

**EXECUTIVE
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To: Members of the Executive Board

From: The Secretary

Subject: **Temporary Modification to the Fund's Annual Access Limits—
Supplementary Information**

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Questions: Mr. Kim, SPR (ext. 34916)
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TEMPORARY MODIFICATION TO THE FUND'S ANNUAL ACCESS LIMITS—SUPPLEMENTARY INFORMATION

EXECUTIVE SUMMARY

This paper provides additional information as background to the proposal for a temporary modification to the Fund's annual access limits. Section I explains how the normal annual access limits (NAAL) operate in principle and provides two illustrative examples. Section II provides data on the stock of GRA credit outstanding for all countries that are not PRGT-eligible.

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HOW ANNUAL ACCESS LIMITS OPERATE: PRINCIPLES AND EXAMPLES

This section explains how the normal annual access limits (NAAL) operate in principle and provides two illustrations for access under the GRA on how the proposed temporary NAAL will be applied in practice. For ease of exposition, the discussion in this section covers only countries that are not PRGT-eligible and hence obtain financing exclusively from the GRA. The principles for annual access to PRGT resources operate in a similar manner in respect of the NAAL and the Exceptional Annual Access Limit.

Application of Current Annual Access Limits:

1. The current NAAL is 145 percent of quota. Application of the NAAL requires consideration of the member's access to GRA resources in any 12-month period on a rolling basis, which involves combinations of forward- and backward-looking elements.¹
2. Consider a three-year GRA arrangement approved by the Board at date T, with T indicating the day and month of the approval. The phasing of purchases under the arrangement is within the NAAL when access to GRA resources during any twelve-month period from date T+1 day of the previous year through the end of the arrangement does not exceed 145 percent of quota. The specific dates for individual purchases to be used in calculating access are explained in Box 1 of the main paper (SM/20/100).
3. The same principle applies to i) a request for augmentation or rephasing of access under an arrangement or ii) a request for a purchase under the RFI that is approved by the Board at date T.
 - The new phasing of purchases under the arrangement is within the NAAL when access to GRA resources during any 12-month period from date T+1 day of the previous year through the end of the existing arrangement does not exceed 145 percent of quota.
 - The RFI purchase is within the NAAL when access to GRA resources during any 12-month period from date T+1 of the previous year through date T-1 day of the next year does not exceed 145 percent of quota.

Application of the Proposed Temporary Access Limit Increase:

4. The proposed temporary NAAL would apply to i) requests for new arrangements or RFI approved by the Board between the date of Board approval of the increase of the annual access limits and April 6, 2021 ("the window") and ii) requests for augmentation or rephasing of access under arrangements in place as of the date of Board approval of the increase of the annual access limits if approved by the Board during the window.

¹ Please see Box 1 ("Calculation of Annual Access Levels") of *Temporary Modification to the Fund's Annual Access Limits*, SM/20/100 for detailed explanations on how to calculate access limits on a 12-month basis.

5. Consider a three-year GRA arrangement approved by the Board at date T^* , falling within the window. The phasing of purchases under the arrangement would be within the NAAL when i) access to GRA resources for any 12-month period that includes at least one day between T^* and April 6, 2021 (T^* and April 6, 2021 included) does not exceed 245 percent of quota *and* ii) access to GRA resources for any 12-month period beginning on or after April 7, 2021 does not exceed 145 percent of quota.

6. The same principle would apply to i) a request for augmentation/rephasing of access under an arrangement or ii) a request for a purchase under an RFI that is approved by the Board during the window.

7. In this regard, different annual access limits (145 and 245 percent of quota) may apply during an arrangement, and an arrangement that initially involved normal access may become an exceptional access arrangement later in time if an augmentation or rephasing of access under the arrangement is approved after April 6, 2021, as such augmentation or rephasing would be assessed, for the purposes of the Fund's access policy, against an annual limit on overall access to the GRA of 145 percent of quota.²

Examples:

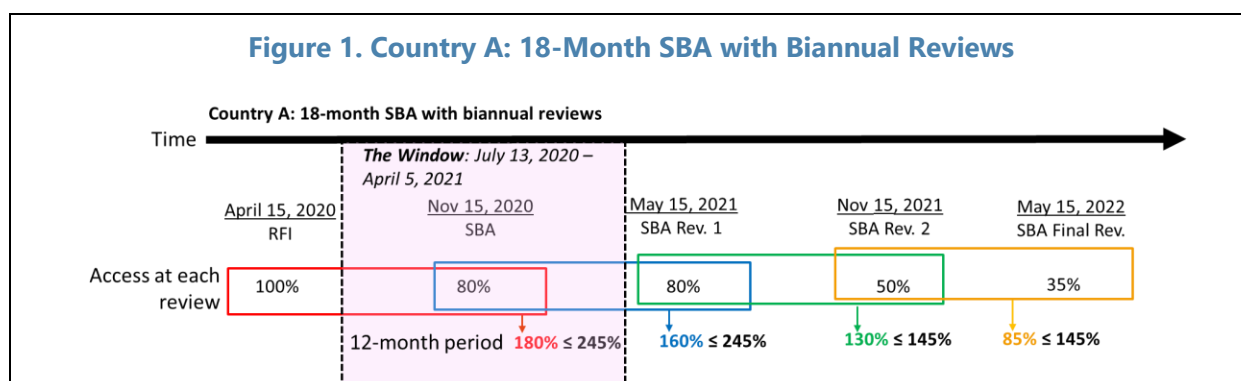
Country A (Figure 1):

A purchase of 100 percent of quota under the RFI was approved on April 15, 2020. An 18-month stand-by arrangement is approved on November 15, 2020, with reviews scheduled every 6 months.³

- This new arrangement is approved within the window.
- The NAAL of 245 percent of quota is applied to the 12-month periods that at least partly overlap with the window. Hence, for the first review with availability date of May 15, 2021, two different NAALs are relevant: the NAAL of 245 percent of quota applies to the backward-looking 12-month window that includes the availability date of November 15, 2020, whereas the NAAL of 145 percent applies to the forward-looking 12-month window that includes the availability date of November 15, 2021. A request for rephasing and augmentation at the time of the first review under this arrangement would be subject to a NAAL of 145 percent of quota for *any* 12-month period.
- From the second review, the NAAL of 145 percent of quota is applied to all 12-month periods as all fall outside the window.

² Approval of an RFI after April 6, 2021 in the event the member qualifies for such financing while the arrangement is in place would also trigger application of an annual limit of 145 percent of quota for the purposes of assessing the member's overall GRA access (i.e., under both the arrangement and the RFI).

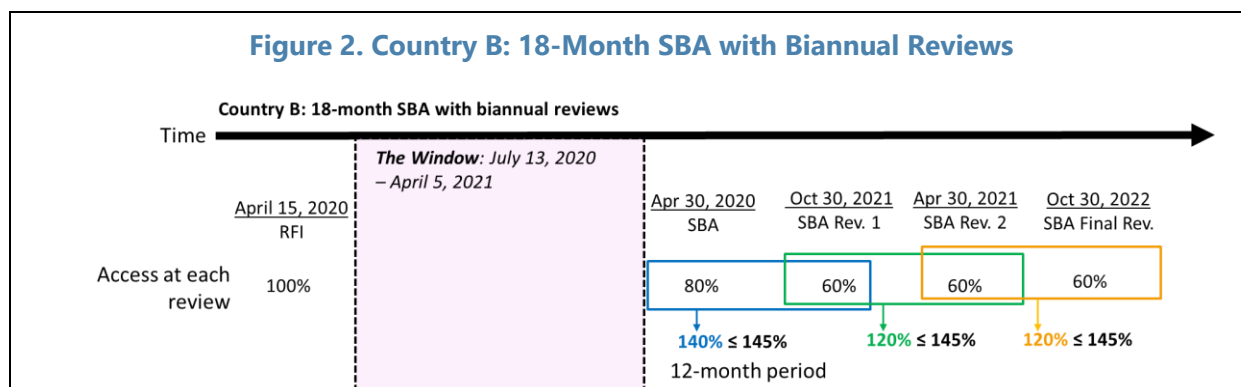
³ For simplicity, we assume that no GRA financing was provided during the period between November 16, 2019 and the approval of the RFI purchase on April 15, 2020.



Country B (Figure 2):

A purchase of 100 percent of quota under the RFI was approved on April 15, 2020. An 18-month stand-by arrangement is approved on April 30, 2021, with reviews every 6 months.

- This new arrangement falls outside the window.
- The applicable annual limit on overall access to the GRA that is relevant for this arrangement is 145 percent of quota for any 12-month period. To remain within the normal access, purchases within any 12-month period cannot exceed 145 percent of quota.

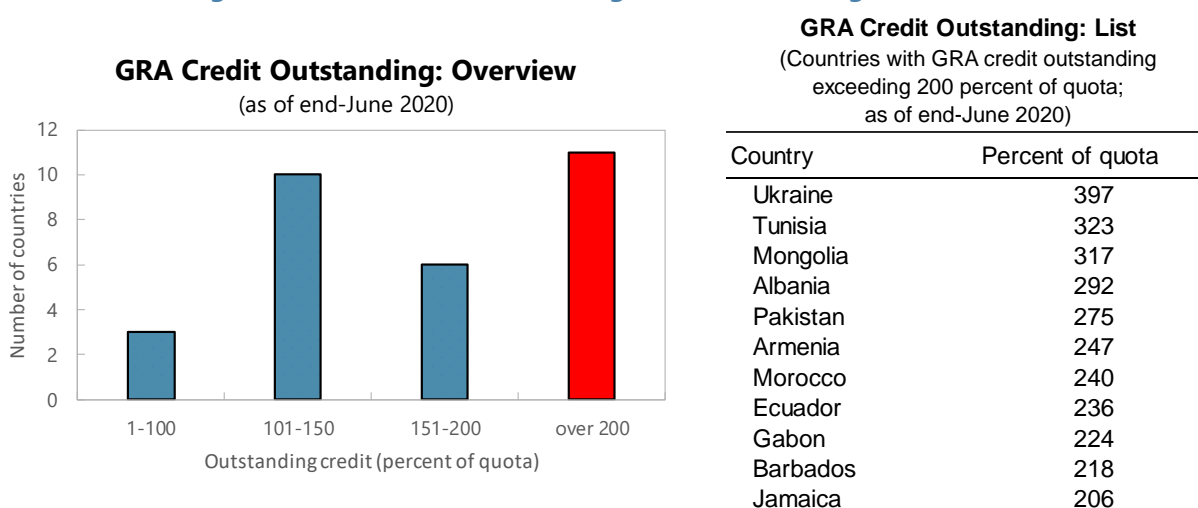


NON-PRGT ELIGIBLE COUNTRIES WITH HIGH LEVELS OF GRA CREDIT OUTSTANDING

This section provides data on the stock of GRA credit outstanding as of end-June 2020 for all countries that are not PRGT-eligible. With the cumulative access limit for the GRA set at 435 percent, this stock of credit determines the amount of additional net borrowing that the country can undertake without triggering the application of the GRA exceptional access framework. Some of this net borrowing space may already be allocated to future purchases under existing arrangements.

The Fund currently has 119 members that are not PRGT-eligible. As end-June 2020, 87 of these countries had no credit outstanding to the GRA while two countries (Argentina and Egypt) had credit outstanding in excess of 435 percent of quota. The distribution of credit outstanding across the remaining 30 members is shown in Figure 3 (left panel). 11 countries had credit outstanding between 200 and 435 percent of quota level, listed in Figure 3 (right panel).

Figure 3. GRA Credit Outstanding to Non-PRGT Eligible Countries



Sources: IMF staff calculations.