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September 28, 2022

**Statement by Mr. Herrera and Ms. Ramos Capaquira on Proposal for a New Food Shock Window Under the Rapid Financing Instrument and Rapid Credit Facility; Proposal for a Staff Monitored Program with Executive Board Involvement
(Preliminary)
Executive Board Meeting
September 30, 2022**

We thank staff for the relevant and timely proposals and the fruitful and informative Q&A Session.

- 1. The current juncture of a 'cost-of-living crisis', with a higher impact on the most vulnerable, demands an urgent and significant policy response.** High pressures on food and fuel prices and supply disruptions, which came after the impact of the pandemic and were exacerbated by the spillovers of the war, are affecting the global economy and threatening food security. Low-income countries and the most vulnerable households are suffering the greatest impact of this context. Against this backdrop, an effective response is required from countries' authorities and the international community. The IMF is being called upon to play an important role to weather this adverse scenario.
- 2. We welcome and support the proposal for a new Food Shock Window under the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF).** The proposed instrument will help IMF members cope with the food shock and address their associated balance-of-payment needs. We see merit in the identification of potential beneficiaries to access this instrument, which, given the qualification criteria, would include some of the most vulnerable economies that are experiencing a food crisis and food emergency or worse, and net food importers that are facing increasing costs. The estimated number of 34 countries which could eventually qualify for the window are noteworthy. Nevertheless, the eligibility criteria could be expanded to include other similarly situated economies facing acute balance-of-payment needs associated with global shocks, like the rise in energy costs and the tightening of financial conditions. We encourage Management and staff to work in this direction. We agree on the revision of the proposed window by end-June 2023.
- 3. We take positive note of the low-cost financing and medium and long-term maturity.** Regarding the latter, it would range from 3¼ to 5 years for the window under the RFI and from 5½ to

10 years under the RCF. Moreover, the increase in the cumulative access limit to 175 percent of quota under the RFI regular window and the RCF exogenous shock window is welcome, as it will provide members with additional space to deal with other shocks. We acknowledge that the impact of the new window on GRA resources will be limited, while it will result in increased needs of subsidy resources under the PRGT. In this vein, the shortfall in bilateral contributions must be addressed. We thank staff's ongoing efforts in fundraising and the countries that have already committed or plan to increase their bilateral contributions.

4. **The IMF's more active role in the face of the current food shock that threatens world food insecurity is commendable.** The estimated level of people in acute food insecurity, according to the World Food Programme (WFP), is alarming, as are other international organizations' forecasts of an increase in poverty this year. Overall, this situation would strongly harm the population's well-being, especially for the most vulnerable. In this vein, as presented in the Enterprise Risk Self-Assessment in Annex 1, we welcome the fact that the Food Shock Window is helping address some risks, such as the food shock, members' greater engagement, and the reputational risk. Regarding the latter, the IMF's involvement and support, amid international coordinated efforts, in mitigating the impact of the food shock and its effects on the most vulnerable, will be well-received.

5. **We also support the Proposal for a Staff-Monitored Program with Executive Board Involvement (PMB).** The instrument can help fill a gap in the IMF's surveillance toolkit, as long as it is an intermediate milestone in building a UCT-quality program. In this vein, we see the PMB as a temporary tool. *Could staff elaborate on whether a PMB 'sunset- clause' has been considered or would be desirable?*

6. **The relationship between the PMB with the proposed Food Shock Window appears relevant, with the former as a safeguard component of emergency financing.** The program will be key in the cases of members with new emergency financing, RFI or RCF, which could lead to exceed the thresholds defined prior to the temporary increase in the context of the pandemic. Therefore, PMB concurrence with the proposed Food Shock Window is important, as the cumulative access limit of some potential beneficiaries of the window will surpass the threshold of 100 percent of quota, according to the figures estimated by staff. Nonetheless, we believe that a prior assessment of potential beneficiaries or countries willing to consider the new instrument would have been useful to support the proposal.

7. **Effective communication will be critical to avoid the dilution of the signaling effect of Executive Board's endorsement.** Even though the Executive Board's involvement in the PMB will be limited to provide its views on the robustness of the country's policies to meet the program goals and on whether it is on track at the time of the reviews, this could be perceived as an Executive Board's endorsement of a program without UCT-quality standard. Hence, we concur that clear communication is a key priority at all stages of the PMB, including the press release announcing the launch of the PMB, the engagement with the country, its consideration at the Board meeting, and in periodic reviews. We would appreciate the Communications Department's strategy to address the signaling effect dilution. Finally, we support that the PMB revision would take place by end-September 2023.