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September 3, 2020

**Statement by Mr. Kaya, Mr. Benk, Mr. Just, and Mr. Bayar 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 well-written paper which puts forward a sensible proposal to fill a gap in the Fund's exceptional access framework vis-à-vis combined General Resources Account (GRA) and Poverty Reduction and Growth Trust (PRGT) exposures. Additional scrutiny to combined GRA-PRGT high-access cases in view of the underlying differences in program design and objectives is an important layer of the Fund's risk management framework and to minimize risks to the Fund's balance sheet. Beyond safeguarding Fund resources, consistent application of the exceptional access criteria also has further benefits as it provides predictability to the membership on what conditions higher access to the Fund credit is warranted while also ensuring even-handed access to the limited pool of concessional resources. It is therefore crucial to more coherently apply the policy safeguards in Fund lending across the membership by covering cases with large combined GRA and PRGT exposures. On that note, **we broadly support the proposed decision** and would like to provide the following comments for emphasis.

We see the rationale behind the proposal (i.e. *to help mitigate financial risks to the PRGT and to the GRA that arise from a member having such high outstanding combined credit*) as robust and relevant. We nevertheless expect that the new set of policy safeguards does not change the existing GRA and PRGT exceptional access criteria as well as the application procedures. This should *inter alia* reflect the broad acknowledgement that the application of enhanced scrutiny under the exceptional access framework is less useful under the current circumstances.

To ensure practical consistency, we support that the proposed policy builds on the current policies on safeguards to GRA and PRGT resources, respectively, which require stronger programs and higher scrutiny for members with higher levels of access to Fund resources.

While the proposed policy is more relevant for countries that currently have sizeable PRGT credit outstanding and are approaching PRGT cumulative access limits, there is one member country (i.e. Ethiopia) whose current program entails access that is conspicuously above the lending thresholds - requiring separate attention. *Therefore, we wonder whether staff had any prior consultations with the authorities about the application of the new framework, including on how the program would transition to the new framework, if needed.*

On a related note, we support the grandfathering provisions that exempt the current arrangements from the new policy unless the member requests augmentation of access under such arrangements or additional Fund financing that triggers the combined credit exposure safeguards. On the application of grandfathering provisions, we understand that requests for rephasing of access would trigger the new safeguards. *We wonder whether a rephasing of access which does not entail an augmentation of resources and where the annual or cumulative thresholds for combined credit exposures have previously been exceeded, would still trigger the new safeguards?*

We agree that the new policy safeguards would apply to any Fund member in situations where combined access to GRA and PRGT resources would exceed specified thresholds in annual and cumulative access. *Can staff further comment on their proposal to exempt the first tranche of an arrangement from the new framework.*

We consider it as pertinent that the proposed safeguards do not include a market access criterion analogous to that in the GRA exceptional access framework as the majority of the PRGT-eligible members has no or limited access to international capital markets and thus, mostly rely on official concessional lending. We concur that for such cases, requiring market access within a timeframe and on a scale that would allow the member to meet its obligations to the Fund would not be appropriate.

Finally, we agree with the suggested procedures, which among other things appropriately entail an early Board consultation should there be a case involving an access exceeding the thresholds for combined credit access. We emphasize that the informal Board meeting should be informed by a staff note that would *inter alia* have an adequate discussion on the debt sustainability, including on the quality of debt data, as well as the impact on the Fund's concessional resources.