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**Joint Statement by Mr. Buissé, Mr. Giammusso, Mr. Dresse, Ms. Koh, and Ms. Marcussen on 2023 Review of Resource Adequacy of the Poverty Reduction and Growth Trust, Resilience and Sustainability Trust, and Debt Relief Trusts
(Preliminary)
Executive Board Meeting
April 6, 2023**

General Remarks

We thank Staff for the Review of Resource Adequacy of the Poverty Reduction and Growth Trust (PRGT), Resilience and Sustainability Trust (RST), and Debt Relief Trust. We welcome the Review's reform proposals but would like to stress that no reform should put at risk the reserve-asset character of central banks' claims on the loan and deposit accounts of the PRGT and RST, or the financial integrity of the IMF and its unique financing mechanism.

Poverty Reduction and Growth Trust

We agree with Staff that completion of the current fundraising round and additional subsidy pledges are the most important way to address the increased funding gap of the PRGT due to a combination of higher demand, policy changes, and increasing interest rates. The Covid-19 pandemic, followed by the food and energy crisis unleashed by Russia's war of aggression against Ukraine, led to a surge in demand for PRGT resources for the 2020-23 period. We expect that these multiple crises will have a more enduring effect on vulnerable countries that could lead to higher demand for PRGT resources in the longer-term, while also noting that IMF financial assistance should play a catalytic role unlocking capital flows from other public and private sources.

We note the shortfalls in fundraising and the increased gap of subsidy resources to SDR 3.5 billion. Subsidy pledges so far amount to a total of SDR 1,133 million, of which EU Member States and the European Commission have contributed SDR 490.4 million. We take note of the

multi-pronged strategy proposed by Staff. We support increased fundraising efforts by management with a focus on fair burden sharing and strongly encourage all countries, and especially those that have not contributed yet, to respond to the Managing Director's call for voluntary contributions, and those who have made pledges to turn them into actual transfers. The technical work on the 2024/25 comprehensive Review should start, to explore viable options to ensure the longer-term self-sustainability of the PRGT. A potential use of internal resources could be analysed in the context of the comprehensive Review.

We welcome the ongoing shift from emergency financing to UCT-quality arrangements. Remedial measures necessary to slow down PRGT lending or significantly increase PRGT interest rates to ensure sustainability could have a negative impact on PRGT countries already facing significant challenges. Enhanced monitoring is needed to adopt further safeguards in case subsidy resources pledges fall well short from targets and subsidy accounts would be depleted to levels deemed unsustainable. In this context, we support the proposal to allow reallocation of resources from the Subsidy Accounts to the Subsidy Reserve Account on a voluntary basis to ensure an adequate reserve coverage ratio, noting that the agreement will have to be reached with unanimity. However, encouraging further Members' contributions should remain the focus of the Fund's efforts.

We take note of the Staff's proposal to defer the review of the PRGT interest rate structure from July 2023 to the 2024/25 comprehensive review, and of the Fund's projection for the next 12 month for existing and scheduled credit that the forgone interest would have only a modest impact on the existing subsidy gap.

We note that the total PRGT credit outstanding would reach almost five times the historical average if the high lending scenario materialises during the 20-24 period. We agree with Staff that elevated country level exposures to Fund credit calls for greater scrutiny of requests entailing high levels of PRGT lending, and close monitoring of risks to capacity to repay in individual cases. We believe it is important to avoid overburdening PRGT countries with super senior debt from the Fund as ultimately this could undermine the catalytical role of the Fund in PRGT countries and its preferred creditor status, which would be detrimental in the long run. Debt sustainability has to be ensured in the process.

Resilience and Sustainability Trust

For the RST, total pledges made so far amount to SDR 30.5 billion, of which the contributions received so far amount to a total of SDR 19.9 billion. EU Member States have pledged SDR 13.1 billion, of which SDR 10.9 billion were already transferred. We strongly encourage all countries that have made pledges to turn them into actual transfers and work swiftly with Staff to sign the loan agreements and disburse the required Reserve Account and Deposit Account resources.

We support further fundraising efforts to seek additional pledges to cover the strong demand for RSF arrangements expected in the medium term. In this vein, we welcome Staff's efforts to focus

on the group of potential contributors who have not yet pledged and to work towards making resources available to the RST this or next year. This is especially important to avoid 'first-come first-served' incentives and to ensure even-handedness amongst potential recipient countries.

We note that the first five countries received maximum access under their RSF-arrangements. We believe that access levels should not be inclined to move towards the maximum and should not in the first place be guided by the current availability of RST resources but should instead be determined by country-specific considerations, including the strength of the RSF-supported reforms. In this context, we would support to put more emphasis on structural reforms, such as reducing fossil fuel subsidies, which would help to achieve the Balance of Payments objectives of the accompanying UCT-programme. We also call on the Staff to assess the reasons for the lack of pandemic-related programs.

We could consider a cap on the interest rate for Group A countries, which could also be a temporary one, or a temporary elimination of the 55bp margin on top of the SDRi, subject to reviews to ensure the continued adequacy of reserve in the face of potential risks and to ensure similar levels of concessionality compared to the PRGT facilities. We believe that alternative options could be explored under the Interim Review of the RST as further work is needed to find a balance between keeping adequate reserve coverage, given elevated risks, and maintaining RSF arrangements affordable for vulnerable countries.

Catastrophe Containment and Relief Trust

We welcome the Fund's debt service support for the poorest and most vulnerable countries under the Catastrophe Containment and Relief Trust (CCRT). The EU 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 fair financing share of the CCRT.