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**Statement by Mr. Bhalla and Mr. Natarajan on Temporary Modification to the Fund's
Annual Access Limits
(Preliminary)
Executive Board Meeting
July 13, 2020**

1. The economic dislocation arising due to COVID-19 has severely affected the economic stability of many members. In order to manage the financial imbalances, over 100 countries have approached the Fund for financial support and about 70 requests have been approved. After the temporary increase in access limits of two emergency funding toolkits – Rapid Credit Facility (from 50 to 100% of quota) and Rapid Financing Instrument (from 100 to 150% of quota) in April '20, many countries became eligible for emergency financial support.
2. As the crisis continues to unfold, it is expected that many countries may require significant near-term financing needs and seek substantial support. In case the access exceeds the existing limits under Normal Annual Access Limit (NAAL), this would trigger scrutiny under the exceptional access framework. This would require an increase in the NAAL limit from the existing 145 percent to 245 percent for assistance under General Resources Account (GRA) and an increase of 100 to 150 percent of quota for Poverty Reduction and Growth trust (PRGT) countries. We support the present proposal for temporary increase in access limits. We also believe that emergency financing due to COVID requires a broader evaluation as we go forward.
3. This is necessary because an increase in limits for RFI and RCF, and now the proposal to increase the access limits under NAAL, will inevitably lead to substantial additional demand for Fund resources. A comprehensive assessment of the emergency assistance already provided to many member countries could offer many useful lessons regarding their efficacy. *Are there any prudent performance criteria which can be deployed to assess the impact of the emergency support already provided? Staff may comment.*

4. While IMF mentions that quota resources are adequate at present to meet the needs of members, an increase in access limits for GRA (non-concessional) funding would mean more drawal of IMF quota resources. This might lead to quota resources getting exhausted requiring activation of the New Arrangements to Borrow (NAB) (second line of defence), and later even Bilateral Borrowing Agreements (third line of defence). NAB and BBAs are supplemental resources of the IMF, comprising commitments by members to the IMF. Due to Covid-19 impact, every economy is under considerable strain, and activation of NAB/ BBAs could put emerging market economies like India under pressure. In this context, the Fund should undertake periodic assessment of the resource position, plus outcomes of the emergency Fund assistance already delivered to members. This would assure the Fund membership of proper resource management and utilization.

5. The analysis in Box 2, illustrates the problem of countries which have received support and are likely to be affected by the existing NAAL limits. *Is there any analysis of countries which have not been provided any support till now but are likely to approach the Fund seeking substantial emergency support? Doing a more broad-based and deeper analysis can help the Fund to address this complex situation in a systematic manner.*

6. It is understandable that high levels of immediate financing demand does not necessarily reflect domestic policy weakness but a broader global economic shock. As the report alludes, the Fund should encourage members to avoid excessive reliance on Fund financing. This is important both for mitigation of risk, and prudent preparation for a still uncertain future.