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**Statement by Mr. Jin and Ms. Yang on Fund Concessional Financial Support for LICs—  
Responding to the Pandemic  
(Preliminary)  
Executive Board Meeting 21/71  
July 14, 2021**

We thank staff for a series of very well written documents, the informative Q&A session, and the helpful outreach to our office.

Low-income countries (LICs) have been hit particularly hard by the pandemic, partly owing to their long-standing vulnerabilities and limited policy spaces. Supporting LICs to secure a sustainable recovery from the current crisis would require a multifaceted approach that includes strong domestic reforms, financing support from the international community, and private investment mobilization. There is a solid case for continued international efforts to support LICs in a well-coordinated manner, and the catalytic role of IMF lending should be preserved. While we see merits in scaling up concessional financing to LICs during the crisis period, it should not undermine receiving members' debt sustainability, crowd out other creditors, or increase risks to the Fund's balance sheet.

Overall, we are broadly supportive of most of the proposals, and would like to offer the following comments for emphasis.

**On PRGT access limits and associated safeguards.** In light of the elevated financing needs from LICs, we support raising the annual and cumulative access limits to 145/435 percent of quota, respectively, and extending the temporary increase of annual access limits under the PRGT to 245 percent of quota until end-December 2021. We are open to eliminating hard caps on PRGT exceptional access. **We stress that higher access limits should not always imply higher borrowing in individual cases, and program size should be assessed on a case-by-case basis, taking account of BOP needs, reform ambitions, capacity to repay, and debt vulnerabilities.** We support staff's proposal to simplify the current access norms with one unified requirement set at 145 percent of quota for any three-year ECF arrangement.

With respect to the PRGT EA criteria, we agree to align them with the requirements under the policy on PS-HCC and assess the criteria at each review with the exception of income criterion. The safeguards on debt sustainability and capacity to repay should be retained. We also agree to maintain the procedural safeguards at the modified levels in high access cases until the next comprehensive review.

**On blending rules and “all-PRGT.”** We support the proposed modification of the blending rules by adjusting the income threshold, simplifying the role of market access and debt vulnerability, and specifying funding mix of PRGT and GRA resources. This could improve robustness while reducing complexity. While providing presumed blenders full access to the PRGT at a differential interest rate would have advantages to strengthen PRGT subsidy resources, it would result in a substantial increase in PRGT loan resource demand and a sharp drop in reserve coverage ratio. We notice that the estimated loan resource needs under the “all-PRGT” option were around SDR 42–59 billion, lower than the SDR 51–70 billion projection presented in June proposal. *Could staff comment on the reasons behind the changes other than adjusting the projection period from 2021-30 to 2021-29?*

**On PRGT Interest Rate.** We support staff’s proposal to keep zero interest rates for all PRGT lending under the ECF, SCF, and RCF until July 2023, in accordance with the PRGT interest rate mechanism. We also encourage staff to continue working on differentiated but still concessional interest rates within the PRGT, as setting the interest rates at zero for an extended period of time despite the rising market interest rates would have negative impact on PRGT self-sustainability.

**On Financing Needs and Funding Strategy.**

We broadly support the two-stage funding strategy given the substantial uncertainties in demand projections. Regarding the stage one medium-term funding targets, the successful PRGT loan mobilization campaign during the crisis will be able to meet the predicted PRGT lending demands in the benchmark scenario over the coming years, so the loan resource gap should be assessed based on the utilization of mobilized resources and program impact. In this context, raising PRGT borrowing limit to SDR 68 billion based on assumptions of high case scenario funding needs appears premature. Therefore, **we encourage staff to revisit the SDR 12.6 billion loan resource fundraising target and raise the PRGT cumulative borrowing limit based on a more pragmatic and reasonable estimate.**

With respect to the subsidy resource mobilization, we support the suspension of the reimbursement to the GRA through FY26 (SDR 0.5 billion) and a burden-shared bilateral grant fundraising campaign (SDR 2.3 billion). While the quota-based contribution can be a guiding reference, given budgetary constraints in most countries and the donor fatigue, **the burden-sharing arrangement for member countries should also be based on voluntary participation.** We see merits in the Executive Board’s annual review of concessional resources and stage one fundraising progress, and **among the contingency measures to**

**ensure adequate subsidy and loan resources, a review of the PRGT interest framework with a higher, but still concessional lending rates worth further consideration**, especially in an environment where the long-lasting low interest rates globally are likely to rise.

Finally, we support the creation of the Subsidy Reserve Account (SRA) and the Deposit and Investment Account (DIA) within the PRGT, to facilitate bilateral subsidy contributions and reinforce reserve coverage. We look forward to the discussion of the proposed investment strategy for the DIA, with a higher ambition on the investment return than the present target. *Could staff elaborate on how to make precise upfront pledge on subsidy resources when the DIA investment return is uncertain?*