

SU/20/142

September 14, 2020

**The Acting Chair's Summing Up
Policy Safeguards for Countries Seeking Access to Fund
Financial Support that Would Lead to High Levels of
Combined GRA-PRGT Exposure
Executive Board Meeting 20/91
September 9, 2020**

Executive Directors welcomed the opportunity to discuss new policy safeguards to mitigate financial risks to the PRGT and to the GRA, respectively, that arise from a member having high combined credit from these two sources of financing. They generally agreed on the need for appropriate scrutiny for such cases, and on ensuring a more consistent application of policy safeguards in Fund lending.

Directors broadly supported the proposed policy safeguards, which would apply to any Fund member with combined access to GRA and PRGT resources that exceeds quota-based thresholds set at the same level that triggers the exceptional access framework of the GRA, and agreed that the assessment of the three criteria will apply at the time of approval of financing requests as specified in the proposed decision and at reviews in the context of arrangements. They agreed that, by introducing new policy safeguards requiring more scrutiny on requests for high combined access levels not currently covered by the Fund's exceptional access frameworks, the new policy would help to mitigate financial risks to the PRGT and GRA, respectively.

Some Directors highlighted that the Fund should be cautious about lending exceptionally large amounts, in particular, when debt is already at high risk of distress, and particularly without debt restructuring and/or debt relief in place to restore debt sustainability. Many Directors underscored the importance of ensuring that the Fund can adequately support PRGT-eligible members, including through the use of blended concessional and non-concessional financing, and particularly during these exceptional times.

A number of Directors noted that combined high access requests – like exceptional access – are expected to be exceptional, emphasizing the catalytic role of the Fund. They also underscored that, given the financial benefits, staff should continue to advise PRGT-eligible countries to use concessional financing under the PRGT up to the applicable access limits before accessing resources in the GRA.

Many Directors expressed concern that application of the criterion that a member's policy program provides a reasonably strong prospect of success could preclude members with limited institutional capacity from accessing Fund resources in amounts above the thresholds for high combined GRA and PRGT credit. They underscored the importance of giving support and attention, in particular through capacity development, to those countries facing challenges with institutional capacity.

Some Directors emphasized the need for careful communication, which highlights that the new safeguards are not intended to constrain access to Fund resources.