An IMF Lending Primer – standard and emergency financing

“Standard” Fund Financing – upper credit tranche (UCT) conditionality programs

- Combine macroeconomic adjustment and BoP financing to resolve BOP imbalances and financing gaps.
  - Financing is tranched and conditioned on reforms based on an adjustment program.

Emergency Financing (EF) is not a reform program:

- Out-right, single-disbursement loan without conditionality. Eligibility requires:
  - Urgent BoP need;
  - A full-fledged macroeconomic program is not necessary or feasible.

Lending Terms: Concessional (PRGT) and non-concessional (GRA) in both categories
IMF Provides Substantial BOP Financing to EMDCs

- IMF concessional financing averaged over SDR0.8 or US$1.1 billion up to the COVID crisis.
- Much via ECFs, with longer terms (5-10 years) and aimed to address structural impediments.
- Support increased during the GFC and especially for the COVID crisis, via emergency financing.
- Pandemic EF is now being converted to standard program financing to support reforms.

**Fund Financing via PRGT Facilities, 2005-21**
(In billions of SDRs)

![Graph showing fund financing via PRGT facilities from 2005 to 2021, with notable increases during the global financial crisis and COVID-19 pandemic.]

Source: FIN (IMF Financial Data Query).
2021 SDR Allocation Supports EMDC Liquidity

- In August 2021, IMF Board approved a $650 billion SDR Allocation
  - Over US$223 billion allocated to EMDCs excluding China.
  - ~58 percent of allocation to Advanced Economies
- IMF is developing SDR channeling options:
  - Up to US$100 billion of SDRs could be channeled to:
    - Scale-up the PRGT to support lending to LICs
    - Establish Resilience and Sustainability Trust
    - Possibly lend SDRs to MDBs.
Proposing a *Resilience and Stability Trust* – an overview

- **Objective:**
  - Address members’ longer-term structural challenges
  - Initially in (1) climate change and (2) pandemic preparedness.

- **Lending terms:**
  - Commensurate with longer-term challenges, much *longer maturities* (10 ½–20 years);
  - *Tiered interest rate* structure, to provide more concessionality to lower income members.

- Three-quarters of Fund members would be **eligible**.

- Quality reforms and structure is expected to **catalyze additional resources** given the magnitude of the financing need.
Proposing a Resilience and Stability Trust – Next Steps

- Board discussion and anticipate approval of the Trust scheduled for prior to the Spring Meetings.

- Fundraising will ramp up upon approval by the IMF Board seeking to raise sufficient resources for the Trust, some of which would act as a reserve.

- Developing coordination with other IFIs and international organizations ongoing.

- Goal is to be operational (i.e., approve first RSFs) later in 2022.