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**Statement by Mr. Tanaka, Mr. Naka, and Ms. Kikuchi on Fund Concessional Financial Support for LICs—Responding to the Pandemic  
(Preliminary)  
Executive Board Meeting  
July 14, 2021**

We thank staff for the informative paper on review of concessional financing framework, where three elements -- (i) the lending facilities (ii) the members' financing needs and how to fill those, in consideration of the Fund's catalytic role, and (iii) the Fund's resources—are examined comprehensively and simultaneously. Japan has been strongly supporting the Fund's support for low-income countries (LICs) and will continue to do so. We welcome the final proposals on concessional financing review after the deep discussions in several board meetings over a year.

**PRGT Reforms**

**We broadly support all the proposals and will limit our comments to the following points.**

**We support the proposals for increasing the annual/cumulative limits on normal access to the PRGT to the same level of GRA, 145/435 percent of quota, and eliminating the hard caps on PRGT exceptional access for non-blenders,** which will help appropriately respond to LIC's financing needs and promote necessary structural reforms under the UCT programs. **We also support the proposal for simplification of the access norms, setting the access norm at 145 percent of quota for any three-year ECF arrangement,** considering the elevating financing needs in LICs. At the same time, as staff noted, we emphasize that higher access limit doesn't necessarily translate into higher borrowing in individual cases and access should be determined on a case by case basis assessment. We ask staff to continue to provide the appropriate access level of programs by taking account of such factors as BOP needs, the strength of the program, and capacity to repay/debt vulnerabilities while bearing in mind of the Fund's catalytic role.

**On safeguards, we welcome and support the proposal for maintaining the new measures on debt sustainability and capacity to repay which were introduced in March 2021. We also support the proposal for aligning PRGT Exceptional Access criteria with those of the Policy Safeguards for High Combined Credit (PS-HCC). As for High Access procedures, we can also support the proposal for retaining the flow and stock triggers at the higher levels introduced in March 2021 until the next review of LIC facilities.** Given that the accurate debt data is essential for these safeguards to play their roles sufficiently, we reiterate the importance of capacity development to improve debt transparency including the data accuracy.

**Regarding the blending rules, we support all the proposals** for i) adjusting the income threshold, ii) simplifying the role of market access and debt vulnerabilities and iii) simplifying the rules for determining the mix of PRGT and GRA resources in arrangements for presumed blenders. **As for the possible future reform option that allow presumed blenders to fully access the PRGT at a differential interest rate, we encourage staff to continue exploring it** as we see it would have advantages to incentivize presumed blenders to graduate from the PRGT while strengthening the PRGT subsidy resources.

### **Financing Strategy**

There is no question that PRGT should have sufficient resources to respond to financing needs in LICs and we appreciate staff for their every effort to seek the appropriate and efficient way to secure the necessary resources. **We support the two-stage funding strategy, with i) a medium-term fundraising effort to finance crisis-related lending while preserving the PRGT’s capacity to subsidize lending in the longer term, to be followed in due course by ii) a long-term solution to PRGT self-sustainability,** given the significant uncertainty over financing needs and demand for the Fund’s concessional financing in LICs. **We also agree with the proposal for the annual review on concessional resources and progress with the fundraising.**

While we well recognize the necessity of bilateral grant contribution in fundraising of the subsidy resources, **as a prerequisite for asking member countries for grant contribution, the Fund’s own effort is essential for donor countries to achieve political accountability to taxpayers for the necessity of additional contribution.** We note the possible use of internal resources such as i) “gold pledge” as one of the contingency measures against the significant fundraising shortfall in the stage one and ii) limited gold sales in the stage two, if necessary. However, we are still of the view that the Fund should seek these options at this juncture to help donor countries fulfill accountability to taxpayers.

**We support the proposal to create two new PRGT accounts; a “Subsidy Reserve Account” (SRA) and a “Deposit and Investment Account” (DIA) to facilitate bilateral subsidy contribution and reinforce reserve coverage.**

**PRGT Interest Rate**

**We support the proposal to keep zero interest rates for PRGT credit outstanding under the ECF, SCF and RCF until July 2023 based on the approved PRGT interest rate mechanism.**

**Debt Relief Financing**

On CCRT, we cautiously note the shortfall of the resources to provide the 4<sup>th</sup> or final tranche of debt relief. Given the importance of generating additional fiscal space by debt relief in poorer LICs, **we urge management and staff to step up their fundraising efforts.** As stated in the IMFC statement in last spring meeting, **we would like to reiterate that Japan is ready to consider the additional contribution to the 4<sup>th</sup>/final tranche of CCRT and encourage others to accelerate their consideration for their contribution.**