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September 23, 2020

**Statement by Mr. Tanaka, Mr. Chikada, Mr. Naka, and Mr. Shimada 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 the well-written report with lending options proposal. From the early stage of the COVID-19 crisis, the Fund has helped the membership countries, which has been facing the sudden and larger BOP needs, promptly and flexibly through many measures, including the temporary increase in access limits of emergency financings as well as annual access limits in GRA and PRGT, the establishment of SLL and the expansion of CCRT. Considering that the membership countries will continue to face difficulties in each phase of the crisis with still high uncertainty, **we welcome that the Fund will consider the expansion of its lending toolkits, including development of a new window or a new facility, to enable the Fund program to be sufficiently tailored to deal with the development of the crisis and member countries' needs in each phase of crisis.** The Fund should continue to play an important role to fight the current crisis, as the center of Global Financial Safety Net and only one international financial institution whose mandate is fighting international financial crisis through “provid[iding] the machinery for consultation and collaboration on international monetary problems”.

We emphasize the importance for the membership countries to shift for UCT-quality programs going forward, particularly those with the debt issue. We are of the view that the implementation of the Fund's program should be precondition of the future debt restructuring after DSSI. In this regard, it is important to develop a new facility which would encourage such countries to seek the UCT-quality programs, by allowing necessary flexibility in program design considering the high uncertainty due to the pandemic. We should not delay the indispensable debt restructuring by overly relying on the existing facilities, which could also discourage such countries from the Fund's support.

Against these backdrops, we support the establishment of a temporary Pandemic

Support Facility (PSF).

However, we share some concerns that many other chairs raised in their grays in relation to PSF. **In order to gain broader support for establishing PSF at the executive board, we would like to propose below points.**

(1) Showing clear demands and necessity for PSF

While we understand the important concept of PSF such as “gradually broadening content of policies and conditionality” and “review-centric”, we would like staff to explain more on why such features are essential. In other word, we would like to know actual country examples which have difficulty in having the Fund’s program under the existing toolkits and what kind of country will seek the Fund’s support under PSF. Such information and analysis are essential, given developing a new facility needs certain level of staff resource (and authorities’ consideration).

(2) Incorporating necessary structural reform without delay

While we agree that, depending on country specific circumstances, the full extent of structural reforms required would become clear only once the economy is well on a recovery path, we also believe that the timely implementation of appropriately focused and sequenced structural reforms is key for a sustained recovery, considering “crisis would be an opportunity to conduct reform”. The Fund lending without necessary reforms would deteriorate the Fund’s reputation as a catalytic lender. We therefore urge staff to explain how effectively the program under PSF would warrant “expanding the number and coverage of structural reforms and structural benchmarks (para 17)”.