January 20, 2023
Approval: 1/27/23

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 19/40-3

2:30 p.m., May 20, 2019

3. 2016 Borrowing Agreements—Proposed One-Year Extension of Terms

Documents: EBS/19/22

Staff: Tweedie, FIN; Moore, FIN; Steinki, LEG, Tovar Mora, SPR

Length: 22 minutes

Executive Board Attendance

M. Furusawa, Acting Chair

Executive Directors	**Alternate Executive Directors**
D. Mahlinza (AE)	
M. Raghani (AF)	
	J. Di Tata (AG)
N. Ray (AP)	
A. Tombini (BR)	
Z. Jin (CC)	
L. Villar (CE)	
L. Levonian (CO)	
R. Kaya (EC)	
	M. Gilliot (FF), Temporary
	K. Merk (GR)
S. Gokarn (IN)	
	F. Spadafora (IT), Temporary
M. Kaizuka (JA)	
J. Mojarrad (MD)	
	M. Choueiri (MI), Temporary
	R. Doornbosch (NE)
T. Ostros (NO)	
	A. Tolstikov (RU), Temporary
M. Mouminah (SA)	
	A. Srisongkram (ST)
P. Inderbinen (SZ)	
S. Riach (UK)	
	P. Pollard (US), Temporary

J. Lin, Secretary
O. Vongthieres, Summing Up Officer
A. Bala, Board Operations Officer
SEC, Verbatim Reporting Officer

Also Present
European Central Bank: A. Meyler. Finance Department: M. Albino-War, H. Chociay, H. Hatanpaa, K. Kitano, T. Krueger, D. Moore, A. Tweedie, O. Unteroberdoerster. Legal Department: H. Pham, D. Schwarz, B. Steinki, J. Swanepoel. Office of Risk Management: Q. Chen. Strategy, Policy, and Review Department: P. Garcia Martinez, K. Kostial, D. Ostojic, C. Tovar Mora, J. Trevino. Alternate Executive Director: A. Guerra (CE),

A. McKiernan (CO), P. Moreno (CE), K. Obiora (AE), B. Saraiva (BR). Senior Advisors to Executive Directors: G. Heim (SZ), S. Keshava (SA), Y. Liu (CC), O. Odonye (AE), P. Pollard (US), J. Shin (AP), J. Weil (CO). Advisors to Executive Directors: A. Arevalo Arroyo (CE), K. Badsi (MD), S. Bah (AF), L. Cerami (IT), D. Cools (NE), P. Dhillon (IN), D. Fadhel (MI), I. Fragin (GR), J. Hanson (NE), O. Haydon (UK), M. Ismail (AE), E. Ondo Bile (AF), A. Srisongkram (ST), K. Hennings (BR), K. Lok (CC), J. Montero (CE).

3. 2016 BORROWING AGREEMENTS—PROPOSED ONE-YEAR EXTENSION OF TERMS

Mr. Geadah and Ms. Choueiri submitted the following statement:

We support the proposal to extend the 2016 borrowing agreements. We note staff's assessment that that the Fund's current liquidity position remains adequate to meet potential near-term needs. However, as also noted, the global outlook has weakened, policy uncertainty has increased, and financial vulnerabilities remain elevated since the framework for the 2016 borrowing agreements was approved. Against this background, it is essential that the Fund continues to have adequate resources to respond to members' needs. We also stress the importance of an adequately resourced Fund for market confidence.

The proposed extension would provide time to reach and implement an agreement on Fund resources. We agree with staff that any approach that is agreed upon after the 2019 Annual Meetings will take time to implement. Accordingly, a one-year extension of the 2016 borrowing agreements would avoid a sharp decline in the Fund's lending capacity at end-2019.

Mr. Kaizuka, Mr. Ozaki and Mr. Minoura submitted the following statement:

We fully support the IMF to remain adequately resourced at the center of the Global Financial Safety Net (GFSN). As the initial terms of the 2016 Bilateral Borrowing Agreements (BBAs) are expiring in a short period of time, it is indispensable to ensure necessary resources through borrowed resources, as it is unlikely to expect any quota increase in this juncture.

While we reassure that the IMF is a quota-based institution, it does not necessarily mean that all the risks, including tail risks, should be addressed solely by quotas. Borrowed resources such as the NAB and the BBAs, which can be mobilized in a timely manner, remain important and necessary.

Therefore, we support the proposed one-year extension of the terms of the 2016 Borrowing Agreements through end-2020. At the same time, in case that expansion of the NAB falls short of the necessary resources, a new set of BBAs should to be considered beyond 2020. We should initiate early and advance consideration on possible renewals of BBAs by making full use of this one-year extension. Moreover, it is also important to deepen analyses on an appropriate framework for a new set of BBAs including by comparing 2012 and 2016 frameworks, so as to take full advantage of agile

resource mobilizing function of BBAs, which could contribute to ensuring the IMF to remain adequately resourced at the center of the GFSN.

Mr. Mouminah, Mr. Alkhareif and Mr. Keshava submitted the following statement:

We thank staff for a well-focused paper, which makes a convincing case for a one-year extension of the terms of the 2016 Bilateral Borrowing Agreements through end-2020, as provided for in the 2016 framework. The 2016 Borrowing Agreements continue to play a critical role as the third line of defense after quotas and the New Arrangements to Borrow (NAB). Indeed, while the Forward Commitment Capacity (FCC) of SDR 187.1 billion as of May 9, 2019 is ample to meet the actual and potential needs of the membership, unactivated borrowed resources (NAB and 2016 Borrowing Agreements) play a crucial role in providing confidence that the Fund has adequate resources if tail risks materialize.

We agree that the extension would also provide time to reach and implement an agreement on overall Fund resources. Notably, any agreed approach on overall Fund resources on the conclusion of the 15th Review will take time to implement due to the requisite domestic approval procedures. In this context, we concur that the proposed one-year extension would help avoid a sharp decline in the Fund's lending capacity at end-2019.

We reiterate our position that members' voluntary financial contributions, including participation in the bilateral borrowing agreements, should be recognized in any future quota adjustments. Indeed, establishing an incentive mechanism for able and willing member countries to contribute financial resources voluntarily to the Fund is a priority to meet future diverse needs.

We look forward to the review of the Borrowing Guidelines before December 31, 2019. Here, we welcome the clarification by staff in our bilateral outreach that any changes to the Guidelines such as to the activation requirements will not impact the extended 2016 Borrowing Agreements due to the inclusion of these requirements in the agreements.

In conclusion, we support the proposed decision and look forward to the consent of creditors in a timely manner. In this connection, we agree with the staff's proposal mentioned in footnote 23 that if the consent of a creditor is received after December 31, 2019, it can be treated as a valid consent for an extension of the term of its 2016 Borrowing Agreements through end-

December 2020 with effect from December 31, 2019. This is important for ensuring equitable burden-sharing among creditors.

Mr. Tombini and Mr. Saraiva submitted the following statement:

We thank staff for the timely report, which places the discussion on the extension of the 2016 Bilateral Borrowing Agreements (BBAs) in the right context.

The Fund is a quota-based institution and it is regrettable that since the global financial crisis (GFC) the IMF has relied so extensively on borrowed resources. Borrowed resources cannot replace quotas and should remain as an additional layer of protection. Among borrowed resources, the BBAs are further apart from the governance structure of the IMF and have an intrinsically temporary nature. Such characteristic of the BBAs should be preserved, and they should not become a permanent fixture of the IMF funding arrangement. Having said that, the lack of progress in the 15th General Review of Quotas will require a conscientious attitude by the membership to ensure adequate resourcing for the Fund.

Risks related to high policy uncertainty, growth deceleration, elevated financial vulnerabilities, increased interconnectedness and limited policy space place a premium on strengthening the global financial safety net (GFSN). The expiration of the BBAs at the end of this year would critically reduce the Fund's lending capacity by over one third. In a context of heightened potential demand, such a massive shrinking of resources could jeopardize the role of the IMF at the center of the GFSN. Therefore, not allowing the Fund to have its lending capacity curtailed in such an uncertain scenario is the proper responsible stance to protect global financial stability.

We agree with staff that there is a compelling case for the one-year extension of the 2016 BBAs and are in favor of the proposed decision. The agreements signed in 2016 have embedded the possibility of having them extended by one year, and this is a circumstance in which such an extension is clearly warranted. That notwithstanding, the membership must use the leeway provided by this additional year to devise a means to fulfill its commitment to fund the IMF on more solid basis, while advancing the reform of its governance structure. We reiterate the need for the formal request for consent to be made in a timely manner to allow for the proper procedures in our capitals.

Mr. De Lannoy, Mr. de Villeroché, Mr. Fanizza, Mr. Meyer, Mr. Ostros and Ms. Riach submitted the following joint statement:

We fully support the commitment to a strong, quota-based and adequately resourced IMF to preserve its role at the centre of the Global Financial Safety Net.

We consider that the availability of adequate IMF resources as a backstop in case of need is crucial for confidence in the global financial safety net. We consider that the 2016 Borrowing Agreements, which are of a temporary nature, have served a useful purpose as the third line of defence after quota and New Arrangements to Borrow (NAB) resources.

Our authorities that provided these credit lines to the IMF are willing to support an extension of their 2016 bilateral Borrowing Agreements for one year until end 2020 to facilitate the passage to the renewal and increase of the NAB, subject to the completion of domestic approval procedures.

We expect similar assurances to be given by other lenders contributing to the 2016 Borrowing Agreements.

This support should not be seen as pre-empting possible future decisions beyond the terms of the 2016 Borrowing Agreements.

Mr. Obiora and Mr. Garang submitted the following statement:

In line with Staff's compelling arguments, we support the proposed decision for a one-year extension of the 2016 Bilateral Borrowing Arrangements (BBAs). We also support authorization of the Managing Director to undertake essential measures to facilitate this extension.

Over time, however, we must find a way to phase out all borrowed resources and return the Fund to a full quota-based organization, including in meeting our resource requirements. We need to keep in mind that these borrowed resources basically increases our "leverage" and weakens our moral authority to advise members against following similar paths.

Mr. Villar, Mr. Guerra and Mr. Moreno submitted the following statement:

We thank staff for the analysis on the proposal for a one-year extension of the terms of the 2016 Borrowing Agreements. We concur with

the staff's assessment on the compelling case for the intended extension and support the proposed decision.

In the current juncture of increased policy uncertainty and moderate global growth, the potential demand for IMF resources is high relative to the resource envelope. Additionally, ongoing structural shifts in the global economy, such as demographic dynamics, climate change, inequality, and technological advances are amplifying vulnerabilities. Moreover, as noted by staff, the global outlook has weakened and the Forward Commitment Capacity (FCC) is below its level at the time when the 2016 borrowing framework was approved. Staff's analysis underscores the fact that the IMF, with currently available resources, would be able to cover some but not all the scenarios for potential demand. In this regard, we fully support staff's assessment that the overall Fund's lending capacity should be maintained.

While there have been important advances in strengthening the resilience of the global financial system, risks from elevated vulnerabilities abide. Moreover, the potential amplification and propagation of negative shocks due to higher interconnectedness is another source of concern. Thus, the proposed one-year extension of the 2016 Borrowing Agreements will contribute, for the time being, to reassure markets by maintaining the Fund's capacity to respond to members' needs in case of adverse shocks, in the context of heightened risks.

We continue to believe that a strong, quota-based, and adequately resourced Fund is key to preserve its role at the center of the GFSN and be able to serve its membership. Therefore, we reiterate our position that the IMF must remain a quota-based institution. However, we support the extension of the 2016 Borrowing Agreements as a practical way to maintain the Fund's overall lending capacity until end-2020. We regard this extension as an important element to support and provide time to reach and implement an agreement on the overall IMF resources, as has been recently committed by our membership during the Spring Meetings.

We also reiterate our strong support to the decision and express the intention of Mexico and Spain to consent to the proposed one-year extension of the terms of the 2016 Borrowing Agreements, subject to completion of domestic approval procedures. We look forward to similar assurances by other lenders. We acknowledge that this decision is independent of the agreement that will have to be reached in the following months to ensure that the IMF is adequately resourced. Without precluding any future decision, we are ready to

work flexibly towards the overarching objective of at least maintaining the overall current resource envelope of the IMF.

Mr. Di Tata, Mr. Morales and Ms. Moreno submitted the following statement:

We thank staff for their concise and informative paper. Against a background in which the Fund's liquidity position is declining and risks to the outlook are increasing, we support the proposed decision of a one-year extension through December 31, 2020 of the initial terms of the Borrowing Agreements concluded in August 2016.

The concluding report on the 15th General Review of Quotas that will discuss progress on IMF resources and governance reform is expected later in the year, before the Fund's 2019 Annual Meetings. Given that any agreed approach by then will take time to implement, it appears prudent to extend the Borrowing Agreements that represent the third line of defense after quotas and the NAB while we wait for the final decision regarding overall IMF resources. This one-year extension will prevent the Fund's lending capacity from falling by about a third at end-2019, from a level close to USD 1 trillion.

We find that the staff has made a compelling case for a one-year extension of the 2016 bilateral Borrowing Agreements. As noted in the report, since the framework for the 2016 Borrowing Agreements was approved, the global outlook has weakened, policy uncertainty has increased, financial vulnerabilities remain elevated, and the space for policy maneuver has become more limited. Moreover, the case for a one-year extension is also based on the staff's analysis of several potential scenarios of future resource demand that consider existing global financial safety net arrangements, such as bilateral swap lines and regional financing arrangements. Overall, we concur with staff that the proposed decision is a prudent step as it provides confidence to markets and members that the Fund continues to have adequate resources to meet the potential needs of its membership. At the same time, we would like to reiterate our view that the Fund is and must remain a quota-based institution.

We have already contacted the authorities of the countries in our constituency that have Borrowing Agreements with the Fund, who have indicated in principle their conformity with the proposal, subject to completion of their domestic approval procedures.

Ms. Mahasandana, Mr. Mahyuddin, Ms. Ong and Mr. Srisongkram submitted the following statement:

> We thank staff for their analysis and support the proposed decision. Creditors to the 2016 Bilateral Borrowing Agreements within our constituency stand ready to engage constructively with the Fund on the extension of their agreements.

Mr. Kaya, Mr. Benk, Mr. Just, Mr. Harvan and Mr. Stradal submitted the following statement:

> In broad agreement with the statement by Mr. De Lannoy and five other European Directors, we support the IMFC's commitment to maintain a strong, quota-based, and adequately resourced IMF at the center of the global financial safety net.
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> We acknowledge the useful role of the bilateral borrowing as the third line of defense in critical times but regret the excessive reliance on borrowed resources in the longer term. We understand, however, that in absence of support for a quota increase in the context of the 15th General Review of Quotas, there is a compelling case for a one-year extension of the 2016 Bilateral Borrowing Agreements (BBAs) at a time of policy uncertainty and growing risks to the global economy.
>
> We are willing to support such an extension and the countries within our Constituency that provide the credit lines to the IMF are inclined to approve it, as per their respective borrowing agreements. The domestic approval procedures, which we expect to be completed in due course following a formal inquiry by the Managing Director, vary country by country. Hence, we are currently not in a position to indicate a binding consent on behalf of all countries in our Constituency to that end.
>
> We hope that the time being bought by the extension of the 2016 BBAs will be used productively to seek a broad consensus toward an increase of the Fund's permanent resources. Any future decisions beyond the terms of the 2016 BBAs should not be pre-supposed by the support for the one-year extension.

Mr. Palei and Mr. Tolstikov submitted the following statement:

> The global economic outlook remains challenging, especially in the context of escalating trade disputes, rising geopolitical risks, and elevated

vulnerabilities in many economies. We see the pressing need for strengthening the global financial safety net, with the IMF playing the central role in it. The Fund's resources should be bolstered or at least kept at the current level. We agree that under current complex circumstances, the case for a one-year extension of the 2016 Bilateral Borrowing Agreement remains compelling. We, therefore, support the initiation of the formal process for a one-year extension of the 2016 Borrowing Agreements.

At the same time, we want to reiterate our view that the IMF should be a quota-based institution. Our consent to the proposed decisions should not be interpreted as our consent to the elevated share of the borrowed resources in the Fund's resource mix, but rather as a necessary but transitory step. We consider the extension of the Bilateral Borrowing Agreements as a temporary measure and look forward to the comprehensive quota reform with a considerable quota increase.

Ms. Levonian, Ms. McKiernan and Mr. Hart submitted the following statement:

We support the proposed decision to extend the 2016 Borrowing Agreements through end-2020 as part of our broader commitment to support an adequately-resourced Fund at the center of the global financial safety net. The bilateral agreements currently form an important temporary third line of defense behind the quota and the New Arrangements to Borrow (NAB). We encourage members to make use of this opportunity to expedite an agreement on Fund resources that extends and increases the NAB.

Mr. Inderbinen, Mr. Trabinski and Mr. Heim submitted the following statement:

We approve the one-year extension of the terms of the 2016 Borrowing Agreements and the request modalities as described in staff's document. We can already signal that Switzerland and Poland are willing to consent to the one-year extension of their loan agreements with the IMF. This extension is not subject to parliamentary approval in our countries.

Mr. Ray, Mr. Heo and Mr. Johnston submitted the following statement:

Taking into account the Fund's overall liquidity situation and actual and prospective borrowing requirements, we support the approval of a one-year extension to the terms of the 2016 Borrowing Agreements through end-2020. We agree that, following Executive Board approval, the Managing Director will write to individual creditors to seek their consent.

The individual members of this constituency with borrowing agreements—Australia, Korea and New Zealand—stand ready to engage in the extension process, which will be subject to the domestic approval processes of each creditor country.

Extending the terms of the 2016 Borrowing Agreements would help to ensure that the IMF remains adequately resourced. It is important that we at least maintain the Fund's capacity to respond to members' needs in the face of adverse shocks, amid risks and vulnerabilities.

We look forward to reaching an agreement on an approach to the overall level of IMF Resourcing, in line with the direction provided by the IMFC.

Mr. Raghani, Mr. N'Sonde and Mr. Bah submitted the following statement:

We thank staff for their concise paper and welcome the Board discussion on the proposed one-year extension of terms of the 2016 Borrowing Agreements.

The IMF has a unique position to meet the needs of its members, including those facing macroeconomic and external instability with insufficient reserves buffers and no access to regional financing arrangements (RFA). We continue to advocate that the Fund should rely on its membership's quotas as they help preserve the universality and independence of the institution as well as the evenhandedness of its policy and operations when dealing with member countries. Last April, the membership has called the IMF to work on a package of key elements covering IMF resources and governance reform. One of the broad principles guiding this work is that the delay in further quota and governance reform should only be temporary.

In the meantime, an important number of members continue to face significant vulnerabilities while the global outlook is subject to elevated risks. Against this backdrop, we go along with actions to ensure that the Fund is sufficiently resourced to meet the financing needs of its members. Therefore, we support the proposed one-year extension through end-2020 of borrowing agreements which have helped strengthen the Fund's lending capacity since their establishment in 2012 as they make up one-third of this capacity.

We commend the member countries that participate in the bilateral borrowing agreements.

Mr. Jin submitted the following statement:

We thank staff for the report and support the proposed decision for a one-year extension of the terms of the 2016 Borrowing Agreements through end-2020.

Given the slow progress in quota and governance reforms, especially the outcome of the 15th General Review of Quotas (GRQ), and the need to preserve the Fund's current lending capacity, we agree with the extension of the terms of the 2016 Borrowing Agreements by one additional year. Nevertheless, we would like to stress that any bilateral arrangements, rather than a quota increase, can only be a temporary solution.

In light of heightened uncertainties facing global economic and financial prospects, and for the Fund to meet the members' needs, we consider the proposed extension as a way to maintain the public's confidence in the Fund. We call for stepped-up efforts to ensure a strong, quota-based, and adequately resourced IMF to preserve its role at the center of the Global Financial Safety Net. This is key to safeguard the legitimacy, credibility, and effectiveness of this institution.

Mr. Gokarn and Ms. Dhillon submitted the following statement:

We thank staff for the paper on the one-year extension of the terms of the 2016 Borrowing Agreements through end-2020.

We recognize that the global outlook has weakened with continuing vulnerabilities emanating from prevailing uncertainties, financial conditions, trade tensions, and high indebtedness. With limited room for maneuver, comforting the markets and maintaining the Fund's capacity to respond to members' needs in case the need arises, remains paramount. Representing one third of the Fund's current lending capacity, the 2016 Borrowing Agreements are a critical component of the international cooperative effort to ensure that the IMF remains adequately resourced. Staff has presented a compelling case for extending the terms of the 2016 Borrowing Agreements. We are sensitive to the needs to preserve the Fund's lending capacity and consistent with our commitment made during the Spring Meetings, we support the proposal for a one-year extension to the terms of the 2016 Borrowing Agreements. This will be, of course, contingent on the approval of our domestic processes.

In parallel, this proposal is a reminder of failure of the 15th GRQ to increase quota resources. Had that been accomplished with a significant increase in quotas, the need to extend these agreements would not have arisen. Thereby maintaining status quo, is a disappointment from the perspective of credible reforms that are mandated every 5 years. Herein, we would like to emphasize that the Fund is and must remain a quota-based institution. Partnerships across the GFSN have diversified in recent years and any gaps in the global safety nets are likely to further spur alternative arrangements, the limitations of which may only come to the fore during a crisis. Therefore, any delay in governance reforms should be only temporary, as backstop arrangements being relied upon now will not help sustain full confidence in the Fund.

Going forward, we agree that this extension does provide time to reach and implement an agreement on an approach on the overall IMF resources as the Executive Board continues its work on the outcome on the 15th General Review of Quotas. In doing so, we would stress on exploring all possibilities of governance reforms to increase voice and representation of EMDEs, and to protect the interests of LICs and small countries.

Mr. Mojarrad and Mr. Badsi submitted the following statement:

We thank staff for their paper. We continue to support a strong global financial safety net with a well-resourced, quota-based Fund at its center, and regret the lack of sufficient support for a quota increase under the 15th general review of quotas.

The Borrowing agreements have been used as a third line of defense after quotas and NAB to instill confidence to members and markets that the IMF is adequately resourced. Staff indicate that the current lending capacity of SDR 713 billion is adequate to meet members potential needs in the near term. However, at a time of weakened global growth, increased policy uncertainty, and elevated global financial vulnerabilities, and unless borrowing agreements are renewed, current lending capacity would be reduced by one third next year.

In view of the arguments put forward by staff, we support the one-year extension of the terms of the 2016 Borrowing agreements.

The Acting Chair (Mr. Furusawa) made the following statement:

The 2016 Borrowing Agreements represent the Fund's third line of defense, after quotas and the New Arrangements to Borrow (NAB) and represent about one-third of the Fund's overall lending capacity. Amid heightened uncertainty, a one-year extension of the Agreements would be a prudent step to help assure that the Fund maintains the capacity to respond to members' potential needs. The extension requires a decision by the Executive Board and consent from individual creditors to extend their own Agreement.

Before opening the floor, let me comment on the broader Work Program on Fund resources and governance, which is proceeding on a separate track.

The Managing Director received a mandate from International Monetary and Financial Committee (IMFC) Governors and invited G20 Ministers at the Spring Meetings to reach an understanding on a package of key elements by the summer. Since then, management and the staff have been engaged in further bilateral discussions, which are still ongoing, and we will continue to engage intensively with Executive Directors in the period ahead.

While the timetable for this work is tight, it remains the Managing Director's hope that she can deliver on a package by July, with a view to a formal closure of the Fifteenth Review through a Board of Governors' vote by the agreed deadline of the 2019 Annual Meetings.

Mr. Rosen supported the one-year extension of the terms of the 2016 Borrowing Agreements through end of 2020.

Mr. Ostros made the following statement:

I have issued a joint statement, along with my European colleagues, and have the honor to speak on behalf of them here.

We fully support the commitment to a strong, quota-based, and adequately resourced Fund to preserve its role at the center of the global financial safety net. The 2016 borrowing agreements have served a useful purpose, as the third line of defense of the quota resources and the NAB.

Our authorities, including Norway, which is not a member of the European Union (EU) but is part of my constituency, are willing to support an extension of the 2016 bilateral borrowing agreements for one year, subject to

the completion of domestic approval procedures. And as we wrote in our gray statement, we expect similar assurances from other creditors. Having read the other gray statements, it is reassuring to see that this is the direction.

Mr. Kaizuka made the following statement:

We issued a gray statement, but it is written from the perspective of a member of the Board. I would like to supplement my gray statement with comments from a creditor's perspective.

Japan, as the largest creditor in the bilateral borrowing agreement, is willing to consent to the proposed one-year extension of the terms of the 2016 Borrowing Agreements through the end of 2020 and is happy to play a continued role in the arrangement.

We would also emphasize our intention to participate productively in the future discussion on the possible arrangements beyond the end-2020 and encourage the staff to initiate the necessary process as soon as possible.

Ms. Levonian noted that Canada was already an active bilateral agreement member, and Ireland was progressing with plans to become one. In both countries, political cycles could impact events, but she expected her authorities to look favorably on the request to extend the borrowing agreements by one year. She noted that it would be better to put the agreements in place as soon as possible given the electoral cycles in Canada and Ireland.

Mr. Mouminah made the following statement:

We issued a gray statement supporting the proposed decision. We would like to re-emphasize that borrowed resources, such as the NAB and bilateral borrowing agreements, which can be mobilized in a timely manner, remain important and necessary for Fund operations.

My authorities are willing to support the extension of the bilateral borrowing agreement for one year, until the end of 2020. We look forward to the consent of other creditors for the extension.

This extension would provide adequate time to reach an agreement on overall Fund resources and to complete the necessary domestic approval procedures to implement the agreement, which was already highlighted by other Directors

Ms. Mahasandana made the following statement:

We support the proposed extension of the 2016 bilateral agreements. This is a necessary stopgap to prevent a sharp fall in Fund resources until the next resource package can take effect. Among the 2016 bilateral borrowing agreements creditors in our constituency, so far Malaysia, Philippines, Singapore, and Thailand have indicated their willingness to extend their agreements, subject to domestic approval procedures.

That being said, like many other chairs, we underscore the importance of a strong and quota-based Fund at the center of the global financial safety net and would stress that these borrowing agreements should serve as a temporary bridge toward a more permanent financing solution. To this end, we look forward to a timely conclusion of the NAB resource package, as well as the discussion on quota and governance reform under the Sixteenth General Review of Quotas.

Mr. Tombini made the following statement:

At this juncture, I recognize that we need to move forward with a second-best solution to secure the Fund's resources in the short to medium run and the first steps to grant an extension of the bilateral borrowing agreements for an additional year. Letting the bilateral borrowing agreements expire at the end of this year would give a terrible signal and could add to the unsettling global scenario of lacking cooperation and rising uncertainty.

My Brazilian authorities understand the criticality of this juncture and have expressed their willingness to provide the one-year extension. A formal decision will be taken by the Brazilian central bank, following the Board's approval of the extension.

This one-year leeway will be needed to implement a solution to be agreed upon regarding the Fifteenth and the Sixteenth General Review of Quotas, which will likely rely on boosting NAB resources in the context of some realignment of NAB shares. Moreover, the closing of the Fifteenth General Review of Quotas should coincide with the launching of the Sixteenth General Review of Quotas under strengthened commitments to make progress with the governance reform and to ensure more permanent resources to the Fund. We are not satisfied with the progress on this front, but we remain committed.

Mr. Gokarn made the following statement:

> We issued a gray statement supporting the extension of the Bilateral Borrowing Agreements up to December 31, 2020. This is based on our commitment expressed in the Spring Meetings discussions to maintain the Fund's resources. We reiterate our disappointment that borrowed resources have become the mechanism to do this. We are eagerly awaiting the progression to the Sixteenth General Review of Quotas, where we hope that the Fund will return to being a predominantly quota-based institution, with the credibility that provides as a component of the global financial safety net.
>
> We look forward to continued updates on the progress of talks relating to the NAB and the restructuring of resources between the bilateral arrangements and the NAB that was envisaged in the discussions leading up to the Spring Meetings.

Mr. Jin agreed with the extension of the terms of the 2016 Borrowing Agreements by one additional year through end-2020 but reiterated that it should be a temporary solution. He called for stepped-up efforts to ensure a strong, predominantly quota-based, and adequately resourced Fund with improved governance to preserve its role at the center of the global financial safety net. This was key to safeguard the legitimacy, credibility, and the effectiveness of the Fund.

Mr. Inderbinen noted that the two countries in his chair that had bilateral agreements, Switzerland and Poland, consented to the one-year extension of the loan agreements with the Fund. While an extension did not require parliamentary approval, it was subject to the completion of the respective domestic processes, which involved consultation with the central banks and a decision by government.

Mr. Spadafora noted that the Bank of Italy and the Central Bank of Malta supported the proposed extension.

Ms. Gilliot associated herself with Mr. Ostros' comments. She underscored France's support to at least maintain the level of the Fund's resources. She fully supported the Managing Director's mandate to reach an agreement to provide the Fund with sufficient resources to adequately support its membership.

Mr. Kaya reiterated his chair's support for extending the 2016 Bilateral Borrowing Arrangements by one year but noted that the five countries in his constituency that provided credit lines to the Fund had different domestic approval procedures. He would have strongly preferred more permanent resources, as long-term reliance on borrowed resources

undermined the notion of the Fund as a quota-based institution. However, he was cognizant of the political reality that necessitated a stopgap measure.

Mr. Di Tata made the following statement:

> We support the proposed decision for a one-year extension of the borrowing agreements. The staff has made a compelling case for a one-year extension. As noted in the report, since the framework for the 2016 borrowing agreements was approved, the global outlook has weakened, policy uncertainty has increased, financial vulnerabilities remain elevated, and the space for policy maneuver has become more limited.
>
> At the same time, we would like to reiterate our view that the Fund is and must remain a quota-based institution. We have already contacted the authorities of the two countries in our constituency that have borrowing agreements with the Fund—Chile and Peru—who have indicated, in principle, their agreement with the proposal, subject to the completion of their domestic approval procedures.

Mr. Villar strongly supported the proposed Board decision. He noted that Mexico and Spain, which were the two creditors within his chair, consented to the proposed one-year extension of the terms of the 2016 Borrowing Agreements, subject to the completion of domestic approval procedures.

Mr. Mahlinza supported the proposed decision and underscored the importance of a strong quota-based Fund and the need to phase out the borrowed resources over time. He reiterated his support for the mandate given to the Managing Director.

Mr. Merk noted that the German authorities were willing to support the extension of the bilateral borrowing agreements for one year.

The Director of the Finance Department (Mr. Tweedie), in response to questions and comments from Executive Directors, made the following statement:[1]

> I thank Directors for their support of the decision and the many expressions of a willingness to consent, subject to domestic procedures.
>
> I wanted to make one point in terms of next steps. The next step will be a formal communication from the Managing Director to each of the 2016

[1] Prior to the Board meeting, SEC circulated the staff's additional responses by email. For information, these are included in an annex to these minutes.

creditors formally requesting consent. We hope we can get that request out by the end of this week, if not next week. What we have in mind is what we did for the 2015 extension of the 2012 agreements, which was to seek responses from creditors, probably within a few months, say, around the end of July.

We would like to move as quickly as we can to get all these extensions in place formally so we can send a positive signal to markets and to members that the Fund's current resources will remain in place through the end of next year. That would send a helpful signal.

It still leaves time for some creditors to take a bit longer to do that, but we would be very happy if we could get this in place before the Board recess.

The following summing up was issued:

Executive Directors considered the proposal to extend the terms of the 2016 Borrowing Agreements by one year. They reiterated the commitment to a strong, quota-based, and adequately-resourced Fund to preserve its role at the center of the global financial safety net. Directors noted that the 2016 Borrowing Agreements, which are temporary in nature and in aggregate constitute about one-third of the Fund's lending capacity, have usefully served as the Fund's third line of defense after quotas and the New Arrangements to Borrow. They considered that these agreements continue to play an important role in providing confidence to members and markets that the Fund has adequate resources to meet the potential needs of the membership.

Directors supported the extension of the terms of the 2016 Borrowing Agreements through end-2020, as provided for under the 2016 framework. While the Fund's current liquidity position remains adequate, they shared the staff's analysis that plausible shocks could lead to a potentially high demand for Fund resources. Amid elevated risks and vulnerabilities, Directors considered the extension of the 2016 Borrowing Agreements a prudent and practical step to help ensure that the Fund maintains its capacity to respond to members' potential needs, while providing time to reach and implement an agreement on an approach on the overall Fund resources in the absence of a general quota increase. A number of Directors stressed that their support for the proposed extension should not be seen as preempting any future decisions beyond the terms of the current borrowing agreements.

Directors welcomed early indications of support expressed on behalf of many creditors by their respective Directors for an extension of the terms of their borrowing agreements, subject to the completion of domestic procedures.

Directors called on all creditors to complete domestic procedures in a timely manner.

The Executive Board took the following decision:

2016 Borrowing Agreements—One-Year Extension of Terms

1. Taking into account the Fund's overall liquidity situation and actual and prospective borrowing requirements, the Executive Board approves a one-year extension through December 31, 2020 of the initial terms of the borrowing agreements concluded following the approval by the Executive Board in August of 2016 of the modalities for a new round of bilateral borrowing ("the 2016 Borrowing Agreements"), in accordance with paragraph 2(a) of each of the 2016 Borrowing Agreements.

2. The Executive Board authorizes the Managing Director to take such actions as necessary to implement this extension of the 2016 Borrowing Agreements on behalf of the Fund. (EBS/19/22, 04/22/19)

Decision No. 16513-(19/40), adopted
May 20, 2019

APPROVAL: January 27, 2023

CEDA OGADA
Secretary