

**EXECUTIVE  
BOARD  
MEETING**

SM/20/95  
Correction 2

**CONFIDENTIAL**

June 12, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **2020 Mid-Year Risk Update—Enterprise Risks and Mitigation Amid COVID-19**

Board Action: The attached correction to SM/20/95 (6/2/20) has been provided by the staff:

**Factual Errors Not  
Affecting the  
Presentation of Staff's  
Analysis or Views**

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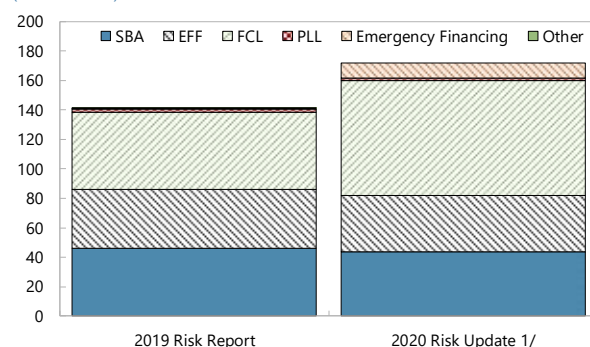
Questions: Mr. Arora, ORM (ext. 36211)  
Ms. Ivaschenko, ORM (ext. 35427)



COVID-19 levels has likely increased (figure).<sup>5</sup> Risks around the Argentina arrangement remain elevated, with Fund staff analysis showing that substantial debt relief from private creditors is

#### GRA: Total Committed Resources

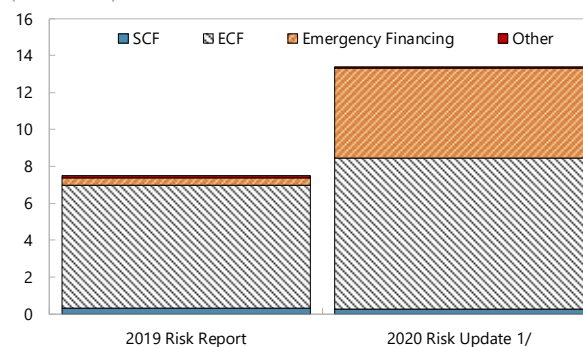
(in SDR billion)



Sources: FDQT; and ORM staff calculations.  
1/ Estimate.

#### PRGT Total Committed Resources

(in SDR billion)

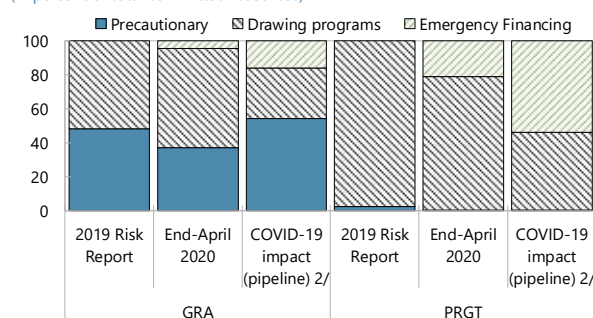


Sources: FDQT; and ORM staff calculations.  
1/ Estimate.

necessary to restore debt sustainability with high probability.<sup>6</sup> The nature of Fund lending is shifting, with emergency financing accounting for a small but growing share of total commitments (around 6 percent), and for a relatively large share of PRGT commitments (over 30 percent, figure)<sup>7</sup>. The absence of *ex post* conditionality potentially raises credit risk (see *Financial Assets and Income*), as well as reputational risks related to the appropriate use of Fund resources. The concentration of the Fund's lending portfolio among specific regions and types of borrowers is shifting. However, under its mandate to support members with BoP needs who have the capacity to repay, the Fund has limited ability to diversify regional and other concentration risk.

#### Total Committed Lending Resources 1/

(in percent of total committed resources)



Sources: FDQT; and ORM staff calculations.  
1/ Including approved COVID-19-related emergency financing.  
2/ Includes known forthcoming requests, including FCLs for GRA.

**17. A higher likelihood of successor arrangements and higher access raises risks to the revolving nature of Fund resources (resources being committed to a member for an extended period).** It is possible that members need to draw on existing precautionary arrangements, whose share in total committed resources has increased with COVID-19 (figure), or to rely on them for

<sup>5</sup> The Program Risk Index (PRI) measures the likelihood that an active, drawing Fund program with ex post conditionality will require a follow-up program or augmentation (the full methodology is set out in the 2016 Risk Report). The thresholds for Low, Moderate, and High risk are based on the historical relationship between program performance and the need for a successor program. In these post-COVID-19 estimates, the increase in program risk ratings is driven importantly by pre-COVID-19 debt risk indicators, which are a proxy for pre-existing vulnerabilities that can be exacerbated in the crisis.

<sup>6</sup> Statement by IMF Managing Director on Argentina, March 20, 2020 and Board briefing, May 28, 2020.

<sup>7</sup> As of end May 2020.