

The background of the top section features a stylized, geometric pattern of overlapping triangles in shades of blue and grey. The word "INTERNATIONAL" is written in a large, white, serif font, arched across the top. Below it, a white horizontal bar is partially visible.

**INTERNATIONAL**

# **IMF Facilities for Low-Income Countries Recent Reforms**

**Presentation to African Caucus Meeting  
Accra, August 1, 2019**

The background of the bottom section features a stylized, geometric pattern of overlapping triangles in shades of blue and grey. The IMF logo is visible, consisting of a circular emblem with a laurel wreath and the words "INTERNATIONAL MONETARY FUND" around it. The text "Seán Nolan" and "Strategy, Policy and Review Department" is written in a white, serif font at the bottom right.

**Seán Nolan  
Strategy, Policy and Review Department**

# About the presentation

1. Background: The Facilities

2. Use of LIC Facilities since 2010

3. Program Performance and Lessons

4. Reforms to LIC Lending Facilities

# **Background: The Facilities**

# IMF Lending Facilities

- ❑ “GRA” facilities – available to all members
  - Surcharges on larger loan balances
  
- ❑ “PRGT” facilities – available only to Low-Income Countries (LICs)
  - Zero interest rate
  - Longer maturities, grace periods
  - Limits on amounts borrowed
  - Separate financing sources

# Facilities for PRGT-Eligible Members

- Three lending facilities
  - Extended Credit Facility (ECF)
  - Standby Credit Facility (SCF)
  - Rapid Credit Facility (RCF) (one-off drawing)
    - 2 windows: i) regular ii) adverse shocks
- A non-lending arrangement: Policy Support Instrument (PSI)
- Access to GRA resources when needed

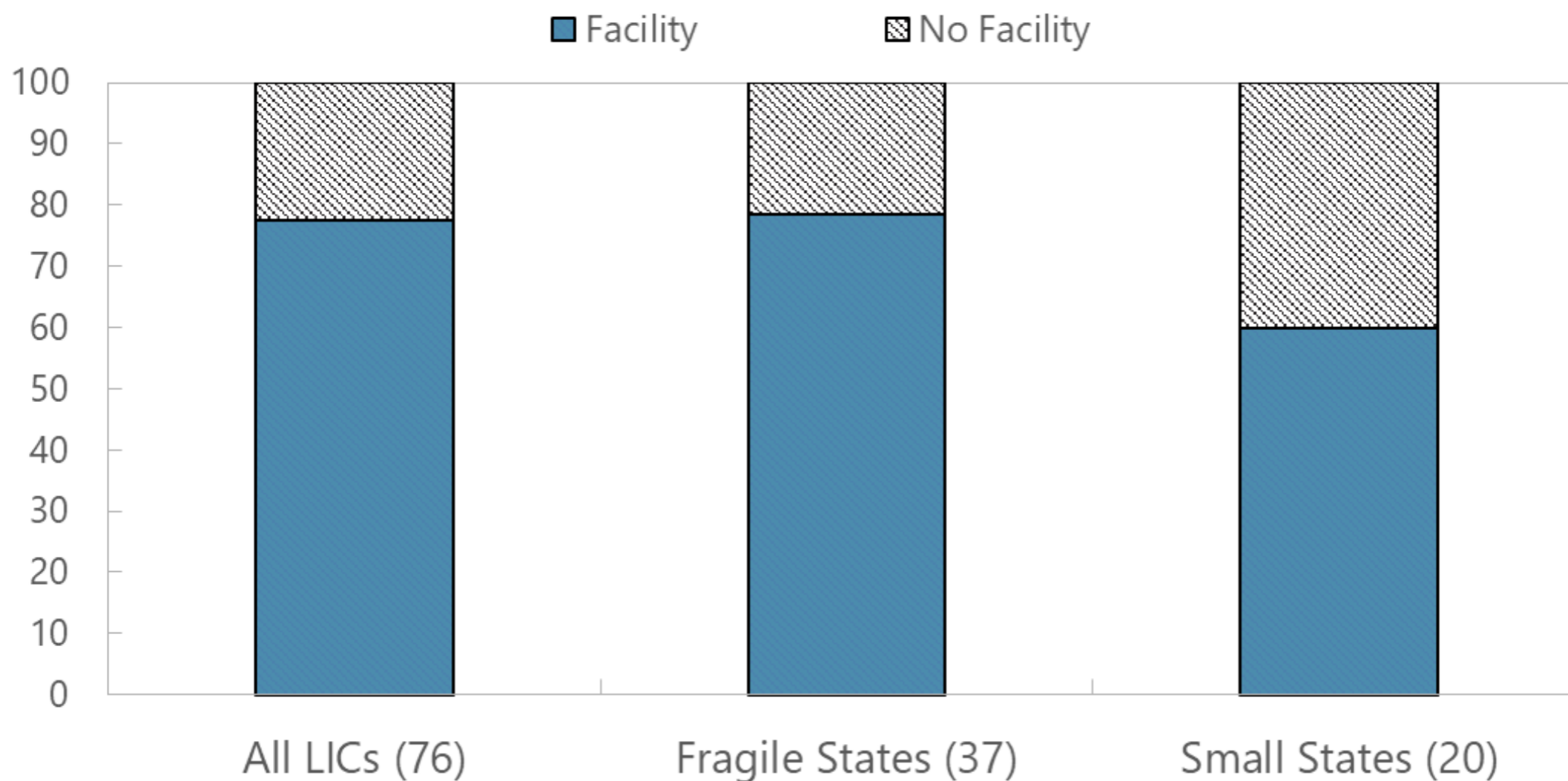
# PRGT Facilities: Key Features

Facility	Balance of Payments (BoP) need	Other aspects (2018)	Financing terms (2018)
Extended Credit Facility (ECF)	Protracted BoP problem	3 to 4 (+1) years	Maturity: 10 years Grace: 5½ years
Standby Credit Facility (SCF)	Immediate or potential BoP problem <b>Precautionary use possible</b>	1 to 2 years. Episodic use	Maturity: 8 years Grace: 4 years
Rapid Credit Facility (RCF)	Single drawing for urgent BoP need	One-off disbursement. Less access	Maturity: 10 years Grace: 5½ years
Policy Support Instrument (PSI)	No current or prospective BoP need	Usually 3 years	No financing

# Use of LIC Facilities since 2010

# Three-quarters of LICs used an IMF Facility in 2010-18

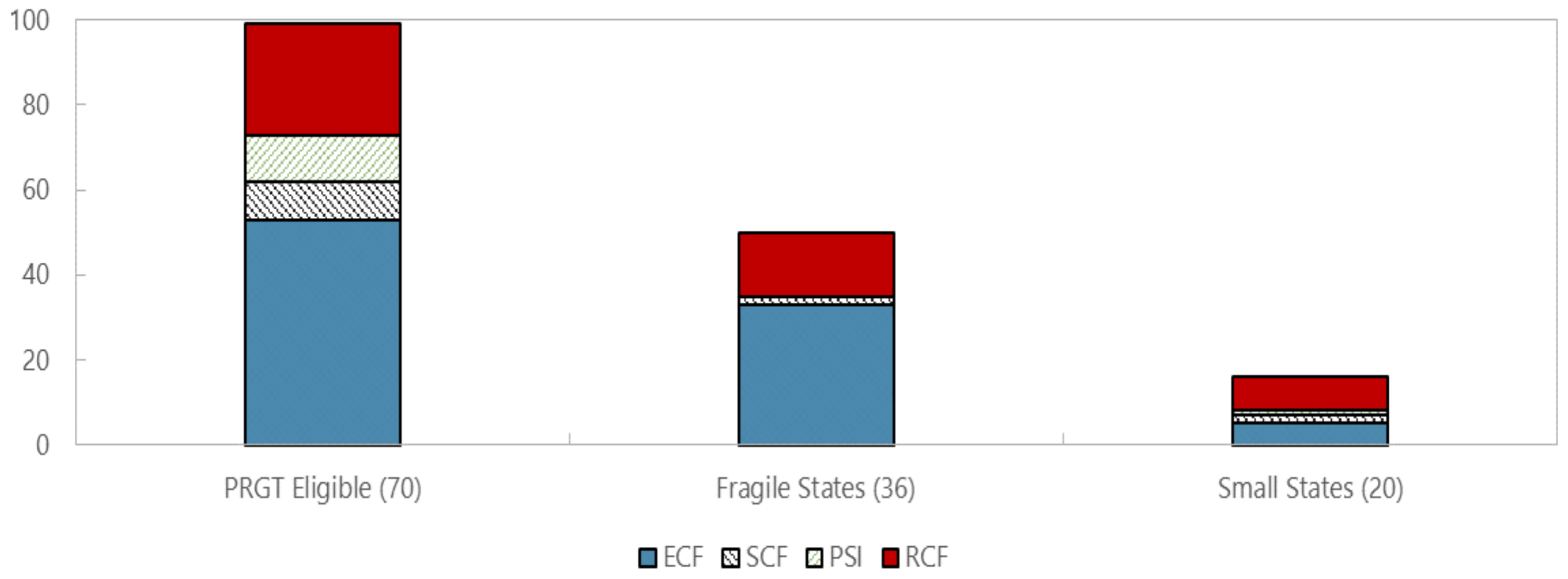
Use of Fund Facilities by PRGT-Eligible Countries by Country Group  
2010-18 (in percent of total)





# The ECF is the most extensively used LIC Facility

## Intensity of the Use of PRGT Facilities by Country Group, 2010-2018 (Total Number of Programs)



Source: IMF, 2018a

# Other takeaways from patterns of use

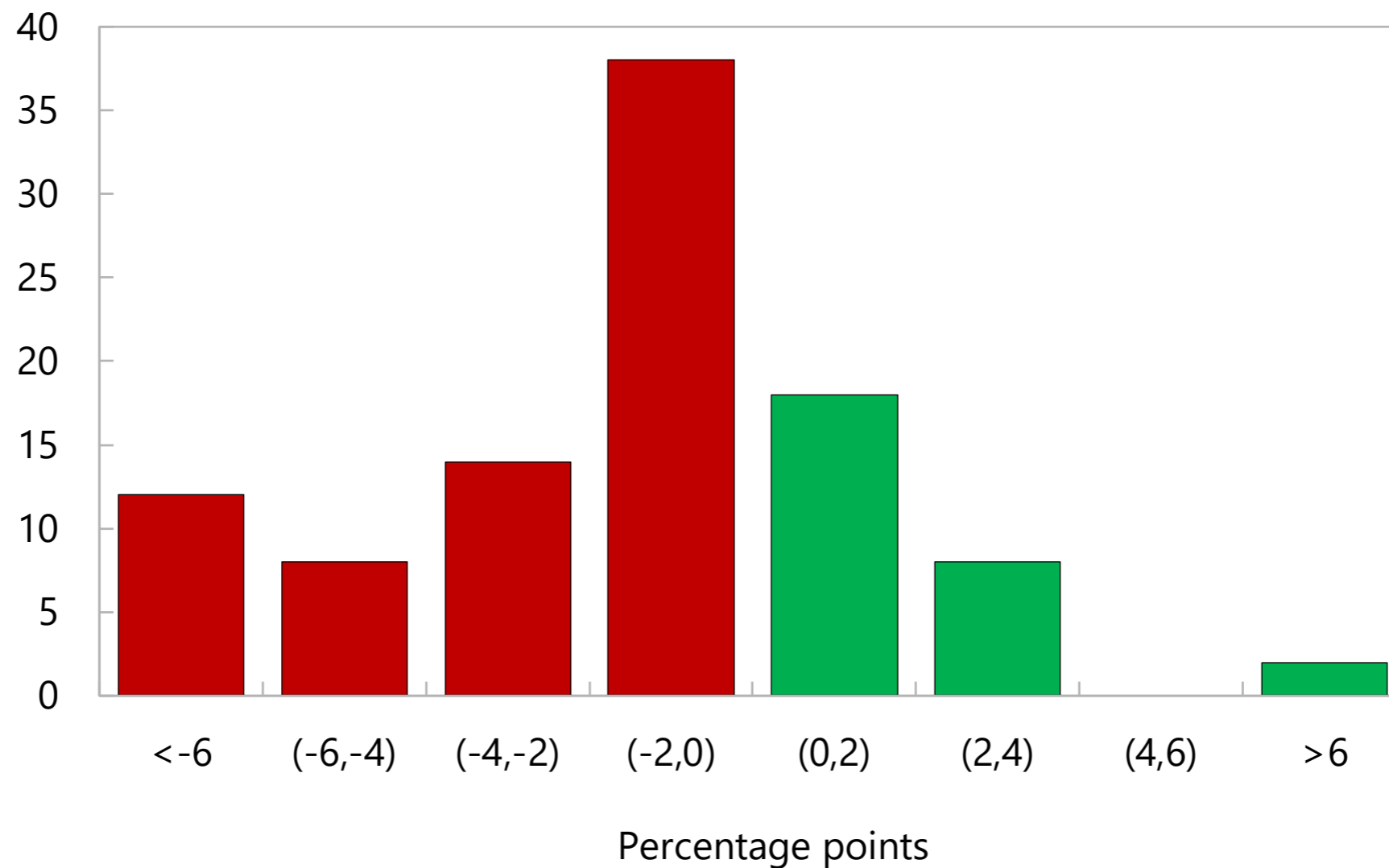
- ❑ The ECF is the primary form of engagement for LICs, used by one-half of all LICs at least once.
- ❑ The SCF is almost always used as a precautionary instrument.
- ❑ The RCF is typically used either i) by countries hit by natural disasters or ii) by fragile states
- ❑ Financing (access) levels have been rising significantly in recent years

# **Lessons from LIC Programs (2011-2018)**

# Issue 1: growth optimism

## PRGT Programs: Distribution of Growth Projection Errors

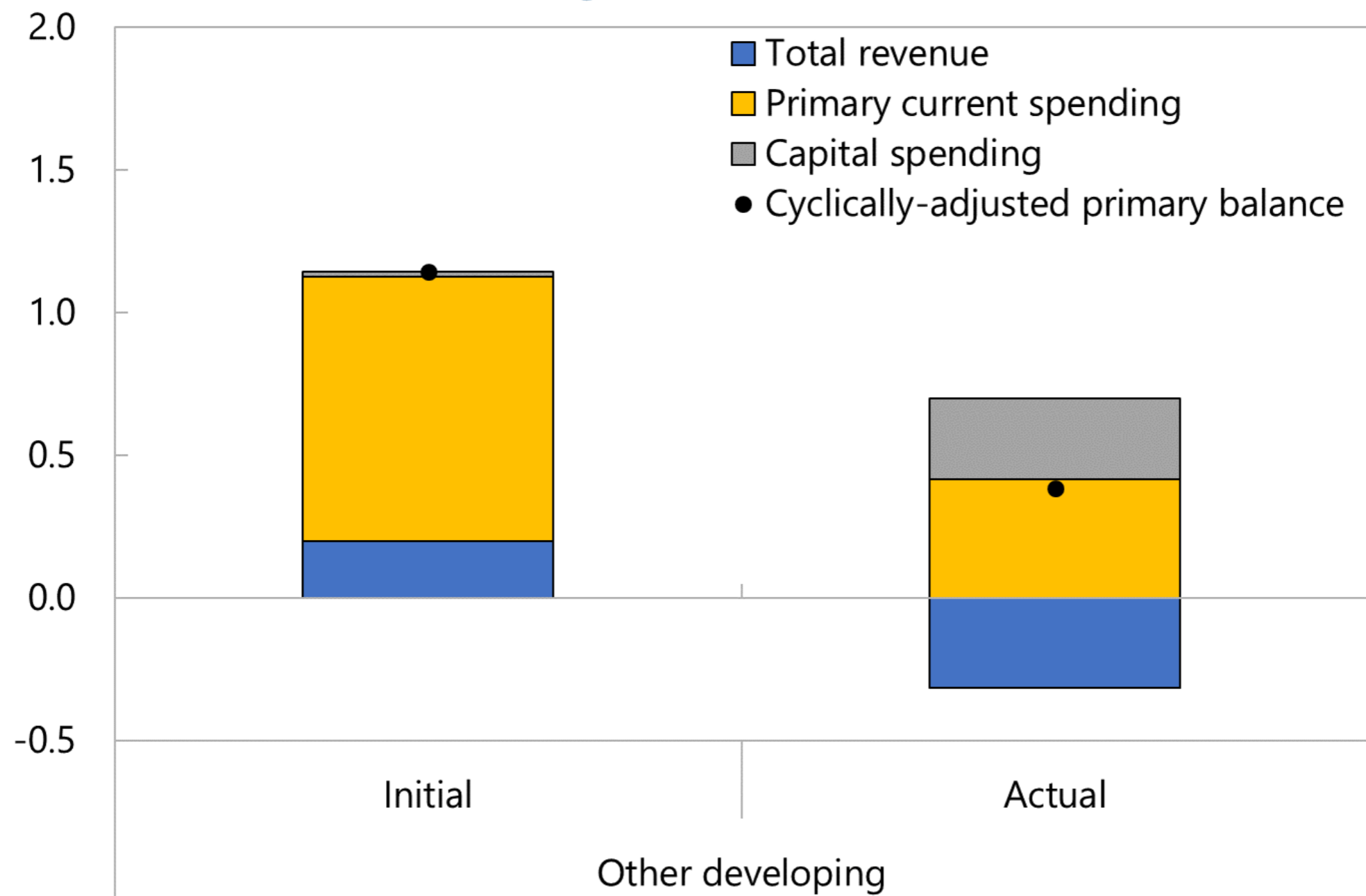
(Percent of programs; average over T to T+3; errors: actual minus projected)



# Issue 2: composition of fiscal adjustment

## Contributions to Fiscal Consolidation

(Percent of GDP; annualized average)



Source: IMF, 2019b

Other developing countries represent 80 percent of PRGT programs approved.

# Improving IMF program design

## □ Key Lessons from the Review of Conditionality (RoC):

- Operate with more realistic program projections and timeframes for implementing reforms;
- Protect the quality of fiscal adjustment;
- Give greater attention to debt vulnerabilities;
- Enhance tailoring/flexibility to meet country needs;
- Build country ownership of programs.

# Additional Messages on Fragile States

2018 IEO Report on “*The IMF and Fragile States*”:

- Raise access limits to the “quick response” facilities

RCF – single drawing, lighter conditionality

- Introduce a new shorter-term arrangement

ECF minimum term is 3 years

- More focus on “quick wins”, near-term priorities

# Reforms to LIC Lending Facilities



# Reforms (May 2019)

1. Access policies
2. Support for fragile states
3. Emergency financing after natural disasters
4. More room for longer-term support

# 1. Changes to Access Policies

- ❑ Generalized increase of 33% in access limits
- ❑ Greater use of blended financing for higher income LICs
  - *Before:* No blending for countries at high risk of debt distress
  - *Now:* Blending for those countries with relatively high income and sustainable market access

## 2. Support for Fragile States

- ❑ Limit on annual access to RCF regular window  
Before: 19% of quota    After: 50% of quota
- ❑ Mandate to focus on near-term policy priorities and targets within ECF

# 3. Support for Disaster-Vulnerable Countries

- ❑ General 33% increase in annual and cumulative access limits for drawings under RCF
- ❑ Additional 33% increase in cumulative access limit under the RCF for a large natural disaster
  - Large disaster: Damages > 20 percent of GDP
- ❑ Shift towards focus on building resilience to natural disasters
  - *Building Resilience in Developing Countries Vulnerable to Natural Disasters (May 2019)*

## 4. More flexibility for long-term support

- ❑ Maximum initial duration of ECF raised from 4 years to 5 years: norm will still be 3 years
  
- ❑ Maximum duration of SCF raised from 2 to 3 years
  - Access sub-limits on precautionary use dropped
  
- ❑ Longer Time-line to produce Poverty Reduction Strategy
  - Longer period for countries with weak capacity

# Financing the Reforms

- ❑ The reform package is consistent with self-sustained PRGT financing framework.
  - Higher access limits require additional financing
  - Expanded blending reduces need for financing

# Titles and Web References

- ❑ International Monetary Fund (2019a), 2018-19 Review of Facilities for Low-income Countries – Reform Proposals (Washington).
- ❑ International Monetary Fund (2019b), 2018 Review of Program Design and Conditionality (Washington).
- ❑ International Monetary Fund (2018a), 2018 Review of Facilities for Low-Income Countries (Washington).
- ❑ Independent Evaluation Office (2018b), The IMF and Fragile States (Washington).

**THANK YOU**