The IMF thus dramatically increased its financial firepower to more than $1 trillion by end-2012. The resource mobilization effort allowed the IMF to respond to member country requests for financial support, and authorities interviewed for this evaluation were satisfied overall with the results of this effort.

However, the resource increase has, thus far, come solely from three waves of borrowing. First, a series of bilateral borrowing agreements with individual member countries almost doubled the IMF’s credit capacity to $460 billion by March 2010. Second, in March 2011, an expanded $580 billion NAB took effect, raising credit capacity to more than $725 billion. Finally, in late 2013, a new round of bilateral borrowing provided potential additional resources of more than $400 billion. A doubling of IMF quotas and associated governance reforms was agreed in December 2010. These have not taken effect because the United States has not ratified all the necessary agreements.

The first wave of borrowing arrived only “just in time” to ensure that the IMF was not liquidity-constrained in responding to program requests. A number of the interviewed authorities pointed out that an important contribution of the IMF to global financial stability is the confidence it gives to financial markets that resources are available in advance to deal with crises. In the early months of the crisis, the IMF could not play this role of calming the markets.

Because the agreed quota increase has not yet taken effect, the IMF remains reliant on borrowing for 70 percent of its credit capacity, and access to more than half of the IMF’s credit capacity is controlled by a super-majority of creditors. Agreement on the resource mobilization strategy, and success in securing borrowed resources, hinged importantly on the understanding that borrowing would not substitute for a quota increase. This principle underlies the statement by the IMFC, in its initial endorsement of the strategy, that “while an expanded NAB is an important backstop for IMF resources, we recognize that it is not a substitute for a quota increase” (IMF, 2009e). Some of the authorities interviewed for this evaluation were also concerned about the risks involved in the need to renew and reactivate the NAB and to extend the bilateral borrowing agreements.

The prolonged reliance on borrowing undermines the IMF’s functioning as a universal cooperative that is governed by all members through a system of weighted voting. The quota increase, although it would bring only a small additional increase in credit capacity, would have important implications for IMF governance. In addition to restoring the primary reliance on quotas, the 2010 quota reform would bring a shift in shares and chairs from advanced economies to faster growing emerging markets. Although the shift would still leave EMEs under-represented relative to their shares in the global economy, the 2010 reform has been seen as an important step to enhancing the legitimacy of IMF governance.

In addition to dramatically increasing resources for its general lending, the IMF nearly doubled its concessional lending capacity by raising additional loan and subsidy resources. Also, in 2012, the IMF put in place a strategy for a self-sustaining framework for concessional lending with an annual capacity of about SDR 1.25 billion going forward.

Another important contribution to global liquidity was the increase in global SDR holdings by the equivalent of $250 billion in August 2009. The new allocation expanded global SDR holdings tenfold, with nearly $100 billion going to EMEs and developing countries. This represented a significant increase in their reserves; and more broadly, it boosted global liquidity and arguably contributed to market confidence.

B. Updating the Lending Toolkit

When the crisis struck, the IMF was already in the midst of reconsidering its lending facilities. With virtually no demand for nonconcessional lending, many felt that the existing IMF lending instruments did not match member needs. The potential for an IMF crisis-prevention instrument had been much discussed, but no consensus had been reached about design and terms. Further, countries considered that approaching the IMF for support entailed stigma and were accumulating large precautionary reserves as self-insurance or were pursuing alternatives such as reserve pooling arrangements.

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36 A number of member countries would roll back a substantial part of their increased NAB contributions, once the quota increase becomes effective.

37 At the same time, the IMF also completed a long-pending special SDR allocation equivalent to $33.5 billion for 41 members that had joined the Fund since the last allocation in 1979.
The crisis intensified the discussion of the IMF’s lending toolkit, resulting in decisions in March 2009 to recast the terms of existing lending instruments and introduce new instruments for precautionary lending. The reforms included:

- A doubling of the limits on the level of resources normally available under nonconcessional programs; greater front-loading of resources at the start of a program; and a rationalized structure for charges, maturities, and fees.
- Streamlined conditionality, including by eliminating structural performance criteria, and recommitting to greater parsimony and criticality in conditionality.
- Two new precautionary instruments to make resources rapidly available with high or no access limits: the FCL and the Precautionary and Liquidity Line (PLL). These instruments require pre-qualification based on strong policies; the FCL has a higher qualification bar and no ex post conditionality for drawing the resources.
- In July 2009, the IMF established the Poverty Reduction and Growth Trust (PRGT) which has three concessional lending windows, to better address the needs of LICs. It also doubled access limits and temporarily set a zero percent interest on concessional credits, which has been extended and continues through end-2014.

Three FCL arrangements were approved shortly after the creation of this new instrument—for Mexico (SDR 31.5 billion), Poland (SDR 13.7 billion), and Colombia (SDR 7 billion). Three successor arrangements have been approved for each country, with their terms extended to two years. As intended at the time they were approved, countries have not drawn on these FCLs.

Authorities in countries with FCL arrangements believe that the FCL played an important role in calming markets and continues to be a useful tool in maintaining confidence in a time of uncertainty in the global economy. They praised the FCL as having served as a signal of support for their macroeconomic policies and a “seal of approval” that has helped promote market confidence.

However, no additional FCL arrangements have been approved, even in the face of waves of global market stress in the five years since its creation. Some authorities interviewed for this evaluation argued that the FCL’s strict qualification criteria may preclude many countries from accessing it, but surveys conducted by the IMF indicate that a preference for self-insurance, access to alternative financing, and stigma were key factors inhibiting FCL use.

None of the FCL users has yet exited the instrument. Authorities in these countries believed that the FCLs should remain in place until the IMF unequivocally communicates that global risks have subsided. A number of other authorities indicated a concern that continued use of the FCL ties up IMF resources for an extended period. In any case, there is widespread understanding that pushing users to exit could create signaling problems and undermine the confidence-building objective of the instrument. These issues suggest a need for further experimentation and innovation in precautionary lending instruments.

Overall, the reforms of lending instruments addressed many of the concerns of member countries about the lending toolkit, and helped make IMF lending more helpful in coping with the crisis.

C. Extending Financial Support to Member Countries

Member countries hit by the crisis began turning to the IMF for financing support immediately in September 2008. The primary tool of support was the SBA: the IMF approved 17 SBAs for more than SDR 50 billion in the first year of the crisis and an additional 20 SBAs for SDR 50 billion between September 2009 and the end of 2013 (eight countries were supported by more than one SBA). The IMF has also deployed the EFF several times since 2008, increasing the use of this...