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April 23, 2021

**Statement by Mr. Andrianarivelo and Mr. Sidi Bouna on Review of the Fund's Income Position for FY 2021 and FY 2022  
(Preliminary)  
Executive Board Meeting  
April 27, 2021**

**We welcome the Fund's projected strong income position in FY2021 and FY2022.** While certain factors could still impact net income at the end of FY2021, including the level of the discount rate on April 30<sup>th</sup> used to calculate the obligations under the retirement plan, as well as the return on the plan's assets, the Fund's net income for the current fiscal year is expected to be sizeable, at SDR 4.1 billion. We note that the important remeasurement gain related to pension has contributed significantly to this outcome. In FY2022, the Fund's net income is also forecast to be elevated at SDR 2.2 billion, although this estimate is subject to significant uncertainty. In addition, the potential gain or loss related to pension is excluded from this projection.

**We agree to delay the Endowment Subaccount (EA) payout and endorse the proposed approach to address impairment losses.** As we indicated during the informal meeting on the interim update of the Fund's FY2021 income position held last month, delaying the initiation of EA payouts by one additional year is sensible in that the decision to initiate payouts or not should follow the review of the Investment Account (IA) which is scheduled in 2022. On the issue of provisioning for impairment losses, while we fully support the approach discussed in October 2020, *we wonder whether the adoption of this new proposed approach would not have warranted a separate formal Board meeting. In particular, the staff report discussed during the informal session of the Board held in October 2020 was preliminary and not intended to be published. In our view, the background analysis in the report that led to the change in the Fund's approach to provisioning should be made available to the public. Staff comments are welcome.*

**We support the proposed decisions.** We approve **decision 1** pertaining to the reimbursement of the General Department for the expenses of conducting the business of the SDR Department in FY2021, as well as the suspension by one year of the reimbursement of PRGT administrative expenses (**decision 2**) in response to Executive Directors' call during

the recent review of concessional financing and policies held on April 1<sup>st</sup>. We also support transferring the income of the Fixed-Income Subaccount to the GRA for use for the administrative expenses of the Fund in FY2021 (**decision 3**), as well as placing in the special reserve the share of FY2021 net income required to fully cover last year's income loss, which was charged to the special reserve. In line with recent practices, we concur with placing the remaining amount of net income in equal parts in the special reserve and the general reserve (**decision 4**). We welcome the increase in precautionary balances following these placements and the projected accelerated pace of accumulating these balances over the medium-term. We support the transfer of currencies from the GRA to the IA, as proposed under **decision 5**, and agree that the rate of charge does not warrant an adjustment for the time being (**decision 6**).

Finally, carefully communicating the Fund's income position to the public is warranted, given the impact of the excessive volatility of the pension-related gains and losses.