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Statement by Mr. Tanaka, Mr. Chikada, Mr. Harada, Ms. Mori, and Mr. Shimada on Temporary Modification to the Fund's Annual Access Limits
(Preliminary)
Executive Board Meeting
July 13, 2020

We thank staff for the paper. We agree with staff that many membership countries are facing larger financing gaps in the shorter period due to the COVID-19 crisis, which would justify the increase in the annual access limits both of the GRA and PRGT. We expect that the countries would utilize the borrowing space created by the increase in annual limits to shift for the UCT program, which would restore macro-economic stability, promote structural reforms and foster solid inclusive recovery. **We thus agree with the necessity to increase the annual access limits**, and provide the following comments.

As for the GRA, we can support the proposed temporary increase in annual access limits by 100 percent of quota. We acknowledge that the increase by 100 percent of quota would give more flexibility for the Fund and authorities to design UCT program. We urge staff to use this flexibility effectively to restore macro-economic stability as well as promote structural reform. We believe that a more borrowing room of a country in next 12 months does not necessarily mean using its full capacity of the Fund's borrowing, rather, the room could enable the country to finance its BOP needs in an efficient and effective manner and thereby would contribute to minimizing their borrowing. *Staff comments are welcome.*

That said, **we reiterate the importance of discussing the access limit issues in the context of the Fund's role in entire financing structure.** Financing needs by the Fund's facilities and the Fund's resource implication are essential information for decision making. In this context, it is still unclear why the increase by 50 percent of quota could not have met the membership countries' needs. *It would be appreciated if the staff clarify this point.*

We can go along with the proposed temporary increase in annual access limits of the PRGT by 50 percent of quota given the urgency of responding to the COVID-19 pandemic. This provides room for member countries to request follow-up UCT-quality programs in the wake of global economic shock. At the same time, given the risks associated with the PRGT financial constraint including loan and subsidy resources as well as reserve account coverage, the proposed conservative increase compared to the GRA is appropriate at this moment. While the proposal is assuming that the Board supports the mobilization of additional subsidy resources, the fundraising exercising of grant financing is a difficult task. Therefore, we expect leadership by management on it. We are looking forward to having further Board discussions on the financing options and on a contingency plan in case where enough funding would not be secured.

We support the temporary removal of the limit on the number of RCF disbursement. This can provide greater flexibility to adjust financing flows to meet country circumstances during the shock lasting for an extended period. We also encourage staff to use this flexibility to warrant the safeguard to the Fund resources, by putting appropriate prior actions, in case of countries which have severe governance issues.

We welcome that staff's cautious approach for the increase in cumulative access limits. Given that the cumulative access limits play an important role in the Fund's safeguard, we are not convinced of the need to increase the cumulative access limits. We need concrete evidences for it as well as comprehensive assessment from the viewpoint of the Fund's risk management.

Finally, we expect staff to provide lessons from the temporary increase in annual access limits to the board going forward. Such information should include how each member country would benefit from the temporary increase in annual access limit as well as the implication on the Fund resource and risk management, which is indispensable to discuss the necessity to extend these temporary limits for a further period. Looking ahead, we are of the view that, building on these lessons, the access limit policy should be holistically examined given the Fund's catalytic role in the review expected in 2021.