



PREPARED BY THE STRATEGY, POLICY, AND REVIEW DEPARTMENT

REVIEW OF IMF FACILITIES FOR LOW-INCOME COUNTRIES

ISSUES FOR CONSULTATION

Background

In 2009, the IMF undertook a comprehensive reform of its facilities for low-income countries (LICs) to make them more flexible and tailored to the increasingly diverse needs of its LIC members. The overhaul was part of the IMF's overall response to the global crisis and improves its ability to assist LICs, many of which have become more exposed to global economic and financial shocks.

The reform created a new architecture comprising three new concessional financing facilities—the Extended Credit Facility (ECF), the Standby Credit Facility (SCF), and the Rapid Credit Facility (RCF)—alongside the nonfinancial (pre-existing) Policy Support Instrument (PSI).

In the context of the reform, the amount of access to IMF concessional financing that low-income members can receive was doubled, its level of concessionality increased, including by waiving all interest payments on all outstanding concessional loans through end-2011 (recently extended to end-2012). The existing Poverty Reduction Strategy (PRS) documentation requirements for the ECF and the PSI were made more flexible and the maximum duration of an ECF was increased to five years. In parallel, the flexibility of the IMF's debt limits policy was increased and program conditionality streamlined. To support the new architecture of LIC facilities, a medium-term financing package was put in place, which included additional bilateral resources from donors and profits linked to gold sales.

Guiding questions for the consultation

Against this background, the review will focus on the following main themes:

- Has the 2009 reform of LIC facilities achieved its objectives, and has the Fund thus been able to provide effective assistance to LICs, including during the crisis?
- In the context of prolonged global volatility and risk, is there scope for further innovations to enhance the insurance and signaling features of the facilities to protect LICs against spillovers?

- To what extent do access policies and financing terms remain appropriate in balancing the objectives of meeting the financial needs of individual LICs while ensuring debt sustainability and preserving the Fund's scarce concessional resources?
- How can the projected longer-term resource gap of the PRGT be addressed?
- In what areas is there scope for streamlining modalities and procedures to remove unnecessary bottlenecks and increase the flexibility of LIC facilities even more?

Your views on any other relevant aspect of the topic not included in this preliminary set of questions are also welcome too. We greatly appreciate your input to our deliberations on this important work of the Fund.

The deadline for comments will be **May 22, 2012**, but comments received in advance of that date will be more than welcome. Comments should be submitted to IMFConsultationLIC@imf.org and should also include *name of sender; company or organization you represent; address; and e-mail address*.