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GRAY/20/2970

September 23, 2020

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

1. We thank staff for the comprehensive paper on the options available to tailor the Fund's response to the ongoing deep and destructive COVID-19 crisis. We agree with the presentation of many pros and cons of the four options. While sharing most of the concerns articulated in the staff paper, we believe that the Fund has an excellent track record of being flexible when using the broad range of existing facilities. On balance, we would favor Option 2 supported with upgrading the Fund's communication policy to promote success stories we already have, such as the early adjustments in the Armenian and Georgian programs. We could also go along with a significant majority of Board members favoring Option 3. At the same time, with respect to Option 3, we see a significant risk of introducing excessive rigidities under the guise of additional safeguards, and we would warn against such an approach.
2. Like many other Board members, we do not agree with the view that the uncertainty associated with the COVID-19 crisis somehow inhibits the authorities' ability to embark on structural reforms at an early stage. Quite the opposite might be true. The earlier the authorities recognize preexisting vulnerabilities and the ones augmented by the crisis, the better. While the separation of the crisis, stabilization, and recovery stages is a useful concept, these stages overlap. Accordingly, the policy response should also be comprehensive and timely.
3. From this point of view, it would be instructive to recall the policy response to the Global Financial Crisis spread from the advanced economies to the rest of the world. At the

time, the Fund's advice was to devise at the early stages the medium-term reform programs in order to strengthen market confidence in response to the crises. Indeed, many countries not only suggested such programs at the early stages, but also strived to implement them. With the benefit of hindsight, one can claim that the affected countries needed even stronger commitment to reforms and perseverance with their implementation. The authorities who embraced such an approach soon after the GFC, met the unexpected 2020 pandemic with substantial policy buffers.

4. In light of the above, we are in favor of a frontloaded analysis of macroeconomic situations in countries severely affected by the crisis, as well as structural challenges they are facing. A well sequenced implementation of reforms, with due regard to protecting vulnerable population and supporting economic activity, should be among the key priorities for the Fund and its members. Appropriate contingencies should also be a standard feature of the new generation of programs at the times of COVID-19.

5. Finally, we believe that the Fund needs to rethink its communication policy, which should be consistent with the emerging consensus among its members. Special attention should be paid not only to immediate anti-crisis measures, but also to expeditious and successful policy responses aiming at medium-term challenges.

With these remarks, we thank staff and other Board members for their thoughtful reflections on the options to strengthen the Fund's role in combatting the crisis like no other.