund quickly identified 50 countries that were particularly affected by its impact. These countries either experienced a sizeable BOP shock associated with the global food shock or were identified as facing acute food insecurity by the relevant United Nations institutions (see Box 1). The

<sup>6</sup> See IMF Notes *Fiscal Policy for Mitigating the Social Impact of High Energy and Food Prices* (2022/001); *Tackling the Global Food Crisis: Impact, Policy Response and the Role of the IMF* (2022/004); *Global Food Crisis Update: Recent Developments, Outlook, and IMF Engagement* (2023/001); and AFR-RES Departmental Paper *Climate Change and Chronic Food Insecurity in Sub-Saharan Africa* (2022/016).

<sup>7</sup> See [Strengthening Infrastructure Governance for Responsive Public Investment](#).

Fund has committed a total SDR 21.9 billion to 26 countries out of these 50 countries since February 2022, of which SDR 5.1 billion had been disbursed as of end-March 2023.

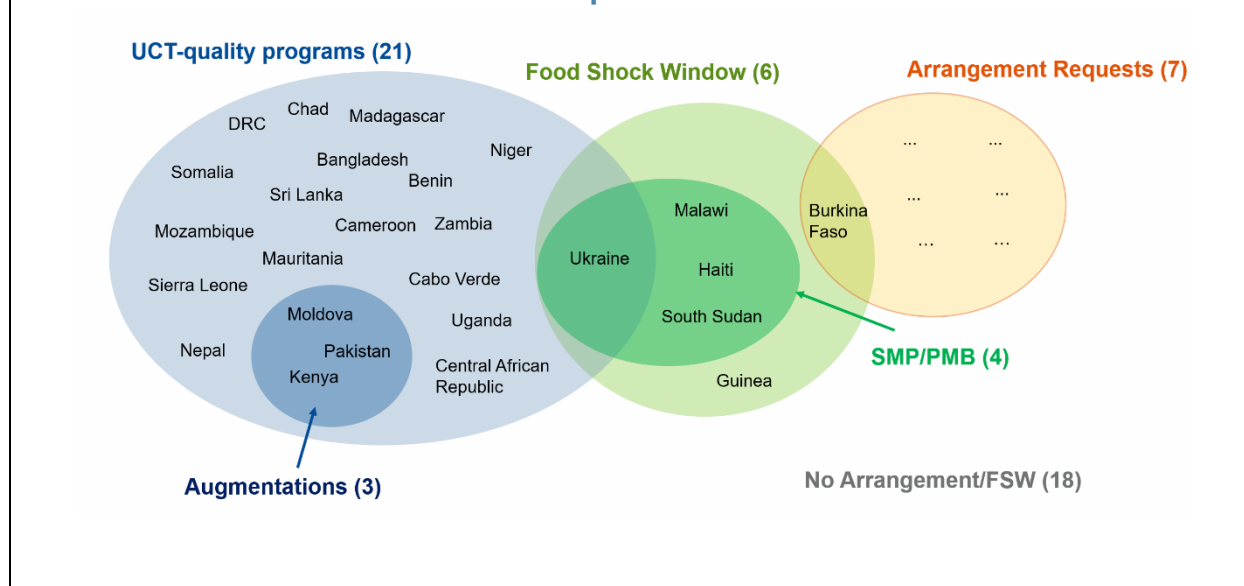
- **21 UCT-quality programs in place and seven others under discussion.** In most cases (21 countries), the support has been provided through UCT-quality programs (see Table 1).<sup>8</sup> Discussions on new UCT-quality programs are currently ongoing for another seven countries (see Figure 3).
- **6 purchases/disbursements under the FSW, two of which are transitioning to UCT-quality programs.** In addition to the support delivered with UCT-quality programs, the Executive Board has so far approved six disbursements under the FSW (see next section). As required by the Fund’s qualification criteria for emergency financing, in all these cases a UCT-quality program was not immediately feasible or not necessary. One country (Ukraine) that benefitted from the FSW has subsequently entered a UCT-quality program, and another program is under discussion for Burkina Faso.

**10. The strong reliance on UCT-quality programs to deliver Fund financial support to countries affected by the food shock reflects the Fund’s preferred approach.** UCT-quality programs, with their multi-year engagement and strong continuous policy dialogue, are generally better suited to support members’ policy and reform agendas in order to resolve the underlying problems. As mentioned before, emergency financing instruments are used only where a member faces an urgent BOP need and UCT-quality programs are not feasible or not necessary.

**11. Eleven of the 18 countries particularly affected by the food shock and where the Fund has not provided financial support have not experienced BOP needs.** The remaining seven countries are facing specific situations that have precluded Fund engagement in the past. In 11 cases, staff has not identified an urgent BOP need—which is a qualification requirement for Fund support under the RFI or RCF—as the increase in import prices of food and fertilizer was offset by gains elsewhere, e.g., from higher commodity export revenues. The remaining countries are saddled with conditions that have precluded the Fund from engagement or Fund lending in the past, including unsustainable debt.

---

<sup>8</sup> Twelve countries already had UCT-quality programs in place before the start of the war in Ukraine. In these cases, the countries with a BOP need associated with the global food shock benefitted from the Fund’s financial support within the framework of existing Fund arrangements, including through augmentation of access where needed (Moldova, Kenya, and Pakistan). In the case of Moldova, the augmentation was requested to address the BOP needs induced by the war in Ukraine including disruptions in trade, indirect impact of sanctions, and inflow of refugees. Nine countries identified as particularly affected by the global food shock benefitted from new arrangements approved after the start of the war (including Ukraine that first benefitted from the FSW).

**Figure 3. Fund Engagement in 50 Countries Identified as Most Affected by the Food Shock, as of September 2022**

**Table 1. IMF Financing to Countries Identified as Most Affected by the Food Shock, as of September 2022**

	Approval Date	Facility	Committed		Disbursed	
			SDR (millions)	Percent of Quota	SDR (millions)	Percent of Quota
<i>New Programs</i>						
Bangladesh	January 30, 2023	ECF-EFF-RST	3,468	325	352	33
Benin	July 8, 2022	ECF-EFF	484	391	217	175
Cabo Verde	June 15, 2022	ECF	45	190	23	95
Central African Republic	April 27, 2023	ECF	142	128	11	10
Mauritania	January 25, 2023	ECF-EFF	64	50	16	13
Mozambique	May 9, 2022	ECF	341	150	114	50
Sri Lanka	March 20, 2023	EFF	2,286	395	254	44
Ukraine	March 31, 2023	EFF	11,608	577	2,012	100
Zambia	August 31, 2022	ECF	978	100	140	14
<b>Total</b>			<b>19,417</b>		<b>3,138</b>	
<i>Augmentations <sup>1</sup></i>						
Kenya	April 2, 2021	ECF-EFF	163	30	163	30
Moldova, Republic of	December 20, 2021	ECF-EFF	194	113	194	113
Pakistan	July 3, 2019	EFF	720	35	207	10
<b>Total UCT</b>			<b>1,077</b>	<b>178</b>	<b>564</b>	<b>153</b>
<i>Total UCT</i>						
<i>Emergency Financing through the Food Shock Window</i>						
Ukraine	October 7, 2022	RFI +PMB	1,006	50	1,006	50
Malawi	November 21, 2022	RCF+PMB	69	50	69	50
Guinea	December 22, 2022	RCF	54	25	54	25
Haiti	January 23, 2023	RCF+SMP	82	50	82	50
South Sudan	March 1, 2023	RCF+PMB	86	35	86	35
Burkina Faso	March 27, 2023	RCF	60	50	60	50
<b>Total</b>			<b>1,357</b>		<b>1,357</b>	
<b>Total (all lending)</b>			<b>21,851</b>		<b>5,059</b>	

<sup>1</sup> This section includes only the committed augmented amount and the part of the augmentation disbursed since the global food shock, not the entire committed or disbursed amounts for the overall program. Access under Kenya, Moldova, and Pakistan's arrangements were augmented on December 19, 2022, May 11, 2022, and on August 29, 2022, respectively.

## EXPERIENCE WITH THE FOOD SHOCK WINDOW

**12. The Fund established the time-bound FSW under the RFI and RCF in September 2022 to strengthen its lending toolkit for members affected by the food shock.**<sup>9,10</sup> To access financing under the FSW, members must meet specific qualification criteria linked to the global food shock (see Box 1), in addition to the standard criteria that apply to all financing under the RFI and RCF. Specifically, the Board has to be satisfied that the member faces an urgent BOP need associated with (i) acute food insecurity; or (ii) increased prices of cereal or fertilizer imports that negatively impact the member's external current account where the negative impact amounts to at least 0.3 percent GDP over a 12-month period; or (iii) a shortfall in cereal exports, where the projected negative shock to cereal exports benchmarked against the previous year exceeds 0.8 percent of projected GDP for the compensable year.

### Box 1. Design of Food Shock Window

**On September 30, 2022, the Board approved a new temporary FSW under the emergency financing (EF) instruments.** This window provides low access financing to qualifying members experiencing urgent BOP needs related to the global food shock. The window is available for a period of 12 months through September 29, 2023. Access under the FSW is capped at 50 percent of quota, and is fully additional to the annual access limits under the RFI and RCF. Cumulative access limits under the RFI regular window and RCF exogenous shocks window, respectively, are increased by 25 percent of quota for countries accessing the FSW.

**As with all EF instruments, access under the FSW is limited to cases where a UCT-quality program is not feasible or not necessary.** UCT-quality programs provide a better framework than EF to address underlying BOP difficulties and safeguard Fund resources and are therefore the preferred option to help member countries. EF is only appropriate when the urgent BOP need is transitory and limited in nature or when UCT-quality programs cannot be put in place or implemented owing to limited policy implementation capacity or the urgent nature of the need.

**Standard policies for the RFI and RCF access, including ex ante policy undertakings and debt sustainability and capacity to repay requirements, apply to the FSW.**

- (i) The BOP difficulties that underlie the financing must not be predominantly caused by a withdrawal of other donor support in the case of the RCF.
- (ii) The member would need to outline, in a Letter of Intent (LOI), the policies it plans to pursue to address the BOP difficulties, commit not to introduce measures or policies that would compound its BOP difficulties, and commit to cooperate with the Fund in an effort to find solutions to its BOP difficulties.
- (iii) Like all other financial support from the Fund, debt sustainability and adequate capacity to repay requirements apply.

<sup>9</sup> [Proposal for a Food Shock Window under the Rapid Financing Instrument and Rapid Credit Facility](#)

<sup>10</sup> References to financing windows in this paper are used to refer to the circumstances under which relevant access limit sub-ceilings apply.



### Box 1. Design of Food Shock Window (concluded)

**In addition to standard qualification criteria, members would need to meet at least one of the qualification criteria related to the global food shock.** That is, that the member has an urgent BOP need associated with:

- a) acute food insecurity that is inflicting serious economic disruption within the member, or
- b) increased prices of cereal or fertilizer imports (with negative impact on the external current account amounting to at least 0.3 percent of GDP over a 12-month period), and/or
- c) a shortfall in cereal exports (where the projected negative shock to cereal exceeds 0.8 percent of GDP for the compensable year)

**13. The FSW was designed to provide support to a few countries affected by the global food shock for which a UCT-quality program was not immediately feasible or necessary.** As mentioned above, most of the 50 countries identified in September 2022 as meeting the qualification criteria for the FSW could ultimately be supported through UCT-quality programs. The establishment of the FSW allowed Fund financial support to six countries (Burkina Faso, Guinea, Haiti, Malawi, South Sudan, and Ukraine) for which a UCT-quality program was not immediately feasible. The number of countries using the FSW has been lower than what staff anticipated at the time of the approval of the window, as UCT-quality programs could be implemented for more countries than initially expected. As detailed in Table 1, the Fund disbursed US\$1.8 billion (SDR 1.4 billion) under the FSW.

**14. The FSW requests spelled out objectives clearly and included commitments to support transparency and accountability (see Tables 2 and 3).** Authorities planned to use the FSW resources to provide urgent financial and direct food support, including through well-targeted cash transfers, in-kind food distribution, as well as financing interventions to improve the supply of fertilizers and support farmers. The governance measures to support the spending were tailored to country circumstances, and included, for example, publication of budget and budget execution reports, audits of emergency spending, the publication of beneficial owners of companies awarded public contracts, and the implementation of a Treasury Single Account. These commitments reinforced the attention given to transparency and accountability in public finances.

**15. In most cases, the FSW was combined with a Staff-Monitored Program (SMP) or a Program Monitoring with Board involvement (PMB) to foster continuous engagement and build track record towards a potential UCT-quality program.** The engagement with Haiti paired financial assistance through the FSW with an existing SMP, while financing through the FSW for Malawi, South Sudan, and Ukraine was combined with or followed shortly after by the new PMB.<sup>11</sup>

<sup>11</sup> PMB is a type of SMP whose use would be only available to those members who, in addition to seeking to build or rebuilt a track record for UCT use of Fund resources, would benefit from targeted Executive Board involvement because of either (i) an ongoing concerted international effort by creditor or donors to provide substantial new financing or debt relief to the member or (ii) significant outstanding Fund credit under emergency financing instruments at the time new emergency financing is received. The Board's role in the PMB would be limited to, in the summing up, opining on whether the member's policies, including the conditionality, as presented to the Board, are



Both the SMP and the PMB are informal understandings between national authorities and Fund staff, intended to build track record towards a potential UCT-quality program with Fund staff regularly monitoring policy commitments and implementation.<sup>12</sup> Moreover, as mentioned earlier, Burkina Faso, one of the two cases that did not involve such a flanking instrument, is already in discussions with the Fund on a UCT-quality program (see Figure 3). For one country, Ukraine, the transition to a UCT-quality program was already completed with the approval of an arrangement under the Extended Fund Facility (EFF) on March 31, 2023.

**Table 2. Key Objectives of the FSW in Countries Accessing Financing Through the FSW**

Country	Key Objectives
<b>Burkina Faso</b> (50 percent of quota, SDR 60 million)	Food access for poor households deteriorated significantly, and at present about <b>3.4 million Burkinabé (out of a population of 21.5 million)</b> are in conditions of food crisis. The authorities are committed to use the disbursed resources under the FSW to provide urgent financial and direct food support to the most vulnerable households, including through the provision of well-targeted cash transfers and the distribution of free food as well as sales of cereals at subsidized prices. <b>The FSW funds will be channeled through the BCEAO and made available to the government as budget support</b> , and spending of the funds will be governed by the authorities' emergency spending framework.
<b>Guinea</b> (25 percent of quota, SDR 54 million)	<b>Guinea faces chronic food insecurity, but the global price shock exacerbated difficulties.</b> The proportion of the acutely food-insecure population is estimated at about 11 percent (1.2 million people) by the World Food Program (WFP) and is likely to be revised upwards. They plan to use the resources as <b>budget support</b> to mitigate the impact of the shock on the most vulnerable by providing in-kind food distribution (implemented by the WFP), scaling up cash transfers, and financing interventions that improve the supply of fertilizers and support farmers.
<b>Haiti</b> (50 percent of quota, SDR 82 million, +SMP)	Haiti has been hit hard by the global food price shock. In September 2022, food inflation reached 44 percent, with rice inflation nearly 70 percent. <b>With more than half the population already below the poverty line, Haiti faces a dire humanitarian crisis.</b> The financing under the FSW will be disbursed to the central bank and is expected to be on-lent to the government for <b>budget support</b> . This will help the government finance its response to the food price shock, including through purchases of food and cash transfers to the most vulnerable households.
<b>Malawi</b> (50 percent of quota, SDR 69 million, +PMB)	Food insecurity in Malawi has increased dramatically under the impact of multiple tropical storms, below-average crop production, and increasing prices for food and agricultural inputs such as fertilizer and seeds. As a result of these factors, <b>about 20 percent of the population is projected to be acutely food insecure during the upcoming 2022/23 lean season (October 2022-March 2023), more than twice as many as in 2021.</b> Disbursement under the Food Shock Window of the Rapid Credit Facility would be set at 50 percent of quota (about US\$88.3 million) to help cover Malawi's large urgent financing needs (Table 7). FSW resources would be used address urgent balance-of-payments needs and mitigate the food shock including through a strengthening of cash transfer programs to vulnerable households. 100 percent of access is proposed to be allocated to <b>budget support</b> to facilitate Malawi's large and upfront fiscal adjustment.
<b>South Sudan</b> (35 percent of quota, SDR 86 million, +PMB)	<b>About two-thirds of South Sudan's population is experiencing severe food insecurity, the highest level since independence.</b> This is a result of multiple compounding factors, including severe multi-year floods due to climate shocks, inter-communal violence in parts of the country, and the impact of Russia's war in Ukraine that is contributing to high global food and fuel prices. To help address urgent BOP needs and provide budget support to help the authorities avoid a premature fiscal contraction and address food insecurity. The disbursement designated for <b>budget support</b> will enable the authorities to avoid a premature fiscal contraction and allocate immediately US\$15 million to the World Food Programme and US\$5 million to the International Organization for Migration to bolster their humanitarian operations and help address food insecurity in South Sudan during 2023. The authorities will sign Memoranda of Understanding with both organizations to specify how the funding injections from the authorities are to be used. The remainder will be used predominantly to finance education spending.
<b>Ukraine</b> (50 percent of quota, SDR 1,006 million, +PMB)	<b>Ukraine is facing an urgent balance of payments need that, if not addressed, would cause severe economic disruptions.</b> The size of the cereal export shortfall exceeds the maximum support available under the food window (i.e., 50 percent of quota), which in Ukraine's case is SDR 1,005.9 million (about US\$1.3 billion). The proposed purchase would provide critical and timely support and is expected to act as a catalyst to further official multilateral and bilateral financial assistance.

robust enough to meet the stated PMB objectives and monitoring program implementation. See [Proposal for a Staff-Monitored Program with Executive Board Involvement](#). An Executive Board review of the PMB is scheduled to take place before the end of September 2023 and will provide another opportunity to assess the experience with SMPs/PMBs, drawing on a longer period to evaluate experience.

<sup>12</sup> The first reviews of the PMBs with South Sudan and Malawi are scheduled for June and July 2023, respectively. The Executive Board discussion of the second review of Haiti's SMP has yet to be scheduled.

**Table 3. Governance Commitments of Countries Accessing the FSW**

Country	Governance commitments (FSW and/or SMP/PMB)
Burkina Faso	<b>FSW LOI:</b> Semi-annual progress reports, publication of beneficial owners of public procurement contracts, and an internal audit of expenditures related to emergency financing, in addition to further improving Public Financial Management (PFM) and progressing towards the establishment of the Treasury Single Account (TSA).
Guinea	<b>FSW LOI:</b> Create a subaccount within the Treasury Single Account for the spending, publish information of beneficial owners of contracts, enforce the use of proper expenditure procedures and controls, publish all related contracts, publish comprehensive execution reports.
Haiti (+ SMP)	<b>FSW LOI:</b> Committed to control, track, record, and publish all spending related to the emergency response, conduct internal audits and external compliance audit of expenditures related to the emergency response. FSW disbursement would go into the Treasury Single Account at the central bank to help improve control and reporting of resources. <b>SMP MEFP:</b> implement transparency requirements for public procurement, beneficial owners of successful bidders, law governing the CSCCA guarantees the functioning in accordance with supreme audit institutions, Governance Diagnostic to be led by IMF staff and finalize the reform of the anti-corruption laws.
Malawi (+ PMB)	<b>FSW LOI:</b> None. <b>PMB MEFP:</b> Publish a follow-up report related to the COVID-spending audit report, detailing the corrective actions and measures to pursue and respond to audit findings; Completion of special external audit of the foreign exchange reserves of the RBM. Governance diagnostic.
South Sudan (+PMB)	<b>FSW LOI:</b> Ensure transactions carried out by the GoSS are recorded in the IFMIS, The Auditor General (AG) will complete by end-June 2023 an audit and publish all central government spending, conduct a system's review of the expenditure chain in at least 3 States, assessment on the impact of the WFP and of the IOM programs financed by part of the RCF disbursement. <b>PMB MEFP:</b> Publication of budget execution reports and quarterly oil reports, improve the process of contracting external loans and guarantees, address Auditor General's (AG) audit findings on the use previous RCF disbursements.
Ukraine (+ PMB)	<b>FSW LOI:</b> None. <b>PMB MEFP:</b> Implement key measures aimed to promote procurement transparency in spending and investment and maintain good corporate governance in SOEs and banks. Finalize appointments at independent anti-corruption institutions. Appoint and make fully operational the supervisory board of Naftogaz based on transparent and competitive selection procedures

**16. Fund financing engagement through the FSW helped mobilize financial support from other sources and facilitated cooperation across development partners.** In the case of Burkina Faso, the FSW served as a catalyst for financial and in-kind support from the World Bank, the African Development Bank, and bilateral partners. Support under the FSW for Guinea, Haiti, and South Sudan also helped catalyze financial and in-kind assistance from other development partners and was expected to contribute to strengthening the government's policy response to food insecurity. For Malawi, the FSW in combination with the PMB have been providing a policy and reform agenda that can support the ongoing debt restructuring to restore debt sustainability. Examples of cooperation in the delivery of food assistance involve South Sudan, where the government has been relying on the established networks of the WFP and the International Organization for Migration (IOM) to help channel (a part of) the FSW disbursement to provide immediate humanitarian assistance to address food insecurity. In the case of Burkina Faso, the WFP implemented in-kind food distribution that was financed by the resources provided through the FSW.

**17. The impact of the FSW purchases/disbursements on General Resource Account (GRA) and Poverty Reduction and Growth Trust (PRGT) resources has been small and would remain so under the proposed extension.** On the PRGT side, total demand for the FSW to date reached about SDR 350 million. As the ongoing engagement with members does not indicate many more expression of interest in the FSW, staff does not envisage a significant additional impact on PRGT subsidy needs from a potential six-month extension beyond the baseline projections presented to the Board on April 6, 2023.<sup>13</sup> Requests for financing under the FSW of the RFI on the GRA side have

<sup>13</sup> [2023 Review of Resource Adequacy of the Poverty Reduction and Growth Trust, Resilience and Sustainability Trust, and Debt Relief Trusts.](#)

so far been limited to only one country (Ukraine, SDR 1 billion). While the overall impact on Fund resources has been small, credit risk could increase somewhat due to the larger borrowing space from higher cumulative access limits under the EF for those countries who benefited from the FSW (175 percent of quota for access under the RFI regular window and RCF exogenous shocks window).<sup>14</sup>

## STAFF PROPOSAL TO EXTEND THE FSW FOR A LIMITED TIME

**18. The ongoing global food shock and the uncertain outlook imply that the Fund needs to remain adequately prepared to help its members in case of food shock-related BOP pressures.** Support under UCT-quality programs continues to be the best response to such pressures where feasible. And while available information including member engagement does not currently signal many more requests for the FSW in the next months, there remains a risk that some countries that cannot immediately design and/or implement UCT-quality programs may still require Fund emergency financing to address urgent food shock-related BOP needs that could emerge. This risk is largest for PRGT-eligible countries with weak macroeconomic and policy buffers.

**19. Against this backdrop, and in the spirit of contingency planning, staff sees merit in temporarily extending the FSW for six months until end-March 2024.** This proposal is made in light of the positive experience with the six FSW cases so far as discussed in the previous section, and is supported by the following considerations:

- (i) **Providing sufficient time to observe if the FSW can lapse without limiting the capacity of the Fund to support its members.** The global food shock is expected to continue throughout 2023. While many more requests for the FSW are not currently expected, it may be too early to assess whether the FSW is no longer needed. Extending the FSW by six months, until end-March 2024, would provide longer observation window. If, during that period, there is no uptick in demand for the FSW besides possible isolated cases, staff would have more confidence that the instrument can lapse without limiting the capacity of the Fund to support its members. If, to the contrary, the FSW experiences an uptick in demand over the coming months, there would still be time to reconsider the situation and potentially extend the FSW further. By default, the staff proposal entails the expiration of the FSW on March 31, 2024.
- (ii) **Mitigating possible reputational risk.** There could be a non-negligible reputational risk to the Fund in case it phases out, during an ongoing food shock, an instrument that was created to support countries to address the economic fallout of this shock. Such reputational concerns could in principle be preempted by a clear communication strategy that emphasizes that the Fund's lending toolkit is sufficiently flexible to respond adequately to BOP pressures associated with food security, both through UCT-quality programs and the other windows available under

<sup>14</sup> Please see the companion paper *Review of the Cumulative Access Limits under the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF)*.

the RCF and RFI instruments. However, food security is a sensitive issue and communication would need to be handled very carefully.

- (iii) **Small impact on GRA and PRGT resources.** Temporarily extending the FSW for six months as a contingency tool would not involve a significant impact on Fund resources.

**20. Staff also proposes to extend the 25 percent of quota added to the cumulative access limits (CALs) for countries that borrowed through the FSW, reflecting the principle of additionality embedded in the FSW.**<sup>15</sup> For RFI-FSW cases, assuming that the window would terminate at end-March 2024, staff would propose that the additional 25 percent of quota remain in place until end-2026. By then, all countries could access up to 50 percent of quota under the regular window of the RFI in the period after 2026. The resulting CAL for financing under the RFI regular window would be 175 percent (the extended 150 percent plus the extra 25 percent for the FSW users) until end-June 2024 and 125 percent (pre-pandemic 100 percent plus the extra 25 percent for the FSW users) from July 1, 2024 until end-December 2026. For the RCF-FSW cases, the current 175 percent of quota would remain in effect until the completion of the next comprehensive review of PRGT facilities in 2024/25. This approach would maintain the additional EF envelope that was intended to be permitted for users of the FSW when it was created.

**21. This paper sets forth two proposed decisions for adoption by the Executive Board.** Decision I would implement the proposal to extend the FSW of the RCF to end-March 2024 and to maintain the additional 25 per cent of quota associated to the use of the FSW, in addition to the cumulative access under the Exogenous Shock window of the RCF, until the date of completion of the next Review of Facilities for Low-Income Countries in 2024/25. Decision II implements the proposal to extend the FSW of the RFI to end-March 2024 and to maintain until end 2026 the additional 25 per cent of quota associated to the use of the FSW, in addition to the cumulative access under the regular window of the RFI.

## ENTERPRISE RISK

**22. The likelihood that many countries would request access under the FSW during the short, proposed extension period is assessed to be low, and enterprise financial risks would remain limited.**

- Rigorous application of the qualification requirements for accessing the FSW continues to ensure that countries facing urgent BOP needs are supported through a UCT-quality programs unless such a program is either not feasible or not necessary. Experience since the introduction of the FSW suggests that Fund financial support to member countries facing the global food shock has been provided mostly through UCT-quality programs.

<sup>15</sup> The companion paper *Review of the Cumulative Access Limits under the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF)* proposes decisions regarding the extension of temporarily higher CALs under RCF/RFI.



- Based on ongoing engagement with area departments, the likelihood of many more FSW requests by countries qualifying for the support for access under the FSW is low at this time.
- Altogether, enterprise financial risks on the Fund's credit exposure and adequacy of resources would remain limited.

**23. The proposed extension would help address enterprise business risks to member engagement, signaling that the Fund remains responsive to qualifying members' needs.** The global economic remains highly uncertain and the global food shock is continuing to affect many countries, especially the LICs. In this regard, the proposed extension would give more time to assess the evolution of food shock-related BOP pressures, helping to make more informed decisions on whether the FSW can lapse without limiting the capacity of the Fund to support its members.

**24. The continued application of the FSW qualification requirements could pose reputational risks.** The FSW qualification criteria could be seen as restrictive, limiting its usefulness and thus raising evenhandedness concerns. This concern can be mitigated by continued external communications by the Fund that grants from humanitarian organizations and highly concessional loans from multilateral development banks are more suitable responses to the global food shock, and that Fund financing is of a BOP nature and subject to requirements of adequate safeguards. Making the Fund's financing under the FSW available only to countries that meet the standard safeguard requirements does not undermine uniformity of treatment.

**25. The human capital resource constraint risk is assessed to be low, given that the likelihood of many more requests from qualifying countries is low at this time.** This risk would be mitigated through resource reallocation and project prioritization within the concerned departments.

**26. Finally, allowing the FSW to lapse during the ongoing food price shock could raise enterprise reputational risks.** As explained in Paragraph 19, such reputational concerns could be mitigated by a clear communication strategy that emphasizes that the Fund's lending toolkit is sufficiently flexible to respond adequately to BOP pressures associated with food security.

## ISSUES FOR DISCUSSION

- 27. Do Directors agree with staff that the FSW has been a useful addition to the Fund's financial response to the global food shock?**
- 28. Do Directors support the staff's proposal to extend the FSW through until end-March 2024?**
- 29. Do Directors support the staff's proposal to extend the 25 percent of quota added to the cumulative access limits for countries that borrowed through the FSW under the RCF/RFI?**

## Proposed Decisions

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

### **Decision I: Amendment to the PRGT Instrument**

Section II, Paragraph 2 (b)(iv) of the Instrument to Establish the Poverty Reduction and Growth Trust ("PRGT Instrument"), annexed to Decision No. 8759-(87/176) ESAF, as amended, shall be revised as follows:

1. The first sentence of the Paragraph 2(b)(iv) shall be revised by replacing the reference to "for a period from September 30, 2022 to September 29, 2023" with "for a period from September 30, 2022 to March 31, 2024".

2. The third sentence of Paragraph 2(b)(iv) shall be revised to read as follows:

"A member's access to financing under this subparagraph shall increase the cumulative access limit referred to in subparagraph 2(b)(iii) above to 175 percent of quota until the date of the Executive Board decision completing the next Comprehensive Review of PRGT Facilities in 2024/25".

### **Decision II: Amendment to the RFI Decision**

Paragraph 5(C) of the Decision establishing the Rapid Financing Instrument (RFI), Decision No. 15015-(11/112), November 21, 2011, as amended, shall be revised as follows:

1. The reference in the first sentence of Paragraph 5(C) to "for a period from September 30, 2022 to September 29, 2023" shall be replaced with "for a period from September 30, 2022 to March 31, 2024".

2. The third sentence of Paragraph 5(C) shall be revised to read:

“Subject to subparagraph (B) above, a member’s access to financing under this subparagraph (C) shall increase the cumulative access limit under the RFI to 175 percent of quota until June 30, 2024; and to 125 percent of quota between July 1, 2024 and December 31, 2026.”

## **Annex I Redlined Modifications to the Instrument to Establish the Poverty Reduction and Growth Trust (Annexed to Decision No. 8759-(87/176) ESAF) and to the Decision Establishing the Rapid Financing Instrument (Decision 15015-(11/112))**

### **Section II, Paragraph 2(b) of the Instrument to Establish the Poverty Reduction and Growth Trust (“PRGT Instrument”), annexed to Decision No. 8759-(87/176) ESAF**

“(b) Subject to the provisions in subparagraphs (i) to (v) below, the access of each eligible member under the RCF shall be subject to an annual limit of 50 percent of quota, and a cumulative limit of 100 percent of quota, net of scheduled repayments, including where the assistance is requested to address an urgent balance of payments need resulting primarily from a sudden and exogenous shock and the member’s existing and prospective policies are sufficiently strong to address the exogenous shock:

(i) each disbursement shall not exceed 25 percent of quota except where the member requests assistance under the RCF to address an urgent balance of payments need resulting primarily from a sudden and exogenous shock (including a large natural disaster under (ii) below);

(ii) the annual and cumulative access limits under the RCF shall be 80 percent of quota and 133.33 percent of quota, net of scheduled repayments, respectively, where (a) the member requests assistance under the RCF to address an urgent balance of payments need resulting from a natural disaster that occasions damage assessed to be equivalent to or to exceed 20 percent of the member’s gross domestic product (GDP) and (b) the member’s existing and prospective policies are sufficiently strong to address the natural disaster shock. For the period from June 21, 2021 to December 31, 2021, the above annual access limit shall be 130 percent of quota and for the period



from June 21, 2021 to June 30, 2023, the above cumulative access limit shall be 183.33 percent of quota, net of scheduled repayments;

(iii) a member's request for assistance under the RCF to address an urgent balance of payments need resulting primarily from a sudden and exogenous shock shall be subject to an annual access limit of 100 percent of quota for the period from April 6, 2020 to December 31, 2021, and to a cumulative access limit of 150 percent of quota, net of scheduled repayments for the period from April 6, 2020 to June 30, 2023;

(iv) ~~for a period from September 30, 2022 to September 29, 2023~~ for a period from September 30, 2022 to March 31, 2024 the Fund may approve financing of up to 50 percent of quota to help a member address an urgent balance of payments need associated with acute food insecurity, increased costs of cereal and fertilizer imports, or cereal exports shortfalls. Access under this subparagraph (iv) shall be fully additional to the annual access limits established under this subparagraph 2(b). ~~A member's access to financing under this subparagraph shall increase the cumulative access limit referred to in subparagraph 2(b)(iii) above to 175 percent of quota. A member's access to financing under this subparagraph shall increase the cumulative access limit referred to in subparagraph 2(b)(iii) above to 175 percent of quota until the date of the Executive Board decision completing the next comprehensive Review of PRGT Facilities in 2024/25.~~ Before approving financing under this window, the Fund shall be satisfied that the member has an urgent balance of payments need associated with one of the following:

(1) acute food insecurity that is inflicting serious economic disruption within the member on such a scale as to warrant a concerted international effort to support the member. In assessing the qualification of members under this subparagraph (iv)(1), the Executive Board would take into account whether the member faces acute food insecurity as defined by the Food and Agriculture Organization (FAO) and World Food Programme (WFP) or a major food crisis per the United Nations

Global Report on Food Crisis (UNGRFC), in both cases, based on the most recent publicly available data; or (2) increased prices of cereal or fertilizer imports that negatively impact the member's external current account where such negative impact amounts to at least 0.3 percent of GDP over a 12-month period, as specified in more detail in SM/22/229; or (3) cereal exports shortfalls, where the projected negative shock to cereal exports, benchmarked against the previous year, exceeds 0.8 percent of projected GDP for the compensable year; and"

(v) outstanding credit by a member under the rapid-access component of the ESF or outstanding purchases from the General Resources Account under emergency post conflict/natural disaster assistance covered by Decision No. 12341-(00/117), shall count towards the annual and cumulative limits applicable to access under the RCF. With effect from July 1, 2015, any purchases from the General Resources Account under the Rapid Financing Instrument shall count towards the annual and cumulative limits applicable to access under the RCF."

**Paragraph 5 of Decision Establishing the Rapid Financing Instrument (RFI), Decision No. 15015-(11/112), 11/21/2011**

"5. Assistance under this Decision shall be made available to members in the form of outright purchases. Access by members to resources under this Decision shall be subject to (a) an annual limit of 50 percent of quota, and (b) a cumulative limit of 100 percent of quota, net of scheduled repurchases, provided that:

(A) for the period from April 6, 2020 to December 31, 2021, the above annual access limit shall be 100 percent of quota and for the period from April 6, 2020, to June 30, 2023, the above cumulative access limit shall be 150 percent of quota, net of scheduled repurchases, and

(B) the annual access limit shall be 80 percent of quota and the cumulative access limit shall be 133.33 percent of quota, net of scheduled repurchases, where (i) the member requests assistance under the RFI to address an urgent balance of payments need resulting from a natural disaster that occasions damage assessed to be equivalent to or to exceed 20 percent of the member's gross domestic product (GDP), and (ii) the member's existing and prospective policies are sufficiently strong to address the natural disaster shock. For the period from June 21, 2021 to December 31, 2021, the above annual access limit shall be 130 percent of quota and for the period from June 21, 2021, to June 30, 2023, the above cumulative access limit shall be 183.33 percent of quota, net of scheduled repurchases.

~~“(C) for a period from September 30, 2022 to September 29, 2023~~ for a period from September 30, 2022 to March 31, 2024, the Fund may approve financing of up to 50 percent of quota to help a member address an urgent balance of payments need associated with acute food insecurity, increased costs of cereal and fertilizer imports, or cereal export shortfalls. Access under this subparagraph (C) shall be fully additional to the annual access limits established under this paragraph 5. ~~Subject to subparagraph (B) above, a member’s access to financing under this subparagraph (C) shall increase the cumulative access limit under the RFI to 175 percent of quota~~ Subject to subparagraph (B) above, a member’s access to financing under this subparagraph (C) shall increase the cumulative access limit under the RFI to 175 percent of quota until June 30, 2024; and to 125 percent of quota between July 1, 2024 and December 31, 2026. Before approving financing under this subparagraph (C), the Fund shall be satisfied that the member has an urgent balance of payments need associated with one of the following:

- (1) acute food insecurity that is inflicting serious economic disruption within the member on such a scale as to warrant a concerted international effort to support the member. In assessing the qualification of members under this subparagraph (C)(1), the Executive Board would take into account whether the member faces acute food insecurity as defined by the Food and Agriculture Organization (FAO) and World Food Programme (WFP) or a major food crisis per the United Nations Global Report on Food Crisis (UNGRFC), in both cases, based on the most recent publicly available data; or
- (2) increased prices of cereal or fertilizer imports that negatively impact the member’s external current account where such negative impact amounts to at least 0.3 percent of GDP over a 12-month period, as specified in more detail in SM/22/229; or

(3) shortfall in cereal exports, where the projected negative shock to cereal exports, benchmarked against the previous year, exceeds 0.8 percent of projected GDP for the compensable year.”