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**Statement by Mr. Fanizza and Ms. Quaglierini on Fund's Pandemic Response - Lending Options to Support Members During the Next Stage of the Crisis
(Preliminary)
Executive Board Meeting
September 25, 2020**

We thank staff for an informative paper which portrays several options. We are not persuaded by the need to establish a new temporary pandemic support facility; we encourage staff to fully exploit the available flexibility to adapt existing facilities to effectively support policy responses to the pandemic crisis. While we favor option 2, we would be open to consider combining it with option 3 that entails a dedicated window within both the existing GRA and PRGT facilities.

- The pandemic has ignited a combination of supply and demand shocks with both severe and long-lasting consequences. Despite massive policy responses and the fundamental uncertainty on the future evolution of the crisis, policy makers cannot afford treating it as a temporary shock. Thus, we believe we should not rely on a temporary new facility, as implied by option 4, which, by the way, would require substantial efforts and time to be established.
- In our view, the existing toolkit does not constitute an obstacle to an effective management of the crisis. Macroeconomic stabilization is expected to be the immediate priority for most – if not all – countries, to be accompanied by ambitious economic reform programs to address the structural challenges highlighted by the pandemic reality. The need to implement these reforms, likely to rely on major investment efforts, would generate long-term Balance-of-Payment needs that would justify financial support from the Fund through the existing EFF.

- We believe that staff’s concerns in paragraph 30 are overstated: additional flexibility, transparently and temporarily justified – notably on back-loading of structural conditionality – would not undermine established lending practices; and communication challenges can aptly be addressed.
- We remain convinced that program design should continue to be the cornerstone of the Fund’s lending strategy and appreciate what is offered by option 2. In the context of the pandemic, program design should consider, among other things, longer repurchase periods, flexible disbursement schedules and possible backloading of structural measures. To remedy the possible stigma associated with Fund’s programs, we could consider supporting a temporary “pandemic window” under the EFF and ECF. Such combined strategy would strengthen the available, well-tested, framework and avoid diverting scarce human resources into creating a new facility, while still maintaining all necessary safeguards.