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September 3, 2020

**Statement by Mr. Heo, Ms. Johnson, and Mr. Yoo on Policy Safeguards for Countries Seeking Access to Fund Financial Support that Would Lead to High Levels of Combined GRA-PRGT Exposure  
(Preliminary)  
Executive Board Meeting  
September 9, 2020**

**We thank staff for the informative paper and broadly support the proposed policy guidance on the safeguards for large combined GRA and PRGT financing.** We agree that the policy addresses the policy gap that was revealed and sets out appropriate exceptional access limits and program modalities.

**The policy carefully balances a number of principles: strong safeguards are essential for exceptional access; evenhanded treatment across members; and self-sustainability of the PRGT.** The primary purpose of the Fund's safeguards policies should be to limit and mitigate financial risks, as well as to safeguard the self-sustainability of the PRGT. Blending of non-concessional and concessional resources should meet strong safeguards for exceptional access that provide the same level of reassurance as those applying to non-blenders. Low-income countries that blend should be assured evenhanded treatment in line with existing policy rules, and we welcome the forthcoming Board discussion on how this policy, amongst other Fund policies, is affecting low-income countries, as referred to in footnote 4 of the paper. The Fund should continue to support low-income countries, but exceptional access should be rare to manage scarce concessional resources, as PRGT resources, given their limited nature, are not meant to fill large financing gaps by themselves, but they are key to catalyze further financing from other sources.

We support the criteria but offer the following specific comments:

**Criterion 2:** We support the staff approach to set the specification of public debt sustainability criterion broadly comparable with the corresponding GRA exceptional access criterion while recognizing the differences in debt risk assessment methodologies between the LIC-DSF and the MAC DSA. We also support the flexible language on the timeframe for

the risk of debt distress to reduce to moderate or low. *Could staff provide more information on the rationale for the proposed 36-month timeframe for members under LIC-DSF which seems more specific than the equivalent GRA and PRGT EA criteria?*

**Criterion 4:** We broadly support the proposed criterion in line with the GRA criteria, but we urge against staff implementing it in an overly restrictive manner as it may limit potential financing support for PRGT-eligible countries with low institutional and political capacity, as such criterion does not exist in the PRGT framework. The objective here is evenhanded application of policy safeguards across the membership, not to impose on members a significantly tighter or looser one than exceptional access to GRA or PRGT alone. It will be critical to ensure that programs are sufficiently tailored to country conditions including capacity to implement adjustment plans. We also call for strong capacity development assistance to be provided to members whose capacity is assessed to be insufficient.

We support the proposed procedural requirements outlined in Annex 1 and the proposal to grandfather Fund financing under existing arrangements that were approved prior to the adoption of this new safeguards policy. *We are interested in hearing from staff how this new framework applies to the case of countries in arrears to Fund (e.g. Sudan).*