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July 9, 2020

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

We support the proposed decision and thank staff for their thoughtful paper. Raising the threshold for triggering the exceptional access framework is justified in these exceptional times. Further, by temporarily increasing normal annual access limits (NAAL) for both the GRA and PRGT, the Fund is taking concrete steps to help the membership transition from unconditional emergency financing by making room for UCT-quality program lending, which will support stabilization and recovery efforts. The proposals will also provide members in existing UCT-quality programs the flexibility to adjust access levels as their reform programs adapt to the crisis. We recognize that the proposals could trigger a second wave of 'top-up' requests for unconditional emergency financing from those few members who received less than 100 percent access to emergency facilities initially. In those cases, we would underscore that emergency financing access needs to be underpinned by an actual balance of payments need, and that in certain cases access was limited by reasons other than access limits (e.g., governance concerns). Since we agree with the thrust of staff's proposal, below we have highlighted a few additional considerations and questions.

It would have been preferable to increase PRGT NAAL by the same amount as the GRA, but we understand the constraints involved. Resource constraints and the need to preserve safeguards for lenders to the PRGT make it challenging to increase NAAL beyond 150 percent at this time. We would encourage the issue to be taken up again during the forthcoming Review of Concessional Financing. In particular, if sufficient additional subsidy resources can be secured, there could be scope to increase NAAL at a later date.

The inequitable approach being proposed between the PRGT and GRA makes it paramount to formalize policy safeguards in cases of high levels of combined PRGT-GRA exposures. In paragraph 8, staff states that "Since PRGT-eligible countries can access GRA resources on the same terms as other member countries, PRGT financing, even where it has reached the specified hard caps, can be supplemented with GRA resources where

warranted.” We agree that such an approach could be helpful in some cases where the PRGT NAAL is binding and a BoP need remains, but it could also lead to cases of very high levels of combined access that are not subject to enhanced safeguards. As such, before encouraging non-blenders to access GRA resources, we would urge staff to formalize the policy safeguards discussed in FO/DIS/20/25. In the interim, we would scrutinize such cases very closely. *When will safeguards for cases of high levels of combined PRGT-GRA exposures be brought forward for formal Board discussion and what guidance is being provided to area departments in the interim?*

We support the temporary suspension of the limit on the number of RCF disbursements and are inclined to support its permanent elimination. It is not clear to us what the policy rationale is for the existing limit of two RCF disbursements in a 12-month period. However, we would emphasize that natural disasters are becoming more severe and more frequent against the backdrop of a global pandemic. Vulnerable members should not be prohibited from accessing RCF disbursements in the unimaginably tragic event that they are struck by more than two qualifying exogenous shocks in a 12-month period. If the underlying policy concern relates to PRGT resource adequacy, we would encourage this issue to be taken up in the context of the forthcoming Review of Concessional Financing.

It would have been helpful to explore the conceptual linkages between the various temporary access decisions taken and contemplated, and their associated timelines. The temporary increase in NAAL is proposed to sunset on April 6, 2021, which staff indicates is the one-year anniversary of the doubling of access for emergency facilities. However, it is unclear why the timing of this prior decision is a relevant consideration, or how the two sets of decisions interact more generally. *Could staff explain how these two sets of temporary crisis-driven access decisions interact from a policy and timeline perspective? What are some of the considerations that the Board might look into when deciding whether to extend each set of measures and are these considerations complementary?*