



Executive Board Minutes 22/32-1

April 4, 2022–10:00 a.m.

**2022 Review of Adequacy of Poverty Reduction and Growth Trust
Finances**

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Staff: Beaumont and Thornton, FIN

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CEDA OGADA
Secretary

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¹ Minutes are the official record of a formal Board meeting in which the Board may adopt decisions and reach understandings related to the business of the Fund. Staff background documents issued before the meeting are the principal basis for the meeting. Preliminary “gray” or “buff” statements by Executive Directors and staff’s responses to Directors’ technical questions are circulated prior to the meeting. Adopted decisions and/or summings up—the Chair’s “sense of the meeting” or policy conclusions/recommendations—are issued after the meeting. The minutes include all these elements, as well as the discussion record (a verbatim transcript of the discussion lightly edited for clarity). Minutes are made public consistent with the IMF’s Open Archives Policy.

THE ACTING CHAIR'S SUMMING UP

Executive Directors welcomed the first Review of the Adequacy of Poverty Reduction and Growth Trust (PRGT) Finances since the comprehensive reforms were approved in July 2021. They agreed that the PRGT had provided unprecedented and critical support to low-income countries (LICs) during 2020–21, particularly to meet pandemic-related challenges. Looking ahead, Directors considered it essential for the PRGT to continue supporting LICs to facilitate sustainable post-pandemic recovery and to cope with adverse spillovers from the war in Ukraine.

Directors welcomed the robust shift from emergency financing in 2020 toward multi-year Fund engagement. While the immediacy of the health crisis and sudden drop-in global economic activity had necessitated an urgent response, they considered that close engagement under multi-year Fund-supported arrangements is better placed to lay the foundations for sustained recovery.

Directors expressed concerns that prospects for many LICs had been further disrupted by the war in Ukraine, with spillovers through pressures on food and fuel prices threatening social stability and food security, in addition to existing challenges. They considered that these adverse developments made it more likely that demand for concessional financing would remain elevated over the near and medium terms.

In that context, Directors were reassured by the expansion of LICs' concessional borrowing space from the 2021 PRGT reforms. They underscored that PRGT arrangements could support LICs in developing appropriate policy responses to recent challenges. Directors also noted that the unprecedented increase in PRGT credit outstanding reduced the reserve account coverage ratio below its historical average and called for close monitoring. Directors welcomed staff's assurances that the Board would be quickly alerted if the reserve coverage ratio is projected to drop below 20 percent. Moreover, they highlighted that risks from elevated lending levels should be mitigated by the Fund's multilayered risk management framework, continued reliance on multi-year program engagement, and full implementation of the enhanced safeguards on debt sustainability and capacity to repay introduced in 2021.

Directors endorsed the resilient design of the two-stage funding strategy for the PRGT. While the Baseline lending scenario already allows for historically elevated lending until 2024, they welcomed that the strategy is sufficiently robust to accommodate a High Case scenario. Directors concurred that, if such a scenario arose, additional subsidy needs would be addressed in the second stage of the funding strategy, as part of the next comprehensive review of the PRGT planned for 2024/25. The further use of IMF internal resources, including gold sales, would be carefully considered at that time to ensure the long-term sustainability of the PRGT. Many Directors, therefore, saw merit in commencing

early analytical work on the potential use of internal Fund resources ahead of the second funding stage, while some other Directors emphasized the importance of waiting to undertake this work during the next review. A few Directors underscored that extending the suspension of the reimbursement of administrative expenditures to the GRA for a longer period would be a low hanging fruit to strengthen PRGT finances.

Directors welcomed the generous pledges for loan and subsidy resources made by many members. They expressed concerns, however, about the significant shortfall in the pledges compared to the loan and subsidy targets for the first stage of the funding package agreed in July 2021, especially in view of upside risks to PRGT demand and the potential risks to the PRGT's self-sustained lending capacity. In this regard, Directors encouraged economically stronger members to contribute to the agreed broad burden-shared funding campaign and redouble their efforts to make pledges in a timely manner, utilizing the flexibility available in timing and modalities as needed. Directors also urged strong continued engagement by staff and management.

Directors agreed that PRGT finances were evolving broadly in line with the 2021 assessment and that more time was needed for efforts to mobilize PRGT resources to meet the agreed first stage funding targets. They considered that, while contingent measures are not warranted at the current juncture, recent developments reinforced the importance of keeping the adequacy of PRGT resources under close review. If significant resource shortfalls were to emerge, Directors noted that corrective measures could be taken if deemed appropriate. They therefore looked forward to the next annual Review of the Adequacy of PRGT Finances, while calling for interim informal updates as needed.

Directors noted that the Catastrophe Containment and Relief Trust (CCRT) remains underfunded and emphasized the need for additional grant resources to replenish its cash buffer. They looked forward to the comprehensive CCRT review planned for FY2023.

EXECUTIVE BOARD ATTENDANCE²

K. Okamura, Acting Chair

Executive DirectorsI. Mannathoko (AE)
A. Andrianarivelo (AF)C. Huh (AP)
A. Bevilaqua (BR)P. Moreno (CE)
P. Jennings (CO)
D. Palotai (EC)D. Fanizza (IT)
T. Tanaka (JA)
H. Hosseini (MD)A. Mozhin (RU)
A. BinZarah (SA)
R. Lim (ST)S. Riach (UK)
E. Shortino (US)**Alternate Executive Directors**

I. Bustillo (AG), Temporary

Z. Zhang (CC)

C. Roman (FF)
A. Rieck (GR)
N. Thiruvankadam (IN), TemporaryF. Al-Kohlany (MI), Temporary
L. Dresse (NE)
A. Marcussen (NO)

M. Peter (SZ)

C. Ogada, Acting Secretary
S. Maxwell, Summing Up Officer
L. Briamonte / M. Mehmedi, Board Operations Officers
M. Eddy, Verbatim Reporting Officer**Also Present**

African Department: M. Kamel Farid Mohamed Farid. Asia and Pacific Department: G. Gottlieb, R. Gregory, A. Gulde, S. Sanya. Communications Department: W. Amr, N. Ismail, I. Yackovlev Perez-Vilches. European Department: D. McGettigan. Finance

² For countries in each constituency, please see the Constituency Codes in the annex.

Department: C. Beaumont, E. Budras, I. Dugar, N. Ferreira Souza Sobrinho, B. Lauwers, Z. Murgasova, K. Naidoo, H. Nguyen, I. Rutkowska, T. Thornton. Legal Department: G. Rosenberg, B. Steinki, J. Swanepoel. Middle East and Central Asia Department: C. Geiregat. Office of Risk Management: B. Boultwood. Strategy, Policy, and Review Department: G. Chabert, B. Rother, S. Sosa Ravello, Y. Wu. Alternate Executive Directors: A. Alhosani (MI), M. Alrashed (SA), C. Amarasekara (IN), H. Azal (EC), M. El Qorchi (MD), F. Fuentes (BR), A. Grant (AP), A. Guerra (CE), L. Herrera (AG), C. Just (EC), M. Kashima (JA), M. Massourakis (IT), F. Mochtar (ST), W. Nakunyada (AE), R. N'Sonde (AF), F. O'Brolchain (CO), O. Parkyn (AP), J. Romero (CE), D. Ronicle (UK), B. Saraiva (BR), F. Sylla (AF). Senior Advisors to Executive Directors: H. Andrianometiana (AF), E. Cartagena (CE), M. Choueiri (MI), A. Ekelund (NO), J. Garang (AE), L. Johnson (AP), H. Koh (GR), R. Mahabir (BR), M. Maida (AE), S. Naka (JA), C. Quagliarini (IT), B. Rankin (CO), J. Rojas (CE), C. Sassanpour (MD), A. Tolstikov (RU), R. Velloso (BR), M. Villeneuve (CO), S. Wongwaisiriwat (ST), B. Yoo (AP). Advisors to Executive Directors: Z. Abdelrahman (SA), T. Abdygulov (SZ), P. Al-Riffai (MI), A. Arevalo Arroyo (CE), T. Azlan Ariff (ST), R. Bah (AF), G. Basutli (AE), Dennis Bautista (ST), S. Belhaj (MD), E. Boukpepsi (AF), T. Chrimes (UK), K. Dacharux (ST), O. Diakite (AF), F. Dogan (EC), R. Edwards (CO), C. Eijking (NE), D. Fadhel (MI), K. Florestal (BR), D. Hamzah (MI), W. Hteik (ST), Y. Kikucji (JA), C. Kuth (SZ), V. Lankester Campos (CE), M. Merhi (MI), R. Moral Betere (CE), A. Nainda (AE), L. Nankunda (AF), K. Nelson (UK), A. Rao (US), A. Ribeiro Mateus (IT), B. Singh (IN), D. Tevdovski (NE), F. Lopez (CE), E. Comolet (FF).

DISCUSSION RECORD³

The Acting Chair (Mr. Okamura):

The Fund's concessional financing via the PRGT has played a vital role in helping the most vulnerable countries respond to the COVID crisis. And now, before countries have even recovered from that shock, they face a new crisis.

For us to continue playing our vital role in helping low-income countries (LICs) through this crisis, a point emphasized by Directors at Friday's discussion on the Global Policy Agenda (GPA), it is imperative that the membership stands behind that and that we ensure that the PRGT continues to remain well-resourced.

This is the first annual review of the adequacy of PRGT finances since important PRGT reforms approved by the Board last July. Among other things, this brought PRGT access limits into line with those of the GRA and set out the two-page funding strategy. I would like to make two broad observations.

First, we are discussing this review against the backdrop of the devastating war in Ukraine that will have far-reaching implications for our member countries and their need for support from the Fund.

This is already affecting low-income countries through higher food and fuel prices, and many rely heavily on food and energy imports. Food security is going to be a major concern for them. So, on top of fiscal pressures and stresses on social stability, they may also face significant financing gaps. I am confident that the Fund will again respond to this crisis in a timely manner.

As a consequence, we expect higher demand for Fund concessional financing than we had been anticipating before the war. We have already seen early examples of LICs, such as Moldova, where we will need new programs or to augment existing programs. And most likely, unfortunately, there will be others.

I would emphasize a point discussed in the paper: That the current PRGT framework should allow us to meet this likely higher demand. Thanks

³ Edited for clarity.

to the reforms, almost all LICs now have substantial room to borrow from the Fund before they hit the normal access limits. Moreover, we have a two-stage financing framework that was designed to accommodate elevated levels of lending up to 2024, if necessary.

This brings me to the second point, which is about fundraising. The first phase of the funding strategy has been underway for nine months, and we have already received very generous pledges from some of our members, for which we are most grateful. Despite this progress, there is still a significant shortfall in pledges, especially for subsidy resources.

The current situation reinforces the need to accelerate the pace of pledges to ensure that the PRGT remains adequately funded and that no significant resource gap is carried over to the second stage. We had agreed on a broad burden-shared funding package, and the MD had written to 61 of the Fund's economically stronger members to contribute to our first-stage goal of \$3 billion in new subsidy resources based on respective quota shares. These pledges are vital to underpin our support to LICs.

We know that some countries are still going through their internal procedures to be able to make pledges, and we have to allow time for this process. Staff has been raising awareness of the PRGT's needs in the context of outreach with external stakeholders, including think tanks and civil society organizations, and we will continue to engage with our members on the need to secure pledges. The management team will also make every effort to secure the needed pledges to close the remaining gaps.

Let me underline that the Board's continued strong support for PRGT fundraising will be essential. We ask Directors to make whatever efforts they can in support of this goal. As the Fund's main vehicle for providing financing to LICs, it remains a top priority to ensure the PRGT remains adequately funded in a sustainable track.

The Deputy Director of the Finance Department (Mr. Beaumont):

Many thanks to Directors for their strong interest in the finances of the PRGT. We addressed most questions in writing, so I would like to focus on three issues: the use of internal resources; reserve coverage; and the fundraising strategy.

On internal resources, the first stage of the fundraising strategy includes a sizable contribution of Special Drawing Right (SDR) \$500 million

from the Fund to the PRGT by suspending reimbursement for PRGT expenses until financial year 2026.

There was a question about the potential for longer-term suspension of the PRGT's reimbursement to the GRA as a potential source of financing.

Let me give some background that the annual reimbursement from the PRGT reserve account to the GRA. This was made a key part of the Fund's new income model in 2008. Nonetheless, when the self-sustained lending capacity of the PRGT falls short of the target envelope, a temporary suspension of reimbursement is one of the recognized contingency measures under the PRGT's three-pillar framework.

The current suspension through FY26 is consistent with that framework. However, as noted in the July 2021 paper, the suspension will also slow the accumulation of precautionary balances in the GRA by an equivalent amount, although it is not expected to significantly delay reaching the current SDR 25 billion target.

Considering that the Stage 1 suspension of PRGT reimbursements will remain in place for some years, no decision on a further extension is needed currently. But at the time of the 2024-2025 review of the PRGT, if the self-sustained lending capacity is assessed to be below the target envelope, a further suspension is an option the Board could consider.

Also, on the topic of internal resources, a number of Directors highlighted the potential role of gold sales to bolster long-term lending capacity and had questions about technical preparations and roadmaps.

The second phase of the funding strategy for the PRGT provides for the consideration of using internal resources, including gold, during the full review of the PRGT in 2024-2025, especially if the Board were to adopt a significantly larger PRGT lending envelope and associated endowment.

In addition to the limited sale of gold, the paper mentions a possible distribution of the Fund's reserves. Both options will need to be carefully considered against their impact on the Fund's balance sheet and precautionary balances. Broad support across the membership would be required for the use of either of those options.

For our part, the staff will carry out the necessary technical work to explore the various options in good time to set them out to Directors in the

context of the 2024-2025 review. In addition, as we gain experience with the PRGT demand in the coming years after the 2021 reforms, staff will undertake further analysis to build a better understanding of long-term demand for PRGT lending. Discussions on this issue could help build consensus on the size of the needed endowment, which is key for considering the use of internal resources.

If the necessary consensus across the membership is achieved, the operational phase could be implemented, guided by a strategy agreed by the Board. This strategy could build on the substantial discussions the Board previously had in this area, including the principles governing the IMF's use of gold and drawing on renewed consultations with the key stakeholders in this area.

A number of Directors noted the projected decline in the PRGT's reserve coverage ratio. We understand the importance lenders to the Trust place on this issue and its central role in risk mitigation. Staff continues to monitor reserve account coverage closely. Staff would alert the Board in a timely manner if its medium-term projections indicate the coverage ratio risks falling below the 20 percent benchmark and contingency measures can be considered.

In terms of bolstering the ratio, let me note that donors' contributions to the subsidy and reserve account would have a positive impact.

Finally, let me note that the Finance Department has started a review of the fundraising strategy for concessional financing, seeking to learn from our own experience and from practices elsewhere, including at the World Bank. This review is especially important given the current range and scale of IMF fundraising efforts at a time when contributors face many needs. An early part of that review is a fundraising survey of member countries. Let me thank Directors for their help in coordinating and encouraging country authorities to respond to the survey. So far, we have about a 65 percent response rate. Given the importance of the survey to strengthen our fundraising practices for concessional financing, we would really encourage Directors to remind those members who have yet to respond to this survey.

Ms. Riach:

We continue to believe that the two-stage strategy agreed by the Board in 2021 is the right approach, and we are pleased to see that it has allowed us to move ahead in providing support to low-income members. We are also

pleased to see that there has been a shift from emergency financing to multi-year upper credit tranche (UCT)-quality programs.

We commend all members who have committed resources to the PRGT, and I am proud that the U.K. stands among them. But we are concerned that fundraising efforts so far have been below what was hoped for. We know that there are more UCT-quality programs under development and it seems very likely that the spillover effects from the war in Ukraine will increase demands on PRGT resources. And as the Chair said in his introductory remarks, we have already seen that with the request for augmentation of the program in Moldova.

In that context, it is particularly disappointing that more than two years into the pandemic, the Fund's largest shareholder has still not made any contribution to the PRGT. I welcome Ms. Shortino's assurance in her gray statement that the U.S. administration remains committed to doing this, but I urge Ms. Shortino to work actively with her colleagues at the U.S. Treasury to try to make some real progress because the Fund and its membership really needs the U.S. to step up.

Given where we are on fundraising, we repeat our request that staff begin technical work on gold sales, and I am grateful for the remarks this morning. It is frustrating to be continually hampered by the challenging of fundraising efforts when the Fund itself has resources which could be used to ensure adequate resourcing of the PRGT and the Catastrophe Containment and Relief Trust (CCRT).

Given that we have good reasons to believe that demand for PRGT resources is likely to be higher than previously envisaged and given that we are failing to meet the fundraising targets, it does seem likely that gold sales will need to play a central role in the second stage of PRGT funding. Here, I noted with interest Mr. Jennings' remarks in his gray statement about the relative market value and book value of the gold that the IMF holds, so we look forward to further discussion on this.

Mr. Tanaka:

Like many other Directors, we view these annual reviews as an important opportunity to ensure the adequacy of PRGT resources in the first stage, as well as to deepen discussion towards a next comprehensive review. We issued a gray statement, so let me limit my comments to the following three points for emphasis.

First, like others, we encourage management and staff to further strengthen their effort to receive more pledges for long subsidy resources. We are particularly concerned about the slow progress of subsidy pledges, just about a fifth of the subsidy target. Japan continues to strongly support the PRGT and encourage potential donor countries to accelerate their consideration to make timely pledges.

Second, we reiterate our view that the Fund's own efforts remain essential as a prerequisite for asking member countries for grant contribution. Toward the next comprehensive review, we encourage staff to deepen consideration for the use of internal resources in light of the appropriate lending envelope of the second stage, taking into account reliable demand projection and feasibility of fundraising.

We also echo Mr. Bevilaqua, Ms. Riach, Ms. Lim, and Mr. Huh and others in their gray statements regarding the necessity of conducting preparatory work on the adoption of gold sales ahead of the second stage.

Finally, from a broader perspective, let me emphasize the importance of more coordinated and strategic fundraising efforts with other concessional financing schemes, including the Resilience and Sustainability Trust (RST). We encourage staff to review the overall funding strategy on concessional financing constantly and to update it flexibly based on the fundraising status, as Mr. Beaumont already recognized the importance.

Mr. Bevilaqua:

We cosigned a gray statement with Ms. Riach and naturally subscribe to what she just said. Nonetheless, I would like to offer a few remarks for emphasis.

First, we believe that the two-stage funding strategy remains appropriate. Staff's assurance that loan resources that have been mobilized under the first stage are anchored on a scenario designed to accommodate significant potential additional demand for PRGT financing is encouraging. However, as laid out in the GRA, we live in a more shock-prone world, and the anticipated level of lending in the baseline scenario may under-estimate the potential demand given the impact of recent geopolitical developments on LICs. Under these circumstances, we should retain flexibility to adjust the time frame for the Review of Concessional Financing Policies planned for 2024-2025.

Also, as we approach the 2023 review of interest rates on PRGT loans, we call for a balanced stance between the provision of needed subsidy resources and a Trust financial soundness. However, we also strongly caution against the recalibration of access limits and norms or a counter-productive revision of the PRGT interest rate framework with a view to reach financial sustainability at a lower level of lending.

Second, while renewing our appreciation to those who have pledged and contributed to the PRGT, we call on those high-income members with strong external positions that have never contributed to do so. Especially for those emerging market economies that have historically contributed to the PRGT, it is very important to see that the base of contributors has been broadened to encompass those in the membership that are able to contribute.

The slow response in the subsidy resource mobilization, in particular is reason for concern, given rising global challenges that may lead to significant additional demand for PRGT financing. We strongly encourage management and staff to maintain their efforts to fill the PRGT's funding gap, especially for subsidy resources.

Considering heightened budgetary constraints among potential contributors, making available new investment options, and keeping the timing and modalities for delivering subsidy contributions flexible are indeed helpful. In particular, we continue to see merit in exploring feasible ways to mobilize IMF internal resources to cover remaining gaps and subsidy funding.

We see a longer-term suspension of the reimbursement of administrative costs to the GRA as a low-hanging fruit, but we will probably need to go further and renew our request to staff to work on the option of gold sales, along the lines already suggested by Ms. Riach and Mr. Tanaka, or reserves distribution ahead of the second stage of the financing strategy in 2024-2025.

Third, as noted by Mr. Beaumont in his opening remarks, the reserve ratio coverage must be continuously monitored. We are relatively reassured by staff's projections, but with risks tilted downwards, we support further exploring options in which alternative backstop mechanisms would be put in place when the reserve coverage ratio is temporarily too low.

Fourth, we call for urgent attention to the under-funding of the CCRT and encourage its comprehensive review to take place as early as possible in FY23.

Finally, we would welcome staff's thoughts on the potential impact, if any, of the lagging PRGT funding on the launching of the RST.

Mr. Palotai:

As we issued a detailed gray statement, I will be very brief. First, we agree that the two-stage approach is key and the Fund's role together with the development partners will continue to be critical in supporting the low-income countries going forward.

Given the heightened global and geopolitical uncertainties, staff should continue to closely monitor the upside risks to lending demand and developments in fundraising and update the Board timely. In this context, we are particularly waiting for staff's briefing on the size of the potential impact on financing needs associated with the spillovers from the war in Ukraine.

Second, as a number of Chairs have clearly articulated in their gray statements, given that over half of the PRGT credit outstanding is at a high risk of or in debt distress, the large volume of outstanding Rapid Credit Facility (RCF) loans, which is not subject to UCT conditionality, may pose risks to the portfolio and to the maintenance of the reserve coverage ratio at above the international benchmark. In this context, staff should diligently apply the Fund's safeguard policies to mitigate those risks.

Last, on PRGT lending operations, we welcome that staff has incorporated the updated interest rate forecast into the analysis, which implies faster normalization. Nevertheless, close attention to the balance between uneven outlook for normalization of interest rates and the expected rates of investment returns is essential regarding the substitution cost of the PRGT long-term sustainability.

Ms. Rieck:

The PRGT remains a key pillar for supporting low-income countries and providing financial assistance geared towards macroeconomic stability and growth. Germany remains firmly committed to the purpose of the PRGT and has been providing various financial contributions throughout the past fundraising rounds.

In the spirit of international solidarity with the most vulnerable members, we encourage others to come forward and help put the PRGT on a strong, sustainable footing.

Meeting the fundraising targets set under the first stage of the funding strategy is important to maintain the PRGT self-sustained lending envelope and to avoid passing on financing needs to the second stage.

On the contingency measures, staff may foresee in case subsidy pledges do not materialize in the expected volume and time frame or if subsidy resources deplete faster due to elevated loan demand or the normalization of interest rates, we would not want to see further internal Fund resources, like all the reserves, being used to close funding gaps of the PRGT because that would weaken the balance sheet of the Fund and could undermine its financial integrity.

Instead, besides the ongoing fundraising initiative, we encourage members with still outstanding pledges from the 2012-2013 rounds and even before to consider providing these resources in a timely manner.

To conclude, notwithstanding our generous support to the agreed PRGT fundraising strategy or funding strategy as the best available option at this stage, we highlight growing longer-term risks for preserving the PRGT self-sustained financing framework under current policies. We encourage staff to continue with fundraising efforts, emphasizing the importance of preserving a self-sustained PRGT and calling for fair burden sharing among countries.

Considering higher risks stemming from elevated credit outstanding, including emergency financing not covered by program conditionality and many PRGT borrowers at high risk of or at already in debt distress, relatively low reserve coverage ratios, slow progress on mobilizing subsidy resources and the general high uncertainties surrounding the loan demand due to the pandemic, as well as effects from current geopolitical events, we suggest having an update on the situation already earlier than the next annual review of the adequacy of the PRGT finances.

Mr. Andrianarivelo:

We welcome this first review of the adequacy of the PRGT finances since the comprehensive reforms in July 2021. We appreciate staff's timeless efforts to actively seek additional pledges and make sure that the PRGT is

adequately funded over the medium and longer term. We issued a joint gray statement with Mr. Hosseini in which we broadly agree that a two-stage funding strategy remains broadly appropriate, and we will limit our comments to two points for emphasis.

We are grateful to members that have contributed or indicated their intention to contribute to PRGT resources. However, it is important to accelerate the pace of pledges for loan and subsidy resources given the significant gap compared to targets. We take positive note that the funding strategy is resilient to shock and can accommodate high-case scenarios. Nonetheless, with the expected deliberative demand for PRGT financing arising notably from worsening of the pandemic and geopolitical developments, we encourage staff to continue fundraising efforts with focus on the fair burden sharing to preserve self-sustainability of concessional financing.

Second, like others, we are concerned with the substantial underfunding of the CCRT and encourage staff to explore alternatives to improve fundraising from more flexible modalities adoption. In this regard, we agree with Ms. Riach and other Directors on the consideration of gold sales.

To this end, we look forward to the fiscal year 2023 comprehensive review of the CCRT and its funding.

To conclude, we fully appreciate management's leadership in ensuring that the Fund meets its most vulnerable members' needs in these challenging times.

Mr. Hosseini:

We already issued a joint gray statement with Mr. Andrianarivelo, I will briefly focus on a few points. I also have a couple of questions.

The report was issued almost a month ago in the early days of the war in Europe and essentially largely predates the conflict. Given the conflict's strong repercussions already felt globally, particularly in the context of the steep rise in energy and food prices that are expected to hit LICs the hardest, we would expect the projected demand for Fund concessional resources to rise in the near-term. We note that staff feels that the high-case scenario would likely capture the potential additional demand related to the war and is working on different scenarios.

We would request staff to inform the Board as soon as it has reasonable assessment of the negative spillovers of the war on LICs and their concessional financing needs. The report indicates that 19 LICs had approached the Fund for PRGT loans ahead of the war. Could staff comment on the development since.

We note that while recognizing the unusually high level of uncertainty surrounding the outlook, staff does not see the need to trigger remedial measures at this stage. Like Ms. Rieck, we believe that the high level of uncertainty and the fast-moving events in Europe probably merit a midterm update of the adequacy of PRGT finances before the full annual review.

Could contingency measures be deployed before the next review should the need arise?

We endorse the projected two-stage funding strategy. With the war in Ukraine representing the global crisis of uncertainty and duration, we feel that the first stage is likely to be more demanding and, hence, securing subsidy resources during the first stage is critical to maintain concessional lending tool analysis.

We agree with staff on the need to encourage timely pledges while maintaining flexibility and the timing and modalities for delivering subsidy contributions.

We also support Ms. Mannathoko's call in her gray statement for a review of the PRGT financial architecture to facilitate donor contribution.

Finally, we express our appreciation to members who have already committed to subsidy resources and call on other members in a position to do so, to contribute to burden sharing.

Mr. Jennings:

First, I want to commend all members that have made pledges to the PRGT. I note that Canada is doing its part with significant loan and subsidy pledges. Nevertheless, we are disappointed and frankly concerned by the slow pace overall. We call on all members in a financial position to do so, to pledge resources without further delay. Like other chairs, we do not support resuming any GRA reimbursements while the PRGT is facing a subsidy shortfall.

Second, I join Ms. Riach, Mr. Tanaka, Mr. Bevilaqua, Ms. Lim, Mr. Moreno, Mr. Andrianarivelo, Mr. Hosseini, and others in calling for analytical work to begin on a potential gold sale. Especially given the concerning response from some donors, gold sales can be expected to play a central role in the second stage PRGT funding strategy. Proceeds from gold sales should be invested in high-quality, interest-bearing assets that better support the Fund's financial position and better support the Fund's poorest and most vulnerable members. Given the complexities involved, this work cannot wait until the last minute. The Board will also need to be brought along from an early stage.

Finally, like others, we are concerned by the growing credit risk to the PRGT, particularly given the sharp decline in reserve coverage. I want to stress that there is a real risk that inadequate reserve coverage will make it difficult for donors to sustain the loans that underpin the PRGT operating model. This is an issue that must be closely monitored, and I thank staff for committing to quickly alert the Board if reserve coverage drops below the 20 percent benchmark.

Ms. Mannathoko:

We issued a detailed statement broadly supporting the decisions, and I would just like to make a few remarks.

As the Chair noted in the introductory remarks, the review is really coming at a very challenging time, very uncertain economic outlook. So apart from the fact that the pandemic is not yet over everywhere, we do see tightening of global financial conditions while geopolitical risks are adding new exogenous pressures following some countries. This elevation of global risk really highlights the need for the Fund to be in a position to meet already rising demand for concessional resources.

We are concerned that the significant shortfall in Phase 1 pledges relative to agreed targets, this poses risks to the PRGT self-sustained lending capacity. While we continue to endorse the two-stage funding strategy for the PRGT, including the flexibility on modalities for delivery of subsidy contributions, we stress that timing on a number of pledges has become more urgent with the emergence of these additional global risks and also given ongoing divergence for some countries.

We welcome the donor contributions that have already been honored, alongside general pledges that have been made for loan and subsidy resources

and want to really appeal to large shareholders who have yet to contribute to take the lead and do so as soon as possible. We really appreciate those who have.

We also encourage staff to explore innovative fundraising approaches while sustaining the traditional approach they have had really to ensure adequate subsidy resources. We also encourage staff to explore new options that might further facilitate donor participation. We highlighted this in our gray statement.

Going forward, staff should also continue to monitor the PRGT's lending capacity and reserve coverage ratio and ensure that the Board is informed in time on the need to trigger contingency measures. Like others, we also encourage further work on potential gold sales, and I think, like Ms. Riach, we consider that an earlier review may be necessary. Like Mr. Hosseini, we would also be interested in an early update on newer scenarios.

Finally, as a constituency, we do appreciate staff's efforts, including to mobilize debt relief commitments that were made under the heavily indebted and poor countries (HIPC) and CCRT. We encourage staff to sustain this effort and appeal to donors to help address underfunding of the CCRT. We note that contributions to date fell short of the initial debt service relief target. And in the absence of both CCRT and Debt Service Suspension Initiative (DSSI) support, the PRGT countries are now facing debt service burdens—significant debt service burdens under very difficult global pressures, including the food and energy security risks that were mentioned.

Mr. Roman:

We published a gray statement with Mr. Fanizza, Mr. Pösö, Mr. Dresse and Ms. Rieck, and we agree with the thrust of the strategy.

First, the Fund's support has been commendable. The ambitious strategy of the Fund in favor of LICs and fragility, conflict, and violence (FCV) countries are to be served by an equally ambitious PRGT financing framework. In this regard, the two-stage funding framework has been fit for purpose. Progress for mobilizing loan resources, in particular has been steady. We, therefore, commend the countries which have pledged loans as well as subsidy support to the PRGT and encourage others to do so.

Staff's latest assessment of the demand by the membership for PRGT financing and a positive impact on the PRGT finances is, therefore, critical for the Board and for all authorities to consider. In particular, the sensitivity of the subsidy needs to international financial conditions and balance of payments needs is quite useful.

Second, in light of the slow mobilization of subsidy resources, it is more important than ever for the Fund to continue working both on internal and external resource mobilization. Indeed, the challenges faced by the fundraising efforts appear sizable, but it is not really a surprise, and we continue to encourage staff to work on the use of gold sales. It would be a shame to have a strong demand for Fund engagement with the Fund means being the limiting factor. Some modification in PRGT access has provided the flexibility to support PRGT-eligible countries with more concessional financing when needed.

Nonetheless, the capacity of donors to sell the competitive needs and thus to deliver grants is not inelastic to global and regional development, so IMF gold holdings could definitely play an important role, and staff's work on the next steps on this specific issue is necessary.

Ms. Lim:

We issued a broadly supportive gray statement.

First, on the deposit investment account, we are asked about the areas of concerns potential contributors may have, and one of the main concerns highlighted in staff's response was that of the reserve status of the deposits. Our understanding is that the Deposit and Investment Account (DIA) was designed to ensure that contributors could retain the reserve asset status of their contributions. In this light, would staff be able to share some context to this concern?

Second, a related point on the CCRT, we earlier called for staff to explore other financing mechanisms for the CCRT, including a mechanism similar to the PRGT's DIA. We note staff's response that this would be examined in the FY2023 comprehensive review and will continue to favor an earlier start for work to evaluate such an alternative financing mechanism.

It will take a very long period from establishment before contributions can start to yield meaningful financing to the CCRT that is already largely depleted, as staff noted, and this would risk constraints of the debt relief

function if a major catastrophe should hit. The status of this mechanism, in the context of the PRGT, further illustrates the need to cater for more time to secure contributor buy-in.

Finally, on the impact of normalization of monetary conditions on the subsidy account, staff assessed that the impact would be relatively muted because of offsetting effects of higher subsidization costs against higher investment returns. However, would this characterization hold under a global inflationary environment where interest rates are high, but investment returns are depressed, going to anemic economic growth?

Ms. Shortino:

We also issued a comprehensive gray statement supporting the two-stage funding strategy. We are generally comfortable with the progress of securing resources in this first stage but given the spillover risks from the war in Ukraine and potential donor shortfalls, we urge staff to monitor PRGT resources closely and keep the Board informed of any relevant updates.

I will just share a few specific points since we issued a gray statement. First, we view PRGT support as critical to helping the Fund's poorest members navigate the pandemic recovery, spillovers from the war in Ukraine, higher food and fuel prices, and we appreciate staff's feedback on the technical questions in terms of monitoring these and their ability of the country to take on more debt.

We also appreciate staff's confirmation that UCT-quality programs would be the preferred instrument of engagement, and I just want to agree with Mr. Palotai's earlier point on the risks of debt distress and the importance of full programs to help mitigate these risks to the Fund.

Second, considering the challenging environment, we would reiterate the need for more frequent updates to the Board. I think these would be quite helpful. I do not know that we need to accelerate the second-stage review, but I think regular updates would do the trick.

Third, with regards to a U.S. pledge, I just want to flag for Ms. Riach that she is preaching to the choir here. The Biden-Harris administration included a request in last year's budget. We continue to seek congressional authorization to lend up to \$21 billion to the IMF, which would include loan resources for the PRGT. This request was again included in the President's budget submitted on March 28 to Congress. We are working hard to engage

with Congress. There are some that have resisted this request and have concerns, but we are undertaking a robust engagement with CSOs, with congressional leaders, and we hope to be able to secure this sometime soon.

I also want to welcome Mr. Beaumont's point that there will be a review of the fundraising strategy and agree with Mr. Tanaka on the importance of a more strategic and coordinated fundraising effort across the different vehicles that we are seeking to raise funds for.

Finally, I just want to reiterate, I know we are in the minority here, but we do not support near-term proposals for gold sales or a gold pledge. I agree with staff that this option requires broad membership support. It does not seem like something—it is simply something we cannot deliver right now in terms of our support, and I think looking at this in the next review is the appropriate venue.

Mr. Zhang:

We commend the Fund for its unprecedented response to support the LICs and thank IMF members who have already made pledges to the PRGT loan and subsidy resources. We reiterate our firm support to LICs, as demonstrated by our contributions to PRGT resources of SDR 1 billion in the fast-track fundraising round in 2020, and another SDR 1 billion pledge in response to the new round of fundraising in 2021.

Second, the Fund's lending tool for LICs should continue to play a catalytic role in mobilizing financing from other sources, including bilateral grounds, concessional financing from multilateral development banks (MDBs), as well as private investment. While we see merit in scaling up concessional financing to low-income countries by the Fund during the crisis period, it should not crowd out other grants of financial support to or to increase risks to the Fund's balance sheet.

Third, poverty reduction and growth have two major elements for the PRGT. The Fund could enhance its support by providing policy advice in capacity development to strengthen low-income countries' policy frameworks. Supporting LICs to secure a sustainable recovery from the current crisis would require a focus on promoting investment and addressing debt vulnerabilities. It is critical to take a balance sheet approach in debt sustainability analysis with different treatment on debt that supports carbon spending from debt than that from capital spending.

Moreover, the Fund could play a greater role in advancing state-owned enterprise (SOE) reforms and strengthening SOE governance in LICs. By transforming SOEs into independent commercial entities and removing the government's implicit guarantee, it is the SOEs that are accountable for their debts, and SOE debt should not be treated as debt of the general government if SOE reforms were to be implemented as advised by the IMF.

Mr. Dresse:

As the Managing Director put it in the work on the GPA, LICs are facing extraordinarily difficult times. We need to be there for them with the PRGT, with the RST, and with all the tools that we have at our disposal.

We have issued a gray statement with Mr. Fanizza and Mr. Pösö, Ms. Riach and Mr. Hosseini in which we support the two-step fundraising strategy. Let me focus on a few points.

First, we recognize with concern the fundraising difficulties for the subsidy account. We welcome staff's great efforts on the DIA which can help overcome fiscal constraints. Staff outreach to the authorities on the DIA has been very much appreciated.

We recognize Mr. Beaumont's comments on preparative work for gold sales. However, as Ms. Riach stated, because of high uncertainty and risk for the Fund's balance sheet, we do not favor this option. We also recognize the need to closely monitor the reserve account, noted high-case scenarios are more likely to materialize. Do we need to be ready to respond to high-case scenarios? The Common Framework needs to work as others have already highlighted.

Second, we welcome the shift to a UCT program but recognize that the current environment requires us to remain agile. We are grateful for the work ongoing on the augmentation of the Extended Credit Facility/Extended Fund Facility (ECF/EFF) program for Moldova, and we recognize that other members may and will need concessional financing due to the spillover of the war in Ukraine.

Third, coordination of the Finance Department (FIN) fundraising efforts is essential to increase traction with our authorities, especially those of smaller countries with small IMF teams. We can even go a step further and advise FIN and Institute for Capacity Development (ICD) to cooperate in outreach efforts to our authorities. It would be helpful for the authorities to

have a concise menu of options to contribute to IMF financing, including both financing for lending as well as financing for capacity development.

Finally, I would suggest starting our discussion on the future of PRGT well in advance with an open mind and in close cooperation with the World Bank. Why not have a joint overlap session with Directors with the Bank? This would help us better understand where our work stops and where their work starts.

We should be guided by one question only: The best possible outcome for the LICs.

Let me thank management and staff again for the support to LICs as well as to the outreach to potential creditors.

Mr. Huh:

We issued a supportive gray statement, as we support staff's position.

We are pleased that the PRGT demand forecast can be accommodated through 2024 to support the LICs' efforts to meet pandemic-related challenges. Also, we note the Chair's remarks of the likely higher demand of the PRGT resources considering the spillovers from the geopolitical crisis and the needs of careful monitoring the adequacy of PRGT resources underway.

We also share concerns of Directors that reserve coverage remains an important component for creditors and should be carefully monitored and inform the Board in time.

There is only one point I wish to raise today, which is to support colleagues today, such as Ms. Riach, Mr. Tanaka, Mr. Bevilaqua, and many other Directors who are calling on the Fund to commence analytical work on the use of internal resources for the second stage of fundraising.

We also support Ms. Riach and Mr. Bevilaqua's call for staff to consider a long-term suspension of the GRA reimbursement as low-hanging fruit. We appreciate staff's response on these issues during the introductory remarks. We see these as integral given the significant shortfall in PRGT loans and subsidy pledges, although we urge staff to redouble their efforts in seeking out additional pledges from potential donors.

Mr. Peter:

I would like to add four comments to what we have written in our gray statement. First, like many other chairs, we agree that the two-stage funding strategy endorsed by the Board in 2021 remains appropriate. In our view, the high-case scenario underpinning the first stage provides significant room for under-shooting and therefore projecting longer-term lending and funding envelope as attempted for the second stage up to 2034 are premature at this point.

Second, we underscore the need to safeguard the PRGT self-sustained lending capacity, and we support continued fundraising efforts with a focus on achieving broad participation and fair burden sharing. We also encourage timely pledges for loan and subsidy resources, including through the new investment options.

Third, the increase in emergency financing has elevated the riskiness of the PRGT credit portfolio. The fact that almost 80 percent of PRGT debtors are currently at high risk of or in debt distress underscores the need for sufficiently solid reserve coverage. We are, therefore, very concerned about the sharp decline in the reserve coverage ratio. At 29 percent, this ratio is well below the 40 percent long-term historical average. We join Mr. Palotai, Mr. Jennings, Mr. Huh, and other chairs in calling for efforts to ensure an adequate reserve coverage ratio.

Finally, we want to echo the comments made by Ms. Riach, Ms. Shortino, and Mr. Dresse on internal resources and on gold sales, especially in these uncertain and turbulent times, and with strongly rising credit risks, it is paramount to preserve the Fund's financial soundness.

Ms. Marcussen:

We want to emphasize our constituency's strong commitment to support the PRGT countries, as demonstrated by recent and earlier contributions to both subsidy and loan accounts. We have issued a gray statement today, together with four other chairs, and I would just like to raise a few points for emphasis.

First, we are very happy to see that the mobilization of the loan resources has advanced. While reaching both loan and subsidy targets are important, the more critical and immediate challenge is to secure sufficient resources for the subsidy account, also pointed out by staff in the paper.

Here, we note the lack of broad burden sharing so far, and we continue to have concerns about the self-sustainability of the PRGT, also in light of the many competing asks on donor resources.

We believe that further contingency planning is warranted, but we are somewhat apprehensive of using the Fund's internal resources, and we note that relying on the sale of gold holdings does not seem to be a viable option. It is critical that longer-term issues are addressed in the next review in 2024-2025.

Our constituency continues to view the base lending envelope of SDR 1.65 billion to remain an appropriate anchor also in the longer term, but at the same time, we acknowledge that the situation is very fragile currently and the war in Ukraine can have significant spillovers, which could result in higher demand for PRGT financing.

Moving on, we welcome the ongoing shift from emergency financing to UCT-quality arrangements for countries benefiting from Fund policy guidance as well as stricter conditionality, which mitigates the risks to the Fund's resources. This has been mentioned by several others today as well.

I would like to also support the point made by Mr. Zhang on the importance of the Fund's catalytic role to mobilize other sources of concessional funding as well as private investment.

So, finally, we would like to highlight the risk of not overstating the Trust lending capacity and thereby endangering the PRGT's self-sustained capacity in the long run. We find the PRGT a key element in the global concessional lending architecture and we should be careful to protect this role.

The reserve coverage ratio should remain firmly above 20 percent, and here I would like to echo some of the concerns raised by Mr. Peter, and the 20 percent should really be considered the minimum acceptable level.

Mr. Fanizza:

We have issued a joint gray statement with my European colleagues, so I want to focus only on two issues.

The first one is that we want to commend all the members that have already contributed to the subsidy and loan accounts. In our constituencies,

Italy and Greece have already done so, and we are also confident that the new DIA will succeed also in our constituency to get some additional members to contribute with subsidies.

There has been progress on our resource mobilization, but we have fallen significantly short of what we expected, so it is essential that countries that are in the position to do so contribute. This is very important. It is for the PRGT but also for the credibility of the institution and the position of these countries when we talk about PRGT issues. We have to put our money where our mouth is. But we are confident we are moving in that direction.

My second point is important, and I will join many of my colleagues—Mr. Bevilaqua, Mr. Roman, Ms. Lim, Ms. Riach, Mr. Tanaka, Mr. Zhang, Mr. Huh, and others—on the idea that staff should start immediately technical work on gold sales and distribution of reserves well ahead of the second stage of funding. That is quite important. I fully understand that we need to preserve the strength of the Fund's balance sheet, but we need to talk about that and understand if there is scope or not. Refusing the discussion is not useful. It is waving the flag. That is not the point. That is it. Let us start the analytical work, and then we will decide.

Mr. Moreno:

We support the two-stage approach.

Let me just focus on two main issues that are central to the discussion here today. First, on Stage 1, like many others, we encourage contributors to participate. Spain has been one of the countries that has already contributed also already to their own account. The difficulty, of course, is the subsidy account. Here, staff is doing a good job of approaching bilaterally to the different countries. We should be imaginative. Alternatives such as DIAs that preserve the reserve nature of the contributions and that there are implicit interest rates that can be used, we should work in that direction because there are difficulties and donor fatigue in terms of grants. We have to explore all options and really facilitate how different countries can contribute. We encourage staff to work on those alternatives as much as they can.

Second, on the second stage, I think Mr. Fanizza has just enumerated a number of Directors. Mr. Jennings also said the same thing. I get the point of those who have reservations in terms of the use of gold sales or gold reserve distribution, and there are a number of internal resource alternatives that we should explore. These things take time. We need to really engage in that

discussion. It is going to be a difficult one, but we really need staff to move quickly on that because we are talking about 2024 and these discussions take several months. Again, they are going to be difficult ones, but we are under very specific circumstances, I think warrant, like we did in the past, the use of these internal resources because we really need to have more stable resourcing of the PRGT. I think it was Mr. Jennings who also commented, there is a huge difference between the market value and book value of gold, so there is really a lot of margins to work in there.

Mr. BinZarah:

We have issued a comprehensive gray statement; today, I would like to underscore a couple of points on capacity constraints and debt restructuring.

First, we acknowledge that strong program design, enhanced safeguards, and governance commitment are also critical to ensure that the Fund's financing is used appropriately and to mitigate credit risks. However, in practice, this long list of conditionality and safeguard in the context of LICs usually runs into the bricks of wall of capacity constraints. We recall that in this regard the issue of delayed implementation of reforms commitment due to capacity constraints has been a common theme in the recent country program reviews discussed at the Board.

Therefore, we underscore the importance of building the PRGT-supported program on a careful assessment of country-specific needs and the proper sequencing of reforms in line with the authorities' capacity. We also highlight the importance of enhancing the integration of capacity development (CD) delivery by default and other development partners with program implementation.

Finally, the compounding impacts of the pandemic, recent geopolitical development, and tighter global financial conditions have elevated the risk of debt distress in LICs to a level where in many cases it will not be feasible to restore fiscal sustainability and macroeconomic stability without debt restructuring. Therefore, we see an increased urgency for the Fund to coordinate renewed international efforts to further facilitate the implementation of the Common Framework to bring meaningful debt relief soon to countries that are mostly in need.

The Deputy Director of the Finance Department (Mr. Beaumont):

Thanks to Directors for their very strong interest and support for the PRGT and for the helpful guidance they have given us today.

In terms of the impact of the RST on the PRGT fundraising, in practice in our consultations with donors we have not heard any case where this has been raised as a particular issue. I would note that in terms of the pledges that many countries have made to the G20, they have helpfully separated out the PRGT from the overall SDR channeling pledge, which is very welcome to ensure that the PRGT is protected.

Turning to a number of requests for staff to keep the Board up to date, both on changes in the outlook for demand for PRGT lending and on the progress with the fundraising, we are thinking about how to best respond. Maybe we can assess when we have a reason to update based on demand information, and we could also provide update on fundraising at the time. We could also possibly provide an update before the Annual Meetings, but there is an option to do it after the Annual Meetings because that will hopefully be an opportunity for fundraising announcements to be made. But the general point is we are willing to come back to the Board with an informal update on demand and on fundraising progress.

In terms of the potential for contingency measures, in principle, we could make a proposal to the Board at any time, but I would note that we should engage in a full consultation with the Board with a full background on the outlook for the PRGT. This is most efficiently done in the context of the annual reviews, but in exceptional circumstances, we could do it outside of the annual review cycle.

In terms of the DIA, I was very happy to hear some positive comments about the flexibility the DIA provides. Let me note that when we wrote our response to the questions around the DIA, the preliminary stance of the European Central Bank (ECB), which was positive in relation to the reserve asset status of the DIA, was not something that we thought that we could mention to the Board, but I see this is covered by one of the gray statements. The ECB has a preliminary stance that the DIA has the reserve asset status, similar to the PRGT, so we expect that will help unlock renewed interest in using the DIA. More generally, we can build on the experience of the DIA in future fundraising to facilitate donor contributions.

It was a helpful suggestion to improve coordination between the Finance Department and the Institute for Capacity Development. Let me note that we have been coordinating with ICD colleagues ahead of bilateral meetings for fundraising. And as part of the fundraising review, we will certainly consider strengthening that coordination.

Many Directors supported the technical work ahead of the full review of the PRGT. As I said in the opening remarks, staff will carry out the necessary technical work to explore the various options in good time to set them out to Directors in the context of the 2024-2025 review. I think that might bear repetition since it was a point made by a number of Directors.

The staff representative from the Finance Department (Mr. Thornton):

On the question about the potential impact of global events, including a stagflationary situation on PRGT resources. I think here our answer would be, nevertheless we would still have the offsetting impact of changes in the interest rates. That would apply whatever the global conditions are in a sense because the interest rate that the lenders to the PRGT earn moves in tandem with the returns on the PRGT itself, of the assets invested by the PRGT, which it tends to become fixed-income assets as well. Let me also mention the investment strategy that was approved by the Board in January of this year included some refinements which were designed to insulate the portfolio against increases in interest rates, so it included such measures as diversification into a broader set of fixed-income assets. This should help mitigate any risks.

The Acting Chair (Mr. Okamura):

I thank Directors for their perspective on the 2022 review of the adequacy of PRGT finances. The high engagement of Directors on this issue only strengthens my confidence in the commitment of the whole membership to an adequately resourced PRGT in these difficult times.

I was pleased to see from Directors' comments that we have a strong consensus on some of the central issues for this review: One, the two-stage funding strategy remains appropriate in view of the continuing uncertainties; two, the need to respond strongly to support our poorest members in the face of rising fuel and food prices; three, the need to step up all of our efforts to ensure the full funding of the PRGT in the first stage.

I also welcome the guidance to staff provided by some Directors regarding steps to support the work for the next full review of concessional financing and policies in 2024-2025, including related to the use of IMF internal resources.

We take good note of the concerns raised by some Directors regarding the risks facing the PRGT framework during this highly uncertain environment. We will keep very close oversight of PRGT sources, and we stand ready to come back to this Board as soon as we have additional, useful updates to share.

The Acting Chair (Mr. Okamura) adjourned the discussion.

ANNEX

- Gray Statements
- Staff's Responses to Executive Directors' Technical Questions
- Constituency Codes

**Joint Statement by Mr. Bevilaqua, Ms. Riach, Ms. Florestal, and Ms. Nelson on 2022
Review of Adequacy of Poverty Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022**

We thank staff for a comprehensive paper and the very helpful Q&A session.

The two-stage funding strategy adopted by the Board in 2021 remains appropriate despite the slower than expected fundraising, particularly for subsidy resources, for the first stage. We commend all members that have pledged and contributed so far to fund the PRGT so it can meet the unprecedented demand surge due to the pandemic. Unfortunately, the uncertainty brought on by the pandemic has recently been exacerbated by the conflict in Ukraine. We note staff's assurance that loan resources being mobilized under the first stage are anchored on a high case scenario designed to accommodate significant potential additional demand for PRGT financing, including from demand driven by spillovers from current geopolitical developments. However, we strongly encourage staff to maintain their efforts to fill the PRGT's funding gap, especially for subsidy resources – and we hope that members will step up to answer this call.

The recent shift from emergency financing to multi-year arrangements is welcome. However, we underscore that overall demand may increase substantially in the wake of intensifying challenges for PRGT-eligible countries, including from a worsening of the pandemic, rising risks of debt distress, and negative spillovers from geopolitical developments such as surging commodity, petroleum and food prices, and tightening international financial conditions. Hence, the anticipated level of lending in the baseline scenario may be an underestimate of potential demand. Indeed, this possibility is clearly acknowledged in the report, as potential lasting impacts on fuel and food prices disproportionately affect low-income countries. Considering this challenging environment, we underscore the importance of retaining flexibility to adjust the timeframe for the Review of Concessional Financing and Policies planned for 2024/25 to ensure that corrective actions, if needed, are swiftly implemented. *Staff comments are welcome.*

Staff rightly underscore the significant uncertainty surrounding the PRGT's self-sustained lending capacity and its sensitivity to factors that directly impact the Trust's endowment. The prospective normalization of global interest rates is one such prominent factor, which must be closely monitored as it directly and indirectly impacts the economic outlook for LICs. As we approach the 2023 review of interest rates on PRGT loans, a balanced stance between the provision of needed subsidy resources and the Trust's projected income and balance sheet soundness is warranted. That said, we must not lose sight that PRGT credit outstanding remains elevated and that more than half of it is held by countries at high risk of, or in debt distress.

Mobilizing subsidy resources remains very challenging. Considering the difficulties faced by the membership, including by potential contributors, making available new investment

options and keeping the timing and modalities for delivering subsidy contributions flexible is helpful. Nonetheless, the important gap between pledged and received subsidy resources as well as the slow response in the latest subsidy resource mobilization round (1/5 of target thus far)—including because of lengthy and sometimes contested national approval processes—is concerning and we hope that effective solutions will be found to increase subsidy resources.

The continuous monitoring of the reserve ratio coverage is highly recommended as it is a pillar of the risk management framework that is particularly important for central banks that lend to the Trust. We are relatively comforted by the analysis showing that reserve coverage would remain above the benchmark in all scenarios, except for a few years of the high case scenario, in which it would fall slightly below. Moreover, we agree that in such situations, the Fund’s multi-layered risk management framework should adequately mitigate risks for lenders. That said, given the fluid environment, which has tilted risks to the downside, we support further exploring options in which alternative backstop mechanisms would be put in place when the reserve coverage ratio is temporarily too low.

We encourage management and staff to heighten efforts to broaden the contributor base to the loan and subsidy accounts, and to consider some of the measures envisaged during the 2021 Review of Concessional Financing and Policies. We acknowledge that the number of contributors to the loan account has expanded in the last round of resource mobilization but remains short of what would be expected, with several high-income members not having yet made pledges or contributions. Also, while we supported the 2021 proposal to suspend the PRGT’s reimbursement to the GRA to FY 26, we continue to see a longer-term suspension as a low hanging fruit. *Staff comments are welcome.* In addition, we maintain our 2021 position in asking staff to conduct further technical work on the option of gold sales ahead of the second stage of the financing strategy in 2024/5. *Staff comments are welcome.* Overall, we strongly caution against the recalibration of access limits and norms, or a counterproductive revision of the PRGT interest rate framework with a view to reach financial sustainability at a lower level. *In this regard, we would welcome staff’s further elaboration on the assertion that resorting to contingency measures in the near term to ensure the PRGT’s self-sustainability could unduly constrain the PRGT’s ability to continue supporting LICs.*

The underfunding of the Catastrophe Containment and Relief Trust (CCRT) must also be urgently addressed to ensure that it is adequately resourced and well-designed for our increasingly shock prone world. We note with concern that no new pledges have been received since the approval of the fifth tranche in December 2021. As stated at the December 2021’s CCRT Board discussion, we encourage the comprehensive review of the CCRT to take place as early as possible in FY 23 to ensure that there is a timely consideration of additional measures that are likely to be needed to manage under-funding risks.

**Joint Statement by Mr. Fanizza, Mr. Pösö, Mr. Dresse, Ms. Rieck, and Mr. Roman on
2022 Review of Adequacy of Poverty Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022**

We thank Staff for the Review of the Adequacy of Poverty Reduction and Growth Trust (PRGT) finances.

We broadly support the two-stage funding strategy that was endorsed by the Board in July 2021 and agree with Staff that lending demand has been broadly as expected. The Covid-19 pandemic led to a surge in demand for PRGT resources in 2020 and 2021. We expect that the pandemic will have a more enduring effect on vulnerable countries and demand for PRGT resources.

We acknowledge risks for preserving the PRGT's self-sustained financing framework under current policies and call on Staff to continue fundraising efforts determinedly and with a focus on fair burden sharing. We agree with Staff that more resources for concessional financing are needed in the coming years, while also noting that the Fund's assistance should play a catalytical role and can unlock capital flows from other public and private sources.

We note that the war Russia started with Ukraine has significantly increased uncertainty around the baseline scenario with a large, expected impact on low-income countries through – amongst other things – rising energy and food prices, as well as uncertainty surrounding food security and more difficult global financing conditions. We would therefore ask Staff to monitor potential demand for PRGT resources and update the Board in case needed.

We welcome the ongoing shift from emergency financing to UCT-quality arrangements. As the large volume of outstanding RCF loans poses risks to the loan portfolio, also in view of rising debt vulnerabilities, we urge vigilance in applying each of the elements of the multi-layered risk management framework, including ensuring an adequate reserve coverage ratio.

EU Member States have generously contributed to the PRGT Loan Accounts during the April 2020 'fast-track fundraising round' by mobilising SDR 7.93 billion, which equals almost half of the total amounts pledged to the PRGT under this 'fast-track' fundraising campaign.

We welcome the commitment made by the IMFC in October 2021 to scale up significantly the PRGT, while preserving its long-term financial soundness. We welcome the pledges made so far by several countries, including to voluntarily channel a proportion of their Special Drawing Rights (SDRs) to the PRGT. We agree that further efforts are needed to raise the financing required to cover the demand of SDR 12.6 billion loan resources as estimated by Staff in the July 2021 fundraising strategy. EU Member States, as part of the July 2021 fundraising strategy, have pledged another SDR 3.05 billion in loan resources to help fill the financing gap. This is additional to EU member States' contributions under the 'fast-track fundraising round' of April 2020.

We broadly welcome the flexibility and different options presented by the Fund to contribute to the PRGT Subsidy Accounts, including via the newly created Deposit and Investment Account (DIA). The Subsidy Accounts target for the first stage of the funding strategy has been set at SDR 2.8 billion, relying on a combination of internal resources (SDR 0.5 billion) and voluntary contributions from economically stronger members (SDR 2.3 billion). Pledges so far amount to a total of SDR 513 million, of which EU Member States have so far contributed SDR 151 million. We agree with the need to encourage further commitments for subsidy resources, to support an adequate self-sustained lending capacity in the post-pandemic phase and ask Staff to keep track of the evolution of the self-sustained lending capacity conditional on pledged subsidy resources. We also call for a close monitoring of the reserve coverage ratio, which is projected to remain below its historical average for the rest of the decade, including in the context of PRGT annual reviews, with a view to preserve an appropriate buffer in the reserve account.

For EU National Central Banks (NCB) to be able to contribute to the new DIA of the PRGT, the claims must have all the characteristics of reserve assets to be exempted from the prohibition of monetary financing laid down in Article 123(1) of the Treaty on the Functioning of the European Union. According to the preliminary stance of the ECB decided by its Governing Council, the arrangements to ensure reserve asset status of claims on the DIA of the PRGT are overall acceptable – subject to a few conditions – as they are comparable to claims on the PRGT's Loan Account.

We welcome the Fund's debt relief for the poorest and most vulnerable countries under the Catastrophe Containment and Relief Trust (CCRT). The EU institutions and EU Member States together have made significant disbursements (USD 426 million). We agree that further resources are needed to ensure that the CCRT is adequately funded to help countries cope with natural disasters and health shocks. In this regard, we call for a fair burden sharing, for additional countries to provide their financing share of the CCRT.

**Statement by Ms. Lim, Mr. Ong, Mr. Azlan Ariff, Mr. Dacharux, and Mr. Hteik on 2022
Review of Adequacy of Poverty Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022**

We thank staff for the informative report and helpful Q&A session. We broadly welcome the review's assessment on the demand and resource envelope of the Poverty Reduction and Growth Trust (PRGT), which has been scaled up to meet the needs of our LIC members during the pandemic.

On the whole, we agree that the two-stage funding strategy endorsed by the Board in July 2021 remains broadly appropriate.

While noting the 10 percent downward revision of the demand under the High Case scenario following the 2021 outturn, **we see merit in preserving the first-stage target of loan resources as a buffer against current heightened uncertainties.** The Fund's concessional financial assistance continues to be necessary to support the poorest and most vulnerable members as the nascent recovery from the ongoing pandemic is now losing some momentum from the geopolitical shock and its possible wide-ranging spillover effects across countries and markets. LICs with limited policy space will be increasingly susceptible given rising inflation and interest rates, and balance of payments pressure.

We welcome the assessment that the two-stage funding strategy remains resilient against shocks and also the progress made in the first stage fundraising campaign for loan and subsidy resources since July 2021. We appreciate staff's effort in providing different contribution options for authorities. *Could staff share if there has been pledges for contributions to the newly established Deposit and Investment Account? If take-up has been slower than expected, what are the main areas of concerns that potential contributors have?* Fundraising for subsidy resources have been slower than targeted likely reflecting the uneven recovery and more importantly domestic constraints that some countries face in providing grants and rechanneling SDRs. We look forward to results of the recent donor survey, which might yield useful insights on how to further efforts on this front. However, given the growing demands for donor support across initiatives and institutions, the Fund will need to keep all options open to secure the PRGT's long-term sustainability. In this regard, we ask that staff commence analytical work on different funding options, including the potential use of internal Fund resources, such as the sale of IMF gold or a distribution of IMF reserves, well ahead of the second stage review in 2024/25.

On reserve and credit protection, we note staff assessment that under plausible scenarios the reserves would remain adequate and above the benchmark (20 percent of credit outstanding) till the end of this decade, notwithstanding the sharp correction of the ratio from its historical average owing to the surge in pandemic-related financing. We continue to stress the important and effective role that the multi-layered risk management framework plays in mitigating additional risks.

We appreciate this review and look forward to its follow-up next year, before the full review of PRGT in 2024/25.

On a related note, **we continue to be deeply concerned with the substantial underfunding of the CCRT.** Other than seeking traditional budgetary grants, we reiterate our call for staff to explore other fundraising alternatives, including a mechanism similar to the PRGT's DIA, ahead of the planned comprehensive CCRT review in FY2023.

**Statement by Mr. Herrera and Ms. Bustillo on 2022 Review of Adequacy of Poverty
Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022**

We thank staff for their extensive efforts and first review of the Adequacy of Poverty Reduction and Growth Trust (PRGT) and for the informative Q&A session. The review is a critical input to the Fund's efforts in providing support to countries to ensure a sustainable and inclusive recovery in the years ahead.

We agree that the two-stage funding strategy to cover the cost of pandemic-related lending and support the sustainability of the PRGT remains broadly appropriate. The sequential approach allows to accommodate in a pragmatic manner the high uncertainty in the outlook, which has recently been compounded by geopolitical events and rising food and energy prices. As the review notes, the pandemic led to a significant increase in demand for concessional financing from the Fund and increases in PRGT outstanding credit. Staff expects continued elevated lending for the period 2022-24.

We take note that PRGT finances have evolved broadly in line with expectations. Staff assess that the first stage envelope for loan and subsidy resources anchored in the High Case scenario remains appropriate. The longer-term lending envelope of SDR 1.65 billion also remains adequate. In this context, the current framework has enough borrowing space and no consideration of contingency measures is required at this juncture. However, as staff notes, the second funding stage target will be conditional on outcomes under the first funding stage, as well as the evolution of actual PRGT lending.

In the review, staff underlines that the mobilization of loan resources is progressing well, although a significant shortfall in subsidy resource pledges still remains. We agree that this would warrant encouraging timely promises for loan and subsidy resources. We welcome keeping flexibility on the timing and modalities for delivering subsidy contributions, which is essential to suit the specific circumstances of potential donors. In this regard, the creation of the Deposit and Investment Account (DIA), and the Subsidy and Reserve Account (SRA) are welcomed steps. However, given the challenges in closing the subsidy gap, we see merit in exploring the mobilization of internal resources and look forward to discussing every option in the next Review of Concessional Financing and Policies scheduled for 2024/25. The Fund's efforts to explore solutions for the membership in times of need and high uncertainties is welcome.

At the same time, we look forward to the FY 2023 review of the Catastrophe Containment and Relief Trust (CCRT) with a view to consider options to address the underfunding and ensure the sustainability of the Trust going forward.

Statement by Mr. Tanaka, Ms. Kashima, Mr. Naka, and Ms. Kikuchi on 2022 Review of Adequacy of Poverty Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022

We thank staff for the informative and comprehensive paper. We welcome this opportunity to discuss the first review of Adequacy of Poverty Reduction and Growth Trust (PRGT) finances since the comprehensive PRGT reform in July 2021.

We underscore the Fund's support for low-income countries (LICs). While we can see some signs of an exit from the pandemic, there remains a significant risk for further delay in recovery. In addition, uncertainty over the possible impact of the current Ukraine Crisis has been overshadowing the global economy. Under these circumstances, the Fund needs to continue supporting LICs and the PRGT should play a central role on this front. The PRGT, together with the RST, has been put emphasis on in the context of SDR channeling, which amplifies the benefit of the historical SDR allocation last year.

We agree with the need to further encourage timely pledges for loan and subsidy resources, noting the limited progress of fundraising. In particular, we are concerned that the mobilization of new subsidy resources has been well below the fundraising target. We encourage staff to continue closely communicating with potential contributors to accelerate subsidy pledges. Japan recently completed the disbursement of the pledged US\$80million to the subsidy account following the effectuation of the loan agreement last year.

As emphasized in the board meeting last July, **we are of the view that, as a prerequisite for asking member countries for grant contribution, the Fund's own effort remains essential to achieve political accountability to taxpayers for the additional contribution.** Towards a comprehensive PRGT review in 2024/25, **consideration including the use of internal resources should be given to the appropriate size of the lending envelop of the second phase, based on the demand projection and feasibility of fundraising.**

Lastly, we emphasize the importance of more coordinated and strategic fundraising efforts with other concessional financing schemes including the RST. We encourage staff to review the overall funding strategy on concessional financing constantly and to update it flexibly based on the fundraising status.

**Statement by Mr. Binzarah and Mr. Abdel-Rahman on 2022 Review of Adequacy of
Poverty Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022**

We thank staff for their work on the first annual review of the adequacy of PRGT finances since the comprehensive reform of July 2021. We view these annual reviews as an important undertaking to ensure the adequacy of PRGT resources in the first stage of the funding strategy and to help inform the discussion on the second stage, as part of the next full review of concessional financing and policies. In this context, we welcome the fact that the review has not identified major deviations from the analysis underpinning the July 2021 strategy that would require deploying contingency measures at this stage. Nonetheless, we note the significant uncertainties surrounding the assessment related to the future course of the pandemic, current geopolitical events, and the pace of interest rate normalization. Therefore, we concur with the need for continued vigilance and would like to offer the following remarks.

- **We take note of the slow pace of new subsidy pledges.** As staff rightly noted, donors need to undertake the domestic procedures required before they can make a pledge, which usually takes time. Nonetheless, in view of the increased uncertainty around other key factors affecting PRGT lending capacity, particularly interest rates, and upside risks to demand for PRGT lending due to the economic spillovers from the conflict in Ukraine, we call upon staff to continue to update the Board on the progress made in securing the targeted subsidy resources and the need to deploy contingency measures as warranted to ensure the PRGT's self-sustainability.
- **We underscore the importance of close monitoring and careful assessment of credit risks.** A close monitoring of risks to PRGT loan portfolio is warranted as rightly noted by staff in view of the relatively large volume of outstanding RCF loans that are not subject to UCT conditionality and the increase in debt vulnerabilities of PRGT borrowers. The Fund's multilayered risk management framework, including program conditionality and safeguards, and the recent shift towards UCT-quality arrangements are important risk mitigating factors. Nonetheless, the economic spillovers from the conflict in Ukraine could increase the demand for emergency financing which underscores the importance of continued vigilance about the associated risks. Moreover, we note that the effectiveness of the Fund's safeguards and conditionality in mitigating credit risks would hinge on the capacity of PRGT borrowers to implement them in a timely manner. Therefore, we also underscore the importance of maintaining a careful assessment of country-specific needs

and capacities in PRGT- supported programs, while enhancing the integration of CD delivery by the Fund and other development partners with program implementation.

- **We see an urgent need for facilitating debt restructuring in LICs.** On the Fund's debt relief initiatives, we look forward to the comprehensive review of the CCRT instrument to assess its policies and the financing framework to ensure its sustainability going forward. That said, we note that the combination of tighter global financial conditions, the pandemic, and the economic spillovers from the conflict in Ukraine have elevated the risk of debt distress in LICs to a level where in many cases it will not be feasible to restore fiscal sustainability and macroeconomic stability without debt restructuring. Therefore, we see an increased urgency for renewed international efforts to further strengthen the Common Framework and facilitate its implementation to bring meaningful debt relief soon to countries that are most in need. To this end, maintaining an active and constructive engagement of debtors and creditors including private creditors is essential to address any issues related to fairness and enhance mutual trust in the debt restructuring process.
- **Looking ahead to the next full review of concessional financing and policies,** we reiterate our position that the determination of the appropriate longer-term lending envelope for the PRGT should be anchored by the Fund's catalytic and complementary role with other multilateral and bilateral support.

**Statement by Mr. Moreno, Mr. Guerra, Mr. Romero Tarazona, and Ms. Moral Betere on
2022 Review of Adequacy of Poverty Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022**

We thank staff for their insightful report and the outreach to our office. The Fund should play a larger role in low-income countries during their recovery from the pandemic to help them achieve a sustainable and inclusive growth. Under the current circumstances of heightened uncertainty associated to the new geopolitical landscape, this support becomes even more pressing. We welcome the first review of the adequacy of the Poverty Reduction and Growth Trust (PRGT) finances, since its comprehensive reform in July 2021, and want to make the following comments.

Given the continued exceptional circumstances and the increased uncertainty surrounding the outlook, we agree that the two-stage funding strategy approved in July 2021 remains appropriate to underpin the reform. Under current circumstances, the two-stage approach becomes paramount, as well as the annual revisions by the Executive Board of the evolution of lending and fundraising developments to consider, if necessary, possible contingency measures ahead of the second stage review. We welcome that demand for the Fund's concessional financing has been broadly in line with staff's projections, and that emergency financing is rapidly transitioning to multiyear arrangements with limited concentration. In addition, we note that the financing framework is resilient to shocks. It is indeed reassuring that even under the High Case scenario, subsidy resources would not be depleted before the second stage of the funding strategy, and that the annual PRGT's reviews will help monitoring the situation. *However, we wonder how the normalization of monetary conditions may affect the subsidy account. Staff's comments are welcome.*

We welcome the progress made in the "stage one" of the funding strategy but remain concern about the subsidy pledges. Regarding the mobilization of loan resources in the 2021 round, we welcome the pledges made by 12 countries, with three of them having made their pledges already effective (Italy, Japan and Spain). We note, however, that further pledges may be needed to reach the fundraising target. *Could staff comment on how and when are they expecting to fulfill the gap?* On the mobilization of subsidy resources, we concur with staff that the pace of pledges should be accelerated. We welcome the flexibility envisaged in the funding approach, both in terms of time and options, which should facilitate bilateral subsidy contributions. Specially, we welcome the clarification by staff that the Deposit and Investment Account (DIA), subject to a number of conditions, can guarantee the reserve asset status of the assets invested on, which could facilitate donations as it does not entail cost to donors such as grants. *However, considering the current shortfall in subsidy pledges, and the fact that they are all grants, we wonder if the DIA is an option actually*

envisaged by members? Could it be conflicting with domestic legal and institutional frameworks? In that case, it would be useful to review this option if it is needed to facilitate the country's contributions. Which are the alternatives contemplated by staff in case the gap is not fulfilled? Are other innovative options being considered to provide viable avenues for members that currently cannot lend given their domestic legal and institutional frameworks? Finally, we urge members with outstanding pledges from the previous fund-raising effort to make them effective.

The close monitoring of the reserve ratio coverage is paramount. We note that the reserve coverage would remain above the benchmark till the end of this decade, at which point, it would fall slightly below its historical average owing to the surge in pandemic-related financing. Preserving an appropriate buffer in the reserve account is one of the main pillars of the multi-layered risk management framework helping to mitigate additional risk.

With regard to the second funding stage scheduled for 2024 or 2025, we urge staff to start exploring the use of the Fund's internal resources. Considering budgetary constraints in most countries, compounded by donor fatigue, and potential rising demand for PRGT resources, we believe that every option should be explored, including gold sales, gold pledges or GRA reserves distribution. Moreover, given the long period it takes to make effective all these alternatives, we would urge staff to already initiate the work on the potential use of internal resources ahead of 2024.

Finally, we look forward to the comprehensive review of the CCRT as soon as possible. We are glad to see that from the onset of the pandemic, the Fund's poorest and most vulnerable countries have benefited from substantial debt relief via the Catastrophe Containment and Relief Trust (CCRT), and that the HIPC initiative is nearly complete. However, we remain very concerned about the situation of the CCRT, which remains significantly underfunded to effectively deal with forthcoming events and help the most vulnerable countries. In this regard, we believe that the comprehensive review should be done as soon as possible. *Could staff explain why is the revision postponed until 2023? Do they have a contingency plan in case a catastrophe materializes?* We concur with staff that the comprehensive review should assess not only the financing framework but also its policies. As with the PRGT and the RST, staff should take an innovative approach to offer donors different and flexible alternatives that would facilitate their contributions.

**Statement by Mr. Huh, Ms. Johnson, and Mr. Yoo on 2022 Review of Adequacy of
Poverty Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022**

We thank staff for the timely review of the adequacy of PRGT resources, including recent developments in PRGT lending, updates to the demand outlook and fundraising for the PRGT.

We welcome the salient shift from emergency financing to UCT-quality arrangements. This has been supported by the PRGT reforms last year, but we note that risks have been limited by the Fund's multilayered risk management framework.

We welcome that the PRGT demand forecast through 2024 can be accommodated under the current framework despite elevated downside risks. However, the baseline scenario for the short-term demand seems not well aligned with the baseline projection in the forthcoming April WEO. As is widely expected, the Fund will revise down the global growth outlook due to the impact from recent geopolitical events and the baseline scenario for PRGT demand will change also. *Can staff indicate how much lending they envisage to arise due to the recent shocks from Ukraine invasion? Are negative spillovers from this event included in the High Case scenario?* We call on staff to closely monitor both the pandemic and geopolitical developments and provide timely updates to the Board on potential impact on lending demand.

We continue to support the two-stage funding strategy and welcome updates on fundraising progress. However, it is unfortunate that fundraising for PRGT resources has fallen short of the target, especially for subsidy resources. Given this, staff should begin exploring the possible use of internal resources, noting the lengthy process required. The sensitivity analysis for the PRGT self-sustained capacity is very useful and we are reassured to find that the self-sustained capacity remains broadly in line with the July 2021 assessment and there is no need to trigger contingency measures. We look forward to a regular update of this analysis.

We regret that the CCRT remains underfunded and that no new pledges have been made since the approval of the last tranche. *Can staff provide a more specific schedule for the comprehensive review of the CCRT instrument? Could staff provide an assessment of the CCRT's capability to function until the next review?*

**Statement by Mr. Trabinski, Mr. Peter, and Mr. Kuth on 2022 Review of Adequacy of
Poverty Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022**

We agree that the two-stage funding strategy remains appropriate. It allows calibrating calls for additional PRGT funding to actual membership requests and the accumulation of loan and subsidy resources in the trust. We highlight that the review confirms that the resource adequacy assessment, which had provided the basis for the reform of the concessional financing framework in mid-2021, remains valid. A different result would have been surprising, given that last year's estimates had already accounted for the pandemic-related surge in emergency lending.

The average yearly lending envelope of SDR 1.65 billion is a robust assumption for stages 1 and 2 and beyond. The High Case scenario that motivated the fundraising goals for the first stage provides significant room for undershooting, as shown by the downward revision of demand under this scenario. Therefore, we should be cautious at this point in time about projecting longer-term lending envelopes as displayed in figure 1. In particular, a discussion of the elements of the second stage review in 2024/25 and potential funding envelopes and inferences about additional, future pledges are premature.

Higher emergency financing has increased the riskiness of the PRGT credit portfolio. We welcome the ongoing shift to multiyear financial arrangements. This shift helps mitigate risks via the well-established combination of lending safeguards. That said, the fact that almost 80 percent of current PRGT debtors are at high risk of debt distress or already in debt distress is a source of high concern. We therefore call for sufficiently solid reserve coverage as a key safeguard for loan providers. In this respect, we point to the sharp decline in the reserve coverage ratio at end-2021, which at 29 percent is well below the 40 percent long-term historical average. To preserve the soundness of the PRGT, higher lending volumes must be accompanied by a commensurate strengthening of reserves. *Could staff elaborate?*

Contingency measures do not appear warranted at the current juncture. We note that the contributions to the PRGT for the first stage have yet to reach their targets. Given that these targets have been set at levels that "stress test" PRGT resources in tail-event lending episodes, we do not see the need for the Fund to be more proactive. However, pledges for subsidy resources tend to arrive at a slow pace and should therefore be prioritized. Subsidy contributions should ideally be placed into the new dual-purpose Subsidy Reserve Account. The underfunding of the CCRT may be addressed at the planned review in FY2023.

**Statement by Mr. Palotai, Mr. Azal, Mr. Just, and Mr. Dogan on 2022 Review of
Adequacy of Poverty Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022**

We appreciate this timely review and thank staff for the well-written paper. We broadly agree with the two-stage funding strategy which is instrumental for the PRGT's self-sustainability.

We take note of staff's analysis that the key PRGT indicators are broadly in line with the July 2021 analysis and that the self-sustained lending envelope remains feasible beyond 2024, conditional on raising the necessary subsidy resources. We are concerned that the mobilization of pledges has fallen short of the target levels thus far. We wonder whether providing donors with more flexibility in the timing and modalities of their pledges will be sufficient to address the funding gap and *would welcome staff's comments on other options, such as restricting supply*. We would like to mention that one of our Constituency members, Slovakia, has recently signed a contribution agreement to the Trust in line with its quota share. We also see room to increase voluntary channeling of Special Drawing Rights (SDRs) allocations to the PRGT.

Staff should continue to explore ways to increase the PRGT self-sustained lending capacity and redouble their efforts for fundraising campaign. We welcome the ongoing shift in the annual demand from emergency financing to UCT quality. *Could staff comment on how other IFIs and bilateral donors' concessional or grant financing plans to PRGT-eligible countries could impact near-term PRGT projections?* The comprehensive review in 2024-25 will be critical to better understand the self-sustaining capacity of the PRGT and reassess the financing needs for the post-pandemic period. We caution that in case of insufficient subsidy pledges, the lending envelope in the second stage will have to be right sized accordingly. Under the self-sustained model, staff mentions that the available resources in the PRGT Subsidy Accounts would be gradually drawn down to a zero balance. *Could staff elaborate more on the estimated timeline as well as on the implications for self-sustainability of the Reserve Account, following the zero balance of the subsidy account?*

The reserve coverage ratio should be preserved above the international benchmark. We positively note that the channeling of the new subsidy resources to the Subsidy and Reserve Account (SRA) could help provide a higher coverage ratio for the Reserve Account as well as serve as a credit risk protection mechanism for PRGT lenders alongside the Fund's multilayered risk management framework. Nevertheless, reserve coverage should still be closely monitored given the elevated risks from the post-pandemic demand, as well as considering that the high case scenario estimates a drop to around benchmark levels before gradually recovering. In this context, it is imperative to avoid interim policies that would reduce reserve coverage at a time when risks are increasing. Beyond the total PRGT credit outstanding, country specific exposures should be closely monitored to ensure capacity to repay the Fund.

We welcome that the Deposit and Investment Account (DIA) presents a new modality for potential contributors with investment options under the Fund's investment strategies, but underscore that preserving the reserve asset status of these resources should be carefully considered. *Could staff inform about the awareness of the PRGT contributors in this regard?*

We welcome that the Fund has supported eligible countries under the CCRT and the HIPC initiative. However, securing grant financing for the CCRT is lagging and additional donor support is needed. At the same time, PRGT countries have also benefitted from the DSSI and *we would like to ask staff what impact an increase in requests under the G20 Common Framework initiative would have on the PRGT lending projections.*

**Statement by Mr. Zhang and Ms. Yang on 2022 Review of Adequacy of Poverty
Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022**

We thank staff for the well-written documents and the informative Q&A session. The COVID-19 pandemic has had significant economic impacts on low-income countries, we commend the Fund for its unprecedented response to support its most vulnerable members. Looking ahead, demand for PRGT financing is expected to remain elevated as LICs strive to recover from the pandemic and face potential new challenges from the disproportionate spillovers of monetary policy normalization of major central banks, and the geopolitical tension. The review of adequacy of PRGT finances provide a timely discussion on the latest development of PRGT lending, as well as the fundraising strategy and targets. My authorities fully support this work and will continue to make our contributions. We broadly share staff's assessment and would like to offer the following comments for emphasis.

The catalytic role of Fund lending should be preserved. While we see merits in scaling up concessional financing to LICs by the Fund during the crisis period, it should not crowd out other grants, financing support, or increase risks to the Fund's balance sheet. There is a solid case for continued international efforts to support LICs in a well-coordinated manner, and a heavy reliance on Fund lending is obviously not the optimal approach to meet LICs' financing needs. We emphasize the importance of mobilizing other sources of funding, including bilateral grants, concessional financing from MDBs, as well as private investment. However, as the recent IEO mid-point evaluation on the Fund's emergence response to the pandemic has implied, the catalytic impact of Fund's financing is difficult to discern, particularly in countries with low credit ratings. *Therefore, we ask staff to provide further assessment on how to maximize the catalytic impact of Fund financing.*

The Fund could enhance its support by providing policy advice and capacity development to strengthen LICs' policy frameworks. Promoting growth is one of the two core objectives of PRGT and history tells us that only through growth can a country achieve durable poverty reduction. Supporting LICs to secure a sustainable recovery from the current crisis would require a multifaceted approach, with a focus on promoting investment and addressing debt vulnerabilities. In this vein, we stress the importance of developing credible and feasible industrial policies, as well as taking a balance-sheet approach in debt sustainability analysis, with differential treatment on debt that supports current spending from debt that finances capital spending. Moreover, the Fund could play a greater role in advancing SOE reform and strengthening SOE governance in LICs. By transforming SOEs into independent commercial entities and removing the government's implicit guarantee, it is the SOEs that are accountable for their debts, which should not be treated as contingent liabilities of the general government.

The two-stage PRGT funding strategy remains largely appropriate. The loan resources mobilized under the first stage can accommodate significant potential demand for PRGT financing in a tail-event, and the subsidy resources would remain sufficient even under the high case scenario. With adequate buffers in loan resources and subsidy accounts, as well as the lower outturn in 2021 lending commitments and the downward revision for the short-term period, we see scope for revising the ambitious fundraising targets, particularly in light of slower than expected fundraising progress.

We appreciate members' contributions to the PRGT loan and subsidy resources and encourage staff to step up outreach to potential donors. We see merits in the quota-based burden sharing arrangement to mobilize subsidy resources, and staff should make every effort to ensure broader participation of the economically stronger member countries. We welcome the explanation on the different subsidy contribution options, especially the elaboration on the investment options. *We take note that no contributors have picked the DIA account to provide subsidy resources, could staff comment on the key considerations in determining the delivery modalities? We would also welcome staff to compare the implicit subsidy approach to the investment options.*

Finally, the rapid rise in inflation in the major developed countries suggests a faster normalization of interest rates, which would undermine the PRGT's self-sustained lending capacity. We encourage the Fund to keep all options open to ensure the PRGT's long-term sustainability, including further use of internal resources, and make assessment ahead of the second stage review in 2024/25.

**Statement by Ms. Shortino, Ms. Medearis, and Ms. Rao on 2022 Review of Adequacy of
Poverty Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022**

We welcome this review of the adequacy of PRGT resources, which is particularly critical to assessing demand for PRGT lending and the status of fundraising given potential spillover risks from the war in Ukraine. **We agree that the two-stage funding strategy continues to appropriately balance clear, near-term needs for PRGT lending with uncertainty over longer-term demand. We welcome progress towards securing resources for the first stage of the funding strategy, and appreciate that subsidy resources remain sufficient to fund lending through this first stage.** We reiterate that PRGT lending is only effective at helping to build a foundation for sustainable growth if it occurs in tandem with countries' own reform efforts and is well-coordinated with multilateral development bank support.

We welcome the decisive shift over the last year from PRGT emergency financing back to multi-year arrangements, which should help reduce risks to the PRGT. However, we are concerned that over half of PRGT countries, which account for about half of PRGT credit outstanding, are currently at high risk of, or in, debt distress. This further highlights the importance of our collective efforts on broader LIC debt sustainability work and the Common Framework, and we encourage all official creditors to do their part in supporting debt sustainability and enhancing debt transparency. We also share staff's concerns that the large volume of outstanding Rapid Credit Facility (RCF) loans, not subject to strong UCT-quality conditionality, may pose risks to the portfolio. *Could staff comment on the extent to which greater use of governance commitments in the context of COVID-19 emergency financing have helped to attenuate these risks?*

We urge staff to closely monitor spillovers from the war in Ukraine and the impact this holds for the Base Case and High Case scenarios. It is possible that these spillovers could quickly increase LICs' financing needs, for example through higher food and energy prices and refugee assistance, and once again alter the dynamics and composition of PRGT lending. While the situation is fast-evolving, *we would appreciate staff's preliminary views on whether spillovers could lead to greater demand for RCFs or augmentation of UCT-quality arrangements, and whether potential greater demand could shift credit concentration.*

We would have appreciated an update on the broader LIC financing landscape to provide context for the longer-term SDR 1.65 billion annual lending envelope. We agree that the SDR 1.65 billion annual lending envelope remains an appropriate anchor for a longer-term PRGT funding strategy. However, over the past ten years, reforms to the International Development Association (IDA)'s financial model have unlocked record IDA replenishments, nearly doubling concessional support for LICs from \$52 billion in IDA-17 to \$93 billion in the latest IDA-20 replenishment. Given limited absorptive capacity in LICs,

could staff elaborate on how they have accounted for the availability of significant IDA resources in their analysis of the PRGT's long-term demand and envelope? We also wonder whether the Fund's new strategy for fragile and conflict-affected states and the demand for financing through the Resilience and Sustainability Trust could, if effectively implemented, increase the number of LIC financing arrangements over the medium term. We encourage staff to monitor these developments and incorporate them into their demand projections moving forward.

We urge staff to closely monitor the PRGT's self-sustained lending capacity and reserve coverage ratio. In particular, we appreciate that staff have updated their interest rate assumptions for this review to reflect a faster normalization of interest rates, in line with the WEO Global Assumptions. We understand that the impact on PRGT resources of a somewhat faster normalization would be relatively muted: higher interest rates would lead to higher investment returns on all PRGT assets, helping to offset increased subsidization costs. That said, we welcome staff's continued monitoring of the risk to PRGT resources should interest rates normalize at an even more rapid pace. Given the large number of PRGT borrowers with debt sustainability challenges, we are concerned that repayment difficulties could stress the reserve coverage ratio, particularly in the High Case scenario. In this context, we underscore the importance of maintaining the reserve coverage ratio at or above 20 percent.

We do not view proposals for gold sales or a gold pledge as worth considering at this stage. Given the large uncertainty around future demand and global developments more broadly, it would be premature to evaluate gold sales as an option at this point in time.

We commend IMF members who have already made pledges to the PRGT's loan and subsidy resources and strongly support staff's appeal to others to also do their part to support LICs. In this regard, the Biden-Harris Administration continues to seek Congressional authorization to lend up to \$21 billion to the IMF, including in the President's Budget Request submitted on March 28 to Congress.

**Joint Statement by Mr. Andrianarivelo, Mr. Hosseini, Mrs. Raoilisoa Andrianometiana,
and Mr. Sassanpour on 2022 Review of Adequacy of Poverty Reduction and Growth
Trust Finances
Executive Board Meeting
April 4, 2022**

We thank staff for the timely and comprehensive paper and for the helpful technical Q&A session.

At the outset, we stress the importance of the review of the adequacy of PRGT resources to ensure the sustainability of Fund concessional lending, including under high case scenarios. The environment of exceptionally high uncertainty and risks faced by PRGT-eligible members—including non-blenders—warrant a sufficiently resourced concessional trust. Following the comprehensive PRGT reforms, the annual reviews of concessional resources and fundraising progress are critical to ensure that the funding is sufficient and the strategy remains firmly on track. We particularly appreciate the updates of the PRGT demand scenarios and estimates of the long-term resource needs to preserve adequate PRGT lending capacity, as well as the credibility of the funding strategy and its resilience to shocks.

We broadly concur with staff's findings and analysis and would like to offer the following comments.

We share the view that the two-stage funding strategy to support the PRGT resources remains appropriate. It properly sets the medium-term fundraising target to cover the PRGT resource gap created by the pandemic and examines the PRGT long-term self-sustainability. We agree that the funding strategy is crucial to accommodate historically large demand through 2024 and the expectation of continued high lending levels in the aftermath of the pandemic and the current conflict in Europe. The economies of LICs have been disproportionately affected by the pandemic, with lasting scarring, and would face significant challenges in achieving sustainable and inclusive growth. Moreover, the risks associated with the evolution of the pandemic and current geopolitical tensions could further increase their financing needs. In this regard, securing sufficient subsidy resources during the first stage is paramount to support concessional lending. We take positive note that PRGT lending commitments and the updated baseline projections for the near-term are in line with expectations. Similarly, it is reassuring that the PRGT's current framework can accommodate the long-term demand for PRGT lending, which is expected to remain elevated and subject to extremely high uncertainty. We also welcome the use of stress test scenarios, which have demonstrated that the two-stage funding strategy is resilient to shocks.

We are pleased to note that the first stage of the funding strategy is progressing well, thanks to the generous responses of several PRGT contributors. We thank staff for their tireless efforts to actively seek additional pledges and make sure that the PRGT is adequately funded over the medium and longer terms. We also thank member countries that have already contributed or indicated their intention to contribute to the PRGT loan resources, including through SDR channeling. For subsidy resources, the spike in the interest rate paid to PRGT lenders and its negative impact on income and subsidy costs could lead to subsidy resource depletion. As regards the second stage fundraising, it is reassuring that the PRGT self-sustained lending envelope of SDR 1.65 billion per year beyond 2024 remains feasible. While the balances of the PRGT reserve account continue to increase, close monitoring is warranted as the coverage ratio has decreased due to the unprecedented increase in PRGT credit outstanding.

It is important to accelerate the pace of pledges for loan and subsidy resources, including through new investment options. While the mobilization of loan is advancing quite well, fundraising for subsidy resources has fallen short of the target. We join staff in encouraging potential contributors to complete the required procedures to make upfront subsidy pledges as soon as possible. The funding strategy has facilitated upfront pledges by donors, with flexibility in the timing and modalities for delivering subsidy contributions. We welcome the proposals for new investment options in Annex I to facilitate member contributions for the purpose of PRGT subsidization. The self-sustaining lending capacity over the long-term will depend on success in raising grant contributions and on the volume of PRGT lending through 2024. We also call for potential PRGT lenders to provide the remaining loan resources to reach the target of SDR 12.6 billion under the first stage. We also reiterate that gold sales and alternative options, including the use of the Fund's internal resources, should be strongly considered, given budgetary constraints in most contributing countries aggravated by donor fatigue. On gold sales in particular, the Fund has sufficient experience to take the necessary precautions to prevent disturbing the gold market.

We emphasize the need for strong safeguards on debt sustainability and capacity to repay to mitigate credit risks to the Fund. Elevated country-level exposure to Fund credit calls for carefully monitoring risks to capacity to repay, including in the context of the new enhanced safeguards approved in July 2021.

Finally, we look forward to the comprehensive review of the CCRT in FY 2023.

Considering the efforts in replenishing the PRGT and potential donor fatigue, can staff share some insights on possible avenues to close the underfunding of this trust and rebuild its cash buffer?

**Statement by Mr. Jennings and Mr. Rankin on 2022 Review of Adequacy of Poverty
Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022**

We welcome this update on the adequacy of Poverty Reduction and Growth Trust (PRGT) finances. We agree that the two-stage funding strategy endorsed by the Board in July 2021 remains broadly appropriate and offer the following comments for emphasis.

We are disappointed by the slow pace of donor pledges to the PRGT. Just over half of the 2021 targeted loan resources have been pledged and, more concerning still, less than a quarter of the subsidy target has been pledged. Canada continues to be a strong financial supporter to the PRGT. With geopolitical developments potentially increasing PRGT demand, we call on all members in a financial position to pledge resources to the PRGT to do so without delay. We do not support resuming any General Resources Account (GRA) reimbursements while the PRGT is facing a subsidy shortfall. *We note that pledges for Somalia and Sudan have exceeded the estimated costs for the Fund's share of debt relief under the Heavily Indebted Poor Country (HIPC) Initiative. Is there an opportunity to direct these excess balances to the PRGT?*

We remain concerned by the growing credit risk to the PRGT. Notwithstanding the Fund's multilayered risk-management framework, over half of PRGT borrowers, accounting for the majority of PRGT credit outstanding, are currently classified as being at high risk of, or already in, debt distress. Moreover, a relatively large volume of PRGT credit outstanding is not subject to upper credit tranche (UCT) conditionality, a key pillar of the Fund's risk-management framework. In this context, we caution that inadequate reserve coverage will make it difficult for donors to sustain the loans that underpin the PRGT operating model. We ask staff to closely monitor the PRGT reserve coverage ratio and immediately alert the Board if reserve coverage drops below the 20 percent benchmark. *Staff assurances welcome.*

We look forward to the Comprehensive Review of Concessional Financing and Policies in 2024. As part of this review, staff should provide concrete recommendations on how the Fund can make better use of its significant internal resources to meet the needs of the poorest and most vulnerable members. In this respect, we note that the IMF currently holds over 90 million ounces of gold, with a market value over \$177 billion, but a book value of only \$4 billion. We expect gold sales will play a central role in the second stage PRGT funding strategy. Proceeds from gold sales should be invested in high-quality interest-bearing assets that better support the Fund's overall financial position. *Could staff provide an illustrative roadmap for a gold sale as part of the second stage funding strategy?*

**Statement by Ms. Mannathoko, Mr. Nakunyada, and Ms. Maudi on 2022 Review of
Adequacy of Poverty Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022**

1. We thank staff for the informative paper and useful supplementary information. The detailed annual review of the demand for PRGT financing and the additional consideration on developing contingency measures where necessary, are appreciated. This review of the adequacy of PRGT finances takes place against the backdrop of an uncertain outlook and tightening global financial conditions, underscoring the need to ensure adequate additional resources are mobilized in a timely manner. With the outlook subject to considerable uncertainty for PRGT countries, associated with the path of the pandemic and rising geopolitical risks, we urge staff to sustain resource mobilization efforts and help ensure the PRGT's self- sustainability over the medium term.
2. **Given high and rising demand for PRGT program support in the face of multiple shocks, it is crucial that subsidy resources are replenished in a timely manner.** The PRGT has to be able to deliver effective concessional assistance that is not constrained by low subsidy resources. In this regard, we thank all donors that have pledged, or donated subsidy resources as reflected in Table 3, noting in particular the significant contributions and burden sharing pledges by the United Kingdom, Italy, and Canada, among others. However, we also call on other G7 members to pledge their portions in burden sharing and help bolster PRGT economies' stabilization and recovery efforts in the face of multiple shocks. In the same vein, we urge members with pending subsidy contributions from previous fundraising rounds as reflected in Appendix Table 6, to please explore options to provide these.
3. **We encourage staff's ongoing fundraising efforts for both loan and subsidy resources** as the need remains to ensure adequate funding of the PRGT in the face of current uncertainties and adverse pressures. We also appreciate staff's broadened fundraising approach and continued efforts to replenish the CCRT and we continue to encourage members in the provision of outstanding HIPC pledges. We note that some donors have expressed funding constraints, which may undermine efforts to frontload PRGT subsidy resources. This suggests that a review of the overall PRGT architecture to facilitate donor participation may be worth considering, including a more innovative fundraising strategy. While we welcome the three flexible options proposed for donors to provide bilateral subsidy contributions, we nevertheless encourage staff to continue to closely monitor pledges that have yet to be honored, against the timing for delivery, and provide periodic reporting, perhaps on a quarterly basis.
4. **Moving forward, it will be important to think about how best to position the PRGT as a critical stabilization fund to help stem divergence over the medium term,** and position countries to be able to adjust effectively to the post pandemic era and the vagaries of climate change. While the PRGT reforms undertaken to accommodate the surge in demand for rapid financing in the wake of COVID-19 played a key role in mitigating the impact of the pandemic, enabling the Fund to provide critical emergency

financing and avert more macroeconomic crises that could have emerged from the pandemic, more economies are now in a phase where effective, timely and adequately funded stabilization support is critical, requiring a robust PRGT that is up to the task.

5. **We continue to endorse the two-stage funding strategy for the PRGT, including flexibility on modalities for delivery of subsidy contributions, but note that timing has become more urgent with the emergence of additional global risks facing PRGT countries amidst pandemic induced divergence.** We welcome staff analysis showing that the existing resources and those sought under the first stage of the strategy would be sufficient to cover all demand scenarios, taking into account the increased annual access limits necessitated by the need to support LICs' transition towards upper credit tranche (UCT)-quality programs and anchor a more durable recovery from the pandemic. Nevertheless, given recent global developments and ongoing climate shocks, we urge staff to continue with periodic analysis needed to ensure that the resource envelope will be sufficient to cover financing for the current cycle of successive exogenous shocks and beyond. While we note staff's indication that there is no compelling reason to implement contingency measures at this stage, this seems to be at variance with staff's concern over pledges that are yet to be fulfilled and the consequent impact on PRGT resource availability. *We urge staff to monitor resources closely and communicate in a timely manner, the need to trigger contingency measures in the event that countries listed in the fundraising targets set for new subsidy resources based on quota shares, continue to lag on delivery. Staff comments are welcome.*

**Statement by Mr. Bhalla and Mr. Natarajan on 2022 Review of Adequacy of Poverty
Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022**

We thank the staff for the useful paper for the Review of Adequacy of Poverty and Growth Trust Finances. The increase in the normal and cumulative access limits to concessional financing and the simplification of rules made in 2021 is expected to boost the demand for concessional financing especially given the huge uncertainties prevailing in the global economy. Availability of adequate resources is key to providing the required support. The two-stage funding strategy provides a systematic and robust approach to secure the required finances.

We recognize the exceptional surge in demand for concessional financing during the pandemic as the credit outstanding increased from an average of SDR 6.5 billion before the pandemic to SDR 14.5 billion by end-2021. Substantial share of this was emergency financing provided to mitigate the immediate adverse economic consequences of many vulnerable members. We take note of the healthy shift towards multiyear UCT-quality arrangements which is important in providing a comprehensive and customized support along with adequate safeguards.

The near-term demand for concessional financing could remain strong because of the economic uncertainties due to the pandemic and geopolitical developments. Supporting the estimated demand for SDR 12.6 billion till 2024 require adequate resource support from advanced countries. We take note of the new pledges received for loan and subsidy resources. We also take note of the slower pace of new pledges which could be due to donor fatigue and sharp increase in demand.

We welcome the efforts to strengthen the self-sustained lending capacity of PRGT which is dependent on a range of factors that include investment premium, pledged contributions, reserve account reimbursement and SDR interest rate. This necessitates close monitoring of the downside risks in the context of elevated demand.

**Statement by Mr. Mozhin and Mr. Tolstikov on 2022 Review of Adequacy of Poverty
Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022**

We thank staff for the well-written review and helpful Q&A session.

The review of the adequacy of the PRGT finances is well-timed, taking into account the 2021 comprehensive overhaul of the PRGT and recent developments. The 2021 reform increased normal access limits and eliminated caps for exceptional cases, therefore, increasing potential demand for Fund concessional resources. In the short term, the spillovers from the current geopolitical crisis may further boost demand for the PRGT resources from the affected LICs. These developments may also have longer-term consequences. The adequacy of the PRGT resources should be carefully assessed against this backdrop.

We agree that the two-stage PRGT funding strategy endorsed in July 2021 remains broadly appropriate. We welcome the conclusion of the review that this financing framework is resilient to shocks. The Ukraine-related geopolitical crisis will substantially increase external financing needs of LICs, and the High Case scenario is now becoming more of a baseline. Nevertheless, it is encouraging that staff did not find any major deviations from the July 2021 analysis that would require deploying contingency measures at this juncture.

Mobilization of loan and subsidy resources remains challenging but manageable. In particular, as the first-stage target for *loan resources* is based on the High Case scenario, and the pace of providing loan pledges is broadly satisfactory, one can assume that there will be no significant shortage of loan resources. As for *subsidy resources*, the fundraising situation is more complicated, as only about 20 percent of the fundraising target has been pledged. We share staff's concerns about delays in subsidy resource pledges. At the same time, if we understand it correctly, SDR 4 billion already accumulated in the Subsidy Account are more than sufficient to cover the needs for the next two years, even in the High Case scenario. The lack of subsidy resources would be felt in the second stage, after 2024, but that could be addressed during the 2024/25 comprehensive PRGT review.

Much higher past PRGT lending during the pandemic, as well as new lending expected in connection to the current geopolitical crisis, raise concerns about debt sustainability in LICs and risks to the Fund. It is alarming that over a half of PRGT countries, accounting for about 50 percent of PRGT credit outstanding, are currently classified as being at high risk or in debt distress. This is mitigated somewhat by moderate credit concentration, as well as by the Fund's safeguards to reduce credit risks under its multilayered risk management

framework. In this regard, we emphasize the importance to strictly follow the new enhanced safeguards policy, endorsed in July 2021, in order to reinforce risk mitigation, especially in high access cases.

The adequacy of the PRGT reserves may become strained under the High Case scenario. The reserve coverage ratio has fallen from 60 percent to about 30 percent and may decline further to a critically low level of about 20 percent. Therefore, the evolution of reserve coverage should be monitored closely and mitigating measures will need to be implemented should credit protection falls to low levels.

The situation in debt relief financing remains mixed. On the one hand, it is encouraging that resources needed to cover the Fund's share of debt relief for Somalia and Sudan had been secured. On the other hand, we are concerned that the CCRT remains severely underfunded. We hope that the durable solution for this underfunding can be achieved by the next CCRT review, which is planned for FY23. We support the calls to frontload this review in order to improve the CCRT financing earlier.

**Statement by Mr. Mohieldin, Mr. Alhosani, and Mr. Al-Kohlany on 2022 Review of
Adequacy of Poverty Reduction and Growth Trust Finances
Executive Board Meeting
April 4, 2022**

We welcome the first review of the adequacy of the Poverty Reduction and Growth Trust (PRGT) and thank staff for the helpful report and updates on the lending response to the unprecedented pandemic related demand, the PRGT demand scenarios, and staff estimates of the longer-term PRGT resource needs. We particularly welcome the update on the on progress to date of the first stage of the PRGT funding strategy and thank staff for the helpful Q&A session. **We agree that the two-stage funding strategy to cover the cost of pandemic-related lending and to support the sustainability of the PRGT, endorsed by the Board in July 2021, remains broadly appropriate.**

The Fund is to be commended for its swift support to low-income countries (LICs) and recognize the critical role of the PRGT in the Fund's rapid response to the unprecedented demand for concessional financing associated with the COVID-19 pandemic. We note that following a sharp increase in emergency financing, members are now shifting to multi-year arrangements, with emergency financing declining from almost 90 percent of PRGT commitments in 2020 to just over 10 percent in 2021. The pipeline of demand for PRGT remains strong, and we agree with staff assessment that if the unfavorable geopolitical situation and its impact on commodity persist, it could result in higher financing needs and spillover demand for PRGT for many LICs.

The Fund is at the core of the global financial safety net, and its financial support to member countries with urgent balance of payments needs is crucial to supporting the 2030 Development Agenda and to helping countries achieve sustainable and inclusive growth while safeguarding the stability of the international financial system. The PRGT has played an important role in this front, providing financing for the most vulnerable members of the Fund, as demonstrated most recently during the COVID crisis. Given the uncertain global outlook, and the significant downside risks, we fully support the need to further strengthen the PRGT in order to continue to effectively deal with the current and potential challenges and crises facing LICs. We also underscore the important role of the forthcoming RST in complementing the good work of the PRGT in LICs as well as providing needed financing for middle-income countries. Here, we agree that the 2021 SDR allocation provides a historic opportunity to strengthen the PRGT funding capacity as well as to effectively fund the RST.

We welcome the good progress towards meeting the funding target of the first stage of the PRGT funding strategy, with formal pledges secured for about SDR 500 million in subsidy resources and SDR 7.3 billion in loan resources, we note however that funding gap remains, and further pledges may be needed to reach the fundraising target, anchored in the High Case scenario of SDR 2.8 billion for the subsidy resources and 12.6 billion for loan resources. We thank staff for their efforts to fill the PRGT's funding gap, especially for subsidy resources, and support the efforts to make sure that the PRGT is adequately funded over the medium and longer term.

Lastly, we look forward to the planned comprehensive Review of Concessional Financing and Policies in 2024/25, which will inform the funding needs of the second stage of the PRGT funding strategy. We also look forward to the FY 2023 review of the Catastrophe Containment and Relief Trust (CCRT) to assess the appropriateness of its policies and the financing framework to ensure its sustainability and invite staff to present options to address the CCRT underfunding and ensure the sustainability of the Trust.

Review of Adequacy of PRGT Finances

Responses to Technical Questions Posed by Executive Directors in Advance of
EBM/22/32—April 4, 2022

Staff's responses to technical questions are below, including an indication of responses that will be addressed in staff's intervention at the Board meeting.

PRGT Fundraising

1. **We note, however, that further pledges may be needed to reach the (loan) fundraising target. Could staff comment on how and when are they expecting to fulfill the gap?**
 - We are about 9 months into the fundraising efforts, and have received some significant pledges so far, while other countries are currently going through the domestic procedures necessary for them to make additional pledges. Staff and management have been raising the importance of securing such pledges with the membership and staff have been working with many countries to discuss the various contribution options. Staff have also undertaken outreach efforts with a range of stakeholders, including parliamentarians and CSOs, to raise broader awareness of the importance of securing such pledges. We will keep the Board updated with progress in filling the gap.

Deposit and Investment Account (DIA)

2. **Could staff share if there has been pledges for contributions to the newly established Deposit and Investment Account? If take-up has been slower than expected, what are the main areas of concerns that potential contributors have?**
 - We have received queries from several members. The main concerns include the reserve status of the deposits, ECB regulations (for European central banks), institutional arrangements between central banks and ministries of finance, while some contributors require state guarantees that need to be budgeted well in advance.
3. **However, considering the current shortfall in subsidy pledges, and the fact that they are all grants, we wonder if the DIA is an option actually envisaged by members? Could it be conflicting with domestic legal and institutional frameworks? In that case, it would be useful to review this option if it is needed to facilitate the country's contributions. Which are the alternatives contemplated by staff in case the gap is not fulfilled? Are other innovative options being considered to provide viable avenues for members that currently cannot lend given their domestic legal and institutional frameworks?**
 - The fundraising strategy agreed in July 2021 allows for contributions to be provided over a number of years. Staff is working with members to ensure that we have a menu of options which allow pledges through different modalities. We leave it to members to consider which of the available options are feasible from their institutional perspective, but we are available to work with donors to address any issues or difficulties and explore solutions.
 - On alternatives for closing the subsidy resource gap, please see our answers to questions 1 and 6-9.

- Regarding viable options for members that are unable to lend, we note that the fundraising strategy already includes several contribution options for members, of which the DIA is one. Staff have been and are continuing to engage bilaterally with members to discuss which contribution option would work best for them, given their domestic legal and institutional frameworks.
- 4. We welcome that the Deposit and Investment Account (DIA) presents a new modality for potential contributors with investment options under the Fund's investment strategies but underscore that preserving the reserve asset status of these resources should be carefully considered. Could staff inform about the awareness of the PRGT contributors in this regard?**
- Staff has been actively reaching out to potential contributors to discuss the DIA and has also been in regular contact with the ECB on the subject of the reserve asset status of DIA investments.
- 5. We take note that no contributors have picked the DIA account to provide subsidy resources, could staff comment on the key considerations in determining the delivery modalities? We would also welcome staff to compare the implicit subsidy approach to the investment options.**
- Given that domestic requirements vary across countries, the modality that would work best for any given country will also vary. Staff have also been engaging with member countries to illustrate how the various modalities can deliver a given subsidy contribution. For the DIA, reserve asset status for such investments is an important consideration for many members so this account has been designed to ensure this status (e.g., investment strategy and encashment regime).
 - Staff have also been engaging with members to raise awareness of the implicit subsidy option as such an option could save significant subsidy resources over time, especially as interest rates normalize. However, some members have indicated that given domestic requirements, this option was either less attractive or not feasible for them. The various contribution modalities were designed with the overarching goal of achieving the fundraising targets through whichever modalities can work for contributors. Staff stand ready to discuss with members all modalities.

Contingency Measures

- 6. We would welcome staff's further elaboration on the assertion that resorting to contingency measures in the near term to ensure the PRGT's self-sustainability could unduly constrain the PRGT's ability to continue supporting LICs.**
- 7. We wonder whether providing donors with more flexibility in the timing and modalities of their pledges will be sufficient to address the funding gap and would welcome staff's comments on other options, such as restricting supply.**

[Answer to both questions 6 and 7]

- The current two-stage approach aims to allow the Fund to respond to PRGT-eligible countries' needs in a context of high uncertainty. While the framework does allow for revising

access levels and interest charges, at this juncture staff do not see that these measures are necessary to ensure the PRGT's financing capacity is maintained at an appropriate level. In different circumstances where such measures were necessary, especially limited access, there would be greater constraints on support for LICs.

8. We urge staff to monitor resources closely and communicate in a timely manner, the need to trigger contingency measures in the event that countries listed in the fundraising targets set for new subsidy resources based on quota shares, continue to lag on delivery. Staff comments are welcome.

- Staff will continue to monitor very closely the status of the ongoing fundraising as well as PRGT lending capacity and demand and will keep the Board informed of trends and the implications for the potential need for any contingency measures.

9. Considering this challenging environment, we underscore the importance of retaining flexibility to adjust the timeframe for the Review of Concessional Financing and Policies planned for 2024/25 to ensure that corrective actions, if needed, are swiftly implemented. Staff comments are welcome.

- The current framework allows for the implementation of corrective actions as part of the annual review, so a decision to implement corrective actions would not necessarily require bringing forward the comprehensive PRGT review planned for 2024/5.

Interest Rates

10. We wonder how the normalization of monetary conditions may affect the subsidy account. Staff's comments are welcome.

- The scenarios provided in the paper consider a faster normalization of interest rates compared with the July 2021 review, reflecting the interest rate projections for the near term from the WEO Global Assumptions (early 2022 vintage).
- The impact of a faster normalization (than that envisaged in the scenarios) on the PRGT's available subsidy resources and self-sustained capacity would be relatively muted. This is because the increase in subsidization costs from higher interest rates would be partly offset by higher investment returns on all PRGT assets over the medium to longer-term. Regarding the latter, the investment strategy approved by the Board in January 2022 included refinements to insulate the investment portfolio against the risk of interest rates rises without sacrificing expected returns. This included making the short-duration fixed-income (SDFI) component of the portfolio more resilient to changes in the interest rate environment and generate additional return through diversification across an expanded set of fixed-income assets and active management. The sensitivity analysis in Table 4 of the Board paper provides an illustration of the small net numerical impact of higher interest rates on the PRGT's capacity to subsidize.

Self-Sustaining PRGT

11. Could staff elaborate more on the estimated timeline as well as on the implications for self-sustainability of the Reserve Account, following the zero balance of the subsidy account?

- The fundamental assumption of the self-sustainable PRGT is that subsidy resources are used first to allow the Reserve Account to accumulate returns and grow over time. When subsidy resources are fully used, income earned on the Reserve Account balance should be sufficient to cover subsidization and administrative costs. The unprecedented COVID-related demand for PRGT loans contributed to projected larger use of subsidy resources, which, without a new injection of bilateral contributions, would last for another 10–15 years. This timeframe is too short for the Reserve Account balance to grow sufficiently so that it could generate large enough investment income to subsidize SDR 1.65 billion in annual lending.

CCRT

- 12. However, we remain very concerned about the situation of the CCRT, which remains significantly underfunded to effectively deal with forthcoming events and help the most vulnerable countries. In this regard, we believe that the comprehensive review should be done as soon as possible. Could staff explain why is the revision postponed until 2023? Do they have a contingency plan in case a catastrophe materializes?**
- 13. Can staff provide a more specific schedule for the comprehensive review of the CCRT instrument? Could staff provide an assessment of the CCRT's capability to function until the next review?**

[Answer to both questions 12 and 13]

- The CCRT fundraising is still ongoing. As discussed in the December 20, 2021, Board meeting on the CCRT, the proposed timeline of FY2023 for the next comprehensive review builds in the time needed to conduct the required analytical work and engage with stakeholders, while managing staff's heavy workload. As part of the review, staff will reassess the size of the financing gap, review the experience with debt relief operations under the CCRT, including in the context of the pandemic, and discuss possible reforms to the CCRT's access rules and financing framework.
 - In the absence of further grant contributions to the CCRT, the current cash buffer of about SDR 69 million could cover a very small number of potential debt service relief cases under the Post-Catastrophe Relief (PCR) and Catastrophe Containment (CC) windows. Should large funding needs materialize ahead of the comprehensive review, staff will initiate another grant mobilization round. In the meantime, staff continues to encourage donors to make additional pledges to address the severe underfunding of the CCRT to ensure the availability of sufficient resources for future qualifying events.
- 14. On a related note, we continue to be deeply concerned with the substantial underfunding of the CCRT. Other than seeking traditional budgetary grants, we reiterate our call for staff to explore other fundraising alternatives, including a mechanism similar to the PRGT's DIA, ahead of the planned comprehensive CCRT review in FY2023.**
 - 15. We look forward to the comprehensive review of the CCRT in FY 2023. Considering the efforts in replenishing the PRGT and potential donor fatigue, can staff share**

some insights on possible avenues to close the underfunding of this trust and rebuild its cash buffer?

[Answer to both questions 14 and 15]

- As noted in the paper, the CCRT has been largely depleted. We are very grateful for the generous donations received to support the COVID-related debt relief. However, we note that the urgent fundraising round launched in April 2020 secured only 60 percent of the target (SDR 1 billion). Staff continues to encourage potential donors to make additional grant pledges to cover this large funding gap to ensure that the CCRT will be adequately funded to cover the costs of future qualifying events.
- We also take note and welcome EDs' very helpful suggestions on options for raising additional CCRT resources, including long-term vehicles (e.g., DIA-like instruments). These will be taken into account in the context of the forthcoming comprehensive review. Securing additional grant contributions under the fundraising efforts initiated in April 2020 would be the most straightforward approach to rebuild the Trust's cash buffer. As discussed in the December 2021 Board meeting, continued broad fundraising efforts are key to reduce the underfunding of the CCRT and replenish the cash buffer available to respond quickly to future shocks. The FY 2023 comprehensive review would also consider a range of funding modalities for the CCRT. Staff would weigh the pros and cons of possible funding options.

PRGT Demand Projections

16. Can staff indicate how much lending they envisage to arise due to the recent shocks from Ukraine invasion? Are negative spillovers from this event included in the High Case scenario?

- Fund staff are currently working on different scenarios for the possible size of the financing gap associated with the spillovers from the war in Ukraine. Key questions include how long the war will last and how severe the potential spillovers to LICs will be, which are very hard to predict with confidence at this point.
 - Once we have estimated the possible financing gaps, translating these into demand for Fund financing requires further analysis. We will need to carefully assess several important factors including the extent to which other potential sources of financing will be available, to what extent debt burdens may constrain or delay new Fund-supported programs, and the likelihood of the diverse range of LICs coming to the Fund for new program requests.
 - This said, the High Case is a high-lending scenario designed to capture a general tail-event situation, not necessarily related to the ongoing war in Ukraine. Staff currently consider it most likely that the amount of lending envisaged under this scenario could meet potential additional demand due to the war, but we will need to further analyze results from the workstream on potential financing gaps.
- 17. While the situation is fast-evolving, we would appreciate staff's preliminary views on whether spillovers could lead to greater demand for RCFs or augmentation of UCT-quality arrangements, and whether potential greater demand could shift credit concentration.**

- Negative spillovers from the war are indeed likely to increase demand, although, as noted above, work to assess the scale of the potential increase is still underway. It is rather early to judge the balance between augmentations and RCFs in response to the crisis. Staff note that UCT-quality programs would be the preferred instrument of engagement wherever feasible, and particularly where balance of payments problems are protracted. Although the nature of the shock is quite different from the pandemic spillovers, it can't be excluded that some members could face urgent BOP needs in a situation where a UCT-program is either not needed or not feasible, such that a case-by-case approach is required. Given that there are a significant number of programs already in place, there is considerable room for accommodating augmentations under existing UCT-quality arrangements, and new programs are a further possibility. Similarly, it is too early to assess the impact on credit concentration, although it appears likely that the impact will be broad based across fuel and food importers.

Fund's Catalytic Role

- 18. Could staff comment on how other IFIs and bilateral donors' concessional or grant financing plans to PRGT-eligible countries could impact near-term PRGT projections?**
- 19. Therefore, we ask staff to provide further assessment on how to maximize the catalytic impact of Fund financing.**
- 20. However, over the past ten years, reforms to the International Development Association (IDA)'s financial model have unlocked record IDA replenishments, nearly doubling concessional support for LICs from \$52 billion in IDA-17 to \$93 billion in the latest IDA-20 replenishment. Given limited absorptive capacity in LICs, could staff elaborate on how they have accounted for the availability of significant IDA resources in their analysis of the PRGT's long-term demand and envelope?**
[Answer to both questions 18, 19, and 20]

- Fund-supported programs are expected to play a catalytic role, leveraging our scarce subsidy resources, and enhancing safeguards for loan resources, by encouraging additional bilateral, multilateral, and private-sector inflows. In this context the increase in IDA resources is very welcome. The direct impact of higher IDA flows is not one-to-one with demand for PRGT resources, however. Much will depend on the nature of the aid flows; e.g., programmatic vs. project support can have substantially different impacts on investment and other spending, and hence on the fiscal and external financing gaps. Moreover, the recent increase in IDA resources comes against the backdrop of a more challenging environment for ODA more generally, and more elevated financing needs. It is possible that higher flows from one large donor may be offset by lower inflows from other official sources, e.g., bilateral donors. Private flows, including portfolio investment in sovereign bond issuances, have also become an increasingly important source of financing for frontier LICs in recent years, and are subject to the investors' sentiment towards risk.
- Against this background, and consistent with the Fund's long experience, we see strong program design as key to enhancing the Fund's catalytic role: both private investors and official donors look for sound macroeconomic policies and an improving governance and

business environment that can ensure that funds are well used and generate the desired economic and social returns. The publication of IMF program documents and the outreach associated with Fund-supported programs also support the catalytic role of the Fund.

Debt Sustainability

21. We would like to ask staff what impact an increase in requests under the G20 Common Framework initiative would have on the PRGT lending projections.

- Since a request for a Fund-supported UCT-quality program is a prerequisite for access to the G20 Common Framework, some countries may be inclined to seek support from the PRGT for this purpose. Moreover, the Common Framework itself is designed to mobilize sufficient financing to meet a country's needs, and where necessary put debt on a sustainable footing, thereby allowing a Fund-supported program to be put in place where it might otherwise not be feasible under IMF policies on financing and debt sustainability. Greater and effective use of the Common Framework could therefore have a synergistic impact with Fund financing, thereby increase demand in the short-to-medium term, with the benefit of helping countries to attain a sustainable debt path, supporting inclusive growth and capacity to repay.

Governance

22. Could staff comment on the extent to which greater use of governance commitments in the context of COVID-19 emergency financing have helped to attenuate these risks?

- The governance commitments aim to support effective use of a country's resources in responding to the pandemic, which in turn should assist capacity to repay. At the same time, the ability of such LOI commitments to limit repayment risks is likely less than for conditionality in UCT-quality programs, in which subsequent disbursements are tied to program performance and which typically feature more comprehensive reform programs.

HIPC Initiative: Somalia and Sudan

23. We note that pledges for Somalia and Sudan have exceeded the estimated costs for the Fund's share of debt relief under the Heavily Indebted Poor Country (HIPC) Initiative. Is there an opportunity to direct these excess balances to the PRGT?

- The final costs of the debt relief at the Completion Point for any HIPC case are subject to a degree of uncertainty—associated with the exact timing of HIPC Completion Point and overall total stock of HIPC-eligible debt at that time, as well as timely disbursements of all pledges by contributors—and will not be known until we are closer to the Completion Points of each operation. Should any excess materialize, once the Board decides that the PRG-HIPC Trust is no longer needed for the delivery of HIPC debt relief, its remaining balances could be transferred to the PRGT's Reserve Account, which will be available for the subsidization of the Fund's concessional lending to LICs once balances in PRGT's Subsidy Accounts are depleted.

Questions To Be Addressed in Staff's Oral Statement**Internal resources**

- 24. While we supported the 2021 proposal to suspend the PRGT's reimbursement to the GRA to FY 26, we continue to see a longer-term suspension as a low hanging fruit. Staff comments are welcome.**
- 25. We maintain our 2021 position in asking staff to conduct further technical work on the option of gold sales ahead of the second stage of the financing strategy in 2024/5. Staff comments are welcome.**
- 26. We expect gold sales will play a central role in the second stage PRGT funding strategy. Proceeds from gold sales should be invested in high-quality interest-bearing assets that better support the Fund's overall financial position. Could staff provide an illustrative roadmap for a gold sale as part of the second stage funding strategy?**

Reserve Account Coverage

- 27. We ask staff to closely monitor the PRGT reserve coverage ratio and immediately alert the Board if reserve coverage drops below the 20 percent benchmark. Staff assurances welcome.**
- 28. In this respect, we point to the sharp decline in the reserve coverage ratio at end-2021, which at 29 percent is well below the 40 percent long-term historical average. To preserve the soundness of the PRGT, higher lending volumes must be accompanied by a commensurate strengthening of reserves. Could staff elaborate?**

CONSTITUENCY CODES

OEDAE

Angola, Botswana, Burundi, Eritrea, Eswatini, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe

OEDAF

Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé & Príncipe, Senegal, Togo

OEDAG

Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay

OEDAP

Australia, Kiribati, Korea, Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, and Vanuatu

OEDBR

Brazil, Cabo Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste, and Trinidad and Tobago

OEDCC

China

OEDCE

Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, and Spain

OEDCO

Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines

OEDEC

Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia, and Turkey

OEDFF

France

OEDGR

Germany

OEDIN

Bangladesh, Bhutan, India, and Sri Lanka

OEDIT

Albania, Greece, Italy, Malta, Portugal, and San Marino

OEDJA

Japan

OEDMD

Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

OEDMI

Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, United Arab Emirates, and Yemen

OEDNE

Andorra, Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Moldova, Montenegro, Netherlands, Republic of North Macedonia, Romania, and Ukraine

OEDNO

Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden

OEDRU

Russian Federation and Syrian Arab Republic

OEDSA

Saudi Arabia

OEDST

Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Philippines, Singapore, Thailand, Tonga, and Vietnam

OEDSZ

Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan

OEDUK

United Kingdom

OEDUS

United States