INTERNATIONAL MONETARY FUND

REVIEW OF FACILITIES FOR LOW-INCOME COUNTRIES—PROPOSALS FOR IMPLEMENTATION

March 15, 2013

EXECUTIVE SUMMARY

Based on the Executive Board's guidance during the first stage of the Review of Low Income Countries (LIC) Facilities, this paper suggests a number of refinements to the facilities and instruments that are consistent with the self-sustainability of the Poverty Reduction and Growth Trust (PRGT). The proposals seek to improve the tailoring and flexibility of Fund support. Taken together with those advanced in the parallel paper on PRGT eligibility, they are projected to keep the average annual demand for PRGT resources within a range consistent with the Board's approved strategy to make the PRGT self-sustaining over the period 2013–35. The proposals are as follows.

Enhancement of the existing blending policy. Members that are currently presumed to blend would use a somewhat higher share of General Resources Account (GRA) resources, thereby releasing concessional resources for poorer members. Some changes are also proposed to the existing market access criteria for blending. On average the changes are projected to shift demand of some SDR 100 million per year from the PRGT to the GRA over the period 2013–35.

Access Policy: a decision would be adopted now to halve access norms and limits in relation to quota when the quota increase under the Fourteenth General Review of Quotas comes into effect. The norms and limits were doubled in 2009 and appear broadly appropriate to meet LICs' needs. Staff's proposal would imply unchanged access in SDR terms for most LICs after the new quotas come into effect. Within the self-sustained framework, even a modest nominal access increase now would compress significantly the size of access increases that the PRGT could accommodate in the future, meaning that access as a share of GDP would decline for future users.

Modifications to enhance precautionary support and respond more quickly to additional financing needs:

- For Stand-by Credit Facility (SCF) arrangements treated as precautionary, easing time limitations on use, and allowing more frontloading of access, would make the instrument more helpful to members.

- Streamlined Board approval of augmentation requests between scheduled reviews would represent a pragmatic approach for the Fund to provide more timely support to members experiencing shocks.

Proposals for operational streamlining to enhance the flexibility of the LIC toolkit include:

- Changing modalities for the Policy Support Instrument (PSI), and clarifying qualification standards for the PSI to increase its usefulness;
- Easing procedural requirements related to Poverty Reduction Strategies (PRS), permitting approval of longer initial durations of Extended Credit Facility (ECF) arrangements, and allowing greater flexibility in the timing of reviews; and,
- Requiring the timely termination of defunct ECF arrangements to avoid PRGT resources being locked up longer than necessary, and thus release them for other eligible users.

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ANNEXES

Glossary

APR	Annual Progress Report
BoP	Balance of Payments
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
EFF	Extended Fund Facility
EPCA	Emergency Post-Conflict Assistance
ESF	Exogenous Shocks Facility
GDF	Global Development Finance
GNI	Gross National Income
GRA	General Resources Account
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
JSAN	Joint Staff Advisory Note
LICs	Low-Income Countries
LOI	Letter of Intent
LOT	Lapse-of-Time
MEFP	Memorandum of Economic and Financial Policies
PPG	Public and Publicly-Guaranteed
PRGT	Poverty Reduction and Growth Trust
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSI	Policy Support Instrument
RCF	Rapid Credit Facility
SCF	Stand-by Credit Facility
TIM	Trade Integration Mechanism
UCT	Upper-Credit Tranche

INTRODUCTION AND BACKGROUND[1]

1. **This paper advances a set of concrete proposals to conclude the Review of Low-Income Countries (LICs) Facilities (henceforth "the Review").**[2] The overarching objective of the Review is to improve the tailoring and flexibility of Fund facilities and instruments for LICs while avoiding undue operational complexity, and in the aggregate, keeping the PRGT sustainable under a wide range of demand scenarios over the short, medium, and longer terms.

2. **The Board's discussion at the first stage of the Review and the subsequent discussion on the proposal to distribute the remaining windfall gold sales profits provide the context for the proposals set forth in this paper.**[3]

- Directors considered that the 2009 reforms had been broadly successful in closing gaps and creating a streamlined architecture of facilities that was better tailored to the needs of LICs. As such, there was no need for another radical overhaul and reform proposals made by staff were mainly incremental. Directors broadly supported staff proposals to consider options to (i) make more efficient use of PRGT resources through better tailoring of access and financing terms to country-specific circumstances; (ii) enhance policy support and precautionary financial assistance to LICs; and (iii) increase operational flexibility in the design of facilities and instruments.

- Directors, in supporting the distribution of SDR 1.75 billion of the general reserve attributed to the remaining windfall gold sales profits as part of a strategy to generate subsidy resources for the PRGT, did so with the objective of establishing a self-sustainable PRGT. To this end, they emphasized that any modifications to the LIC facilities, or to PRGT-eligibility, should be consistent with maintaining self-sustainability (Box 1).

[1] Prepared under the overall guidance of Hugh Bredenkamp (SPR), David Andrews (FIN), and Ross Leckow (LEG) by a staff team comprising Bénédicte Baduel, Julia Bersch, Giuseppe Cipollone, Barbara Dabrowska, Chris Geiregat, Linda Kaltani, Chris Lane, Jules Leichter and Bhaswar Mukhopadhyay from the Strategy, Policy, and Review Department (SPR); Ivetta Hakobyan, Futoshi Narita, Patrick Njoroge, Robert Powell and Fang Yang from the Finance Department (FIN); and Katherine Christopherson, Isabelle Mouysset and Gabriela Rosenberg from the Legal Department (LEG).

[2] The set of "LICs" referred to in this paper includes all countries eligible for concessional financing from the IMF under the Poverty Reduction and Growth Trust (PRGT), and therefore may differ from classifications for LICs used in other organizations or institutions. For the applicable list of PRGT-eligible countries, see Decision No. 8240 (86/56) SAF, as amended. The criteria for entry and graduation from PRGT-eligibility is set forth in Decision No. 14521-(10/3) as amended.

[3] See IMF (2012a) and associated Public Information Notice (PIN) No. 12/108; and IMF (2012b) and associated PIN No. 12/118.

Box 1. Strategy to Make the PRGT Sustainable

The three-pillar strategy to ensure the PRGT has the resources to meet projected demand for IMF concessional lending over 2013–35 set out in IMF (2012b) is as follows:

1. *A base envelope* of about SDR 1¼ billion in annual lending capacity, which is expected to cover concessional lending needs over normal periods. While financing commitments can vary substantially from year-to-year, the self-sustaining PRGT can build up capacity in years with low levels of new lending commitments and draw down capacity in years with higher demand. This implies that the base envelope could cover periods where demand in individual years could be much higher as long as fluctuations average out over a number of years.
2. *Contingent measures* that can be put in place when average financing needs exceed the base envelope by a substantial margin for an extended period. If the Board considers that the self-sustaining capacity would decline substantially below SDR 1¼ billion, it could decide to activate a range of contingent measures including (i) reaching additional understandings on bilateral fundraising efforts to be supported by a broad range of the membership; (ii) the suspension for a limited period of the reimbursement of the GRA for PRGT administrative expenses; and (iii) modifications of access, blending, and interest rate and eligibility policies to reduce the need for subsidy resources.
3. *A principle of self-sustainability* under which future modifications to LIC facilities would be expected to ensure that the demand for IMF concessional lending can be met with the resources available under the first and second pillars under a plausible range of scenarios. It was noted, in particular, that the upcoming review of PRGT eligibility and the second stage of the review of facilities should ensure that all modifications, taken together, would, over the longer term, keep demand consistent with available resources.

3. **A number of ideas that did not get broad support in the first stage of the Review have not been pursued further.** These include:

- A new insurance-type instrument with ex ante qualification criteria along the lines of the Flexible Credit Line and Precautionary and Liquidity Line;
- Differentiated interest rates across users, as a way to target concessional resources to the neediest (greater use of blending was preferred by most Directors for this purpose); and
- Initiatives that would imply further debt or debt service relief, for example by broadening the scope for eligibility to relief from the Post-Catastrophe Debt Relief Trust Fund.

4. **The second stage of the Review has proceeded in parallel, and is consistent with, the proposals advanced in the 2013 Review of Eligibility to Use the Fund's Facilities for Concessional Financing (hereafter the "2013 PRGT Eligibility Review").**[4] Specifically, the projections and scenarios discussed in the Review incorporate the proposals for: (i) graduation from PRGT eligibility of Armenia and Georgia; (ii) entry into PRGT eligibility of Marshall Islands, Micronesia, and Tuvalu; and (iii) higher GNI per capita entry and graduation thresholds for microstates.

5. **The paper is organized as follows**.

- *The next section presents an integrated discussion of access and blending, since these two issues have potentially the most significant implications for the PRGT's sustainability.* The section outlines possible modifications to the blending policy and their implications for the projected demand for PRGT resources. It also considers what the appropriate level of access norms and limits should be before and after the quota increase under the Fourteenth General Review of Quotas becomes effective, in order for the Fund to best meet LICs' financing needs over the medium term, while remaining within the resource constraints.

- *The remaining sections contain proposals that are intended to enable more efficient use of PRGT resources and to enhance the flexibility of the LIC facilities and instruments*. The first of these elaborates on the proposals to better tailor access to financing need and enhance precautionary support for members with potential BOP needs. The next discusses refinements to the Policy Support Instrument (PSI); and the section after that proposes reforms to increase the flexibility of PRGT-supported programs and the PSI. Finally, the last section takes stock of the potential financial impact of the proposed changes to ensure that these are consistent with the self-sustaining financing framework for the PRGT endorsed by the Board, and also summarizes the necessary changes to the rules and operational modalities of the LIC facilities architecture.

- *The draft decisions to implement staff's proposals are contained in the supplement to the paper.*

EXPANDING THE USE OF BLENDING AND ENSURING ADEQUATE AND SUSTAINABLE ACCESS

A. Expanding the Use of Blending

6. **At the Board discussion on September 6, 2012, Directors saw merit in greater use of blending.** This would help to ensure that the PRGT's subsidy resources are conserved for the poorest members. In addition, greater blending of PRGT and GRA resources would yield greater

[4] See IMF (2013).

differentiation in financing terms. While most Directors saw merit in such increased differentiation, and some were willing to consider the use of interest surcharges, others were firmly opposed to such surcharges. Consequently, staff has pursued differentiation of financing terms only through broadening the scope of the blending option.[5]

7. **The current blending policy seeks to provide the poorest and most vulnerable members access entirely from the PRGT, while others are presumed to blend access with the GRA (Table 1).**[6] Specifically, the current policy is as follows:

- PRGT-eligible members are presumed to blend if (i) their per capita GNI exceeds 100 percent of the IDA operational cutoff; or if (ii) their per capita GNI exceeds 80 percent of the IDA operational cutoff and they also have market access as defined below; and (iii) they are not at high risk of debt distress or in debt distress.

- A member is deemed to have market access for blending purposes if it has sustained past and prospective access to non-concessional lending from capital markets and official lenders. While there are no specific thresholds to define "sustained past access" from capital markets, in practice this has been understood to mean the market access thresholds that apply in the PRGT-eligibility framework, i.e.: (i) access to international financial markets in at least three of the last five years; and (ii) total access over the last five years amounting to at least 100 percent of quota.[7]

- The current blending rules require total access to be equally divided between the PRGT and the GRA, subject to a floor of 25 percent of quota and a ceiling of 50 percent of quota on average annual concessional access.

- When financing is blended under a PRGT arrangement and an arrangement under the GRA, total access is determined based on the standard criteria, implying that total access should be comparable across country cases with similar balance of payments needs, program strengths, and outstanding Fund credit, irrespective of whether the Fund's financial assistance comes in the form of blended or PRGT-only resources.[8]

[5] The paper for the first stage of the Review noted that blending was preferable to interest surcharges since it (i) helped conserve PRGT loan resources; (ii) provided more flexibility to meet the financing needs of higher capacity countries when they were constrained by the PRGT access limits; and (iii) promoted differentiation of access to the PRGT based on members' capacities and income levels.

[6] The existing blending policy is covered in IMF (2009d) and associated PIN No. 09/94 and modified in IMF (2010), as reported in associated PIN No. 10/16.

[7] Accessing international financial markets refers to the issuance or guarantee by a public debtor of external bonds in international markets, or disbursements under external commercial loans contracted or guaranteed by a public debtor in such markets.

[8] The standard access criteria are: (i) the member's balance of payments need; (ii) the strength of its program and capacity to repay the Fund; and (iii) the amount of outstanding Fund credit and the member's record of past use (see for instance IMF (2009d)).

- In exceptional circumstances, when financing needs exceed the applicable access limits, blending can be used even when the blending criteria are not satisfied in order to meet the member's financing needs.[9]

8. **The staff considered two approaches to enhance the use of blending.** The first approach would enhance blending incrementally while maintaining broadly the current rules for determining which countries are presumed to blend. The second approach would, in addition to the features of the first approach, also lower the income and market-access thresholds in order to broaden the pool of presumed blenders. Both approaches are discussed below and a summary of their features is set out in Table 1.

9. **Under the first approach, presumed blenders would have somewhat lower access to concessional resources and the blending presumption would be slightly expanded.** Specifically, the policy would change as follows:

- Staff would propose adding specific criteria to define past market access that would be somewhat relaxed relative to current practice. In particular, a member would be presumed to have market access if it had tapped international financial markets during at least two of the last five years, and with the total access over the five years amounting to a minimum of 50 percent of quota.[10] This would more closely align the definition of market access for blending, with that for entry into PRGT-eligibility as proposed by staff in the 2013 PRGT Eligibility Review.[11] The immediate impact of the expanded blending presumption, relative to current practice, would be limited—it would affect only one additional member (Senegal)—but its impact could increase over time (see Annex I for details on the classification of members based on the blending criteria).

- Staff would also propose to eliminate both the floor of 25 percent of quota and the ceiling of 50 percent of quota on the average annual use of concessional resources in blended financing that applies under the current policy. It would stipulate instead a 50:50 mix of PRGT and GRA resources, with the access to concessional resources capped at the norm applicable to unblended arrangements. [12] All access above the norm would need to be met from the

[9] Notably, this could apply in the case of clearance of protracted arrears to the IMF. In such cases, blending may be used even when the blending criteria are not satisfied, and the 50 percent of quota annual ceiling on the concessional part of the blended arrangement may be exceeded.

[10] Access to international financial markets is defined in line with footnote 7 above.

[11] For the purpose of PRGT eligibility, members are also deemed to have market access if there were convincing evidence that the sovereign could have tapped international markets on a durable and substantial basis, even though actual public sector borrowing fell short of the specified thresholds. Operationally, an investment grade credit rating has been used to support an assessment that a member has market access on this basis. Since, no PRGT-eligible members are even close to achieving such a rating, this criteria is not proposed to be added to the market access criteria for blending.

[12] For RCFs, which have no norm, the cap on the access to concessional resources would be the annual limit, while for the SCF treated as precautionary this cap would be at the average annual access limit.

GRA. As illustrated in Annex II, while the implications of this proposal for the blending policy would depend on the scale of access and the amounts already outstanding, in most cases there would be some savings of PRGT resources.

- For members who have resources in their first credit tranche available, implementing a blend of credit tranche and PRGT resources would entail the following modalities. The 50:50 blend of PRGT and credit tranche resources would still apply, but for the GRA resources phasing and performance criteria would only apply to purchases above the first credit tranche.

Table 1. Blending Policy in PRGT Financing 1/

	Current Policy	Reform Proposals	
		First Approach	Second Approach
I. Poorest and most vulnerable LICs	PRGT Only		
II. All other LICs	50:50 PRGT-GRA blend. A floor and ceiling of 25 percent and 50 percent of quota, respectively, on average annual access to concessional resources apply. 2/	50:50 PRGT-GRA blend up to the norm for concessional resources in unblended arrangements. All GRA after that. 2/ 3/	
III. Exceptional circumstances	Blending may be used by all PRGT-eligible members		
IV. Memorandum items			
1. Definition of poorest and most vulnerable LICs	1. High risk of debt distress or in debt distress 2. GNI $\leq$ 80 percent of IDA cutoff 3. No market access: 80 percent of IDA < GNI $\leq$ 100 percent of IDA cutoff		1. High risk of debt distress or in debt distress 2. GNI $\leq$ 60 percent of IDA cutoff 3. No market access: 60 percent IDA < GNI $\leq$ 80 percent of IDA cutoff
2. Definition of market access	1. Sustained past and prospective access to non-concessional lending from capital markets and official lenders	1. Markets accessed in at least two out of the last five years; and 2. Minimum cumulative market access of 50 percent of quota	

1/ Green shaded areas indicate no change in policy; orange shaded areas indicate areas where proposals would change existing policy.

2/ For outstanding concessional credit above 200 percent of quota, the norms do not apply, and access will be guided by consideration of the access limit of 300 percent of quota, expectation of future need for Fund support, and the repayment schedule.

3/ The 50:50 blend of PRGT and GRA resources applies to the annual limits for the RCF, and to the average annual access limit under a SCF arrangement treated as precautionary.

10. **The second approach, which is somewhat more ambitious, also lowers the income thresholds for blending.** In addition to the modalities of the first approach (that already envisage lower market access thresholds relative to current practice), under the ambitious option the income threshold for blending would be lowered from 80 percent to 60 percent of the IDA operational cutoff for members with market access, while for all other LICs it would be lowered from 100 percent to 80 percent of the IDA operational cutoff. This change could bring some seven additional members into the group of presumed blenders.[13]

11. **On balance, staff would recommend that the first blending approach be adopted.**

- The first blending approach would be expected to lower the annual demand for PRGT resources by an average of about SDR 0.1 billion annually in the near term. The second approach would be expected to lower demand by up to a further SDR 0.1 billion on average (the detailed exposition of the calculations follows in the next section).
- However, the first approach would keep broadly unchanged the existing set of blenders, while expanding the presumption of blending to lower levels of access than presently applies.[14] There is a high likelihood that these members could manage smoothly the levels of GRA access that such enhanced blending would entail.
- By contrast, the second approach would result in some countries being covered under the blending presumption that are still far removed from PRGT-graduation and whose creditworthiness is compromised by their fragile macroeconomic position or low capacity to manage debt (see Annex I). Such a change would not be consistent with the intent of the original blending policy, which was to complement the PRGT graduation framework and provide a consistent approach for progressive graduation from Fund concessional financing.

B. Ensuring Adequate and Sustainable Access

12. **In the first stage of the Review, Directors concluded that current nominal access levels appear broadly appropriate.** Most Directors saw merit in keeping access unchanged in SDR terms when the quota increase under the Fourteenth General Review of Quotas becomes effective, while recognizing that access will need to be raised over time as financing needs

[13] For all seven members (Côte d'Ivoire, Lao, PDR, Mauritania, Nicaragua, Solomon Islands, South Sudan, and Zambia) the presumption to blend would result from the proposed reduction in the threshold for the income criterion from 100 percent to 80 percent of the IDA operational cutoff. There are no members at present with GNI between 60–80 percent of the IDA cutoff that have market access (even based on the more relaxed criteria being proposed).

[14] For instance, a presumed blender with a three-year ECF arrangement with a norm of 75 percent of quota (applicable when a member has outstanding access from the PRGT at, or in excess of 100 percent of quota) would receive all concessional access under the current blending rules. Under the proposed new rules, such access would be split 50:50 between the GRA and the PRGT. As noted above, the full implications of the proposal are described in Annex II.

increase, based on a careful assessment of projected financing needs and available resources. A number of Directors were not in favor of reducing access norms and limits (in percent of quota) when quotas are doubled, or could support only a less than commensurate reduction, while urging greater efforts to address the long-term resource gap. To facilitate Directors' further deliberations on this issue, the discussion below updates the baseline projections of the demand for PRGT resources, computes the resource implications from proposed reforms in blending rules, and illustrates the implications, in terms of the potential for future increases in nominal access, if access were to be increased now.

Updated Baseline Projections for Access to PRGT Resources

13. **The main underlying assumptions for the baseline projections of access to PRGT resources are as follows:**

- Access norms and limits in terms of quota are reduced by half when the quota increase under the Fourteenth General Review of Quotas becomes effective, which is assumed to happen in 2013.

- In 2013, Armenia and Georgia graduate from PRGT eligibility, while Marshall Islands, Micronesia, and Tuvalu become PRGT-eligible. Thereafter, members are assumed to graduate from PRGT-eligibility at two-year intervals, based on their reaching the required income threshold for graduation.[15]

- PRGT demand projections have been estimated using a "bottom-up" approach for 2013–14, which indicates that demand has eased but remains somewhat elevated as LIC members begin to exit from the crisis.[16] For 2015–35, the projections are based on the framework presented in the first stage of the Review (IMF, 2012a). These projections assume access in SDR terms to increase broadly in line with PRGT-eligible countries' GDP after 2015.[17]

14. **Staff's updated projections suggest baseline average annual demand for PRGT resources to be in the range of SDR 1.2–2.1 billion for 2013–35.**[18] The updated demand projections are slightly higher than those presented in IMF (2012b), which had a range of SDR

[15] To be conservative, it is assumed that PRGT-eligible countries that are currently deemed to have short-term vulnerabilities would continue to be vulnerable through 2015, and hence would not graduate from PRGT-eligibility during the 2015 eligibility review. It is also assumed that PRGT-eligible members at high risk of debt distress, or in debt distress, could not be presumed blenders until at least 2021, even if they qualified for blending before then based on the income criterion alone.

[16] PRGT commitments in 2013 and 2014 are expected to be about SDR 1 billion.

[17] The access increases indicated are assumptions to construct the baseline scenario. The decision to grant any actual access increases in the future would have to be taken by the Board at that time taking into account indicators of the demand for Fund resources and the availability of resources in the PRGT.

[18] The high case assumes 50 percent of LICs having some form of Fund financial support in place in any given year. The low case assumes that about 30 percent of PRGT-eligible countries would resort to Fund financing.

1.1–1.9 billion. This compares with the estimated self-sustained average annual lending capacity of about SDR 1¼ billion.[19]

15. **Enhanced blending would help to contain the use of subsidy resources and thus make self-sustainability of Fund concessional financing more robust.** Estimates suggest that the blending proposal staff recommends (the first option) could bring projected average demand for PRGT resources to the range of SDR 1.1–1.7 billion for 2013–35 and to SDR 1.0–1.5 billion for the period through 2023 (see table below).[20]

Table 2. Projections of Demand for PRGT Resources Under Alternative Blending Scenarios (In billions of SDRs)

	2013–23		2013–35	
	Low-case scenario	High-case scenario	Low-case scenario	High-case scenario
Average annual demand for access to PRGT resources 1/				
Baseline at time of gold windfall distribution decision 2/	1.1	1.8	1.1	1.9
Updated baseline 3/				
Without entry of new PRGT-eligible members 4/	1.1	1.7	1.2	2.1
With entry of new PRGT-eligible members 4/ 5/	1.1	1.7	1.2	2.1
Moderate expansion of blending rules 6/	1.0	1.5	1.1	1.7
More aggressive expansion of blending rules 7/	0.9	1.4	1.0	1.6
Average annual savings (+) or dissavings (-)				
Updated baseline				
Without entry of new PRGT-eligible members	0.0	0.0	0.0	-0.2
With entry of new PRGT-eligible members	0.0	0.0	0.0	-0.2
Moderate expansion of blending rules	0.1	0.3	0.1	0.2
More aggressive expansion of blending rules	0.1	0.3	0.1	0.3

1/ The low-case scenario assumes that about 30 percent of PRGT-eligible countries would resort to Fund financing in any given year, while the high-case scenario assumes that some 50 percent of LICs request some form of Fund financial support in any given year.

2/ See IMF (2012b); detailed calculations are reported in IMF (2012a).

3/ All the demand projections assume that Armenia and Georgia graduate from PRGT eligibility.

4/ Based on 50 percent reduction in access norms and limits (in percent of quota) when the quota increase under the Fourteenth General Review of Quotas goes into effect in 2013, followed by increases in access in nominal SDR terms of 24.2 percent at three-year intervals, starting in 2016. The update to the baseline also reflects other methodological refinements, such as (i) applying the vulnerability criterion to the graduation and blending assumptions; and (ii) aligning the graduation assumptions with the two-year PRGT-eligibility review cycle.

5/ Includes entry into PRGT-eligibility of Marshall Islands, Micronesia, and Tuvalu.

6/ Assumes that, for PRGT-eligible countries that are presumed to blend, half of access to Fund resources is from the PRGT.

7/ Assumes that PRGT-eligible countries are presumed to blend when their GNI per capita exceeds 80 percent of the prevailing IDA operational threshold and that, for those countries, half of access to Fund resources is from the PRGT.

16. **Given the resource constraints, an upfront increase in nominal access now will necessarily be at the cost of potential future access increases for PRGT-eligible members.** Baseline projections allow for nominal access (i.e., in SDR terms) to rise over time, as some countries graduate and eligible countries' economies grow. An increase in access now would raise projected average lending levels above the baseline, and to remain consistent with the PRGT's self-sustained lending capacity, lending in the future would have to fall below the baseline for a period of time. This, in turn, implies that current users of Fund concessional resources would benefit at the expense of future users. The costs of this intertemporal tradeoff

[19] The differences in the demand projections relative to those of IMF (2012b) reflect mainly methodological refinements, including: (i) applying more conservatively the vulnerability and debt vulnerability criteria to the graduation and blending assumptions respectively (see footnote 15); and (ii) aligning the graduation assumptions with the two-year PRGT-eligibility review cycle.

[20] See paragraph 36 and Appendix VI IMF (2012a).

would disproportionately fall on relatively poorer and more vulnerable PRGT-eligible members because they are less likely to graduate soon.

17. **The analysis of a number of illustrative scenarios suggests that even a modest upfront increase in average nominal access would compress significantly the scope for future increases in access.** The scenarios incorporate the enhanced blending rules and assume that future access increases are considered at three-year intervals (starting in 2016). Table 3 below summarizes the scenarios and compares the magnitudes of the associated tradeoffs. In particular, for alternative levels of upfront access increases, the table identifies the earliest year in which a further nominal increase in access could realistically be considered.

- If an average increase of 15 percent, relative to the baseline, were to be granted, cumulative lending (i.e., lending from 2013 onwards) would not return to the levels projected under the baseline scenario before 2020 at the earliest. Thus, a further increase in nominal access could not realistically be considered before 2022.[21] [22]
- With an average increase of 38 percent—needed to ensure that no member faced a decline in SDR terms—a further nominal access increase may only be expected by 2026.
- If the increase under the Fourteenth General Review of Quotas were passed on in full to higher access, with no further increases in future years, cumulative lending would still exceed the level projected in the baseline by 2035.

[21] An increase of 15 percent—comparable to adjustments provided in the context of past quota increases—would still leave 14 countries with lowered nominal access at the new norms.

[22] If LIC facilities, and hence access, were reviewed on a three-year cycle, 2022 would be the earliest date after 2020 at which access levels would be reconsidered.

Table 3. Tradeoffs in Access to PRGT Resources: Scenario Analysis

Scenarios: changes to access norms and limits (in percent of quota) when the quota increase under the Fourteenth General Review of Quotas goes into effect in 2013	Earliest date when lower-end of average annual PRGT access returns to baseline 1/	Number of times that future increases in nominal access need to be forgone to return lower-end of average annual PRGT access to baseline (assuming nominal access increases are considered at three-year intervals, starting in 2016)
Baseline: reduce access norms and limits (in percent of quota) by 50 percent 2/	---	---
Reduce access norms and limits (in percent of quota) by 40 percent—increasing average access in 2013 by 15 percent 3/	2020	Two (2016 and 2019)
Reduce access norms and limits (in percent of quota) by 28 percent—just enough to leave no PRGT-eligible member worse off in terms of nominal SDR access	2026	Four (2016, 2019, 2022, and 2025)
Keep access norms and limits (in percent of quota) unchanged 5/	Not until after 2035	All

Source: IMF staff projections and calculations.

1/ The baseline incorporates staff's proposal for a moderate expansion in blending, resulting in a projected range for average annual access to PRGT resources of SDR 1.1–1.7 billion over 2013–35.

2/ The baseline assumes that the quota increase under the Fourteenth General Review of Quotas goes into effect in 2013 and that access norms and limits (in percent of quota) are reduced by 50 percent, which leaves access norms and limits unchanged in nominal SDR for most PRGT-eligible members. Thereafter, the baseline assumes that access in nominal SDR terms increases by 24.2 percent at three-year intervals, starting in 2016.

3/ A reduction in access norms and limits (in percent of quota) by 40 percent results in an increase in nominal access of 15 percent, on average, in 2013. It is equivalent to first halving access norms and limits (in percent of quota) to account for the impact of the quota increase under the Fourteenth General Review of Quotas and then increasing those new norms and limits by 20 percent.

4/ A reduction in access norms and limits (in percent of quota) by 28 percent results in an increase in nominal access of 38 percent, on average, in 2013. It is equivalent to first halving access norms and limits (in percent of quota) to account for the impact of the quota increase under the Fourteenth General Review of Quotas and then increasing those new norms and limits by 44 percent.

5/ For the median PRGT-eligible member, this scenario implies a doubling of access norms and limits in nominal SDRs.

18. **In light of these observations, staff proposes that access norms and limits be kept unchanged now, and that a decision be adopted by the Board at this time to reduce the norms and limits by half at the time that the quota increase under the Fourteenth General Review of Quotas becomes effective (see Figure 1 and Annex III).**[23] To summarize, a number of considerations support this recommendation.

- Access norms and limits were doubled in 2009 and, as noted by most Directors at the first stage of the Review, access levels in nominal terms are broadly appropriate on average. The higher projected demand for PRGT resources in the new baseline implies weaker assurances that the Trust's finances will remain self-sustaining (the self-sustained lending capacity would

[23] Specifically, the new access limits and norms would become effective upon completion of the general effectiveness conditions for any quota increase under the Fourteenth General Review of Quotas. These general effectiveness conditions are set out in paragraph 3 of the Board of Governors Resolution No. 66-2 on the Fourteenth General Review of Quotas and Reform of the Executive Board, which provides that: "No increase in quotas proposed by this Resolution shall become effective until: (i) the Executive Board has determined that members having not less than 70 percent of the total of quotas on November 5, 2010 have consented in writing to the increases in their quotas; (ii) the proposed amendment of the Articles of Agreement set out in Attachment II of this Resolution has entered into force; and (iii) the proposed amendment of the Articles of Agreement approved under Board of Governors Resolution No. 63-2 has entered into force."

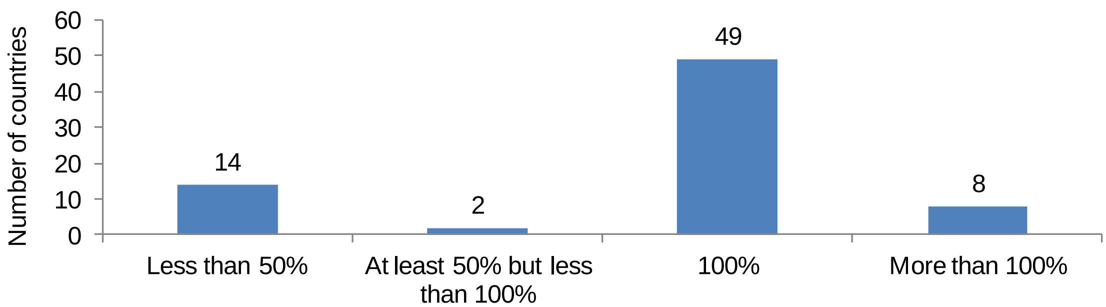
be close to the bottom of the new range of projected demand). In line with Directors' guidance at the meeting on the strategy to make the PRGT sustainable, prudence would therefore require that the savings from blending be used to re-establish a cushion relative to the self-sustaining PRGT resource envelope and thus safeguard against the inherent uncertainties associated with the projected demand.

- Keeping access unchanged in SDR terms now would also help safeguard the availability of PRGT resources for the relatively poorer PRGT-eligible members whose share in total demand for such resources would increase over time as the wealthier members graduate from eligibility.

- The decision by the Board to reduce by half the access norms and limits applicable to financial assistance from the PRGT would be taken now, but would become effective immediately upon completion of the general effectiveness conditions for the quota increase under the Fourteenth General Review of Quotas. The decision would not affect commitments under PRGT arrangements approved prior to its effectiveness.

- While under this proposal some 16 PRGT-eligible members would face reduced access to the PRGT in SDR terms at the new norms and limits once the quota increase under the Fourteenth General Review of Quotas becomes effective, most of these countries are presumed blenders with access to GRA resources to supplement their financing needs.[24] For the remaining members, consistent with existing guidelines, access could exceed the norm if, inter alia, warranted by members' balance of payments need.

Figure 1. LIC Quota Increases Under Fourteenth General Review of Quotas
(Number of countries and percentage quota increase) 1/



Source: IMF staff calculations.
1/ Initial quota based on post second-round, agreed as part of the 2008 quota and voice reform. Excludes Armenia and Georgia, which are proposed for graduation from PRGT-eligibility; and includes Marshall Islands, Micronesia, and Tuvalu, which are proposed for entry into PRGT-eligibility.

[24] Quotas would double for 49 out of 73 PRGT-eligible members, and for the other members the increase would vary from 40 percent to some 150 percent. See Figure 1 and Annex III for details.

19. **Staff also proposes that the cumulative access limit under the RCF be raised.** Specifically, the proposal would increase the cumulative limit (net of scheduled repayments) from 75 percent to 100 percent of quota and, when the facility is used to address an urgent balance of payments need resulting primarily from a sudden and exogenous shock, from 100 to 125 percent of quota.[25] There was broad support at the Board discussion of operational issues in fragile states for such an increase and, as indicated in the first stage of the Review, the primary beneficiaries would likely be members in fragile situations and natural disaster-prone small economies.[26] Staff believes that the net additional demands on PRGT resources and risks to the Fund resulting from these changes would be minimal:

- The risk of moral hazard would be contained by keeping the annual limits unchanged.[27]

- For members in fragile situations facing urgent balance of payments need, the intent is to allow a more extended period of support under the RCF, where appropriate, as a substitute for early recourse to ECF support.[28] [29] Hence, for any given period of Fund support, it is likely that there would be no net additional demand on the PRGT.

- The higher cumulative limit would allow somewhat greater use of the RCF, in particular by natural disaster-prone small states, and this would not necessarily be offset fully by reduced recourse to other facilities. However, a number of these countries are among those members that will face reduced nominal access at the new norms if, as proposed by staff, the norms were to be reduced by half after the quota increase under the Fourteenth General Quota Reviews becomes effective. Hence, higher cumulative RCF access could be viewed as partial compensation for this.

[25] All access norms and limits in this paper, including in the new proposals, are expressed in terms of existing quotas.

[26] See IMF (2011a) and associated Chairman's Summary (IMF, 2011b).

[27] The annual limits are set at 25 percent of quota and, when the facility is used to meet an urgent balance of payments need arising primarily from a sudden and exogenous shock, at 50 percent of quota.

[28] Consistent with the existing policy on the use of the RCF, LICs in fragile situations would be permitted to use the RCF only in the absence of capacity to implement an UCT-standard arrangement (or when such an arrangement is not necessary). However, in practice, there is significant uncertainty surrounding the determination that a member has (or lacks) such capacity. In this regard, IMF (2011a) makes the point that over the period 2000–08 implementation of upper credit tranche standard programs by LICs in fragile situations was considerably weaker than implementation by other LICs.

[29] While in principle some LICs in fragile situations may experience short-term balance of payments needs, as discussed in IMF (2011a), in the overwhelming majority of such cases financing needs are likely to be protracted, and that the ECF would remain the workhorse of Fund engagement in fragile LICs.

ENHANCING PRECAUTIONARY SUPPORT

Contingent tranches and augmentation of access

20. **There was broad support from Directors for further consideration of cost-neutral approaches to contingent tranches.** The main challenge staff faced in designing such a contingent tranche was striking a balance between the automaticity of access and the associated resource implications. While more automatic access to the contingent tranche increases members' precautionary support, it also increases the risk that the contingent tranche would be activated more frequently.[30] To balance these considerations staff considered a design for the contingent tranche to meet balance of payments needs that would otherwise be covered through augmentations. In this form, the contingent tranche would become available at the time the arrangement was approved, and could be drawn by the member upon the representation of an urgent balance of payments need caused by a sudden and exogenous shock.

21. **There would, however, be significant risks associated with the contingent tranche that would be difficult to manage.** Under the envisaged activation mechanism the member would be required to exercise its own judgment that the source of the balance of payments need it is experiencing meets the "sudden and exogenous shock" criterion, and also to evaluate the size of the financing gap created by the shock.[31] This creates a risk that the contingent tranche would be used in circumstances where a conventional arrangement may not have been augmented, or where the augmentation may have been smaller than the resources used from the contingent tranche. Any consultations with staff prior to such use of the contingent tranche could pose additional problems if the authorities' assertion of the existence and size of a qualifying balance of payments need was challenged by the Board after the disbursement was made.

22. **An alternative approach to meet unexpected balance of payments needs would be to consider augmentation requests between scheduled program reviews for on-track ECF/SCF arrangements.**[32] Augmentations in access (and associated disbursements) would be considered by the Board in ad hoc reviews in the period between scheduled reviews and could serve as a mechanism to provide timely and tailored financial support to members experiencing an increase in their balance of payments problems, and where the problems are so acute that the

[30] Its use would not require Board approval, in contrast to an augmentation of access, and the negative signal of drawing may not be very strong.

[31] The possibility of remedial action to challenge ex-post a member's representation of a qualifying balance of payments need would also have to be extended to ECFs under this approach. At present this is not envisaged for ECF arrangements (which are intended to meet members' protracted balance of payments problems) since there is no requirement of an actual need for members to draw.

[32] The PRGT Instrument, in Section II, paragraph 2(g), currently states that, "The amount of resources committed to a qualifying member under an ECF, SCF or ESF arrangement may be increased at the time of any review contemplated under the arrangement".

augmentation cannot await the next scheduled review under the arrangement.[33] While access to Fund resources would be less automatic than with contingent tranches—requests would have to be approved by the Board—the adoption of streamlined approval procedures could allow Fund support to be delivered over a similar timeframe.

23. **Augmentations between reviews present a number of significant advantages.**

- Such augmentations would be available to address an increase in the underlying balance of payments problems of the member arising from a wide range of sources, including those that do not arise from sudden and exogenous shocks, though streamlined approval procedures would likely be most appropriate in the case of exogenous shocks. The requirement of Board approval would provide more effective safeguards with respect to the appropriate use of Trust resources.[34] It would also address concerns arising from countries' incentives to draw on a precautionary or contingent financing facility with subsidized credit, irrespective of financing need.

- Such augmentations would not have the drawbacks and risks associated with contingent tranches discussed above, while also meeting the test of simplicity.[35] Finally, of paramount importance in the current environment, this proposal (unlike the contingent tranche) would not tie up concessional resources unnecessarily.

24. **The approval of augmentations at an ad hoc review would require an assessment by the Board that the program was on track at the time of the augmentation.**[36] In making this finding the Board would assess the member's observance of the continuous performance criteria and assess that the member's policies are suitable to address its balance of payments problems and, more generally, are consistent with program objectives. The Board would also take into account any other relevant considerations, including exogenous developments and data on periodic performance criteria linked to future disbursements.

25. **The information in program documents would need to establish the basis for the augmentation and support the assessment that the program is on-track.** Requests for augmentation of access between scheduled program reviews would typically be supported by a

[33] Such augmentations of ECFs would be to meet protracted balance of payments problems that are assessed to be larger than at the time the arrangement was approved. Similar augmentations of the SCF would be to meet an actual short-term balance of payments need that is expected to be resolved within two years and in any event not later than three years.

[34] This is in contrast to the contingent tranche where, as noted above, the more tightly specified circumstances clause was needed to prevent liberal use of the tranche.

[35] Arrangements in the GRA may be augmented outside of reviews.

[36] If the scheduled review associated with the most recent availability date preceding the augmentation request has not been completed, an augmentation could only take place in the context of completing the scheduled review. If this review is unlikely to be completed, or more generally the program is considered to be off-track, the member could receive access under the RCF to meet urgent balance of payments needs.

short staff report and a member's letter of intent (LOI) that describes the nature and size of the problem, policies being undertaken by the authorities to address its balance of payments difficulties and any relevant information on program implementation. As requests for augmentation between reviews would typically follow soon after a completed review, updating developments and policies along the lines described above could suffice, with a more comprehensive assessment of policies undertaken at the time of the following scheduled review.

26. **The following modalities would apply to augmentations at ad hoc reviews.**

- Augmentations of access would only be available to the member in a single disbursement following approval by the Board. There would be no limit on the amount of such a disbursement subject to the access limits and norms that apply under the PRGT. Moreover, the augmentation would be subject to the rules on blending and may be supplemented by a corresponding augmentation of the arrangement under the GRA. In any event, the amount of the disbursement would be limited to what would be immediately needed by the member in light of its balance of payments difficulties; to the extent that additional amounts may be necessary at later stages of the member's program, requests for such amounts would be considered in the context of a regular program review.

- The new disbursement approved at the ad hoc review will be subject to observance of the continuous PCs under the arrangement, including the accuracy of information on the implementation of such PCs and of any prior actions established for that disbursement, as well as any other conditions as determined by the Executive Board. It would not be subject to periodic performance criteria and other conditions linked to the remaining disbursements under the arrangement.[37]

- A member may request an undrawn disbursement made available upon the Board's approval of the requested augmentation until the availability date of the next scheduled disbursement under the arrangement.

- Augmentation requests at ad hoc reviews that do not exceed 25 percent of quota would be eligible for approval on a lapse-of-time (LOT) basis.[38] A scheduled review following an ad hoc review to consider an augmentation request would be expected to undertake a comprehensive review of policies under the program. In order to allow the Board to undertake such a comprehensive assessment of the member's policies, this review could not be completed on a LOT basis.

[37] The PRGT misreporting framework would apply with respect to the accuracy of information on the observance of continuous performance criteria and on the implementation of prior actions.

[38] The Trade Integration Mechanism (TIM) provides a precedent for the Board's approval of streamlined procedures for augmenting Fund arrangements. However, this proposal would require a modification of current procedures, which do not presume the use of LOT procedures for the completion of reviews that include the approval of augmentation requests. See IMF (2011c).

Easing SCF rules

27. **Three proposed modifications could facilitate greater use of SCF arrangements treated as precautionary.**

- Staff proposes that the period of past SCF arrangements that were treated in their entirety as precautionary by the authorities, and prospective SCF arrangements for which the Fund assesses the member does not have an actual balance of payments need, not be counted towards the two and a half out of five year limit that normally applies on the use of SCFs.[39] This proposal would close a gap in the architecture as currently the usual recourse for members who have treated SCF arrangements as precautionary for two and a half out of five years is to move to a low-access ECF arrangement.

- Repeated requests for SCF arrangements by a member could signal the existence of a protracted balance of payments problem, and hence the need for a medium-term agenda of structural reforms for which an ECF arrangement is better suited. Accordingly, for requests to use the SCF for more than two and a half out of five years, where permitted by past use on a precautionary basis or an assessment that the member does not have an actual balance of payments need, staff reports and Letters of Intent would be required to make an explicit case that the member does not have a protracted balance of payments problem.[40]

- Staff also proposes establishing an annual access limit at approval of 75 percent of quota for SCF arrangements that are approved in the absence of an actual balance of payments need. At the same time staff would propose that at approval a member's average annual access under such SCF arrangements be subject to a limit of 50 percent of quota.[41] [42] Guidance to staff would more explicitly recognize the possibility to frontload access. The possibility to frontload more access in SCFs that at approval a member intends to treat as precautionary, without raising overall access, would better meet the needs of LICs which are more

[39] See Section II, paragraph 1(c)(1) of the PRGT Instrument.

[40] The absence of a protracted balance of payments problem is a standard qualifying condition for use of the SCF at any time, and repeated requests to use the SCF (even on a precautionary basis) warrant greater scrutiny that this requirement is met. The requirement to explicitly make this case in the authorities' documents and the staff report (which will be spelled out in the *Handbook of IMF Facilities for Low-Income Countries*) would provide the Board a better basis to assess staff's judgment on the issue. Since the staff is required to assess the absence of a protracted balance of payments problem for all SCF requests, documenting explicitly the basis for such an assessment should be feasible, and not create a new burden.

[41] Under the current framework, access in SCF arrangements approved in the absence of an actual balance of payments need is subject to a limit of 50 percent of quota on an annualized basis. As under the current framework, access could be augmented at a later stage if a larger actual balance of payments need arises (see IMF (2009d)).

[42] For instance, for a two-year SCF arrangement approved in the absence of an actual balance of payments need, total access could not exceed 100 percent of quota. Thus, if access in the first year of the arrangement was 75 percent of quota, in the second year access could not exceed 25 percent of quota.

integrated with the world economy and could face significant potential short-term balance of payment needs.

MODIFYING THE POLICY SUPPORT INSTRUMENT FRAMEWORK

28. **Directors saw merit in exploring refinements to make the PSI more flexible while preserving its signaling function**. In this regard the first paper of the Review proposed modifying PSI modalities, and broadening marginally the pool of users by linking qualification standards of the PSI more to the sustainability of macroeconomic policies, and less to broader measures of institutional capacity and development.

29. **Some changes to PSI modalities could increase the attractiveness of the instrument**. These include:

- Making PRS documentation requirements more flexible, thus focusing PRS implementation more on substance than process (see the next section on more broadly applicable PRS-related requirements).
- Allowing more flexibility in setting review dates, so that users can align them better with their political and budget cycles, and allowing the initial duration of a PSI to extend up to four years and its overall duration up to five years (also see the next section).
- Permitting a one-month extension of the deadline for issuance of the staff report for a review.[43] This could be helpful, for instance, when additional time is needed to finalize understandings with the authorities, or when there are clear indications that essential structural reforms required to complete the review are expected to be implemented within the one-month extension. Nonetheless, the LOI and Memorandum of Economic and Financial Policies (MEFP) would normally have to be signed and circulated to the Board before the test date of the periodic assessment criteria linked to the next scheduled review.[44]

30. **Staff also proposes to clarify the guidance on the standards for members to qualify for use of the PSI**. The PSI qualification criteria require members to have a policy framework focused on consolidating macroeconomic stability and debt sustainability, while deepening structural reforms in key areas in which growth and poverty reduction are constrained.[45] While

[43] Current rules require that the documentation supporting Board discussion of a review should be issued no later than the test date for the periodic assessment criteria relevant for the next review. The proposed modification would allow issuance for up to one month after that test date. The idea of abolishing fixed deadlines for PSI reviews altogether did not attract broad support from the Board; the fixed schedule was considered by most to have important signaling benefits.

[44] This is needed to fulfill the standard requirement that conditionality should normally be set (or modified) by the Board before the test date of the assessment criteria for the next scheduled review.

these criteria are broadly defined, by design, the PSI has been targeted for "mature stabilizers" which, under current practice, has been interpreted as meeting a standard that restricts PSI-qualification to countries that have both strong economic performance and a *high* quality of institutions.[46] Instead, staff proposes to make it clear through operational guidance that a PSI is available to any member that meets the criteria set out in the policy, including those that have established a good track record of macroeconomic management and where institutions are of *sufficient* quality to support continued good performance, including in responding to shocks.

31. **The proposed clarification to PSI guidance would expressly allow some members with somewhat lower institutional capacity than the typical PSI user thus far to have a non-financial engagement with the Fund**. Such a change would allow countries with good institutions (i.e., of sufficient quality to support continued good performance in responding to shocks) to qualify. It would be important to ensure that the quality of the PSI signal not be adversely affected by marginally broadening the pool of users, as this could lead donors and existing users to perceive the instrument to be less useful. Thus, to preserve the quality of the signal the standards for qualification and completing a review would remain high, consistent with the PSI decision, including having a UCT-quality program and being able to keep up with a fixed reviews schedule. Furthermore, if the occurrence of non-completion of a review became more likely, then this additional differentiation would serve to *increase* the strength of an "on" signal. To the extent that such a change in practice allowed some PRGT-eligible members to shift from the ECF to the PSI, it would also lower somewhat the demand for PRGT resources.

DESIGN OF PRGT ARRANGEMENTS AND INSTRUMENTS

Linkages to Poverty Reduction Strategy documents

32. **Directors favored easing PRS-related procedural requirements for completing a review under an ECF arrangement or a PSI, and issuing JSANs, while focusing more on the substance of PRS linkages with program implementation**. Current PRS documentation requirements are described in Box 2, and staff proposes to modify these as follows[47]:

- First, it would be permissible for members to meet the PRS documentation requirement for the second or any subsequent review under an ECF arrangement or a PSI by describing in the LOI/MEFP how the current fiscal budget, the upcoming fiscal budget (if available), and

[45] See paragraph 1(a) of the Policy Support Instrument- Framework, Decision No. 13561-(05/85).

[46] While the mature stabilizer standard consisted initially only of macroeconomic criteria, as noted in IMF (2009c), "the PSI policy paper's emphasis on "second-generation" structural reforms suggests some threshold of policy and institutional development for mature stabilizers".

[47] These proposals are not intended to modify PRS requirements under the Enhanced HIPC Initiative.

planned structural reforms advance PRS implementation.[48] This would extend the existing requirement that, in each review, the LOI/MEFP describes in concrete terms how the program advances the goals of the PRSP. The staff report would also need to provide staff's views on how the fiscal budgets and planned structural reforms help advance PRS implementation. This flexibility would only be available to members that, at the time of the Board meeting considering the review, have in place a Poverty Reduction Strategy Paper (PRSP) which has been issued to the Board, and which covers a period of twelve months from the date of the review.

- Second, the rules would be changed to permit submission of JSANs to the Board for information rather than for discussion.[49] This would eliminate the need to have a standalone Board meeting to discuss a JSAN when the other related country papers would have been considered on a LOT basis, or when a country does not have a Fund-supported program and no Board papers are scheduled to be discussed in the near future. This would also align the Fund's modalities with those of the World Bank; since November 2012, the World Bank has adopted the practice of sending JSANs to their Board only for information.

Box 2. Current PRS Documentation Requirements

At each program request and review, the member will present a detailed statement how the ECF, SCF, RCF, or PSI advances the country's poverty reduction and growth objectives.

The second and subsequent reviews under an ECF/PSI can be completed only if the Executive Board is satisfied that the member has a poverty reduction strategy evidenced by a PRS document that has been issued to the Executive Board normally within the previous 18 months and the PRS document has been the subject of a staff analysis, including in the staff report on a request for an ECF/PSI or a review under an ECF/PSI.[1]Following a member's transmission to the Fund of a PRSP or an Interim PRSP (I-PRSP) outside of the enhanced HIPC Initiative context, a Joint Staff Advisory Note (JSAN) shall be prepared and circulated for discussion to the Executive Board generally within four months of the transmission.

[1] A PRS document is defined as: (i) a PRSP prepared by the member concerned in a participatory process involving a broad range of stakeholders and setting out a comprehensive three-year poverty reduction strategy; (ii) an Interim PRSP (I-PRSP); (iii) a PRSP preparation status report; or (iv) an Annual Progress Report (APR). See Annex to Decision No. 11436-(97/10), adopted February 4, 1997.

[48] The existing PRS documentation requirement states that a member must have issued a PRS document to the Board in the 18 months preceding the Board consideration of the second or any subsequent review under an ECF arrangement or PSI.

[49] See *Decision No. 14253-(09/8),* January 27, 2009 on the requirement to submit JSANs to the Board for discussion. The four month requirement for submission of JSANs set forth in this decision would be retained but the decision would be revised to allow the submission for information purposes only.

Defunct ECF arrangements

33. **The termination of defunct ECF arrangements would allow more efficient use of limited PRGT resources by unlocking funds that would otherwise remain committed until the expiration date of the arrangement or the early termination of the arrangement at the request of the member.**[50] To this end, staff proposes to amend the PRGT Instrument to indicate that ECF arrangements approved after the amendment will automatically terminate when a period of eighteen months has elapsed since the most recent completion date of a program review under the arrangement. The new framework would permit the Executive Board, at the authorities' request, to extend the eighteen month period for three additional months—provided that this extension does not fall outside the existing period of the arrangement—if an understanding between the authorities and staff on targets and measures to put the ECF-supported program back on track appears imminent. However, the arrangement would automatically expire at the end of that period unless a program review is completed.[51]

Initial duration of ECF arrangements and PSIs

34. **Staff proposes that ECF arrangements be permitted with initial durations ranging from three to up to four years**. The extension of the initial duration of the ECF arrangement and PSI could allow countries to align program periods more closely to their PRSP cycles, and would also align the maximum duration of the ECF arrangement at approval with the EFF. Members would have the option to request further extensions, with an overall maximum duration of the ECF arrangement of five years. Staff proposes that access for the fourth year of an ECF be set in line with the average annual access corresponding to the norm that would otherwise have applied to the successor of a three-year ECF arrangement.[52] Staff also proposes that PSI's too be permitted for an initial duration of one to four years, with an overall maximum period of five years.[53] Some possible drawbacks of this proposal are that concessional resources could possibly be tied up for a longer time and that programs with longer durations may be at increased risk of creating "tunnel vision" in implementation. For these reasons, staff expects that three years will remain the default option for the length of ECF arrangements and medium-term PSIs at approval. However, the flexibility afforded by the possibility of ECF arrangements and PSIs with longer durations could be helpful on occasions where it is needed to align more closely with members' PRSP cycles, or when blending with EFF arrangements.

[50] An analogous change for the GRA could be taken up in the context of a consideration of GRA instruments.

[51] ECF arrangements approved after the effectiveness of the amendments to the PRGT Instrument would include a clause referring to the automatic termination of the arrangement.

[52] In line with current practice for three-year ECF arrangements, access should normally be phased smoothly over the four-year period, but could be front-loaded (or back-loaded), if warranted, based on the strength of the program and/or time profile of balance of payments needs.

[53] At present, a PSI may be approved for a period of one to three years, and may be extended up to an overall maximum period of four years.

Flexible timing of reviews, phasing, and performance criteria

35. **Most Directors supported, or were open to considering, proposals allowing more flexibility in setting the schedule of program reviews of ECF and SCF arrangements and the PSI.** Staff proposes that beyond the sole proviso that reviews be scheduled at most six months apart, all other limitations on the periodicity of reviews be eliminated.[54] This flexibility would apply to the ECF and SCF arrangements and the PSI. However, staff expects that the overwhelming majority of arrangements and PSIs will remain on the standard review schedules.

STAFF PROPOSALS: IMPLICATIONS FOR SELF-SUSTAINABILITY AND OPERATIONAL MODALITIES

36. **The proposals of this Review and those in the parallel review of PRGT eligibility are consistent with the self-sustaining financing framework for the PRGT endorsed by the Board.** The proposals on access and blending in this paper, and the graduation proposals in the paper on PRGT eligibility, taken together, have been designed to ensure that expected average demand for Fund resources stays within the range that the Board agreed was consistent with a self-sustained PRGT. The other proposals are, on balance, not expected to have significant resource implications. Staff calculations bear out the minor resource costs (and savings) of these proposals but, in view of the limited history of the new architecture for LICs, and since the proposed reforms would entail a change in how members use such instruments, the individual estimates are subject to significant uncertainty. However, since the estimates are typically small, and are a mix of costs and savings, there is greater confidence that the overall impact will be very limited.

37. **Staff's proposals also have a number of implications for operational modalities of the facilities.** These encompass not only the limits and norms that govern access to the Fund's facilities, but also procedural requirements that key off the access limits, as well as other modalities that are unrelated to access. These changes are listed in Table 4.

38. **The entry into force of the new operational modalities would be subject to transitional arrangements.** The reforms, if approved, will come into effect on the date of the Board decision with the following exceptions:

- The enhanced blending approach, if approved, would take effect starting three months after the adoption of the Board decision for all new ECF and SCF arrangements, and RCF

[54] Each review would continue to be associated with its own set of performance (assessment) criteria and disbursements, hence, ECF/SCF arrangements or PSIs with a higher frequency of reviews would also need to have performance (assessment) criteria and disbursements of a similar frequency. Because of concerns with regard to possible misreporting, members with ECF or SCF arrangements, or a PSI, of higher frequency of reviews will need to have the capacity to provide accurate data at the required frequency needed to monitor the implementation of the program.

disbursement requests. The current policy would continue to apply for existing arrangements until these expire, and similarly for any new ECF and SCF arrangements and RCF requests approved within three months after the adoption of the Board decision.

- The automatic termination of defunct ECF arrangements, if approved, would apply only to new arrangements that are approved by the Board after the adoption of the decision enacting this reform.

- Operational guidance to staff will be issued clarifying the qualification standards for members to use the PSI, within four months after the completion of the review.

- Access norms and limits would be reduced by half once the quota increase under the Fourteenth General Review of Quotas becomes effective, at which time they will apply to all new ECF and SCF arrangements and requests for RCF disbursements. The current policy would continue to apply for arrangements approved prior to the quota increase under the Fourteenth General Review of Quotas becoming effective.

ISSUES FOR DISCUSSION

39. **Do Directors agree that:**

- The proposed reforms would help maintain the self-sustainability of the PRGT?

- Blending should be enhanced in line with the first approach in the paper?

- Access norms and limits in terms of quota should remain unchanged now and be halved when the quota increase under the Fourteenth General Review of Quota becomes effective?

- Augmenting access for on-track ECF and SCF arrangements in between scheduled program reviews, and permitting the use of streamlined procedures, is a pragmatic solution to provide members with timely support to meet unexpected balance of payments needs?

- The proposals for increasing the cumulative limit under the RCF and easing SCF rules would help enhance the flexibility of the Fund’s toolkit for PRGT-eligible countries?

- The staff proposal to focus more on the substance of linkages between Fund-supported programs and PRS implementation while easing PRS documentation requirements would benefit PRGT-eligible members?

- Staff proposals to make other modalities more flexible are helpful?

Table 4. Summary of Proposals

	Current LIC architecture	Proposed		Modification to rules or guidelines (if any)
		Until 14th General Review of Quota is in effect	Once 14th General Review of Quota is in effect	
Global access limits to concessional resources 1/	100% of quota annual access; 300% of quota cumulative access (net of scheduled repayments)		50% of quota annual access; 150% of quota cumulative access (net of scheduled repayments)	PRGT Trust: Section II Para. 2(a)
Limit on exceptional access to concessional resources 2/	150% of quota annually; 450% of quota cumulatively (net of scheduled repayments)		75% of quota annually; 225% of quota cumulatively (net of scheduled repayments)	PRGT Trust: Section II Para. 2(a)
Procedural safeguards	(1) A DSA update is required for requests for concessional financing that would: (i) involve exceptional access; and/or (ii) bring total access to more than 80% of quota, based on past scheduled (not necessarily drawn) and future scheduled disbursements, in any 24-month period; and/or (iii) involve a member with a high risk of debt distress or in debt distress.		(1) Similar but (ii) applies if total access would be brought to more than 40% of quota, based on past scheduled (not necessarily drawn) and future scheduled disbursements, in any 24-month period.	Guidelines (this paper)
	(2) An early informal Board meeting is required if a request for concessional financing would (i) involve exceptional access and/or (ii) bring total access to more than 180% percent of quota, based on past scheduled (not necessarily drawn) and future scheduled disbursements, in any 36-month period.		(2) Similar but (ii) applies if the concessional financing request would bring total access to more than 90% of quota, based on past scheduled (not necessarily drawn) and future scheduled disbursements, in any 36-month period.	Guidelines (this paper)
	(3) Exception: neither a DSA update nor an early informal Board meeting is required for financing requests of 10% of quota or less.		(3) A similar exception would apply for financing requests of 5% of quota or less.	Guidelines (this paper)
ECF and SCF norms	120% of quota if outstanding credit < 100% of quota and 75% of quota if it is >= 100% of quota		60% of quota if outstanding credit < 50% of quota and 37.5% of quota if it is >= 50% of quota	Guidelines (this paper)
	The norms do not apply for outstanding concessional credit above 200% of quota and access will then be guided by consideration of the access limit of 300 percent of quota, expectation of future need for Fund support, and the repayment schedule.		The norms do not apply for outstanding concessional credit above 100% of quota and access will then be guided by consideration of the access limit of 150 percent of quota, expectation of future need for Fund support, and the repayment schedule.	Guidelines (this paper)
Access limits on the SCF treated as precautionary	Annual access limit of 50% of quota	Annual access limit of 75% of quota; and Average annual access limit of 50% of quota	Annual access limit of 37.5% of quota; and Average annual access limit of 25% of quota	PRGT Trust: Para. 2(c)
RCF limits	Annual access: 25% of quota (shocks window: 50% of quota)	Annual access: 25% of quota (shocks window: 50% of quota)	Annual access: 12.5% of quota (shocks window: 25% of quota)	PRGT Trust: Para. 2(b)
	Cumulative access, net of repayments: 75% of quota (shocks window: 100% of quota)	Cumulative access, net of repayments: 100% of quota (shocks window: 125% of quota)	Cumulative access, net of repayments: 50% of quota (shocks window: 62.5% of quota)	PRGT Trust: Para. 2(b)

1/ The annual access limit refers to any 12-month period, including past scheduled disbursements (not necessarily drawn upon in the case of an arrangement treated as precautionary and delayed disbursements) and future scheduled disbursements. Total outstanding Fund concessional credit (including disbursements that were approved but not drawn upon in the context of a precautionary arrangement) cannot exceed the cumulative limit at any given time.

2/ Access above the normal limits is available to a LICs that (i) experiences an exceptionally large balance of payments need; (ii) has a comparatively strong adjustment program and ability to repay the Fund; and (iii) does not have sustained past and prospective access to capital markets, and has income at or below the prevailing IDA operational cutoff.

Table 4. Summary of Proposals (continued)

<table>
<tr><th rowspan="2"></th><th rowspan="2">Current LIC architecture</th><th colspan="2">Proposed</th><th rowspan="2">Modification to rules or guidelines (if any)</th></tr>
<tr><th>Until 14th General Review of Quota is in effect</th><th>Once 14th General Review of Quota is in effect</th></tr>
<tr><td>Blending of PRGT and GRA resources 3/</td><td>50:50 PRGT-GRA blend, with average annual concessional floor and ceiling of 25% and 50% of quota, respectively, for the use of concessional resources</td><td colspan="2">50:50 PRGT-GRA blend, with access to concessional resources capped at the norm applicable to unblended arrangements; no average annual floors or ceilings for the use of concessional resources. For the RCF, which has no norm, the cap on access to concessional resources is the annual limit, while for the SCF treated as precautionary this cap applies to the average annual access limit.</td><td>Guidelines (this paper)</td></tr>
<tr><td>Definition of market access for blending</td><td>Sustained past and prospective access to non-concessional lending from capital markets and official lenders</td><td>Add specific criteria to define past market access: a member would have market access if it tapped international financial markets during at least two of the last five years, and with the total access over the five years amounting to a minimum of 50 percent of quota.</td><td>Add specific criteria to define past market access: a member would have market access if it tapped international financial markets during at least two of the last five years, and with the total access over the five years amounting to a minimum of 25 percent of quota.</td><td>Guidelines (this paper)</td></tr>
<tr><td>Rules on the use of SCF for precautionary purposes</td><td>SCF arrangements that are treated as precautionary by the member are counted towards the 2½-out-of-5 year limit on SCF use</td><td colspan="2">SCF arrangements that are treated in their entirety as precautionary by the member, and prospective SCF arrangements for which the Fund assesses the member does not have an actual balance of payments need, would not be counted towards the 2½-out-of-5 year limit that normally counts on the use of SCFs. Staff reports and Letters of Intent on requests to use the SCF (whether or not the arrangement is treated as precautionary) for more than 2½-out-of-5 years would be required to make an explicit case that the member does not have protracted balance of payments problem.</td><td>PRGT Instrument: Section II Para. 1(c)(1)</td></tr>
<tr><td rowspan="2">Augmentations requests at ad hoc reviews between scheduled program reviews for on-track ECF/SCF arrangements</td><td>The amount of resources committed under an ECF/SCF arrangement may be increased at the time of a review.</td><td colspan="2">Single-disbursement requests for augmentation requests at ad hoc reviews between scheduled program reviews could be considered by the Board for on-track ECF/SCF arrrangements. The information in program documents would need to establish the basis for the augmentation and support the assessment that the program is on-track. The new disbursement approved at an ad hoc review will be subject to the observance of the continuous PCs under the arrangement, including the accuracy of information on the implementation of such PCs and of any prior actions established for that disbursement. An undrawn disbursement made available upon the Board's approval of the requested augmentation would remain available until the availability date of the next scheduled review under the arrangement.</td><td>No formal change needed (guidance in this paper clarifies)</td></tr>
<tr><td>Augmentations of access cannot be considered on lapse-of-time (LOT) basis.</td><td colspan="2">Augmentation requests at ad hoc reviews that do not exceed 25 percent of quota would be eligible for approval on a LOT basis. A scheduled review following ad hoc review to consider an augmentation request would be expected to undertake a comprehensive review of policies under the program, and therefore could not be completed on a LOT basis.</td><td>Decision A-13207 (08/28/09)</td></tr>
<tr><td>Board circulation of PSI documentation for a scheduled review</td><td>Documentation supporting Board discussion of a review should be issued no later than the test date for the periodic assessment criteria relevant for the next review.</td><td colspan="2">The staff report supporting Board discussion of a review may be issued up to one month after the test date for the periodic assessment criteria relevant for the next scheduled eview. Nonetheless, the LOI and MEFP would normally have to be signed and circulated to the Board before the test date of the periodic assessment criteria linked to the next scheduled review.</td><td>PSI—Framework: Para. 8</td></tr>
<tr><td>PSI standard</td><td>The PSI is intended for "mature stabilizers", interpreted as meeting a standard that restricts PSI qualification to countries that have strong economic performance and high quality of institutions.</td><td colspan="2">Clarify in operational guidance a PSI is avaiable to any member that meets the criteria set out in the policy, inluding those that have established a good track record of macroeconomic management and where institutions are of sufficient quality to support continued good performance, including in responding to shocks.</td><td>Operational guidance to be issued</td></tr>
</table>

3/ For members who have resources in their first credit tranche available, implementing a blend of credit tranche and PRGT resources would entail the following modalities. The 50:50 blend of PRGT and credit tranche resources would still apply, but for the GRA resources phasing and performance criteria would only apply to purchases above the first credit tranche.

Table 4. Summary of Proposals (concluded)

	Current LIC architecture	Proposed		Modification to rules or guidelines (if any)
		Until 14th General Review of Quota is in effect	Once 14th General Review of Quota is in effect	
PRS documentation requirements for ECF and PSI	Any new ECF/PSI request or program review must be accompanied by a statement, normally in the LOI/MEFP, of how the program advances the country's poverty reduction and growth objectives.			No change
	The second and any subsequent ECF/PSI review can only be completed if a PRS document has been issued to the Board, normally wihin the previous 18 months, and has been the subject of a staff analysis (incl. in the staff report on a new ECF/PSI request or on a review).	It would be permissible for members to meet the PRS documentation requirement for the second or any subsequent review under an ECF arrangement or a PSI by describing in the LOI/MEFP how the current fiscal budget, the upcoming fiscal budget (if available), and planned structural reforms advance PRS implementation. This flexibility would only be available to members that, at the time of the Board meeting considering the review, have in place a PRSP which has been issued to the Board, and which covers a period of twelve months from teh date of the review. In practice, this could be achieved by extending the existing requirement that, in each review, the LOI/MEFP describes in detail how the program advances the goals of the PRSP. The requirement of a staff analysis would be met by discussing in the staff report how the fiscal budgets and planned structural reforms help advance PRS implementation.		PRGT Trust: Section II Para. 1(b)(3); and PSI—Framework: Para. 8
	JSANs are circulated to the Board for discussion.	Allow JSANs to be circulated to the Board for information.		Decision 14253-(09/8), January 27, 2009
Defunct ECF arrangements	No such provision.	ECF arrangements would automatically terminate when a period of 18 months has elapsed since the most recent completion date of a program review under the arrangement. The new framework would permit the Executive Board, at the authorities' request, to extend the 18-month period by three additional months—provided that this extension does not fall outside the existing period of the arrangement—if an understanding between the authorities and staff on targets and measures to put the ECF-supported program back on track appears imminent. However, the arrangement would automatically expire at the end of that period unless a program review is completed.		PRGT Instrument: new provision
Initial duration of an ECF arrangement and PSI	The initial duration of ECF arrangements is three years and can be extended to a maximum duration of five years. PSIs can be approved for a duration of one to three years and can be extended to a maximum duration of four years.	ECF arrangements may be permitted with initial durations ranging from three to four years and member have the option to request further extensions, with an overall maximum duration of the ECF arrangement of five years. Similarly, PSIs may be permitted for an initial duration of one to four years, and may be extended further, with an overall maximum duration of the PSI of five years.		PRGT Instrument: Section II Paras. 1(b)(1) and Para. 3(b); and PSI—Framework: Para. 2
Flexible timing of reviews for the ECF, SCF, and PSI	Reviews are normally scheduled semi-annually. In cases where closer monitoring is needed, reviews may be scheduled on a quarterly basis.	Beyond the sole proviso that reviews be sheduled at most six months apart, the periodicity of program reviews can be timed flexibly. Each review would need to be associated with its own set of performance (assessment) criteria and disbursements; hence, ECF/SCF arrangements or PSIs with a higher frequency of reviews would also need to have performance (assessment) criteria and disbursements of a similar frequency.		PRGT Instrument: Section II Paras. 1(b)(1) and 1(c)(1); and PSI—Framework: Paras. 8 and 9(a)(i)

Annex I. Proposals for Enhanced Blending: Staff Proposal and More Ambitious Option 1/

	High risk of debt distress or in debt distress 2/	No market access, moderate or low risk of debt distress 3/		Sustained market access, moderate or low risk of debt distress	
				Current Policy 4/	Proposed Rules 3/
GNI per capita < 80 percent of IDA cutoff (US$956) 5/	Afghanistan, Islamic Rep. of Burundi Chad Comoros Congo, Dem. Rep. of Eritrea Gambia, The Haiti Myanmar Tajikistan, Republic of	Bangladesh Benin Burkina Faso Cambodia Central African Republic Guinea Guinea Bissau Kenya Kyrgyz Republic Liberia	Madagascar Malawi Mali Nepal Niger Rwanda Sierra Leone Togo Uganda		Ethiopia Mozambique Tanzania
80 percent IDA cutoff < GNI per capita < 100 percent of IDA cutoff	Yemen, Rep. of	Côte d'Ivoire Lao, PDR Mauritania Nicaragua	Solomon Islands South Sudan Zambia		Senegal
GNI per capita > 100 percent of IDA cutoff	Djibouti Grenada 6/ Kiribati Maldives 6/ St. Lucia São Tomé & Príncipe Tonga Tuvalu	Bhutan Cape Verde Cameroon Congo, Rep. of Dominica Guyana Honduras Lesotho Marshall Islands, Rep. of the 7/ Micronesia, Fed. States of 7/	Moldova, Rep. of Mongolia Nigeria Papua New Guinea Samoa St. Vincent and the Grenadines Timor-Leste, The Dem. Rep. of Uzbekistan, Rep. of 7/ Vanuatu	Ghana Vietnam	Bolivia Ghana Vietnam

Source: IMF.

1/ Presumed blenders under the staff's proposed approach for enhanced blending are shown in cells shaded orange. Additional presumed blenders under the ambitious option for enhanced blending are shown in cells shaded green.

2/ Risk of debt distress based on the latest available DSA as of December 6, 2012.

3/ Market access is based on Global Development Finance (GDF) indicators (public and publicly guaranteed (PPG) external bonds and commercial loans). Under the staff proposal, a country would be classified as having market access if the cumulative PPG external bonds and commercial loans over 2007–11 are above 50 percent of quota and if the country had issues for two years out of the last five years. See the 2013 PRGT Eligibility Review for details.

4/ The current criteria on market acces are described in the 2013 PRGT Eligibility Review. They classify a country as having market access if the cumulative PPG external bonds and commercial loans over 2007–11 are above 100 percent of quota and if the country had issues in at least three of those years.

5/ IDA cutoff is set at US$1,195 based on 2011 GNI per capita calculated by the Atlas method.

6/ Also has market access.

7/ No LIC-DSA available. The risk of debt distress determined based on latest staff report.

Annex II. Application of Blending Rules

Access 1/ (In percent of quota)	Current Policy	Reform Proposal	Resource Savings with reforms
	ECF Arrangements 2/		
0 < Access ≤ 150	75 percent of quota from the PRGT, and the rest from the GRA	50:50 split between PRGT and GRA	Yes
	Outstanding PRGT access below 100 percent of quota		
150 < Access ≤ 240	50:50 split between PRGT and GRA	50:50 split between PRGT and GRA	No
240 < Access ≤ 300	50:50 split between PRGT and GRA	120 percent of quota from the PRGT, and the rest from the GRA	Yes
Access > 300	150 percent of quota from the PRGT, and the rest from the GRA	120 percent of quota from the PRGT, and the rest from the GRA	Yes
	Outstanding PRGT access above 100 percent of quota		
150 < Access ≤ 300	50:50 split between PRGT and GRA	75 percent of quota from the PRGT, and the rest from the GRA	Yes
Access > 300	150 percent of quota from the PRGT, and the rest from the GRA	120 percent of quota from the PRGT, and the rest from the GRA	Yes
	SCF Arrangements 3/ 4/		
0 < Access ≤ 50	25 percent of quota from the PRGT, and the rest from the GRA	50:50 split between PRGT and GRA	Yes
50 < Access ≤ 100	50:50 split between PRGT and GRA	50:50 split between PRGT and GRA	No
	RCF Disbursements 3/		
0 < Access ≤ 50	25 percent of quota from the PRGT, and the rest from the GRA	50:50 split between PRGT and GRA	Yes
Access > 50	25 percent of quota from the PRGT, and the rest from the GRA	25 percent of quota from the PRGT, and the rest from the GRA	No

1/ Refers to total access provided under the blended financing package.
2/ Refers to three-year access under the arrangement.
3/ Refers to annual average access under the arrangement.
4/ In exceptional circumstances, the PRGT component of the blend could go up to the global annual limit (across all facilities) of 100 percent of quota, or even the exceptional access limit of 150 percent of quota.

Annex III. Quota of PRGT-Eligible Members: Current and Proposed Under the Fourteenth General Review of Quotas 1/

PRGT-eligible member country	Quota (in millions of SDR) As of Sept. 18, 2012		Proposed under 14th General Review	Increase (in percent)	Post second-round (agreed as part of 2008 quota and voice reform) Quota	Increase (in percent)
1 Afghanistan, Islamic Rep. of	161.9		323.8	100%	161.9	100%
2 Armenia, Rep. of	92.0		128.8	40%	92.0	40%
3 Bangladesh	533.3		1,066.6	100%	533.3	100%
4 Benin	61.9		123.8	100%	61.9	100%
5 Bhutan	6.3	2/	20.4	224%	8.5	140%
6 Bolivia	171.5		240.1	40%	171.5	40%
7 Burkina Faso	60.2		120.4	100%	60.2	100%
8 Burundi	77.0		154.0	100%	77.0	100%
9 Cambodia	87.5		175.0	100%	87.5	100%
10 Cameroon	185.7		276.0	49%	185.7	49%
11 Cape Verde	9.6	2/	23.7	147%	11.2	112%
12 Central African Republic	55.7		111.4	100%	55.7	100%
13 Chad	66.6	3/	140.2	111%	66.6	111%
14 Comoros	8.9		17.8	100%	8.9	100%
15 Congo, Dem. Rep. of	533.0		1,066.0	100%	533.0	100%
16 Congo, Rep. of	84.6		162.0	91%	84.6	91%
17 Côte d'Ivoire	325.2		650.4	100%	325.2	100%
18 Djibouti	15.9		31.8	100%	15.9	100%
19 Dominica	8.2		11.5	40%	8.2	40%
20 Eritrea	15.9	2/	36.6	130%	18.3	100%
21 Ethiopia	133.7		300.7	125%	133.7	125%
22 Gambia, The	31.1		62.2	100%	31.1	100%
23 Georgia	150.3		210.4	40%	150.3	40%
24 Ghana	369.0		738.0	100%	369.0	100%
25 Grenada	11.7		16.4	40%	11.7	40%
26 Guinea	107.1		214.2	100%	107.1	100%
27 Guinea-Bissau	14.2		28.4	100%	14.2	100%
28 Guyana	90.9		181.8	100%	90.9	100%
29 Haiti	81.9		163.8	100%	81.9	100%
30 Honduras	129.5		249.8	93%	129.5	93%
31 Kenya	271.4		542.8	100%	271.4	100%
32 Kiribati	5.6		11.2	100%	5.6	100%
33 Kyrgyz Republic	88.8		177.6	100%	88.8	100%
34 Lao PDR	52.9		105.8	100%	52.9	100%
35 Lesotho	34.9		69.8	100%	34.9	100%
36 Liberia	129.2		258.4	100%	129.2	100%
37 Madagascar	122.2		244.4	100%	122.2	100%
38 Malawi	69.4		138.8	100%	69.4	100%
39 Maldives	10.0	3/	21.2	112%	10.0	112%
40 Mali	93.3		186.6	100%	93.3	100%
41 Marshall Islands, Rep. of the	3.5		4.9	40.0%	3.5	40%
42 Mauritania	64.4		128.8	100%	64.4	100%
43 Micronesia, Fed. States of	5.1		7.2	41%	5.1	41%
44 Moldova, Rep. of	123.2		172.5	40%	123.2	40%
45 Mongolia	51.1		72.3	41%	51.1	41%
46 Mozambique	113.6		227.2	100%	113.6	100%
47 Myanmar	258.4		516.8	100%	258.4	100%
48 Nepal	71.3		156.9	120%	71.3	120%
49 Nicaragua	130.0		260.0	100%	130.0	100%
50 Niger	65.8		131.6	100%	65.8	100%

1/ In the *2013 PRGT Eligibility Review*, staff proposes graduation from PRGT-eligibility for Armenia and Georgia, and entry into PRGT-eligiblity for Marshall Islands, Micronesia, and Tuvalu.
2/ The country is eligible for an ad-hoc increase under the 2008 Reform, but has not yet consented to and/or paid for its quota increase.
3/ Reflects ad-hoc increase under the 2008 Reform for those countries that have already consented to and paid for their increase.
4/ Sudan and Somalia are in arrears. The quota share reflects the increase they would be eligible for under the 12th quota review.

Annex III (concluded). Quota of PRGT-Eligible Members: Current and Proposed Under the Fourteenth General Review of Quotas 1/

PRGT-eligible member country	Quota (in millions of SDR) As of Sept. 18, 2012		Quota (in millions of SDR) Proposed under 14th General Review	Increase (in percent)	Post second-round (agreed as part of 2008 quota and voice reform) Quota	Post second-round Increase (in percent)
51 Nigeria	1,753.2		2,454.5	40%	1,753.2	40%
52 Papua New Guinea	131.6		263.2	100%	131.6	100%
53 Rwanda	80.1		160.2	100%	80.1	100%
54 Samoa	11.6		16.2	40%	11.6	40%
55 São Tomé & Príncipe	7.4		14.8	100%	7.4	100%
56 Senegal	161.8		323.6	100%	161.8	100%
57 Sierra Leone	103.7		207.4	100%	103.7	100%
58 Solomon Islands	10.4		20.8	100%	10.4	100%
59 Somalia	44.2	4/	163.4	270%	81.7	100%
60 South Sudan	123.0		246.0	100%	123.0	100%
61 St. Lucia	15.3		21.4	40%	15.3	40%
62 St. Vincent and the Grenadines	8.3		11.7	41%	8.3	41%
63 Sudan	169.7	4/	630.2	271%	315.1	100%
64 Tajikistan, Republic of	87.0		174.0	100%	87.0	100%
65 Tanzania	198.9		397.8	100%	198.9	100%
66 Timor-Leste, The Dem. Rep. of	8.2	2/	25.6	212%	10.8	137%
67 Togo	73.4		146.8	100%	73.4	100%
68 Tonga	6.9		13.8	100%	6.9	100%
69 Tuvalu	1.8		2.5	39%	1.8	39%
70 Uganda	180.5		361.0	100%	180.5	100%
71 Uzbekistan, Rep. of	275.6		551.2	100%	275.6	100%
72 Vanuatu	17.0		23.8	40%	17.0	40%
73 Vietnam	460.7	3/	1,153.1	150%	460.7	150%
74 Yemen, Rep. of	243.5		487.0	100%	243.5	100%
75 Zambia	489.1		978.2	100%	489.1	100%

1/ In the *2013 PRGT Eligibility Review*, staff proposes graduation from PRGT-eligibility for Armenia and Georgia, and entry into PRGT-eligiblity for Marshall Islands, Micronesia, and Tuvalu.
2/ The country is eligible for an ad-hoc increase under the 2008 Reform, but has not yet consented to and/or paid for its quota increase.
3/ Reflects ad-hoc increase under the 2008 Reform for those countries that have already consented to and paid for their increase.
4/ Sudan and Somalia are in arrears. The quota share reflects the increase they would be eligible for under the 12th quota review.

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