INTERNATIONAL MONETARY FUND

IMF POLICY PAPER

March 2024

EXTENSION OF TEMPORARY INCREASE IN NORMAL ACCESS LIMITS UNDER THE GENERAL RESOURCES ACCOUNT

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 4, 2024 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on February 2, 2024 for the Executive Board's consideration on March 4, 2024.

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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR [24/82]

IMF Executive Board Extends Temporary Increase in Access Limits Under the General Resources Account

FOR IMMEDIATE RELEASE

Washington, DC – March 8, 2024: The Executive Board of the International Monetary Fund (IMF) approved on March 4, 2024 an extension until end of 2024 of the temporary increase in normal limits on members' annual and cumulative access to Fund resources in the General Resources Account (GRA) to 200 and 600 percent of quota respectively. The increase was initially approved in March 2023 for a period of 12 months, ending on March 5, 2024. The extension takes place in the context of the still uncertain global economic environment, and the need for a smooth transition to the comprehensive review of the GRA access limits planned for the second half of 2024.

IMF lending to members is subject to both normal annual and cumulative limits on access to the Fund's general resources. Access to resources beyond these limits is subject to meeting the requirements of the Fund's exceptional access framework. The last comprehensive review of access limits in the Fund's GRA happened in 2016, establishing an annual limit of 145 percent and a cumulative limit of 435 percent of quota.

The decision to temporarily raise GRA limits in March 2023 reflected the challenging economic environment and uncertain prospects faced by emerging markets and developing economies. The Board noted at the time that an extension of the temporary increase could be appropriate, if circumstances warranted, and should be considered before the expiration of the 12-month period.

The extension will allow member countries facing large shocks and increased financing pressures in an uncertain environment to access higher levels of financial support in the GRA without triggering the exceptional access framework. It will also avoid a possible fluctuation in GRA normal access limits between March 2024 and the comprehensive review of GRA access limits planned for later this year, ensuring more predictability in the Fund's lending toolkit.

The forthcoming comprehensive review of access limits, expected to be completed in the second half of 2024, will reassess the adequacy of access limits in light of their erosion against key metrics, taking into account the outcomes of the 16th General Review of Quotas and other factors, including the need to safeguard Fund resources.

Executive Board Assessment[1]

Executive Directors supported the staff proposal to extend until end-2024 the temporary increase in the annual and cumulative limits on overall access to Fund resources in the General Resources Account (GRA). The annual access limit in the GRA will continue to be set

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[1] 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.

at 200 percent of a member's quota and the cumulative access limit at 600 percent of quota. Directors noted that since the GRA access limits were increased in March 2023, the economic recovery has continued and inflation has receded in some countries, but the global outlook remains weak and uncertain, with risks especially elevated for vulnerable emerging market economies.

Directors stressed that access limits are key elements of the Fund's risk management framework, providing an important safeguard to Fund resources. Increased access limits should not automatically imply higher access for a member. 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 record of using Fund resources, debt sustainability, and capacity to repay the Fund, as well as the catalytic role of Fund financing. Directors also emphasized the importance of enhanced scrutiny and additional safeguards for exceptional access cases.

Most Directors considered that maintaining the higher limits through end-2024 would help avoid large swings in SDR nominal values of access limits in the context of their erosion against key metrics, pending the comprehensive review of access limits in the second half of the year. Directors noted that the impact of the proposed extension of higher access limits on the Fund's liquidity and on the demand for Fund resources is expected to be limited, although subject to uncertainty. In this context, they recommended close monitoring of liquidity and credit developments and the impact on the Fund's precautionary balances. Directors concurred with the proposed transitional rules for exceptional access and for the High Combined GRA and PRGT (Poverty Reduction and Growth Trust) credit exposure policy safeguards (PS-HCC) in case access limits, and hence the PS-HCC thresholds, were to revert to lower levels after 2024.

Directors looked forward to the comprehensive review of access limits planned for late-2024, which will consider the GRA access limits and other access-related policies in the context of the 16th General Review of Quotas. The comprehensive review will evaluate developments with respect to access limits vis-à-vis relevant macroeconomic aggregates. In this context, a few Directors cautioned that the Fund's risk tolerance should not be tightening when some members face significant challenges. A few other Directors did not share the view that the Fund's risk tolerance has implicitly or de facto tightened, but has instead loosened, and emphasized that normal access limits should be set in a manner that appropriately safeguards Fund resources. Directors emphasized that the review should be holistic and take into account a broad range of considerations. They stressed that today's decision should not prejudge the outcome of the review.

INTERNATIONAL MONETARY FUND

February 2, 2024

EXTENSION OF TEMPORARY INCREASE IN NORMAL ACCESS LIMITS UNDER THE GENERAL RESOURCES ACCOUNT

EXECUTIVE SUMMARY

This paper proposes an extension until end-2024 of the temporary increase in normal access limits under the General Resources Account (GRA). The proposal would extend the current GRA annual access limit of 200 percent of quota and the cumulative limit of 600 percent of quota until end-2024, instead of allowing these higher access limits to revert to their previous levels in early March 2024 as currently planned. The proposed extension reflects the still uncertain global economic environment. Importantly, it helps bridge the gap to the comprehensive review of access limits planned for the second half of 2024, which will review access limits in the context of the erosion of the nominal value of access limits against key metrics and the outcomes of the 16th General Review of Quotas (GRQ).

The proposal builds on discussions at the Executive Board during the initial increase of GRA access limits in March 2023 and during the increase of PRGT access limits in December 2023. The global economic outlook remains weak, and uncertainty is high in many emerging market and developing economies. Reflecting this context, end-2023 marked the highest number of active GRA arrangements since the Global Financial Crisis (GFC). The proposed extension would allow the Fund to continue to better respond to the needs of members which face large shocks in this uncertain environment, while ensuring predictability of access policies rather than having a potential "seesaw" approach with nominal (in SDR terms) access limits declining briefly, before possibly increasing again later at the comprehensive review of access limits.

The impact on Fund resources and liquidity of this proposal is expected to be limited in the baseline and manageable even if risks materialize. Other enterprise risks are also balanced between allowing the temporary limits to expire versus extending them to end-2024.

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 Alexander Culiuc (SPR), Carlo Sdralevich (FIN), and Gabriela Rosenberg (LEG) and comprised Martin Cihak, Alex Grohovsky, Yuko Hashimoto, La-Bhus Fah Jirasavetakul (SPR); Jacques Bouhga-Hagbe, Carlos Peláez Gómez, Andrew Swiston (FIN); and Gustavo Pinto, Jonathan Swanepoel, Nouria El-Mehdi (LEG). The paper was prepared under the overall guidance of Rishi Goyal (SPR), Zuzana Murgasova (FIN), and Yan Liu (LEG). Research assistance was provided by Takako Iwaki, Shelley Li (SPR), Shan He, and Kalika Likhi (FIN). Administrative assistance was provided by Merceditas San Pedro-Pribram and Ryan Tonra.

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ANNEX

Glossary

BoP	Balance of Payments
EA	Exceptional Access
EFF	Extended Fund Facility
EFN	External Financing Needs
EMEs	Emerging Markets
EMDEs	Emerging Markets and Developing Economies
FCL	Flexible Credit Line
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GRA	General Resources Account
GRQ	General Review of Quotas
NAAL	Normal Annual Access Limit
NCAL	Normal Cumulative Access Limit
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
SLL	Short-Term Liquidity Line

INTRODUCTION

1. **In response to the high uncertainty and headwinds facing the global economy, in March 2023 the Executive Board temporarily increased for a period of 12 months the GRA normal annual and cumulative access limits.**[1] These increases were designed to allow the Fund to be better prepared to meet increased financing needs of member countries as they responded to adverse shocks and a weak global growth outlook. Recognizing at that time that the environment may not improve quickly, Executive Directors agreed that an extension of the temporary increase could be appropriate, if circumstances warranted, and should be considered before the expiration of the 12-month period. Additionally, following substantial progress with PRGT fundraising toward the first stage target for subsidy resources, PRGT annual and cumulative access limits were increased to the same level in December 2023 for a period running through end-2024. That discussion also covered initial considerations for an extension of the temporarily higher GRA access limits through the same period, aimed at informing further work on a formal proposal planned for early 2024.[2]

2. **While the economic recovery continues and inflation recedes in some countries, the global economic outlook remains weak and uncertain, with risks especially elevated for vulnerable emerging market economies (EMEs).** Risks related to the lagged effects of monetary policy tightening, combined with geopolitical uncertainty, continue to create headwinds for the global economy and prospects in EMEs. The global medium-term growth outlook is at its weakest in three decades (WEO, October 2023). While policy adjustments continue and are necessary, some EMEs remain particularly susceptible to shocks or the materialization of risks and may need increased support from the Fund.

3. **Meanwhile, implementation of the 16th GRQ is underway, and the Executive Board is expected to consider a comprehensive review of access limits later this year.** In December 2023, the IMF's Board of Governors approved a proposal to increase quotas by 50 percent, with a deadline for members to consent to their quota increases by November 15, 2024, which can be extended by the Executive Board. Upon coming into effect, the quota increase will help reinforce the quota-based nature of the Fund, while maintaining the Fund's current lending envelope to ensure the Fund can continue to support its members. In this context, the October 2023 IMFC Chair's Statement has called for a comprehensive review of GRA access limits following the completion of the 16th GRQ.[3] The comprehensive review—which is planned for the second half of 2024—would be the first one conducted since 2016, and will reassess the adequacy of nominal

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[1] That increase raised the normal annual access limit (NAAL) from 145 percent of a member's quota to 200 percent of quota, and increased the normal cumulative access limit (NCAL) from 435 percent of quota to 600 percent of quota, for a 12-month period ending on March 5, 2024. See *Temporary Modifications to the Fund's Annual and Cumulative Access Limits (IMF 2023).*

[2] See *Interim Review of Access Limits Under the Poverty Reduction and Growth Trust and Initial Considerations for Access Limits Under the General Resources Account* (IMF 2023).

[3] *Chair's Statement: Forty-Eighth Meeting of the IMFC,* IMF Press Release No. 23/353, 10/14/2023.

access limits in light of their erosion against key metrics, taking into account the outcome of the 16th GRQ and other factors, including the need to safeguard Fund resources.

4. To respond to the continued economic uncertainty and avoid a potential "seesaw" between March 2024 and completion of the comprehensive review of access limits by the Executive Board, staff proposes an extension of the temporary GRA access limits until end-2024. The proposed extension would allow the Fund to continue to better respond to the needs of members which face large shocks, while ensuring predictability of access policies rather than having a potential "seesaw" approach with a brief nominal decline of access limits (in SDR terms), possibly followed by an increase at the comprehensive review (Box 1).

Box 1. Introduction to GRA Access Limits

Access limits are a key element of the Fund's risk management framework. Access to GRA resources is generally determined by Fund policies and country-specific factors, including the member's actual, prospective, or potential balance of payments needs, its capacity to repay the Fund, the strength of the member's adjustment effort, and its track record of such use in the past. Limits on annual access are intended to give confidence to members about the degree of financial support the Fund is normally prepared to provide over a 12-month period while ensuring that members do not rely excessively on the Fund but also draw on other sources of financing and adopt appropriate adjustment measures. Cumulative access limits help to ensure that the Fund's resources are not exhausted so that borrowers need not be treated on a "first-come-first-served" basis. Access limits also reduce the risk of members becoming unable to repay the Fund, thereby safeguarding Fund resources.

Access limits set the threshold for triggering the application of the Exceptional Access (EA) framework, under which arrangements are subject to higher scrutiny. Access limits do not set a ceiling on how much Fund financing a member can obtain, but rather serve as a threshold beyond which a set of substantive and procedural requirements are triggered under the EA framework. These requirements include early Board involvement in program discussions, an assessment of substantive EA criteria, an assessment of financial risks to the Fund arising from the proposed access, an ex-post evaluation within one year of the end of the program, and explicit discussions of exit strategies, among others.

Access limits are uniformly set as a percentage of quota across the membership and, when expressed in nominal SDR terms, are subject to gradual erosion relative to members' macroeconomic aggregates. As the economies of members grow over time, including in terms of output, trade, and financial flows, while their available Fund financing under normal access limits remains fixed in nominal SDR terms, a given amount of financing is likely to cover an increasingly smaller share of a typical borrower's financing need as time passes. In addition, erosion in the nominal value of access limits de facto reduces the Fund's risk tolerance, as the EA framework is triggered at lower levels of Fund exposure relative to a member's macroeconomic aggregates.

Changes in access limits have generally aimed to recognize and address this erosion in the medium to long run, while allowing the Fund to better respond to global economic shocks. Increases in Fund quotas since the early 1980s have normally been accompanied by comprehensive access limits reviews resulting in upward adjustments in absolute access in SDR terms anticipating the effectiveness of the quota increases. This has also helped to correct the erosion over time of nominal access limits relative to relevant macroeconomic aggregates. Access limits have also been adjusted on a temporary basis—in 2009, to respond to the severe economic challenges during the global financial crisis, and in 2020, in response to the COVID-19 pandemic. ***Notably, the 2009 increase was sustained until 2016, when the quota increases under the Fourteenth General Review of Quotas became effective.***

5. The paper is structured as follows. Section I summarizes developments in GRA lending since the March 2023 Board discussion. Section II considers an extension of the limits, taking into account the global economic environment, a need for a smooth transition to the comprehensive review of the GRA access limits planned for the second half of 2024, and a desire to attenuate the continued erosion of the nominal value of access limits that will be more comprehensively addressed with the implementation of the 16th GRQ. Section III highlights the resource implications and enterprise risks of the proposal. Section IV briefly discusses the implications for other Fund policies. Section V discusses future related work, particularly related to the comprehensive review of access limits. Section VI lays out the proposed decision.

RECENT USE OF GRA RESOURCES AND EXPERIENCE WITH THE TEMPORARILY HIGHER ACCESS LIMITS

6. The Board approved the modifications to the GRA access limits in March 2023 for a 12-month period to better support members in a challenging and uncertain economic environment. The Board requested staff's engagement on an extension of the temporary increase, if warranted by circumstances, before the expiration of the 12-month period. While external economic conditions have stabilized somewhat throughout 2023, tight global financial conditions and geopolitical uncertainty have pushed up EMEs' borrowing costs and constrained the issuance of sovereign debt amid high gross financing needs.

7. There has been continued strong demand for GRA resources since March 2023. At end-2023, GRA credit outstanding was SDR 92.1 billion, modestly below historical highs reached earlier in the year, with total commitments climbing to levels not observed since the aftermath of the GFC (Figure 1).[4] At end-2023, there were 31 active GRA arrangements, the highest number of arrangements since the GFC (Figure 1).[5] Among these, 13 new arrangements and 3 augmentations of existing arrangements were approved in 2023.

8. During this period, a limited number of arrangements with higher access has been approved. Two countries have so far requested new arrangements or augmentations that would have exceeded previous normal access limits: Ukraine and Jordan. Two other countries, Cote d'Ivoire and Senegal, benefitted from the higher thresholds applying to high combined use of GRA and PRGT credit that adjust automatically with any changes made to GRA access limits.

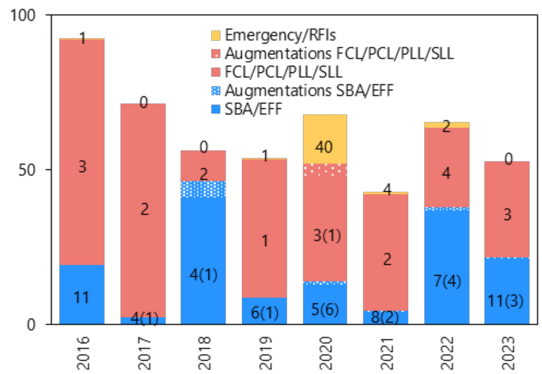
[4] Total commitments comprise credit outstanding, undrawn balances under existing arrangements, and commitments under non-disbursing precautionary arrangements.

[5] 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).

Figure 1. Evolution of GRA Arrangements, 2016-2023

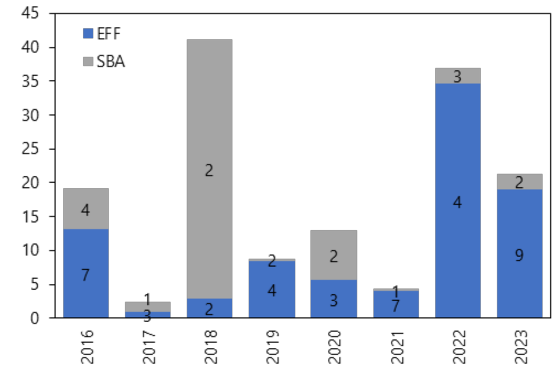
New GRA Financing and Augmentations, Calendar Years 2016-2023

(Left axis in SDR billions, # of new commitments (# of augmentations) on bars 1/ 2/)

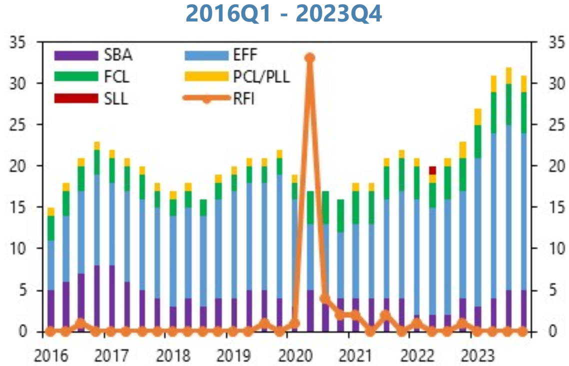


New EFF and SBA Arrangements, Calendar Years 2016-2023

(Left axis in SDR billions, # of new commitments on bars)

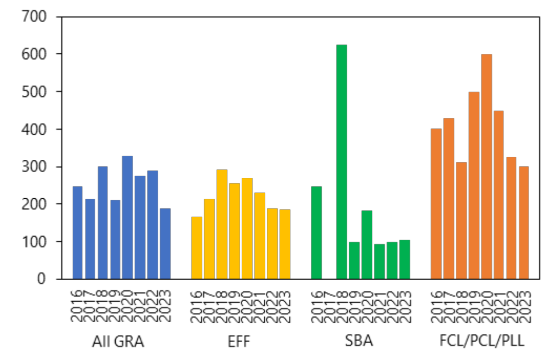


Number of Active GRA Arrangements and Purchases Under Emergency Financing, 2016Q1 - 2023Q4

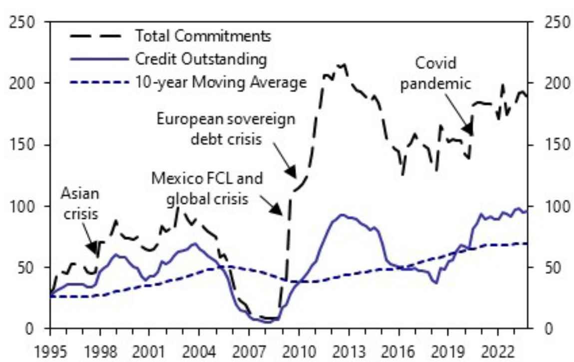


New GRA Arrangements, Median Access, 2016 – 2023

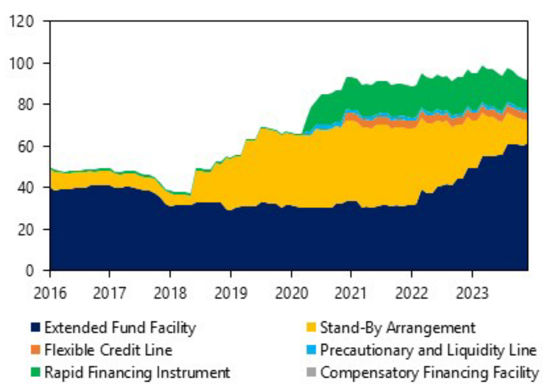
(in percent of quota)



Total Commitment and Credit Outstanding, 1995 – 2023



GRA Credit Outstanding by Type of Facility, 2016 - 2023



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.

9. Access has continued to be guided by Fund policies and country-specific circumstances. Staff's estimate in the March 2023 paper, based on conservative upper bound scenarios, was that total additional demand for GRA resources under the proposed higher access limits could reach up to SDR 19-42 billion.[6] Despite the large number of new arrangements approved and high levels of credit outstanding, actual financing in excess of the previous access limits and below the temporarily higher limits—including arrangements requested but not yet approved—has been lower than expected, at SDR 3.5 billion. This underscores that access has continued to be guided by Fund policies and country-specific factors such as balance of payments (BoP) needs, capacity to repay, and strength of adjustment policies. Nevertheless, the temporary increase in access limits provided the Fund with the ability to better support some countries. At the same time, it provided confidence to markets and the membership that available borrowing space is better aligned with the high uncertainty and headwinds facing the global economy amid the recent unprecedented shocks.

EXTENDING TEMPORARY GRA ACCESS LIMITS

10. Staff sees merit in extending the temporarily higher normal annual and cumulative access limits under the GRA through end-2024. This assessment reflects primarily two factors. First, it recognizes the shocks and continued uncertainties facing the membership. Second, it would avoid a possible "seesaw" in GRA access limits between March 2024 and the comprehensive review of access limits planned for the second half of 2024, which could undermine predictability of the Fund's lending toolkit.

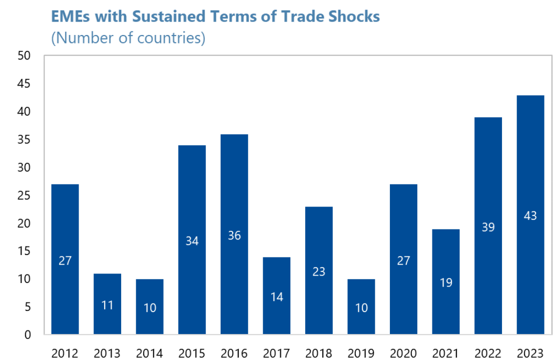
A. A Still Uncertain Global Environment

11. After a series of unprecedented shocks, the global economy continues to confront high uncertainty, despite the continued economic recovery. The global growth outlook remains weak and subject to high uncertainty owing to the lagged effects of the exceptional and globally synchronized monetary policy tightening and risks of suppressed investment and real estate corrections, among other factors. In addition, the prolonged war in Ukraine, together with the escalation of the conflict in Gaza and Israel, continue to undermine stability and could derail the fragile global recovery, including by exacerbating the risks of energy supply disruptions and commodity price volatility, and diverting international trade and capital flows.

[6] See *Temporary Modifications to the Annual and Cumulative Access Limits*, *paragraph 32* (IMF, 2023).

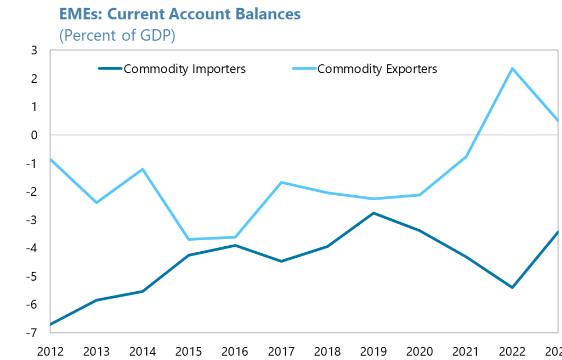
Figure 2. EMEs. Economic Headwinds and Vulnerability

Large terms-of-trade shocks continue to put pressures on external imbalances of many EMEs, …



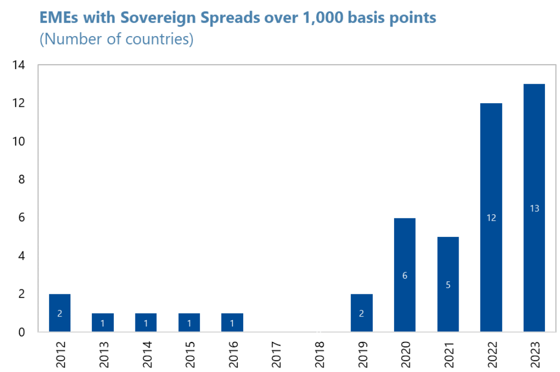
Note: This includes countries with two-year cumulative *movements* in terms of trade above 10 percent.

… especially for commodity exporters while raising the risk of BoP gaps opening up for some others amid high commodity price volatility.

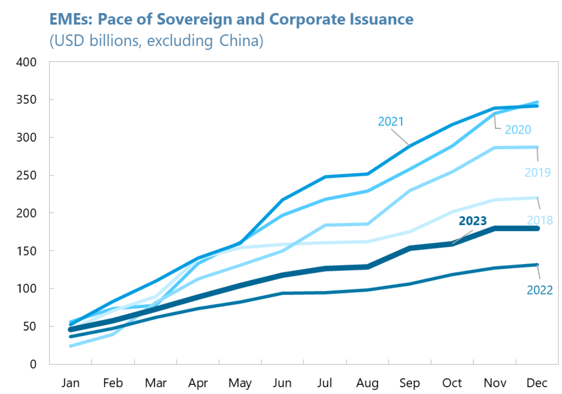


Note: Countries are classified into commodity importer and exporter categories based on WEO analytical groups.

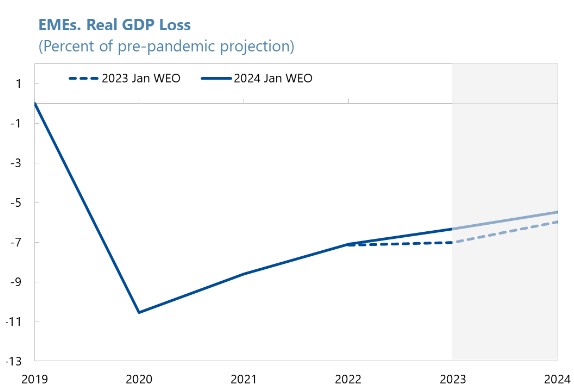
EMEs' borrowing costs remain high, in part driven by countries with high exposures to regional conflicts…



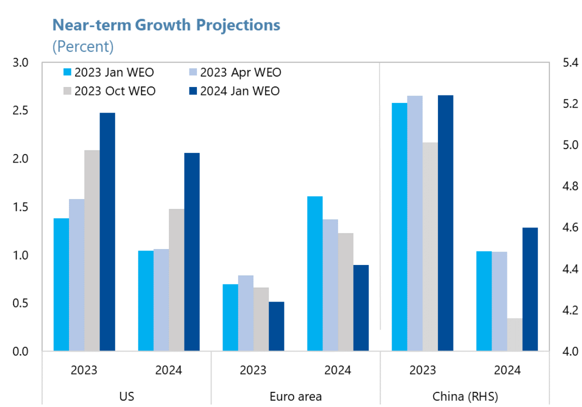
… and their capital inflows continue to be suppressed.



At the same time, many EMEs are still grappling with large output scarring from the pandemic…



… and some uncertainty around the strength of external demand.



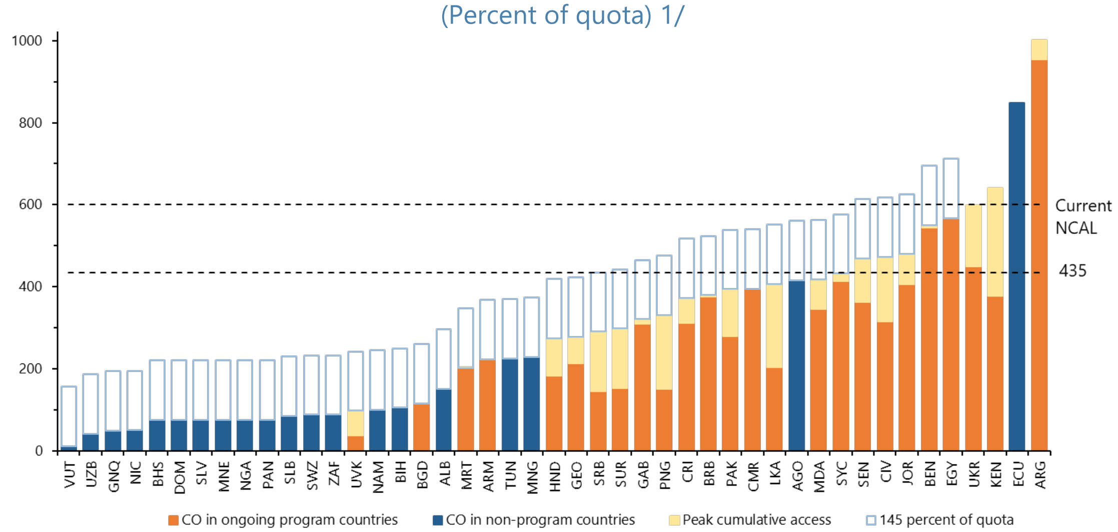
Sources: Bloomberg; World Economic Outlook; and IMF staff calculations.

12. These global patterns have made the outlook for EMEs increasingly challenging with tightening financing conditions and, for some, sizable current account deficits (Figure 2). Lingering concerns over inflation and the possibility of a soft landing in advanced economies, coupled with geopolitical uncertainty, have sustained the surge in EMEs' borrowing costs, lowered their capital inflows, and contributed to currency depreciation. At the same time, current account deficits have remained elevated for commodity importers as adverse terms of trade shocks from high commodity prices have counteracted ongoing adjustment of domestic demand. Moreover, slow global growth has weakened export prospects.

13. Despite the resilience exhibited by many EMEs, some are grappling with vulnerability owing to shrinking policy buffers. While the pandemic's economic scarring remains large, the median public debt ratio for EMEs has declined, approaching pre-pandemic trends. Moreover, about two-thirds of EMEs have accumulated sufficient international reserves over the past few years, covering their external gross financing needs. Nonetheless, segments of vulnerable EMEs have experienced a decline in reserves, while contending with large current account deficits and high levels of public debt and external gross financing needs. In this context, shocks such as an intensification of geopolitical conflicts could exert additional pressures on external imbalances of highly exposed EMEs—both through trade (energy, food, tourism, and/or critical supply chains) and capital flow channels.

Figure 3. Credit Outstanding (CO) Relative to Cumulative Access Limits for GRA Borrowers and Blenders with CO, end-December 2023

(Percent of quota) 1/



Source: IMF staff calculations.
1/ Includes PRGT arrangements in the case of blenders but excludes access to RST. Peak cumulative access refers to the peak in the projected level of Fund credit for 2024 and onwards, under currently scheduled purchases and repurchases as well as disbursements and repayments under PRGT arrangements.

14. Elevated uncertainty and risks encountered by EMEs call for a two-track approach based on necessary and timely adjustment as well as stepped-up financial support. Policy adjustments to reduce macroeconomic imbalances and enhance debt sustainability remain imperative. However, these adjustments need to be carefully calibrated to avoid the possibility of unwarranted market volatility, disorderly adjustments, and an escalation of debt-related concerns in case associated risks materialize. In this context, an extension of the temporary higher GRA access limits would assist member countries with their pressing financing needs and adjustment efforts while minimizing the risk of adverse outcomes. This could be especially relevant for the large number of countries that already have high credit outstanding. As of end-2023, 17 members (out of 53 members with GRA credit outstanding) would have otherwise had less than 145 percent of quota available for an augmentation from the Fund before reaching the exceptional access (EA) threshold (Figure 3).

B. Bridging the Gap to the Comprehensive Review of Access Limits

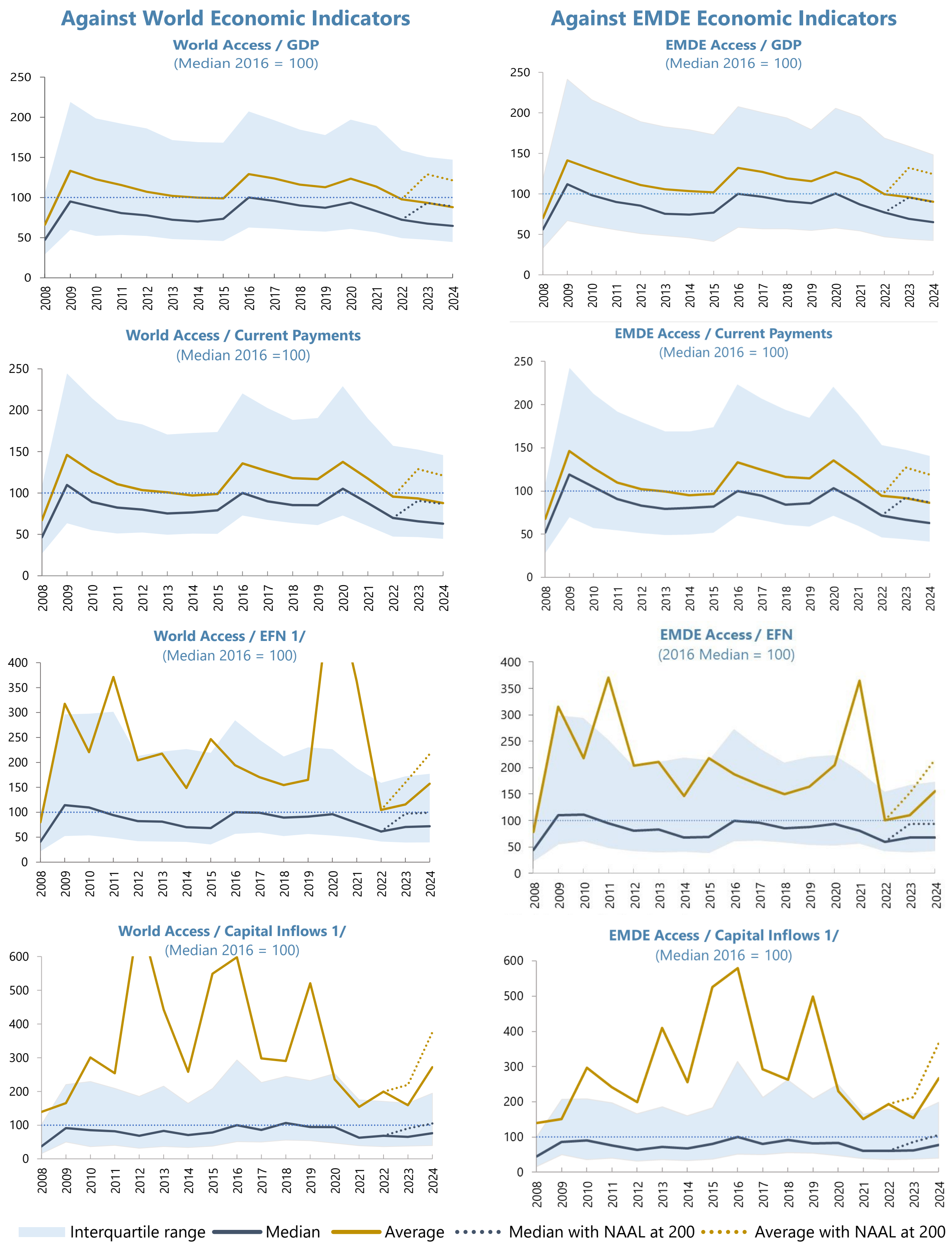
15. In anticipation of the 50 percent quota increase under the 16th GRQ and a related comprehensive review of access limits planned for the second half of 2024, an extension of the temporary higher GRA access limits would minimize disruptive changes.

- The approval of the 16th GRQ by the Board of Governors—entailing an equiproportional 50 percent increase in quotas for all Fund members—recognized the need for adequate quota resources to reinforce the role of the Fund at the center of the global financial safety net. Quota increases are normally accompanied by comprehensive reviews of access limits, which revisit access limits in light of the quota changes, while also aiming to correct for the erosion of nominal access to Fund resources with respect to relevant macroeconomic aggregates. This also corrects for the implicit tightening of the IMF's de facto risk tolerance in normal access limits that occurs with erosion—as the erosion of nominal access leads to the EA framework being triggered at lower levels of access relative to a country's macroeconomic aggregates. The last such review—in 2016—raised members' annual and cumulative access limits by an average of 45 percent in SDR terms following the doubling of IMF's quota resources approved as part of the 14th GRQ.[7]

- Given the relatively limited time remaining until the comprehensive review and the potential to address erosion in access limits and the resulting de facto tightening of the IMF's risk tolerance, allowing the temporary higher limits to lapse now would be inadvisable, as it could potentially add volatility to the IMF's policy framework by generating large swings in the nominal value of access limits ("seesaw"). The end-2024 extension allows the temporarily higher limits to remain until the conclusion of the comprehensive review. If it appears that there could be delays in the new quotas coming into effect, the comprehensive review could still set access limits in percent of the current quota, as well as the equivalent in percent of the 16th GRQ quota that would become applicable once the quota increase becomes effective (also see the last section on Future Work).

[7] For details on the recent history of GRA access limits reviews, see Box 2 in *Temporary Modifications to the Fund's Annual and Cumulative Access Limits* (IMF 2023).

Figure 4. Evolution of GRA Access Limits Against Selected 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. Includes only positive financing needs / capital inflows.

16. The nominal value of access limits in SDR terms has eroded against standard access metrics since they were last adjusted in 2016, and this erosion has been somewhat more pronounced for emerging market and developing economies (EMDEs) (Figure 4). Most recently, the global bout of inflation in 2021–23 had a significant cumulative effect on the real value of the SDR.[8] Since 2016, average access limits (at their pre-March 2023 levels) have eroded on average by 45 percent in terms of GDP and 22 percent in terms of external gross financing needs. These two metrics are particularly relevant, as the former reflects the ability of a given amount of financing to smooth an economy's adjustment, while the latter is the starting point for calculating a BoP gap, which is a key factor in determining access amounts in Fund lending.

17. This paper does not set out to substitute for a comprehensive review. In particular, erosion is not factored quantitatively into this paper's proposal to extend temporarily higher access limits. As discussed in Box 1, erosion is a concern chiefly addressed in comprehensive reviews of access limits. However, it is relevant as an indication of the general direction that a comprehensive review is likely to take for the access limits in nominal SDR terms.[9] The facts listed above and presented in Figure 4 are not meant to preempt a full discussion of the subject or the specific levels of access limits set as part of the comprehensive review. They are presented to substantiate the projection that, in the absence of an extension of temporarily higher access limits, the *nominal* value of the access limits, in SDR terms, could undergo the "seesaw" path the proposal is trying to avoid.

C. Staff Proposal for Modifying GRA Access Limits

18. Staff proposes an extension of the annual GRA access limits at 200 percent of quota and the cumulative GRA access limit at 600 percent of quota until end-December 2024 (Table 1).[10] The proposed extension would provide additional room for members seeking Fund support, if needed, amid continued high uncertainty in the near term without triggering the enhanced scrutiny of the EA framework. In addition, the proposal would keep GRA and PRGT access limits aligned on a forward-looking basis through end-2024. Notably, the Policy Safeguards for High Combined GRA and PRGT Credit (PS-HCC) would be triggered for requests for Fund financing entailing combined access above the PS-HCC thresholds which are set at the same level that triggers application of the GRA EA framework, which may be particularly relevant for presumed blenders.[11]

[8] Cumulated inflation since end-2015 for the SDR's two main components—dollar and euro—has been about 30 and 24 percent, respectively.

[9] An increase in the *nominal* value of access limits as part of a comprehensive review does not imply an increase in access limits *in percent of quota*; the two may move in opposite directions on account of quota increases. For example, the 2016 review raised access limits by 45 percent in SDR terms, although the rebasing effect associated with the doubling of quotas in the 14th GRQ meant that NCAL went from 600 percent of "old" (pre-GRQ quota) to 435 percent of "new" quota.

[10] Staff does not propose any changes to the PLL and the SLL specific access limits, as these have been revised in the October 2023 Review of the FCL, SLL and PLL.

[11] See Policy Safeguards for Countries Seeking Access to Fund Financial Support that Would Lead to High Levels of Combined GRA-PRGT Exposure (IMF, 2020).

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

Overall Access Limits	Limits if temporary increase in GRA access limits is not extended	Staff Current Proposal (through end-2024)
GRA		
Annual Access Limit	145	200
Cumulative Access Limit	435	600
PRGT		
Annual Access Limit	200 [1]	200 [1]
Cumulative Access Limit	600 [1]	600 [1]
High combined GRA and PRGT credit (HCC thresholds) [2]		
Annual Access Limit	145	200
Cumulative Access Limit	435	600

[1] On December 7, 2023, the Executive Board agreed to temporarily increase PRGT access limits, norms, and per arrangement cap on access to PRGT resources under blending policy until end-2024.
[2] See Section V and Annex I of *Temporary Modifications to the Fund's Annual and Cumulative Access Limits* (IMF 2023).

19. In line with the approach adopted in March 2023, staff proposes to apply a limited transitional rule to facilitate an orderly exit from the temporarily higher access limits. Should the temporarily higher access limits expire and GRA access limits revert to their pre-March 2023 levels, members that were not subject to the EA framework as of end-2024 would continue not being subject to the application of the EA framework triggered by the lower levels for the remainder of existing arrangements. As a result, if, following the expiration, a member's GRA access exceeds the restored normal GRA access limits, the EA framework would continue to not apply for the remainder of existing arrangements (including in the event of a rephasing at unchanged overall access).[12] 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[13] would trigger the application of the EA framework.

[12] For a rephasing approved during the period of temporarily higher access limits, the higher annual access limit would apply as the trigger of the EA framework for the remainder of the existing arrangement.

[13] 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.

RESOURCE IMPLICATIONS OF STAFF PROPOSAL AND ENTERPRISE RISKS

A. Impact on Fund Resources

20. The impact of the proposed extension of temporary higher access limits on the Fund's liquidity and on the demand for Fund resources is expected to be limited in the baseline and manageable if risks materialize.[14] As discussed in Section I, demand for higher access was below initial scenarios, as only a limited number of arrangements utilized the higher access limits to date, albeit in a context of a somewhat better-than-expected global economic environment during 2023. This suggests that an extension of the higher access limits would not significantly impact demand for Fund resources in the baseline. While demand could be higher if downside external risks materialize, the impact would be capped at 165 percent of quota per arrangement utilizing higher access (the difference between 600 percent and 435 percent of quota). Staff therefore continues to assess the impact of the temporary higher access limits on the Fund's liquidity as manageable. Owing to the volatile economic environment and continued high risks, this assessment is subject to uncertainty and warrants close monitoring of liquidity and credit developments.

B. Enterprise Risk Considerations

Risk to the Fund Without Extension of Higher Access Limits

21. The Fund could face risks absent an extension of temporary higher access limits:

- **Member engagement risk.** In general, return to the normal access limits against the backdrop of sizable erosion could impact the Fund's ability to respond swiftly to members' needs for financial assistance in the face of unprecedented exogenous global shocks by de facto tightening the IMF's risk tolerance and requiring greater use of the EA framework. This would also be the case for presumed blenders that rely on combined access to PRGT and GRA resources, as the PS-HCC threshold is bound by the GRA access limits and would thus fall below the thresholds for EA under the PRGT.

- **Strategic risks.** An inadequate response to members' financing needs could trigger member disengagement and increased reliance on self-insurance and other sources of financing, or may also result in excessive adjustment. These options would be economically and socially costly 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 possible criticism regarding the institution's effectiveness and evenhandedness.

[14] *Temporary Modifications to the Annual and Cumulative Access Limits* (IMF, 2023).

Risks to the Fund Under the Temporary Extension of the Higher Access Limits

Risks to the Adequacy and Liquidity of Lending Resources

22. In staff's assessment, the proposed temporary extension of the higher access limits is expected to have a limited impact on the Fund's liquidity. Experience to date with the higher access limits suggests that the extension would not significantly impact the demand for Fund resources in the baseline, and a manageable impact is expected even if risks materialize (see Section A).

Credit Risks

23. With an extension of the higher access limits, credit risk could be somewhat higher compared to the scenario if access limits were reduced to their pre-2023 level. Higher access limits would mean that the higher thresholds triggering enhanced scrutiny under the EA framework would continue to apply. Higher access without the additional scrutiny of the EA framework could raise debt sustainability risks for countries. These risks can, however, be mitigated by other layers of the Fund's risk management framework. In particular, a member country would not automatically be qualified for higher access, containing the actual increase in credit. Access would continue to be determined by rigorous assessments informed by standard access policy criteria, including the size of the BoP need, the strength of program policies, the country's record of using Fund resources in the past, debt sustainability, and capacity to repay the Fund.

24. The coverage for residual GRA credit risk provided by the Fund's financial buffers could decline, but would be expected to remain above the Board-mandated risk tolerance levels. Under the conservative assumption that all borrowing within the temporarily higher access limits would not have occurred otherwise (under the EA framework), the higher access limits have reduced the credit coverage ratio of precautionary balances by 1 to 1.5 percentage points.[15] The ratio was approximately 25 percent at end-December 2023, well within the Board-approved 20-30 percent range and above the 15 percent risk tolerance floor, and is not expected to be significantly impacted by the proposed extension, given the limited expected increase in Fund credit.[16]

IMPLICATIONS FOR AND CHANGES TO OTHER POLICIES

25. The effect of the proposed temporary extension on other Fund policies would remain unchanged from the impact at the time of the initial temporary increase in March 2023. In particular, the proposed extension of GRA normal access limits would automatically extend the temporarily higher thresholds that trigger policy safeguards for cases involving high combined GRA

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[15] This does not include the small offsetting impact from the margin on the rate of charge on the new lending.

[16] See *Review of The Adequacy of the Fund's Precautionary Balances*, December 2022.

and PRGT credit, in line with the 2020 Fund policy that sets these thresholds at the same levels as the GRA normal access limits and adjusts them automatically with any changes made to these limits (Table 1). Additionally, staff does not propose any changes to the thresholds of outstanding credit that call for an annual Article IV consultation cycle or the thresholds for determining expectations of a member's participation in Post Financing Assessments (PFAs). In line with the decision at the time of the initial increase in access limits and given that the proposed extension is meant to be temporary, staff considers it appropriate to maintain the current thresholds of outstanding credit (i.e., outstanding credit above 145 percent of quota) that warrant an annual cycle for Article IV consultations, and to keep the current thresholds for PFA unchanged.

FUTURE WORK

26. The comprehensive review of access limits planned for the second half of 2024 will assess the GRA access limits in the context of erosion and the outcomes of the 16th GRQ. This review will provide a more comprehensive examination of access limits in light of the erosion of access limits against key metrics and any other relevant factors. It is envisaged that this review would set access limits both in percent of current quota and the equivalent in percent of the new quota once the 16th GRQ quota increase becomes effective. The comprehensive review will also cover other access-related policies that are currently not being addressed in separate workstreams.

Proposed Decision

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

1. In paragraph 2 of Decision No. 14064-(08/18), as amended, the references to "March 5, 2024" shall be revised to read "December 31, 2024".

2. All references to "March 5, 2024" set forth in paragraphs 2 and 3 of Decision No. 17421-(23/16), adopted March 6, 2023, shall be revised to read "December 31, 2024".

Annex I. Redline Version: Proposed Modifications to Existing Decisions

Temporary Modifications to the Fund's Annual and Cumulative Access Limits- Decision No. *17421-(23/16), March 6, 2023*

1. Paragraph 2 of Decision No. 14064-(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~~December 31, 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,~~ 2024December 31, 2024 if they were not subject to the said policy as of that date, unless following ~~March 5, 2024~~December 31, 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~~December 31, 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~~December 31, 2024 if they were not subject to the said policy as of that date, unless following ~~March 5, 2024~~December 31, 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~~December 31, 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.