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**Statement by Mr. Bhalla and Mr. Natarajan 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**

1. We thank the staff for the detailed paper on policy safeguards in respect of high level of combined GRA-PRGT exposure. The proposal seeks to mitigate financial risks to the PRGT and the GRA, which arise when the combined credit level of a member exceeds the threshold level.
2. The need for higher level of scrutiny in high-access cases is served through Exceptional Access (EA) criteria and related procedures. This forms an inherent part of the risk management framework. The present policy provides for separate access limits for PRGT and GRA that operate independent of each other to trigger application of respective EA framework. The staff proposal highlights the situation where PRGT countries can get access to GRA and PRGT resources wherein the amount is below individual trigger limits of PRGT and GRA, but the combined amount exceeds the limits. At present, out of the 58 members which have PRGT credit outstanding, 17 have more than 150 percent outstanding. Eight countries have combined exposure of more than 200 percent which is expected to increase to 12. *To understand the extent of risk exposure, could the staff share the amount of Fund's exposure under various relevant categories?*
3. There is broad merit in applying the safeguards under the GRA when the combined access exceeds the threshold to trigger EA framework of the GRA. Containing the risk to debt sustainability at a low level remains important and hence, the high probability of debt sustainability is a key element. We recognize the need to calibrate the GRA framework in respect of methodology selected for debt sustainability analysis and market access criterion.
4. The Bank-Fund Debt Sustainability Framework for Low-Income Countries (LIC-DSF) methodology followed for PRGT-eligible countries that have access to IDA resources sounds balanced and pragmatic. In the same manner, not including a market access criterion of GRA EA framework is appropriate since most of the countries do not have significant access to

international capital markets. However, factoring this as a positive element for countries which access markets could be a useful incentive. We recognize the need for grandfathering the financing commitments under existing arrangements approved before the adoption of new policy safeguards.