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July 16, 2020

The Chair's Summing Up
Temporary Modification to the Fund's Annual Access Limits
Executive Board Meeting 20/75
July 13, 2020

Executive Directors welcomed the opportunity to consider proposals to raise the limits on annual access to Fund resources on a temporary basis. They noted that the COVID-19 pandemic had triggered a uniquely severe synchronized shock across the global economy and an ensuing surge in requests for financial support under the Fund's emergency financing instruments. While access limits under these instruments had already been increased temporarily on April 6 as part of the Fund's COVID-19 response, Directors recognized that many countries, in seeking to contain the impact of the pandemic and to lay the basis for economic recovery, would likely need additional financial support from the Fund in the coming year.

Against this background, Directors supported increases in the annual access limits in the General Resources Account (GRA) from 145 to 245 percent of quota, and under the Poverty Reduction and Growth Trust (PRGT) from 100 percent to 150 percent of quota, on a temporary basis through April 6, 2021. They also supported a temporary increase in the exceptional annual access limit under the PRGT by 50 percent of quota to 183.33 percent of quota for the same period. While a few Directors would have preferred more moderate increases, many other Directors would have supported a larger increase in the normal annual access limit under the PRGT, in line with the increase in the limit to access to GRA resources. Directors highlighted the need to secure sufficient subsidy resources to ensure the self-sustainability of the PRGT and looked forward to discussing possible funding options in the upcoming review of concessional financing. Directors also looked forward to the planned discussion of a policy on enhanced safeguards for high-level access to combined GRA and PRGT resources. They took note of the clarifications as to how annual access should be calculated in applying the relevant annual access limits.

Directors agreed to suspend, on a temporary basis, the limit on the number of disbursements under the Rapid Credit Facility (RCF) within a 12-month period through April 6, 2021. They acknowledged that, with the temporary doubling of the limit on annual access to resources under the exogenous shocks window of the RCF, the current limit on the number of disbursements unduly constrains the flexibility with which the RCF could be used to support member countries.

Given prevailing uncertainties, Directors agreed to review the decisions adopted today before the end of 2020, taking account of the initial experience with the use of the higher access limits and of the global economic outlook at that juncture.

Directors acknowledged that possible modifications to the cumulative limits on overall access to the GRA and the PRGT would be considered in a broader discussion of the Fund's risk tolerance in the coming months. Many Directors expressed disappointment that the case for increasing these limits was not proposed for consideration in the current context, while many other Directors opposed or urged caution in considering a change that could weaken important safeguards and pose substantial risks to the Fund. Directors also recognized that these cumulative access limits do not set a ceiling on the amount of financing that a member can obtain from the Fund but rather serve as a trigger for additional scrutiny under the exceptional access framework, with the exception of hard access caps in the PRGT. Directors looked forward to an early discussion of the Fund's precautionary balances.

Directors underscored that access limits are key elements of the Fund's risk management framework, providing an important safeguard to Fund resources and preserving their revolving nature and catalytic role. They noted that, notwithstanding higher access limits to cover the pandemic period, judgment continues to be needed in determining the amount of access in individual arrangements, including in assessing the member's balance of payments need, repayment capacity, and strength of adjustment efforts. Directors stressed the importance of enhanced scrutiny and additional safeguards for exceptional access cases. Although the increased access limits heighten risks to the Fund, many Directors pointed to potential risks from the failure of the Fund to provide adequate financial support to its members.