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**Joint Statement by Mr. Pösö, Mr. von Kleist, Ms. Ekelund, and Ms. Koh on Temporary Extensions and Modifications of Access Limits in the Fund's Lending Facilities
(Preliminary)
Executive Board Meeting
March 22, 2021**

We thank staff for the concise paper and for their tireless efforts on this dossier. While we are seeing light at the end of the tunnel, the continued elevated uncertainty and divergence well justifies the discussion of the extension of emergency measures that have been essential for the swift crisis response of the IMF. However, as the crisis evolves more vigilance is needed to ensure that the exceptional support is targeted and well calibrated. Once conditions stabilize and the extraordinary uncertainty abates, there should be a return to normal access limits, which represent a well-balanced policy and a key element in the Fund's risk management framework.

We remain committed to finding ways to address the challenging situation many LICs are facing, as is demonstrated by the recent increases in our PRGT-loan commitments and our overall development aid contributions to LICs. We have been calling for a comprehensive discussion on the Fund's Concessional Lending Framework to ensure we can make decisions that are sustainable and do not compromise the basis of the existing commitments. Moreover, making informed comprehensive decisions at the Board would make it much easier for us to justify PRGT loans and other contributions to IMF's LIC facilities to our taxpayers.

Views on the specific proposals

We consent to the proposed extensions of temporary augmentations of RFI and RCF annual and cumulative access limits through end-December 2021. Uncertainty is very high with risk of sudden spurs of the virus justifying maintaining the augmented access for emergency financing (EF) for those meeting the criteria. Like staff, we do not see a large need for emergency financing at this stage of the crisis and call for vigilance in applying the

EF criteria to ensure that increased access does not disincentivize or delay the move to multi-year UCT programs. This message should be strongly emphasized in the Fund's communication of the proposed time-bound extension, which should also refer to its exceptional and temporary character and indicate a return to the regular EF access limits after the current extension. We agree on the need for rigorous application of the qualification criteria and we will pay **close attention to the application of the proposed additional safeguard** in the form of "an explicit discussion of as to how qualification criteria are met, making a convincing case that the country either does not need or is unable (as distinct from unwilling) to put in place a UCT-quality arrangement at that juncture".

Before deciding on the temporary extension of the augmented RCF access limits, we would have hoped for a comprehensive discussion on the Concessional Lending Framework, which is imperative for the Board to make a fully informed decision.

We consent to continuing the current suspension of the limit of the number of disbursements under the RCF within a 12-month period as proposed and support the proposal for Board approval of an EF request to automatically lapse if no withdrawal is made after 60 days following Board approval.

We also consent to the proposed further extension of the temporary increase of GRA annual access limits to 245 percent through end-December 2021. However, access levels should continue to be tailored to country needs. Thus, we emphasize the importance of staff judgement in program design, notably when assessing financing needs to ensure resources are efficiently spent matching the individual countries' BOP needs, debt sustainability, adjustment needs, and capacity to repay. Furthermore, we note that countries in need of financing beyond normal access limits can access additional funds through the exceptional access policy, that features appropriate prudential safeguards, which should continue to underpin Fund involvement in cases where exceptional financing is requested.

With regard to the temporary and exceptional nature of the increased access levels and the corresponding need to return to pre-crisis access levels as soon as feasible, we would welcome the formulation of a strategic plan for transitioning back to the regular access levels.

As regards the proposal to increase PRGT access limits, we cannot see how this approach is consistent with the three-pillar strategy for a self-sustainable PRGT agreed by the Board in 2012, given that the proposed changes will further widen the subsidy resource gap and a discussion on financing options to address this gap has not taken place. *We ask staff to comment on this, in particular with respect to pillar II, prescribing contingent measures,*

among them modifications of access, to be put in place when average financing needs exceed the base envelope by a substantial margin for an extended period.

The timing of the proposal of a significant further increase to PRGT access limits, only two weeks before the planned discussion on the PRGT lending framework is unfortunate. Ours and many other chairs have repeatedly called for these discussions to take place prior to any new changes to PRGT access limits. We also have concerns related to even-handedness when pursuing short-term changes to accommodate immediate needs for a few countries rather than following a more principle-based approach that would also consider long term needs. However, given the very challenging financing circumstances for some countries **we can accept, as an interim and time-limited measure, to increase PRGT access limits as proposed, provided that also proposed safeguards (including on debt sustainability) will be rigorously applied. Importantly, we highlight that the agreement to this proposal is taken without prejudice of the results of discussions later in March and April on LIC financing needs and on the PRGT framework.**