



**Executive Board Minutes 22/37-1**

April 13, 2022–2:30 p.m.

**Proposal to Establish a Resilience and Sustainability Trust**

Documents: SM/22/63 and Rev. 1, and Sup. 1, and Sup. 2, and Sup. 3

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CEDA OGADA  
Secretary

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<sup>1</sup> 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 CHAIR'S SUMMING UP

Executive Directors approved the establishment of a Resilience and Sustainability Trust (RST) to support member countries' longer-term structural reform efforts by channeling SDRs to low-income and vulnerable middle-income members. They concurred that the envisaged role of the Trust to provide affordable long-term financing to enhance economic resilience and sustainability would contribute to prospective balance of payments stability, consistent with the Fund's purposes. Directors noted that the economic costs of not addressing macro-critical longer-term structural challenges could be very high, and the support from the RST combined with the additional financing it will help catalyze would contribute to alleviating these risks.

Most Directors supported RST operations to initially focus on addressing climate change and pandemic preparedness while maintaining flexibility to add additional qualifying challenges in the future with sufficiently broad consensus. A number of Directors, however, proposed expanding from the outset the qualifying challenges to a broader set of longer-term challenges. Directors generally considered that the proposed eligibility criteria, and the resulting list of 143 RST-eligible members, strike the right balance between breadth of access and resource constraints.

Directors broadly welcomed the longer lending terms and endorsed the tiered interest rate structure that increases concessionality for lower income members. They noted that periodic interest rate reviews should balance the need to ensure the financial sustainability of the Trust and provide appropriate terms for borrowers, with an interest rate cap to be considered if needed to protect the lowest income borrowers from rising interest rates, following consultations with contributors.

Directors endorsed the proposed lending modalities under RSF arrangements. They generally supported the requirement for a concurrent IMF instrument with upper-credit tranche-quality conditionality.

Directors agreed with the access norm of 75 percent of quota with an access cap at 150 percent of quota or SDR 1 billion, whichever is lower. Many Directors, however, would have preferred higher access limits for small quota countries, vulnerable states, and other qualifying members with large financing needs to address longer-term challenges. Most Directors agreed that RST access would not count towards triggering existing GRA and PRGT exceptional access policies and high combined access safeguards, although some Directors would have preferred such additional safeguards. Directors also welcomed counting RST credit outstanding toward post-financing assessments triggers, which may be recalibrated as appropriate at the RST review.

Directors endorsed the governance structure of the RST, which places the IMF's Executive Board at its center, complemented by consultation with contributors on key issues and requiring the consent by contributors for certain amendments that affect key contributor interests. They emphasized the need for a timely, comprehensive review of the RST, in three years at the latest. They also agreed to an interim review to take stock of the initial experience and revisit the set of qualifying structural challenges at around 18 months after its operationalization. Directors looked forward to receiving regular updates on the adequacy of RST resources with the possibility to adopt contingency measures at that time, typically near the end of each financial year, and on an ad hoc basis if warranted.

Noting the large scale of longer-term structural challenges, Directors underscored the importance of close and systematic coordination with the World Bank and other relevant institutions to leverage specialized expertise, provide coherent policy advice, and catalyze financing. They encouraged the prompt development of a coordination framework for pandemic preparedness similar to the proposed framework for climate change.

Directors supported the financial design of the RST based on three pillars: a Loan Account (LA), a Reserve Account (RA), and a Deposit Account (DA). They endorsed the terms of the borrowing agreements for the LA, and the contribution agreements for the RA and the DA as detailed in the RST Instrument, including allowing stand-alone contributions to the RA and DA. Directors concurred that the RST's robust financial framework and the encashment regime of the LA and DA are critical in maintaining the reserve asset nature of creditors' claims on those accounts of the Trust.

Directors emphasized that the financial risks associated with RST lending should be managed carefully through a multilayered risk management framework, including assessments of the member's capacity to repay and debt sustainability and the RST's financial design. They stressed the importance of building up strong buffers via gross and net reserves to safeguard against financial risk and to cover administrative expenses of the Trust. Directors called on all Fund members, within the limits of their laws, to treat the RST as a preferred creditor, consistent with such treatment of the GRA and PRGT.

Directors recognized the importance of raising sufficient contributions to meet estimated demand for RST financing, calling on members with stronger external positions to finalize contribution agreements in time to start RST operations around the time of the 2022 Annual Meetings. They supported pooling RST assets with those of the PRGT for investment purposes, and urged contributors to the PRGT's subsidy accounts to consent in a timely manner to the proposed amendment to the PRGT Instrument that would enable such pooling, which is key for RST operationalization. Directors expected that SDR contributors to the RST would participate actively in SDR transactions through their Voluntary Trading Arrangements to support the conversion of channeled SDRs into currencies.

Directors recognized that implementation of the RST would result in new demands on staff resources. They agreed that the RST should pay a fee to the GRA to cover trust management activities which would constitute budget receipts. Directors supported reimbursement of the GRA for the cost of administering the Trust excluding activities covered by the fee, which would be discussed in the context of the annual income paper.

## **EXECUTIVE BOARD DECISIONS**

The Executive Board took the following decisions:

### **Proposal to Establish a Resilience and Sustainability Trust—Establishment of the Resilience and Sustainability Trust and Consequential Amendments to Other Fund Decisions**

#### ***Section A – Resilience and Sustainability Trust Instrument, Effectiveness and Reimbursement***

1. With effect from May 1, 2022, the Fund adopts the Instrument to Establish the Resilience and Sustainability Trust (the Trust) that is annexed to this decision as Attachment A.
2. The lending operations of the Trust shall not start until such time as the Managing Director has notified the Executive Board that, in her view, the Trust is ready to commence such operations.
3. The cost of administering the Trust will be covered from the Trust’s Reserve Account through annual payments to the General Resources Account based on reasonable estimates of such costs. These payments will cover (i) a management fee for trust management activities and (ii) a reimbursement to cover all other gross incremental costs of the RST.

#### ***Section B – Consequential Amendments to other Fund Decisions***

The proposed amendments to Board decisions set out in this Section B shall become effective on May 1, 2022, provided that the proposed amendment of Section VII, Paragraph 2(a) of the Poverty Reduction and Growth Trust (PRGT) Instrument proposed under Paragraph 10(b) below shall become effective only after contributors to the subsidy accounts of the PRGT have consented to the proposed amendment. Contributors shall be given a first period of six weeks to provide their response, which shall be followed by a second four-week period for those contributors that did not respond within the first period. If no response is received from a contributor within the second period, that contributor shall be deemed to have consented to the amendment, provided that if, within six months following the expiration of the second period, a contributor communicates that it did not wish to consent to the proposed amendment, then it may request back its remaining share in the relevant subsidy account at the time the request is made.

#### ***Policy Support Instrument***

4. Paragraph 3 of Decision No. 13561-(05/85), as amended, is revised to read as follows:

“3. Members with overdue financial obligations to the Fund’s General Resources Account (GRA), to the PRGT, or to the Resilience and Sustainability Trust (RST) are not eligible for a PSI.”

5. Clause (a) of paragraph 20 of Decision No. 13561-(05/85), as amended, is revised to read as follows:

“20. A PSI for a member will terminate upon: (a) the relevant member incurring overdue financial obligations to the GRA, PRGT or RST; or ...”

*Policy Coordination Instrument*

6. Paragraph 2 of Decision No. 16230-(17/62) is revised to read as follows:

“2. Upon request, the Fund will be prepared to provide the technical services described in this Decision to members that: (a) at the time of the request for a PCI do not require and are not seeking financial assistance from the General Resources Account (“GRA”) or Poverty Reduction and Growth Trust (“PRGT”); and (b) seek to maintain a close policy dialogue with the Fund, through the Fund’s endorsement and assessment of their economic and financial policies, under a PCI.”

7. Paragraph 4 of Decision No. 16230-(17/62) is revised to read as follows:

“4. The PCI will be available to all member countries for the purposes outlined in paragraph 1, without further qualification criteria, except members with overdue financial obligations to the Fund’s GRA, to the PRGT, or to the Resilience and Sustainability Trust (“RST”).”

8. Paragraph 6 of Decision No. 16230-(17/62) is revised to read as follows:

“6. A member’s request for a PCI may be approved only if the Fund is satisfied that: (a) the policies set forth in the member’s Program Statement meet the standards of upper credit tranche conditionality; (b) the member’s program will be carried out, and in particular, that the member is sufficiently committed to implement the program; and (c) the member does not need and is not seeking Fund financial support from the GRA or PRGT at the time of approval of a PCI.”

9. Paragraph 20 of Decision No. 16230-(17/62) is revised to read as follows:

“20. A PCI for a member will terminate upon: (a) the relevant member incurring overdue financial obligations to the GRA, PRGT, or RST; (b) noncompletion of a review for a twelve-month period; or (c) the approval for the relevant member of an arrangement with the Fund other than a SBA or SCF arrangement or an arrangement under the Resilience and Sustainability Facility. Approval of access under the Rapid Financing Instrument or Rapid Credit Facility will not cause termination of a PCI.”

*Poverty Reduction and Growth Trust*

10. The Instrument to Establish the Poverty Reduction and Growth Trust (“PRGT Instrument”), Annex to Decision No. 8759-(87/176) ESAF, adopted December 18, 1987, as amended, along with its Appendices, shall be further revised as follows:

a. Section II, Paragraph 1(e)(3) of the PRGT Instrument shall be revised to read as follows:

“(3) The Managing Director shall not recommend for approval, and the Trustee shall not approve, a request for a disbursement under the RCF or an arrangement under this Instrument whenever the member has an overdue financial obligation to the Fund in the General Resources Account, the Special Disbursement Account, or the SDR Department, or to the Fund as Trustee (including as Trustee of the Resilience and Sustainability Trust), or while the member is failing to meet a repurchase expectation to the Fund pursuant to Decision No. 7842-(84/165) on the Guidelines on Corrective Action, or is failing to meet a repayment expectation pursuant to Section II, paragraph 3(c) or the provisions of Appendix I to this Instrument, or is failing to meet a repayment expectation pursuant to the provisions of Appendix I of the Instrument to Establish the Resilience and Sustainability Trust, Annex to Decision No. 17231.”

b. Section VII, Paragraph 2(a) of the PRGT Instrument shall be revised to read as follows:

“(a) The resources of the Trust shall be kept separate from the property and assets of all other accounts of the Fund, including other trusts and administered accounts, and shall be used only for the purposes of the Trust in accordance with this Instrument; provided however that for investment purposes, resources of the Trust may be pooled with resources of other trusts or accounts administered by the Fund for the benefit of others under arrangements that allow for the attribution of pooled investments to each relevant trust or account.”

c. Paragraph 1 of Appendix II of the PRGT Instrument shall be revised to read as follows:

“1. Whenever a member fails to settle a financial obligation on time, the staff will immediately send a communication urging the member to make the payment promptly; this communication will be followed up through the office of the Executive Director concerned. At this stage, the member’s access to the Fund’s resources, including Poverty Reduction and Growth Trust, Resilience and Sustainability Trust, and HIPC resources, will have been suspended.”

d. Paragraph 5 of Appendix II of the PRGT Instrument shall be revised to read as follows:

“5. A report by the Managing Director to the Executive Board will be issued two months after a financial obligation has become overdue, and will be given substantive consideration by the Executive Board one month later. The report will request that the Executive Board limit the member’s use of Trust resources. A brief factual statement noting the existence and amount of arrears outstanding for more than three months will be posted on the member’s country-specific page on the Fund’s external website. This statement will also indicate that the member’s access to the Fund’s resources, including Poverty Reduction and Growth Trust, Resilience and Sustainability Trust, and HIPC resources, has been and will remain suspended for as long as such arrears remain outstanding. A press release will be issued following the Executive Board decision to limit the member’s use of the Trust resources. A similar press release will be issued following a decision to lift such limitation. Periods between subsequent reviews of reports on the member’s arrears by the Executive Board will normally not exceed six months. The Managing Director may recommend advancing the Executive Board’s consideration of the reports regarding overdue obligations. The Managing Director may also recommend postponing for up to one-year periods the Executive Board’s consideration of a report regarding a member’s overdue obligations in exceptional circumstances where the Managing Director judges that there is no basis for an earlier evaluation of the member’s cooperation with the Fund.”

*Overdue Financial Obligations – Amendment to Procedures for Dealing with Members with Arrears to the General and SDR Department*

11. In the Procedures for Dealing with Members with Overdue Financial Obligations to the General Department and the SDR Department adopted by the Executive Board on August 17, 1989, and as subsequently amended by Decision No. 12546-(01/84), adopted August 22, 2001, the paragraph commencing “[W]hen a member has...” will be revised to read as follows:

“When a member has overdue financial obligations outstanding for more than three months, a brief factual statement noting the existence and the amount of such arrears will be posted on the member’s country-specific page on the Fund’s external website. The statement will be updated as necessary. It will also indicate that the member’s access to the Fund, including PRGT, RST and HIPC resources, has been and will remain suspended for as long as arrears remain outstanding.”

*Stand-By and Extended Arrangements – Standard Forms*

12. Paragraph 4 of Attachment A to Decision No. 10464-(93/130), as amended, shall be revised to read as follows:

“4. (Member) will not make purchases under this stand-by arrangement during any period in which (Member): (i) has an overdue financial obligation to the Fund or is failing to meet a repurchase expectation in respect of a noncomplying purchase pursuant to Decision No. 7842-(84/165) on the Guidelines on Corrective Action; (ii) is failing to meet a repayment

obligation to the PRG Trust established by Decision No. 8759-(87/176) PRGT, as amended, or a repayment expectation to that Trust pursuant to the provisions of Appendix I to the PRG Trust Instrument; or (iii) is failing to meet a repayment obligation to the Resilience and Sustainability Trust (RST) established by Decision No. 1723 1, or a repayment expectation to that Trust pursuant to the provisions of Appendix II to the RST Instrument.”

13. Paragraph 4 of Attachment B to Decision No. 10464-(93/130), as amended, shall be revised to read as follows:

“4. (Member) will not make purchases under this extended arrangement during any period in which (Member): (i) has an overdue financial obligation to the Fund or is failing to meet a repurchase expectation in respect of a noncomplying purchase pursuant to Decision No. 7842-(84/165) on the Guidelines on Corrective Action; (ii) is failing to meet a repayment obligation to the PRG Trust established by Decision No. 8759-(87/176) PRGT, as amended, or a repayment expectation to that Trust pursuant to the provisions of Appendix I to the PRG Trust Instrument; or (iii) is failing to meet a repayment obligation to the Resilience and Sustainability Trust (RST) established by Decision No. 1723 1, or a repayment expectation to that Trust pursuant to the provisions of Appendix II to the RST Instrument.”

*Lapse of Time Completion of Program Reviews*

14. The following text shall be added at the end of paragraph 2 of the Attachment to Decision A-13207 of August 28, 2009, as amended, to read as follows:

“A review under a Resilience and Sustainability Facility arrangement would be eligible for completion on a lapse of time basis where (i) the review under the accompanying arrangement or instrument supporting the member’s upper credit tranche-quality program meets the criteria for completion on a lapse of time basis set out above; and (ii) staff has determined that all reform measures to be assessed under the review have been implemented.”

*Post Financing Assessment*

15. Paragraph 1 of Decision No. 13454-(05/26), as amended, shall be revised to read as follows:

“1. If outstanding credit to a member exceeds any of the thresholds specified below:

- (a) 200 percent of quota for credit from the Fund’s General Resources Account (GRA), or from the Fund as Trustee of the Poverty Reduction and Growth Trust (PRGT), or from the Fund as Trustee of the Resilience and Sustainability Trust (RST), or a combination thereof; or
- (b) an amount equivalent to SDR 1.5 billion for credit from the Fund’s GRA; or
- (c) an amount equivalent to SDR 0.38 billion from the PRGT; or

(d) an amount equivalent to SDR 0.38 billion from the RST,

and the member does not have a program supported by a Fund arrangement or is not implementing a staff monitored program with reports issued to the Executive Board, or the member does not have a program supported by a Policy Support Instrument (PSI), or Policy Coordination Instrument (PCI), the member will be expected to engage in Post Financing Assessment (PFA) discussions with the Fund involving the monitoring of its economic developments and policies upon the recommendation of the Managing Director. Where the above criteria are met, the Managing Director shall recommend PFA to the Executive Board, unless, in the view of the Managing Director, the member's circumstances (in particular, the strength of the member's policies, its external position, or the fact that a successor arrangement, PCI, PSI or a staff monitored program is expected to be in place within the next six months) are such that the process is unwarranted. PFA will normally cease when the member's outstanding credit falls below all of the applicable thresholds above."

*Transparency Policy Decision*

16. Paragraph 4.b of Decision No. 15420-(13/61), as amended, shall be revised to read as follows:

"4.b. The Managing Director will generally not recommend that the Executive Board approve a request for (i) access to resources in the General Resources Account, the PRGT or the Resilience and Sustainability Trust, or (ii) access to Fund resources under the HIPC Trust, or (iii) assistance through a PSI or a PCI, unless that member explicitly consents to the publication of the associated staff report. For purposes of this paragraph 4(b), approval of the use of the Fund's resources includes the completion of a review under an arrangement and assistance through a PSI or a PCI includes the completion of a review under the PSI or the PCI. In the case of the PCI, where a member does not provide consent to publication of an interim performance update, the Managing Director may take this into account when determining whether to recommend that the Executive Board approve a subsequent review of the member's PCI." (SM/22/63, Sup. 3, 04/11/22)

Decision No. 17231-(22/37), adopted  
April 13, 2022

Attachment

**Proposal to Establish a Resilience and Sustainability Trust—List of Eligible Members and Eligibility Criteria**

1. The members on the list annexed to this decision as Attachment B are eligible to

receive financing under the Resilience and Sustainability Trust (“RST-eligible members”) established by Decision No. 17231.

2. The following criteria for entry and graduation shall, respectively, guide Executive Board decisions to add members to, and remove members from, the list of RST-eligible members (the “RST-eligibility list”) at reviews of RST eligibility:

a. *Criteria for entry:* A member will be added to the RST-eligibility list if its annual per capita gross national income (“GNI”) based on the latest available qualifying data is (a) less than ten times the International Development Association (“IDA”) operational cut-off; or (b) less than twenty-five times the IDA operational cutoff if the member has a population below 1.5 million.

b. *Criteria for graduation:* A member will be removed from the RST-eligibility list if its GNI (a) has been above (i) ten times the IDA operational cutoff or (ii) twenty-five times the IDA operational cutoff if the member has a population below 1.5 million, for at least the last five years for which qualifying data are available, (b) has not been on a declining trend in the same period (comparing the first and the last relevant annual data) and (c) based on the latest qualifying data, is at least ten percent above (i) ten times the IDA operational cutoff or (ii) twenty-five times the IDA operational cutoff if the member has a population below 1.5 million.

c. For the purposes of the criteria set forth in this paragraph, assessments of per capita GNI will normally be based on World Bank data using the ATLAS methodology, but other data sources may be used in exceptional circumstances, including data estimated by Fund staff in the absence of World Bank ATLAS data. Qualifying data for the purposes of the RST-eligibility criteria shall be data in respect of which the most recent observation relates to a calendar year that is not more than 30 months in the past at the time of the assessment.

3. Notwithstanding paragraph 2, any member that does not have an arrangement under the Resilience and Sustainability Facility (RSF) in effect can elect to opt out of the RST-eligibility list by notifying in writing the Fund of its decision to opt out. The removal of the member from the RST-eligibility list will be effective immediately upon the Fund’s receipt of the member’s written notification. Such written notification will be issued to the Executive Board for information. Once a member has opted-out, it would not be considered for inclusion onto the RST-eligibility list until a future review of RST eligibility and provided that the member communicated in writing to the Fund that it would like to be assessed against the criteria for entry set out in paragraph 2 at the next scheduled review of RST-eligibility.

4. Executive Board decisions to remove a member from the RST-eligibly list pursuant to the graduation criteria set forth in paragraph 2(b) of this decision shall become effective five months after their adoption (the “effectiveness date”), provided that such decisions shall not affect any RSF arrangements that are in existence as of the effectiveness date. Any such arrangement may continue until the expiration or other termination of the arrangement, and

the arrangement may be extended or access under the arrangement may be augmented where appropriate in accordance with the applicable policies on extension or augmentation.

5. The criteria for entry and graduation set forth in this decision, and the RST-eligibility list, shall be reviewed and updated, respectively, on the basis of the then applicable criteria for entry and graduation three years after the RST becomes operational for lending. Thereafter, it is expected that the criteria for entry and graduation set forth in this decision as well as the RST eligibility list shall be reviewed and updated on the basis of the then applicable criteria in conjunction with the review of eligibility to use the Fund's facilities for concessional financing set forth in Decision No. 14521-(10/3), January 11, 2010, as amended. However, decisions on RST eligibility may be adopted in the interim period between regular reviews:(i) for entry onto the RST-eligibility list by members that meet the entry criteria specified in paragraph 2(a) above, other than members that opted out under paragraph 3 above; and (ii) for re-entry onto the RST eligibility list by members that had previously been removed from such list as a sanction for overdue obligations, so long as such a member at the time of re-entry does not meet the criteria for graduation specified in subparagraph 2(b) above. (SM/22/63, Sup. 3, 04/11/22)

Decision No. 17232-(22/37), adopted  
April 13, 2022

#### Attachment

### **1. Proposal to Establish a Resilience and Sustainability Trust—Guidelines for Investing PRG, RS, PRG-HIPC, and CCR Trusts' Assets**

Pursuant to Article V, Section 12(h) of the Articles of Agreement and Section VII, paragraph 3 of the Instrument to Establish the Poverty Reduction and Growth Trust, annexed to Decision No. 8759-(87/176) ESAF, adopted December 18, 1987, as amended, Section V, paragraph 3(a) and Section VI, paragraph 4(a) of the RST Instrument adopted in Decision No. 17231, Section IV, paragraph 1 of the Trust for Special Poverty Reduction and Growth Operations for the Heavily Indebted Poor Countries and Interim ECF Subsidy Operations, annexed to Decision No. 11436-(97/10), adopted February 4, 1997, as amended, and Section IV, paragraph 1 of the Instrument to Establish the Catastrophe Containment and Relief Trust, annexed to Decision No. 14649-(10/64), adopted June 25, 2010, as amended, the Fund adopts the Guidelines for Investing PRG, RS, PRG-HIPC, and CCR Trust Assets as set forth in Attachment C. The Guidelines for Investing PRG, PRG-HIPC, and CCR Trust Assets adopted by Decision No. 17200-(22/3), adopted January 12, 2022 are hereby repealed. (SM/22/63, Sup. 3, 04/11/22)

Decision No. 17233-(22/37), adopted  
April 13, 2022

#### Attachment

## Attachment A. Instrument to Establish the Resilience and Sustainability Trust

To help fulfill its purposes, the International Monetary Fund (the “Fund”), pursuant to Article V, Section 2(b) of the Fund’s Articles of Agreement, has adopted this Instrument to Establish the Resilience and Sustainability Trust (the “RST” or the “Trust”), which shall be administered by the Fund as Trustee (the “Trustee”). The Trust shall be governed by, and administered in accordance with, the following provisions:

### Section I. General Provisions

#### Paragraph 1. *Purposes*

(a) The Trust shall assist in fulfilling the purposes of the Fund by providing loans (“Trust loans”) under the Resilience and Sustainability Facility (“RSF”) to eligible members that qualify for assistance under this Instrument in order to enhance their economic resilience and sustainability—by (i) supporting policy reforms that reduce risks associated with longer-term structural challenges facing the member, and (ii) augmenting policy space and financial buffers to mitigate the risks arising from such longer-term structural challenges—thereby contributing to the member’s prospective balance of payments stability.

(b) Trust loans may be provided to support eligible members to address longer-term structural challenges (hereinafter “Qualifying Longer-term Structural Challenges”) relating to (i) climate change, and (ii) pandemic preparedness. The Trustee may expand the list of Qualifying Longer-term Structural Challenges with the concurrence of contributors representing 70 percent of total commitments under the Loan Account.

#### Paragraph 2. *Trust Account and Resources*

The operations and transactions of the Trust shall be conducted through a Loan Account, a Deposit Account and a Reserve Account. The resources of the Trust shall be held in these accounts, each of which is maintained for the purposes specified below.

#### Paragraph 3. *Unit of Account and Denomination*

The SDR shall be the unit of account for the Trust. Accordingly, Trust loans, commitments to and claims resulting from contributions to the Trust shall be denominated in SDR.

#### Paragraph 4. *Media of Payment of Contributions*

(a) Contributions to the Loan Account, the Deposit Account and the Reserve Account of the Trust shall be provided in SDRs, in accordance with arrangements made by the Trustee for the holding and use of SDRs, or in freely usable currencies.

(b) Payments by the Trust to contributors shall be made in SDRs or such other media as may be agreed between the Trustee and such contributors.

## **Section II. Trust Loans**

### *Paragraph 1. Eligibility and Conditions for Financing*

(a) Members of the Fund listed in the Annex to Decision No. [*RST Decision 2*] shall be eligible for financing from the Trust ("RST-eligible members").

(b) Financing under RSF Arrangements

(1) An RST-eligible member may request financing under the RSF up to the maximum overall access specified in Paragraph 2(a) of this Section.

(2) Financing under the RSF shall be committed and made available to an RST-eligible member that meets the qualification criteria set out in this Instrument under an arrangement (an "RSF Arrangement") approved by the Trustee to support structural reforms presented by the member that aim to reduce and/or mitigate risks associated with Qualifying Longer-term Structural Challenges.

(3) An RSF Arrangement shall normally be approved concurrently with either the approval of, or the completion of a review under a Stand-by Arrangement, an Extended Arrangement under the Extended Fund Facility, an arrangement under the Precautionary and Liquidity Line or Flexible Credit Line ("FCL"), a program supported by the Policy Coordination Instrument or the Policy Support Instrument, or an arrangement under the Standby Credit Facility or the Extended Credit Facility (each a "qualifying UCT-quality instrument").

(4) The duration of an RSF Arrangement would generally be expected to coincide with the duration of a new qualifying UCT-quality instrument, when approval of the two is requested at the same time, or with the remaining duration of an existing qualifying UCT-quality instrument when approval of the RSF arrangement is requested at the time of a review under such instrument, provided that the duration of an RSF arrangement shall be no less than 18 months or, for RSF arrangements approved during the period of 6 months from the date of the notification in paragraph 2 of Decision [*RST Decision 1*]), such duration shall be no less than 12 months. RSF arrangements shall not extend beyond the duration of the concurrent qualifying UCT-quality instrument. Should the concurrent qualifying UCT-quality instrument terminate, expire, or be cancelled, the RSF Arrangement will automatically terminate at the same time. An RSF arrangement may be extended at the time of an extension of the concurrent qualifying UCT-quality instrument if: (i) additional time is required to complete the identified Reform Measures (as defined below); or (ii) additional Reform Measures are identified for completion during the remainder of the RSF Arrangement period.

(5) The member requesting an RSF Arrangement shall present a detailed statement of the structural reforms it intends to implement during the period of the RSF Arrangement ("Reform Measures"). Such Reform Measures should be measures expected to help the member make significant progress

toward strengthening its prospective balance of payments stability by reducing macro-critical risks associated with Qualifying Longer-term Structural Challenges.

(6) At the time of approval of an RSF Arrangement, and at each review under the arrangement, the Trustee shall be satisfied that: (i) the Reform Measures meet the standards specified in paragraph 5 above; (ii) the member's debt is sustainable in the medium-term under the applicable debt sustainability framework; and (iii) the member's capacity to repay the Trust is assessed to be adequate.

(7) An RSF Arrangement will specify the total amount of resources committed to the member, the earliest availability date for each disbursement and expected timing of reviews during the period of the RSF Arrangement. No disbursement shall be made available upon the approval of an RSF Arrangement.

(8) Each Reform Measure will be linked to one disbursement and the implementation of Reform Measures shall be monitored through reviews. The phasing under the RSF arrangement will limit the total amount of disbursements made available at a single review to not more than 50 percent of the member's quota, provided that in the event of delays in the implementation of Reform Measures or in the completion of reviews under the accompanying qualifying UCT-quality instrument, the related RSF disbursements may become subject to a later review, and total disbursements approved at the time of such a review may exceed 50 percent of the member's quota.

(9) Reviews under an RSF Arrangement shall take place concurrently with the completion of reviews under the accompanying qualifying UCT-quality instrument. At a review under an RSF Arrangement, the Executive Board of the Trustee will assess implementation of Reform Measures for which the member requests a disbursement and for which the relevant availability date has passed, and reach new understandings, if necessary, for the remainder of the RSF Arrangement, including on new Reform Measures or the rephrasing of disbursements where Reform Measures are delayed or modified.

(10) Each disbursement under an RSF Arrangement for a member shall take place upon the request of the member and requires: (i) the completion of a review under the RSF arrangement, following the relevant availability date, that is based on an assessment by the Trustee that the specified Reform Measure linked to that disbursement was implemented or a finding that any deviation in implementation of the Reform Measure relative to its design and underlying objective was minor; and (ii) the completion of the corresponding review under the accompanying qualifying UCT-quality instrument.

(11) Where an RSF Arrangement is approved concurrently with an FCL arrangement, the RSF Arrangement shall establish the schedule of stand-alone reviews and the associated RSF disbursements made available following the completion of such reviews.

(12) A member may cancel an RSF Arrangement at any time by notifying the Trustee of such cancellation. The cancellation shall have no effect on the accompanying qualifying UCT-quality instrument. An RSF Arrangement will terminate automatically once all access under such arrangement has been disbursed.

(13) The Guidelines on Conditionality (Decision No. 12864-(02/102), adopted September 25, 2002) shall not apply to conditionality under RSF arrangements except for certain general principles to the extent relevant for Reform Measures: specifically, national ownership, tailoring of Reform Measures to member's circumstances, clarity in the specification of Reform Measures and effective coordination with other multilateral institutions

Paragraph 2. *Amount of Financing*

(a) The overall access to the resources of the Trust for each RST-eligible member shall be capped at the lower of (i) 150 percent of quota and (ii) SDR 1 billion.

(b) The Trustee may establish access norms to guide the determination of access to Trust resources by RST-eligible members. Access to Trust resources under an RSF Arrangement below or above such norms for an individual member may be approved in light of: (i) any direct short- to medium- term balance of payments needs associated with the implementation of the Reform Measures; (ii) the strength and ambition of the Reform Measures; and (iii) the member's capacity to repay the Trust, taking into account the member's debt sustainability, debt carrying capacity and the composition of the member's debt, including obligations owed to the Fund in the General Resource Account (hereinafter "GRA") and the Poverty Reduction and Growth Trust (hereinafter "PRGT").

(c) Subject to the maximum overall access specified in Paragraph 2(a) of this Section and if requested by a member, access under an RSF Arrangement may be increased at the time of a review under the RSF Arrangement by either providing for additional disbursements linked to additional Reform Measures or by increasing the amount of already phased disbursements in view of commitments to strengthen existing Reform Measures. If requested by a member, access under an RSF Arrangement may also be reduced at the time of any review.

(d) Any commitment of Trust resources shall be subject to the availability of such resources.

(e) The Managing Director of the Trustee (the "Managing Director") shall not recommend for approval, and the Trustee shall not approve, a request for an RSF Arrangement whenever the member has an overdue financial obligation to the Fund in the GRA, the Special Disbursement Account, the SDR Department, or the Fund as Trustee of this Trust or of the PRGT, or while the member is failing to meet a repurchase expectation to the Fund pursuant to Decision No. 7842-(84/165) on the Guidelines on Corrective Action, or is failing to meet a repayment expectation pursuant to Section II, paragraph 3(c) of the PRGT or Appendix 1 of such Trust, or a repayment expectation pursuant to the provisions of Appendix I to this Instrument.

(f) If a member has overdue financial obligations arising from a Trust loan, and overdue financial obligations in the GRA or to the Fund as Trustee of the PRGT, or is at risk of incurring such arrears, the member is encouraged to prioritize meeting obligations to the GRA and/or the PRGT over obligations under Trust loans.

Paragraph 3. *Disbursements*

(a) Any commitment shall be subject to the availability of resources of the Trust.

(b) Disbursements under an RSF Arrangement must take place during the period of the arrangement. If a disbursement does not become available as scheduled due to delays in the implementation of Reform Measures, or delays in the completion of reviews under the accompanying qualifying UCT-quality instrument, the Trustee may rephase disbursements over the remaining period of the RSF Arrangement.

(c) Following the completion of a review under an RSF Arrangement, and subject to (b) above, the disbursement shall be requested no later than 30 calendar days of the completion of the review and shall be made on the earliest value date for which the necessary notifications and payment instructions can be issued by the Trustee. If a disbursement is not completed within 30 calendar days, the member may again request the disbursement within 30 days from the completion of the next review.

(d) In cases of misreporting and noncomplying disbursements of Trust loans, the provisions of Appendix I of this Instrument shall apply.

(e) Disbursements under an RSF Arrangement to a qualifying member shall be suspended in all the cases specified in Paragraph 2(e) of this Section.

Paragraph 4. *Terms of Trust Loans*

(a) Trust loans shall be disbursed in SDRs or in a freely usable currency, as determined by the Trustee.

(b) Trust loans shall be repaid in twenty equal semi-annual installments beginning ten and a half years from the date of each disbursement.

(c) Interest on the outstanding balance of Trust loans, including any overdue repayments of Trust loans, and interest on any overdue interest payments to the Trust shall be charged at a rate equal to the sum of (i) the rate of interest on the SDR, and (ii) the applicable margin pursuant to subparagraphs (e) and (f) below, provided that the interest rate charge on all overdue obligations will be subject to a minimum of the SDR interest rate. Interest shall accrue daily and shall be paid in SDR promptly after April 30, July 31, October 31, and January 31 of each year.

(d) The Trustee may levy a service charge, set as a percentage of the amount of the disbursement, to be paid by a member at the time of a disbursement.

(e) For purposes of the margin and service charge, the Trustee shall classify RST-eligible members into groups based on the member's status: (i) Group A for RST-eligible members that are also PRGT-eligible (or that have per capita gross national income at or below the income threshold for entry onto the PRGT-eligibility list) and who are not presumed to blend PRGT and GRA resources pursuant

to the Decision No. 17028-(21/71) – (“Blending Framework”); (ii) Group B for RST-eligible members who are presumed to blend PRGT and GRA resources under the Blending Framework or who have a population below 1.5 million and per capita income below ten times the International Development Association operational cut-off as determined pursuant to paragraph 2(c) of Decision No. [RST Decision 2]; and (iii) Group C for all other RST-eligible members. The initial classification of members is set out in Appendix III.

(f) The applicable margin shall be 55 basis points for members in Group A, 75 basis points for members in Group B, and 95 basis points for members in Group C.

(g) The service charge levied on disbursements of Trust loans shall be zero for members in Group A, 25 basis points for members in Group B, and 50 basis points for members in Group C.

(h) In the event of a subsequent change in the group classification pursuant to subparagraph (e) above of a member with an arrangement in effect at the time of such change, for the purpose of applying the service charge and margin to any loan disbursements under that arrangement, including under commitments not yet disbursed or under a later augmentation, the member will be treated as remaining in the group it was in at the time of the approval of that arrangement.

(i) The margin and service charge shall be reviewed pursuant to Section XI, either at the periodic reviews of the RST or earlier if warranted by circumstances. In setting the margin and service charge, the Trustee shall take into account the borrowing costs for RST-eligible members, the projected net reserve coverage for Trust loans over the lifecycle of the Trust, and the costs of administering the Trust.

(j) The Trustee may not reschedule the repayment of Trust loans.

#### Paragraph 5. *Modifications*

Any modification of the provisions applicable to Trust loans will affect only Trust loan disbursements made after the effective date of the modification, provided that subject to Paragraph 4(c) of this Section, any modification of the interest rates (including the margins) shall apply to interest accruing after the effective date of the modification.

### **Section III. Contributions to the Trust**

#### *Paragraph 1. Authority to Receive Contributions to the Trust*

(a) The Trustee may receive contributions of resources for the Loan Account, the Reserve Account, and the Deposit Account on such terms and conditions as may be agreed between the Trustee and the respective contributor, subject to the provisions of this Instrument.

(b) The Trustee may only accept a contribution to the Loan Account where the contributor also makes corresponding contributions to the Reserve Account and to the Deposit Account, equal to at least two percent and twenty percent, respectively, of its Loan Account contribution amount.

(c) The Trustee may receive stand-alone contributions to the Reserve Account and/or the Deposit Account.

#### *Paragraph 2. Authority of the Managing Director*

For the purpose of receiving contributions to the Loan Account, the Reserve Account, and the Deposit Account pursuant to paragraph 1 of this Section, the Managing Director of the Trustee is authorized to enter into agreements with contributors and to make the necessary arrangements in accordance with the provisions of this Instrument.

### **Section IV. The Loan Account**

#### *Paragraph 1. Resources*

(a) For purposes of this Instrument, the term "borrowing agreement" shall comprise loan and note purchase agreements, and the term "Trust borrowing" shall comprise loans made to the Trust and notes issued by the Trust.

(b) The resources held in the Loan Account shall consist of: (i) the proceeds of Trust borrowing; and (ii) repayments of principal and payments of interest on Trust loans funded with drawings under borrowing agreements to the Loan Account, subject to Section V, paragraph 1(f) and Section VI, paragraph 1(c) of this Instrument. Loan Account resources may be held temporarily in the short-term instruments pending the transfer and use of these resources in operations.

#### *Paragraph 2. Drawdown Period under Borrowing Agreements*

The period during which the Trustee may draw under borrowing agreements (the "drawdown period") for the purpose of extending Trust loans shall extend through November 30, 2030, provided that, on an exceptional basis, the Managing Director, on behalf of the Trustee, may agree on a shorter drawdown period than November 30, 2030. Drawings pursuant to Paragraph 3(b) of this Section may be made for as long as claims under Trust loans remain outstanding.

Paragraph 3. *Drawings under Borrowing Agreements*

(a) The Trustee may draw under borrowing agreements to fund Trust loans.

(b) The Trustee may draw on borrowing agreements to fund the early repayment of outstanding Trust borrowing under another borrowing agreement with the Loan Account ("encashment"), where a contributor making the early repayment request represents that its balance of payments and reserve position (or the balance of payments and reserve position of a relevant member of the Fund if the contributor is the central bank or other official institution of such member) justify the early repayment, and the Trustee, having given this representation the overwhelming benefit of any doubt, agrees. As from the effective date of such early repayment, a contributor whose borrowing agreement has been drawn to fund an encashment call shall have the same rights to repayment as the contributor requesting the encashment had with respect to the encashed claim, including all rights to repayments of principal and payments of interest pursuant to Paragraph 5 of this Section IV.

(c) Drawings under subparagraphs (a) and (b) of this paragraph shall be made with the objective of maintaining over time broad proportionality of drawings relative to commitments under borrowing agreements of contributors.

Paragraph 4. *Temporary Suspension of Drawings under Borrowing Agreements*

(a) A contributor's request for early repayment pursuant to paragraph 3(b) of this Section shall suspend calls under its borrowing agreement.

(b) Calls under a contributor's borrowing agreement shall also be automatically suspended when the currency of the relevant member is no longer included for transfers in the Fund's Financial Transactions Plan.

(c) Following any suspension of calls under subparagraph (a) or (b) above, drawings shall be resumed as soon as the balance of payments and reserve position of the relevant member have improved as evidenced by the inclusion of its currency for transfers in the Fund's Financial Transactions Plan.

Paragraph 5. *Payments of Principal and Interest*

(a) The Trust shall make payments of principal and interest on its borrowing for the Loan Account from the payments into the Loan Account of principal and interest made by borrowers under Trust loans.

(b) The Trustee shall pay interest on outstanding Trust borrowing at the interest rate set forth in the relevant borrowing agreement, provided that the rate of interest may not exceed the SDR interest rate. The Trust shall pay interest on a quarterly basis, normally promptly after April 30, July 31, October 31, and January 31 of each year to the account of the relevant member in the SDR Department or as otherwise agreed between the Trustee and the contributor.

(c) Each drawing under a borrowing agreement shall be repaid in accordance with the repayment schedule for Trust loans as set out in Section II, paragraph 4(b). The Trustee may repay part or all of the outstanding drawing under any borrowing agreement at any time prior to the maturity of such borrowing in the event of early repayment to the corresponding Trust loan.

Paragraph 6. *Transfers from the Loan Account to the Reserve Account and Deposit Account*

Margin income from Trust loans that accumulates in the Loan Account shall be transferred on a quarterly basis promptly after April 30, July 31, October 31, and January 31 of each year to fully replenish any use of Deposit Account principal contributions pursuant to Section VI, Paragraph 1(c) and then to the Reserve Account.

**Section V. Reserve Account**

Paragraph 1. *Resources*

The resources held in the Reserve Account shall consist of:

- (a) proceeds of contributions to the Reserve Account pursuant to Section III, Paragraph 1 of this Instrument;
- (b) payment of service charges pursuant to Section II, Paragraph 4(d);
- (c) transfers of margin income from the Loan Account pursuant to Section IV, Paragraph 6;
- (d) net earnings from investment of resources held in the Reserve Account pursuant to Paragraph 3 of this Section;
- (e) transfers of net earnings from temporary holdings of Loan Account resources pending the use of these resources in operations pursuant to Section IV, Paragraph 1(b);
- (f) payments of overdue principal or interest or interest thereon under Trust loan and repayments of the principal under Trust loans to the extent that resources in the Reserve Account or the Deposit Account have been used to make payments to a contributor due to a difference in timing or amount between scheduled principal repayments to the contributor and principal repayments under Trust loans, provided however that any of these payments and repayments may only be made into the

Reserve Account after the Deposit Account's principal contributions are fully replenished pursuant to Section VI, Paragraph 1(c); and

(g) transfers of net investment income attributable to contributors' contributions to the Deposit Account upon the full repayments of these contributions pursuant to Section VI, Paragraph 5(d).

*Paragraph 2. Remuneration and Share in Reserve Account Resources*

(a) Contributions to the Reserve Account shall not be remunerated.

(b) Each Reserve Account contributor shall have a proportional share in the Reserve Account balances. Net investment earnings in the Deposit Account attributed to a contributor's contribution and transferred to the Reserve Account in accordance with Section VI, Paragraph 5(d) shall be included in the share of that contributor in the Reserve Account.

*Paragraph 3. Investment and Use of Resources*

(a) Pending use in accordance with Paragraph 3(b) of this Section, the resources in the Reserve Account shall be invested in accordance with guidelines adopted by the Trustee, which may be amended from time to time.

(b) The resources held in the Reserve Account shall be used by the Trustee to:

(1) make repayments of principal and payments of interest pursuant to borrowing agreements for the Loan Account, to the extent that the amounts available from receipts of principal repayments and interest payments from borrowers under Trust loans are insufficient to cover the payments to contributors to the Loan Account as they become due and payable;

(2) pay for the costs of administering the Trust; and

(3) make distributions to contributors to the Reserve Account pursuant to Paragraph 4 of this Section.

*Paragraph 4. Distributions*

(a) Contributions to the Reserve Account shall have no fixed maturity, provided that the Managing Director may agree to a fixed maturity for stand-alone contributions to the Reserve Account taking into account the investment strategy of Reserve Account resources.

(b) For any stand-alone contribution to the Reserve Account that matures before the liquidation of the Reserve Account, an amount equal to the lesser of (i) the original contribution amount or (ii) the relative share of that contribution amount in the Reserve Account, shall be distributed to the respective contributor by the maturity date of that contribution. The contributor shall receive any remaining amount attributable to its contribution to the Reserve Account upon the liquidation of

the Reserve Account pursuant to subparagraph (c) below, or as part of an early distribution pursuant to subparagraph (d) below.

(c) Upon liquidation of the Trust, all resources in the Reserve Account, including accumulated income and net of liabilities authorized to be discharged by the Reserve Account, shall be distributed to contributors to the Reserve Account in proportion to their shares in the Reserve Account.

(d) Prior to the liquidation of the Trust, and only following the full repayment of all Deposit Account principal contributions in accordance with Section VI, Paragraph 5(b) and (c) of this Instrument, the Trustee may decide to distribute a portion of Reserve Account balances if the Trustee determines that such distribution can be justified in light of the reserve coverage from the remaining Reserve Account balances for the remaining life cycle of the Trust. Any distribution of Reserve Account balances would be made in proportion to the share of each contributor in the Reserve Account.

## **Section VI. Deposit Account**

### Paragraph 1. *Resources*

Resources held in the Deposit Account shall consist of:

- (a) proceeds of contributions to the Deposit Account pursuant to Section III, Paragraph 1 of this Instrument;
- (b) net earnings from investment of resources held in the Deposit Account pursuant to Paragraph 4(a) of this Section; and
- (c) payments of overdue principal or interest or interest thereon under Trust loans, repayments of the principal under Trust loans to the extent that resources in the Reserve Account or the Deposit Account have been used to make payments to a contributor due to a difference in timing or amount between scheduled principal repayments to the contributor and principal repayments under Trust loans, and any margin income from Trust loans, to replenish any amounts of Deposit Account principal contributions used to make payments due under borrowing agreements for the Loan Account pursuant to Paragraph 4(b)(2) of this Section.

Paragraph 2. *Remuneration and Share in Deposit Account Resources*

(a) Contributions to the Deposit Account shall be remunerated at the SDR interest rate, provided that individual contribution agreements can provide for a rate lower than the SDR interest rate.

(b) The share of a contributor in the Deposit Account shall be based on its principal contributions to this account. Investment earnings and losses shall be attributed to contributors in proportion to their share.

Paragraph 3. *Maturity of Deposit Account Contributions*

The maturity date of contributions to the Deposit Account by contributors that are also contributors to the Loan Account under Section III, Paragraph 1(b) of this Instrument shall be November 30, 2050. The maturity date for stand-alone contributions to the Deposit Account set out in Section III, Paragraph 1(c) shall be as agreed between the Managing Director and the contributor and taking into account the investment strategy for resources in this account.

Paragraph 4. *Investment and Use*

(a) The resources held in the Deposit Account shall be invested in accordance with guidelines adopted by the Trustee which may be amended from time to time.

(b) The Trustee shall use resources in the Deposit Account to:

(1) make payments of interest and repayments of principal to contributors to the Deposit Account; and

(2) make repayments of principal and payment of interest under borrowing agreements for the Loan Account, to the extent that the amounts available from receipts of principal repayments and interest payments from borrowers under Trust loans and resources available under the Reserve Account are insufficient to cover the payments to contributors to the Loan Account as they become due and payable; provided however that all resources attributable to accumulated net investment earnings, if any, in the Deposit Account shall first be used in proportion to each contributors share in these earnings, before resources attributable to contributors' principal contributions to the Deposit Account shall be used for making these payments.

Paragraph 5. *Payments of Interest and Repayments of Principal to Contributors to the Deposit Account*

(a) Interest on the principal amount shall be calculated and accrued daily. The Trust shall pay interest on a quarterly basis promptly after April 30, July 31, October 31, and January 31 of each year to the account of the relevant member in the SDR Department or as otherwise agreed by the Trustee and the contributor.

(b) Contributions to the Deposit Account shall be repaid upon maturity of the respective contributions or the liquidation of the Deposit Account, whichever is earlier.

(c) The Trustee may make early repayments of part or all of Deposit Account principal contributions prior to their maturity or the liquidation of the Deposit Account if the Trustee determines that such distribution can be justified in light of the net reserve coverage based on the resources in the Reserve Account and any remaining resources in the Deposit Account, including accumulated net investment earnings, for the remaining life cycle of the Trust.

(d) Following the full repayment of the contribution of any contributor to the Deposit Account, the accumulated net investment earnings in the Deposit Account attributable to that contributor shall be transferred to the Reserve Account under each contributor's contribution.

(e) A contributor may seek early repayment of all or part of the principal contribution amount if the contributor represents that its balance of payments and reserve position (or the balance of payments and reserve position of the relevant member if the contributor is the central bank or other official institution of such member) justify the early repayment, and the Trustee, having given this representation the overwhelming benefit of any doubt, agrees. The contributor shall reconstitute any repaid amount once its balance of payments and reserve position (or the balance of payments and reserve position of the relevant member of the Fund if the contributor is the central bank or other official institution of such member) improves as evidenced by the inclusion of the member's currency for transfers in the Fund's Financial Transactions Plan.

## **Section VII. Transfer of Claims**

### *Paragraph 1. Contributors' Right to Transfer Claims*

Any contributor shall have the right to transfer at any time all or part of any claim on the Loan Account or the Deposit Account or its share in the Reserve Account to any member of the Fund, to the central bank or other fiscal agency designated by any member for purposes of Article V, Section 1 of the Fund's Articles of Agreement ("other fiscal agency"), or to any official entity that has been prescribed as a holder of SDRs pursuant to Article XVII, Section 3 of the Fund's Articles of Agreement.

### *Paragraph 2. Condition on the Transfer*

The transferee shall, as a condition of the transfer, notify the Trustee prior to the transfer that it accepts all the obligations of the transferor relating to the transferred claim with respect to renewal of maturities, as applicable, and shall acquire all the rights of the transferor with respect to repayments of principal and payments of interest, as applicable, on the transferred claim or contribution, except that any right to encashment for drawings under borrowing agreements pursuant to Section IV, Paragraph 3 and for Deposit Account claims pursuant to Section VI, Paragraph 5(e) of this Instrument shall be acquired only if the transferee is a member of the Fund or the central bank or other fiscal agency of a member and, at the time of transfer, the balance of payments and reserve position of the relevant member is considered sufficiently strong, as evidenced by the inclusion of its currency for transfers under the Fund's Financial Transactions Plan.

## **Section VIII. Administration of the Trust**

### Paragraph 1. *Trustee*

(a) The Trust shall be administered by the Fund as Trustee. Decisions and other actions taken by the Fund as Trustee shall be identified as taken in that capacity.

(b) Subject to the provisions of this Instrument, the Fund in administering the Trust shall apply the same rules as apply to the operation of the General Resources Account of the Fund.

(c) The Trustee, acting through its Managing Director, is authorized:

(1) to make all arrangements, including the establishment of accounts in the name of the International Monetary Fund, which shall be accounts of the Fund as Trustee, with such depositories as the Trustee deems necessary; and

(2) to take all other administrative measures that the Trustee deems necessary to implement the provisions of this Instrument.

### Paragraph 2. *Separation of Assets and Accounts, Audits and Reports*

(a) The resources of the Trust shall be kept separate from the property and assets of all other accounts of the Fund, including other trusts and administered accounts, and shall be used only for the purposes of the Trust in accordance with this Instrument; provided however that for investment purposes, resources of the Trust may be pooled with resources of other trusts or accounts administered by the Fund for the benefit of others under arrangements that allow for the attribution of pooled investments to each relevant trust or account.

(b) The property and assets held in the other accounts of the Fund shall not be used to discharge liabilities or meet losses arising out of the administration of the Trust. The resources of the Trust shall not be used to discharge liabilities or meet losses arising out of the administration of other accounts of the Fund or other accounts administered by the Fund.

(c) The Trustee shall maintain separate financial records and prepare separate financial statements for the Trust.

(d) The external audit firm selected under Section 20 of the Fund's By-Laws shall audit the financial transactions and records of the Trust. The audit shall relate to the financial year of the Fund.

(e) The Fund shall report on the resources and operations of the Trust in the Annual Report of the Executive Board to the Board of Governors of the Trustee and shall include in that Annual Report the report of the external audit firm on the Trust.

## **Section IX. Period of Operation and Liquidation**

### *Paragraph 1. Period of Operation*

The Trust established by this Instrument shall remain in effect for as long as is necessary, in the judgment of the Fund, to conduct and to wind up the business of the Trust.

### *Paragraph 2. Liquidation of the Trust*

(a) Termination and distribution of the Deposit Account shall be in accordance with Section VI, Paragraph 5.

(b) Resources in the Reserve Account shall be used to discharge any liabilities of the Trust and any remainder shall be distributed to contributors to the Reserve Account in accordance with their shares of contributions.

## **Section X. Amendment of the Instrument**

### *Paragraph 1. Amendments by the Executive Board*

Subject to Paragraph 2 of this Section, the Trustee may amend the provisions of this Instrument.

### *Paragraph 2. Amendments with Contributor Consent*

(a) Section I, Paragraph 1; Section II, Paragraphs 4 (b) and 4(j); Section IV, Paragraphs 2 to 5; Section V, Paragraphs 2 to 4; Section VI, Paragraphs 2 to 5; Section VIII, Paragraph 2(a) and (b); Section IX, Paragraph 2; and this Section X may only be amended with the consent of Loan Account contributors to the Trust. Any amendment to Section V, Paragraphs 2 to 4 or Section VI, Paragraphs 2 to 5 will also require the consent of stand-alone contributors to the Reserve Account; or the consent of stand-alone contributors to the Deposit Account, respectively.

(b) If a Loan Account contributor does not provide the required consent pursuant to paragraph (a) above, further drawings under the borrowing agreement of the contributor will be suspended, except for drawings to fund disbursements for outstanding commitments of Trust loans and to fund any requests pursuant to Section IV, Paragraph 3(b) for early repayment of Trust borrowing outstanding or committed at the time the amendment becomes effective. The contributor may also request the return of a share of its principal contributions to the Deposit Account and Reserve Account based on the ratio of remaining uncommitted resources under its borrowing agreements to total commitments under its borrowing agreements to the Loan Account.

(c) If a stand-alone contributor to the Reserve Account or the Deposit Account does not consent to an amendment that requires its consent, it may request the repayment of its principal contribution, net of any losses or retained investment earnings. The contributor shall receive any remaining amount attributable to its contribution to the Reserve Account or the Deposit Account upon the liquidation of, or as part of an early distribution.

(d) In seeking contributor consent on a proposed amendment of this Instrument, the Trustee shall first establish a deadline for the explicit consent of contributors, followed by a second deadline after which it can deem that a contributor that does not respond to the request for consent within that deadline has consented to the proposed amendment. A contributor that is deemed to have consented will have 6 months from the effectiveness of the amendment to notify its objection to the amendment and request a suspension of drawings under its borrowing agreement to the Loan Account and the return of its share in the Reserve Account and the Deposit Account, respectively, pursuant to subparagraphs (b) or (c) above.

## **Section XI. Review**

The Trustee shall review the operation of the Trust, including eligibility for Trust loans, adequacy of resources and reserve coverage, and the level of margins, service charges and interest rates. The first such review will take place no later than three years from the date on which the Managing Director notifies the Executive Board that the Trust can begin lending operations.

### **Appendix I – Misreporting and Noncomplying Disbursements under the Resilience and Sustainability Trust**

### **Appendix II – Procedures for Addressing Overdue Financial Obligations under the Resilience and Sustainability Trust**

### **Appendix III – RST country groups for purposes of margin and service fees**

## Attachment B. RST-Eligible Members

Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)	Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Afghanistan	1	0	500	38,928	Liberia	1	0	530	5,058
Albania	0	0	5,210	2,838	Libya	0	0	4,850	6,871
Algeria	0	0	3,550	43,851	Madagascar	1	0	480	27,691
Angola	0	0	2,230	32,866	Malawi	1	0	580	19,130
Antigua and Barbuda	0	1	14,250	98	Malaysia	0	0	10,580	32,366
Argentina	0	0	8,930	45,377	Maldives	1	1	6,830	541
Armenia	0	0	4,220	2,963	Mali	1	0	830	20,251
Azerbaijan	0	0	4,450	10,110	Malta	0	1	25,370	525
Bahamas, The	0	1	27,780	393	Marshall Islands	1	1	5,010	59
Bangladesh	1	0	2,010	164,689	Mauritania	1	0	1,640	4,650
Barbados	0	1	14,460	287	Mauritius	0	1	10,230	1,266
Belarus	0	0	6,330	9,399	Mexico	0	0	8,480	128,933
Belize	0	1	3,970	398	Micronesia	1	1	4,010	115
Benin	1	0	1,280	12,123	Moldova	1	0	4,570	2,618
Bhutan	1	1	2,860	772	Mongolia	0	0	3,670	3,278
Bolivia	0	0	3,200	11,673	Montenegro, Rep. of	0	1	7,900	622
Bosnia and Herzegovina	0	0	6,090	3,281	Morocco	0	0	2,980	36,911
Botswana	0	0	6,640	2,352	Mozambique	1	0	460	31,255
Brazil	0	0	7,850	212,559	Myanmar	1	0	1,260	54,410
Bulgaria	0	0	9,540	6,927	Namibia	0	0	4,520	2,541
Burkina Faso	1	0	790	20,903	Nauru	0	1	16,630	11
Burundi	1	0	270	11,891	Nepal	1	0	1,190	29,137
Cabo Verde	1	1	3,060	556	Nicaragua	1	0	1,850	6,625
Cambodia	1	0	1,490	16,719	Niger	1	0	540	24,207
Cameroon	1	0	1,500	26,546	Nigeria	0	0	2,000	206,140
Central African Rep.	1	0	510	4,830	North Macedonia	0	0	5,720	2,083
Chad	1	0	660	16,426	Pakistan	0	0	1,280	220,892
China	0	0	10,610	1,402,112	Palau	0	1	16,500	18
Colombia	0	0	5,780	50,883	Panama	0	0	11,880	4,315
Comoros	1	1	1,450	870	Papua New Guinea	1	0	2,660	8,947
Costa Rica	0	0	11,460	5,094	Paraguay	0	0	5,140	7,133
Côte d'Ivoire	1	0	2,280	26,378	Peru	0	0	6,010	32,972
Cyprus	0	1	26,110	1,207	Philippines	0	0	3,430	109,581
Dem. Rep. of Congo	1	0	550	89,561	Republic of Congo	1	0	1,830	5,518
Djibouti	1	1	3,320	988	Russian Federation	0	0	10,690	144,104
Dominica	1	1	6,870	72	Rwanda	1	0	780	12,952
Dominican Republic	0	0	7,260	10,848	Samoa	1	1	4,070	198
Ecuador	0	0	5,530	17,643	São Tomé and Príncipe	1	1	2,070	219
Egypt	0	0	3,000	102,334	Senegal	1	0	1,430	16,744
El Salvador	0	0	3,650	6,486	Serbia	0	0	7,400	6,908
Equatorial Guinea	0	1	5,810	1,403	Seychelles	0	1	12,720	98
Eritrea	1	0	-	3,214	Sierra Leone	1	0	490	7,977
Estonia	0	1	23,250	1,331	Solomon Islands	1	1	2,300	687
Eswatini	0	1	3,580	1,160	Somalia	1	0	310	15,893
Ethiopia	1	0	890	114,964	South Africa	0	0	5,410	59,309
Fiji	0	1	4,720	896	South Sudan	1	0	-	11,194
Gabon	0	0	6,970	2,226	Sri Lanka	0	0	3,720	21,919
Gambia, The	1	0	750	2,417	St. Kitts and Nevis	0	1	17,400	53
Georgia	0	0	4,290	3,714	St. Lucia	1	1	8,790	184
Ghana	1	0	2,230	31,073	St. Vincent and the Gren.	1	1	7,340	111
Grenada	1	1	8,740	113	Sudan	1	0	650	43,849
Guatemala	0	0	4,490	16,858	Suriname	0	1	5,510	587
Guinea	1	0	1,020	13,133	Syria (2019 GNI )	1	0	1,170	17,501
Guinea-Bissau	1	0	760	1,968	Tajikistan	1	0	1,060	9,538
Guyana	0	1	6,600	787	Tanzania	1	0	1,080	59,734
Haiti	1	0	1,250	11,403	Thailand	0	0	7,050	69,800
Honduras	1	0	2,200	9,905	Timor-Leste	1	1	1,830	1,318
India	0	0	1,900	1,380,004	Togo	1	0	920	8,279
Indonesia	0	0	3,870	273,524	Tonga	1	1	5,000	106
Iran	0	0	2,870	83,993	Trinidad and Tobago	0	1	15,410	1,399
Iraq	0	0	4,660	40,223	Tunisia	0	0	3,100	11,819
Jamaica	0	0	4,620	2,961	Turkey	0	0	9,050	84,339
Jordan	0	0	4,310	10,203	Turkmenistan	0	0	7,220	6,031
Kazakhstan	0	0	8,680	18,754	Tuvalu	1	1	5,820	12
Kenya	1	0	1,760	53,771	Uganda	1	0	800	45,741
Kiribati	1	1	3,010	119	Ukraine	0	0	3,540	44,135
Kosovo	0	0	4,440	1,775	Uzbekistan	1	0	1,670	34,232
Kyrgyz Republic	1	0	1,160	6,592	Vanuatu	1	1	2,780	307
Lao P.D.R.	1	0	2,480	7,276	Vietnam	0	0	2,660	97,339
Lebanon	0	0	5,510	6,825	Yemen	1	0	940	29,826
Lesotho	1	0	1,100	2,142	Zambia	1	0	1,190	18,384
					Zimbabwe	1	0	1,090	14,863

Notes: GNI data based on data current as of October 2021. Andorra, San Marino, and Venezuela excluded due to missing GNI data.

## **Attachment C. Guidelines for Investing PRG, RS, PRG-HIPC, and CCR Trusts' Assets**

### **GENERAL PROVISIONS**

#### **Investment Assets**

1. These Guidelines establish the investment objectives and policies to guide the investment of resources of the Poverty Reduction and Growth Trust ("PRG Trust"), the Resilience and Sustainability Trust ("RS Trust"), the Trust for Special Poverty and Growth Operations for the Heavily Indebted Poor Countries and Interim ECF Subsidy Operations ("PRG-HIPC Trust") and the Catastrophe Containment and Relief Trust ("CCR Trust") (each a "Trust," and collectively the "Trusts").
2. The resources of each Trust that are available for investment ("Investment Assets") shall be subject to these Guidelines.

#### **Responsibilities of the Managing Director**

3. The Managing Director is responsible for implementing the investment policies set out in these Guidelines.
4. In carrying out the Managing Director's responsibilities, the Managing Director shall (a) establish effective decision-making and oversight arrangements; (b) take the necessary measures, including the adoption of policies and procedures, that seek to avoid actual or perceived conflicts of interest; (c) adopt responsible investing principles that incorporate environmental, social, and governance (ESG) considerations into the investment process to support the investment objectives of the Trust Assets and to uphold the Fund's reputation; and (d) establish specific risk control measures and put in place mechanisms to monitor their observance by asset managers.
5. In connection with the adoption of measures under paragraph 4, the Managing Director shall consult with the Executive Board regarding key conflicts of interest policies and arrangements and responsible investment principles and arrangements.
6. The Managing Director shall provide annual reports to the Executive Board on the investment activities of the Trusts. Ad hoc reports shall be prepared as warranted by market or other developments.

#### **External Asset Managers**

7. The Investment Assets of the Trusts shall be managed by external managers, except that the Managing Director is authorized to manage: (a) investments in obligations of the Bank for International Settlements (BIS) and central bank deposits; and (b) other Investment Assets of the Trusts on an interim basis following the termination of an external asset manager and pending the transfer of the assets to another external asset manager.

8. The Managing Director shall only select external asset managers of the highest professional standards, and shall take into account their proven skills and track record suitable to achieve the investment objectives and to carry out the investment strategies set out under these Guidelines.

### **Custody Arrangements**

9. The Managing Director shall establish adequate measures for the safekeeping and custody of the Investment Assets of the Trusts.

### **Audit**

10. The Investment Assets of the Trusts shall be audited by the Fund's external auditors and included in the annual financial statements of the Fund.

### **Review of the Guidelines and Conflict of Interest Policies**

11. The Executive Board shall review these Guidelines and the Fund's relevant conflict of interest policies at least every five years.

## **INVESTMENT OF ASSETS OF THE PRG TRUST**

### **Investment Objectives**

12. The Investment Assets of the PRG Trust shall be invested taking into account the purposes of these assets (a) to generate income to support the self-sustaining operations of the PRG Trust, (b) to provide security to lenders to the PRG Trust, and (c) to provide adequate liquidity for the PRG Trust's operational needs.

13. The return target of the PRG Trust's investment is to generate a margin of 90 basis points above the three-month SDR rate, over a long-term investment horizon of at least 10 years.

### **Target Asset Allocation**

14. The Investment Assets of the PRG Trust shall be invested according to the following allocation targets as a percent of the Investment Assets of the PRG Trust: (a) 60 percent in liquidity and short duration fixed-income components, with the specific allocation between these two components to be established by the Managing Director, (b) 15 percent in a component of corporate bonds, (c) 5 percent in a component of emerging market government bonds, and (d) 20 percent in a component of global equities.

### **Eligible Investments**

15. The liquidity component shall be limited to BIS deposits and central bank deposits, in each case with a maximum maturity of up to one year and denominated in SDR or currencies included in the SDR basket.

16. (a) The following guidelines apply to the short duration fixed-income component:
- i. The short duration fixed-income component shall consist of two tranches, a shorter-duration Tranche 1 and a longer-duration Tranche 2, and shall have a maximum average duration of 3 years.
  - ii. Tranche 1 assets shall be managed actively. Eligible asset classes for Tranche 1 are Group 1 and Group 2 asset classes as defined in paragraph 16(b) below.
  - iii. Tranche 2 assets shall be managed according to a buy-and-hold investment approach. Eligible asset classes for Tranche 2 are Group 1 asset classes as defined in paragraph 16(b) below.
  - iv. Asset transfers between Tranche 1 and Tranche 2 and the allocation to Tranche 1 and Tranche 2 of future inflows to, and outflows from, the short duration fixed-income component shall be determined by the Managing Director.
- (b) The following guidelines shall apply to Group 1 and Group 2 asset classes:
- i. "Group 1 asset classes" shall be limited to:
    - A. debt obligations issued by national governments of members or their central banks;
    - B. debt obligations issued by national agencies of members;
    - C. debt obligations issued by supranational institutions; and
    - D. obligations issued by the BIS, including without limitation deposits with the BIS and MTIs;

all of which shall be denominated in SDR or the currencies included in the SDR basket.
  - ii. "Group 2 asset classes" shall be limited to:
    - A. debt obligations issued by national governments of members or their central banks denominated in non-SDR currencies selected by the Managing Director or, upon the authorization by the Managing Director, by external managers, provided that any currency selection shall be based on ex-ante criteria determined by the Managing Director;
    - B. debt obligations denominated in SDR or the currencies included in the SDR basket, comprising: (I) securities issued by subnational governments; (II) mortgage-backed and other asset-backed securities; (III) covered bonds; and (IV) short-dated unsecured corporate bonds; and

- C. cash-equivalent investments with maturities of one year or less, that are denominated in SDR or the currencies included in the SDR basket.
- (c) Up to the maximum 40 percent of the total value of the short duration fixed-income component may be invested in Group 2 asset classes, and the breach of this limit shall require prompt action to bring the short duration fixed-income component back within the established limit.

17. The Managing Director shall establish the parameters for determining the specific assets eligible for the corporate bond, emerging market government bond and global equity components, and for duration and currency requirements for the corporate bond and emerging market government bond components. On an exceptional basis, the Managing Director may permit the inclusion of debt obligations issued by national governments of members or their central banks in the corporate bond component.

18. In addition to investing in the assets as set out above, residual cash balances may be held temporarily uninvested, or in the short-term instruments sponsored by the custodian(s) or an affiliate.

### **Investment Management**

19. The liquidity component shall be managed to meet the operational needs of the PRG Trust.

20. The short duration fixed-income component shall be managed in accordance with paragraph 16 above.

21. The components of corporate bonds, emerging market government bonds, and global equities shall be managed passively, with the exception of emerging markets equities which may be managed actively.

### **Target Asset Allocation Rebalancing**

22. Based on modalities established by the Managing Director, the allocation of the Investment Assets of the PRG Trust shall be rebalanced at least annually to minimize deviation from the allocation targets under paragraph 14 above or more frequently in the event of significant deviation.

### **Minimum Credit Ratings**

23. Except for obligations of the BIS, central bank deposits, uninvested cash balances and equities, all assets in which the PRG Trust invests must have a credit rating equivalent to at least BBB- for corporate bonds and BBB+ for all other assets (based on Standard & Poor's long-term rating scale) by a major credit rating agency at the time of acquisition. The Managing Director may establish higher credit ratings for eligible individual asset classes.

24. In cases where an asset is not directly rated, the Managing Director may determine whether a credit rating may be inferred for such asset in a manner that is consistent with market practice.

### **Divestment**

25. Any eligible investment that ceases to meet the rating threshold under paragraph 23 or otherwise becomes ineligible after acquisition shall be divested within three months, except that corporate bonds which fail to meet the rating threshold under paragraph 23 after acquisition may be divested or continue to be retained in accordance with modalities established by the Managing Director.

### **Limits on Investment Activities**

26. The Managing Director shall establish adequate safeguards against short selling and financial leverage.

27. Derivatives may be used for managing interest rate risk, currency hedging, or reducing costs in the context of portfolio balancing, benchmark replication and market access. The currency composition of the liquidity, short duration fixed-income, and corporate bond components shall be aligned with, or hedged to, the SDR basket composition.

## **INVESTMENT OF ASSETS OF THE RS TRUST**

### **Investment Management and Objectives**

28. The Investment Assets of the RS Trust shall be invested taking into account the purposes of these assets (a) to generate income to support RS Trust operations, (b) to provide security for RS Trust loans, and (c) to provide adequate liquidity for the RS Trust's withdrawal needs.

29. The Investment Assets of the RS Trust shall be invested in liquidity and short duration fixed-income components, with the specific allocation between these two components to be established by the Managing Director.

30. The liquidity component shall be managed to meet the operational needs of the RS Trust.

31. The short duration fixed-income component shall be managed in accordance with paragraph 33 below. The investment objective of the short duration fixed-income component of the RS Trust is to achieve investment returns in SDR terms that exceed the 3-month SDR interest rate by a margin of 50 basis points over time while minimizing the frequency and extent of negative returns and underperformance over an investment horizon of three to four years.

## Eligible Investments

32. The liquidity component shall be limited to BIS deposits and central bank deposits, in each case with a maximum maturity of up to one year and denominated in SDR or currencies included in the SDR basket.

33. (a) The following guidelines apply to the short duration fixed-income component:

- i. The short duration fixed-income component shall consist of two tranches, a shorter-duration Tranche 1 and a longer-duration Tranche 2, and shall have a maximum average duration of 3 years.
- ii. Tranche 1 assets shall be managed actively. Eligible asset classes for Tranche 1 are Group 1 and Group 2 asset classes as defined in paragraph 33(b) below.
- iii. Tranche 2 assets shall be managed according to a buy-and-hold investment approach. Eligible asset classes for Tranche 2 are Group 1 asset classes as defined in paragraph 33(b) below.
- iv. Asset transfers between Tranche 1 and Tranche 2 and the allocation to Tranche 1 and Tranche 2 of future inflows to, and outflows from, the short duration fixed-income component shall be determined by the Managing Director.

(b) The following guidelines shall apply to Group 1 and Group 2 asset classes:

- i. "Group 1 asset classes" shall be limited to:
  - A. debt obligations issued by national governments of members or their central banks;
  - B. debt obligations issued by national agencies of members;
  - C. debt obligations issued by supranational institutions; and
  - D. obligations issued by the BIS, including without limitation deposits with the BIS and MTIs;

all of which shall be denominated in SDR or the currencies included in the SDR basket.

ii. "Group 2 asset classes" shall be limited to:

- A. debt obligations issued by national governments of members or their central banks denominated in non-SDR currencies selected by the Managing Director or, upon the authorization by the Managing Director, by external

managers, provided that any currency selection shall be based on ex-ante criteria determined by the Managing Director;

- B. debt obligations denominated in SDR or the currencies included in the SDR basket, comprising: (I) securities issued by subnational governments; (II) mortgage-backed and other asset-backed securities; (III) covered bonds; and (IV) short-dated unsecured corporate bonds; and
  - C. cash-equivalent investments with maturities of one year or less, that are denominated in SDR or the currencies included in the SDR basket.
- (c) Up to the maximum 40 percent of the total value of the short duration fixed-income component may be invested in Group 2 asset classes, and the breach of this limit shall require prompt action to bring the short duration fixed-income component back within the established limit.

34. In addition to investing in the assets as set out above, residual cash balances may be held temporarily uninvested, or in the short-term instruments sponsored by the custodian(s) or an affiliate.

### **Minimum Credit Ratings**

35. Except for obligations of the BIS, central bank deposits, and uninvested cash balances, all assets in which the RS Trust invests must have a credit rating equivalent to at least BBB- for corporate bonds and BBB+ for all other assets (based on Standard & Poor's long-term rating scale) by a major credit rating agency at the time of acquisition. The Managing Director may establish higher credit ratings for eligible individual asset classes.

36. In cases where an asset is not directly rated, the Managing Director may determine whether a credit rating may be inferred for such asset in a manner that is consistent with market practice.

### **Divestment**

37. Any eligible investment that ceases to meet the rating threshold under paragraph 35 or otherwise becomes ineligible after acquisition shall be divested within three months, except that corporate bonds which fail to meet the rating threshold under paragraph 35 after acquisition may be divested or continue to be retained in accordance with modalities established by the Managing Director.

### **Limits on Investment Activities**

38. The Managing Director shall establish adequate safeguards against short selling and financial leverage.

39. Derivatives may be used for managing interest rate risk, currency hedging, or reducing costs in the context of portfolio balancing, benchmark replication and market access. The currency composition of the liquidity and short duration fixed-income components shall be aligned with, or hedged to, the SDR basket composition.

## **OTHER TRUST ASSETS**

### **Investment Objectives**

40. The Investment Assets of the PRG-HIPC and CCR Trusts shall be invested to enhance returns subject to the liquidity requirements of each Trust while limiting the risk of impairment of capital over an investment horizon of no more than three years.

### **Eligible Investments**

41. The Investment Assets of each of the PRG-HIPC and CCR Trusts shall be invested in a liquidity component and an investment component, with the specific allocation between the two components determined by the Managing Director.

42. The liquidity component shall be limited to BIS deposits and central bank deposits, in each case with a maximum maturity of up to one year and denominated in SDR or currencies included in the SDR basket.

43. The investment component shall be limited to marketable obligations issued by a member or by a national official financial institution of a member that are denominated in SDR; marketable obligations issued by a member or by a national official financial institution of a member whose currency is in the SDR basket and that are denominated in the currency of that member; marketable obligations issued by international financial organizations and denominated in SDR or in a currency in the SDR basket; and deposits with a commercial bank, a national financial institution of a member, or an international financial institution that are denominated in SDR or in a currency in the SDR basket.

44. The investment component shall have a maximum average duration of three years.

### **Investment Management**

45. The liquidity component shall be managed to meet the operational needs of the respective trust.

46. The investment component shall be managed actively except for investments in obligations of the BIS and central bank deposits managed by the Managing Director.

**Currency Composition Rebalancing**

47. The currency composition of the Investment Assets of the PRG-HIPC and CCR Trusts shall be rebalanced periodically to the SDR basket composition.

**Minimum Credit Ratings**

48. Except for obligations of the BIS, central bank deposits and uninvested cash balances, all assets in which the PRG-HIPC Trust and CCR Trust invest must have a credit rating equivalent to at least A (based on Standard & Poor's long-term rating scale) by a major credit rating agency at the time of acquisition.

49. In cases where an asset is not directly rated, the Managing Director may determine whether a credit rating may be inferred for such asset in a manner that is consistent with market practice.

**Divestment**

50. Any eligible investment that ceases to meet the rating threshold in paragraph 48 or otherwise becomes ineligible after acquisition shall be divested within three months.

**Limits on Investment Activities**

51. The Managing Director shall establish adequate safeguards against short selling and financial leverage.

52. Derivatives shall be prohibited except for forwards entered into for purposes of currency hedging with eligible issuers under paragraph 43.

**Use of Currencies**

53. Investment which does not involve an exchange of currency shall be made only after consultation with the member whose currency is to be used, or, when an exchange of currencies is involved, with the consent of the issuers of such currencies.

**EXECUTIVE BOARD ATTENDANCE<sup>2</sup>**

K. Georgieva, Chair

**Executive Directors**

S. Chodos (AG)  
 C. Huh (AP)  
 A. Bevilaqua (BR)  
  
 P. Moreno (CE)  
 P. Jennings (CO)  
 D. Palotai (EC)  
 A. Buisse (FF)  
  
 S. Bhalla (IN)  
 D. Fanizza (IT)  
 T. Tanaka (JA)  
  
 M. Mahmoud (MI)  
  
 M. Pösö (NO)  
 A. Mozhin (RU)  
 A. BinZarah (SA)  
  
 S. Riach (UK)  
 E. Shortino (US)

**Alternate Executive Directors**

W. Nakunyada (AE)  
 H. Andrianometiana (AF), Temporary  
  
 X. Bai (CC), Temporary  
  
 T. Krahnke (GR), Temporary  
  
 S. Ahmed (MD), Temporary  
  
 L. Dresse (NE)  
  
 F. Mochtar (ST)  
 M. Peter (SZ)

C. Ogada, Acting Secretary  
 S. Maxwell, Summing Up Officer  
 M. Guerra Bradford / D. Jiang, Board Operations Officers  
 L. Nagy-Baker, Verbatim Reporting Officer

**Also Present**

African Department: A. Cebotari Ouanes, M. Kamel Farid Mohamed Farid, V. Kramarenko, A. Massara, C. Mills, R. Mowatt, A. Selassie, H. Teferra. Asia and Pacific Department: G. Gottlieb, R. Gregory, A. Gulde, M. Nozaki, S. Sanya, K. Srinivasan. Communications

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<sup>2</sup> For countries in each constituency, please see the Constituency Codes in the annex.

Department: W. Amr, N. Ismail, T. Walker, I. Yackovlev Perez-Vilches. European Central Bank: D. Rakitzis, R. Rueffer. European Department: D. McGettigan. Fiscal Affairs Department: A. Senhadji. Finance Department: W. Bauer Stampfli, C. Beaumont, W. Chan, S. Cooney, N. Ferreira Souza Sobrinho, C. Gust, H. Hatanpaeae, B. Jajko, L. Kaltani, L. Khaw, B. Lauwers, D. Moore, Z. Murgasova, M. Narita, E. Okosodo Odibo, V. Rustaman, I. Rutkowska, O. Unterberdoerster. Independent Evaluation Office: C. Collyns. Legal Department: K. Christopherson Puh, E. Egbiri, S. Fontana, K. Kwak, Y. Liu, H. Pham, M. Racic, G. Rosenberg, A. Rosha, B. Steinki, J. Swanepoel, R. Weeks-Brown. Middle East and Central Asia Department: A. Arvanitis, S. Bouza, C. Geiregat, N. Gigineishvili, M. Malak, N. Porter, B. Rayner. Monetary and Capital Markets Department: P. Ananthakrishnan. Office of Budget and Planning: M. Shannon. Office of Internal Audit and Inspection: B. Lim. Research Department: C. Van Hombeeck. Strategy, Policy, and Review Department: A. Culiuc, A. Grohovsky, B. Joshi, C. Koh, L. Kohler, N. Meads, C. Pazarbasioglu Dutz, R. Powell, U. Ramakrishnan, J. Schauer, J. Thakoor, Y. Wu, J. Ziegler. Statistics Department: C. Sanchez Munoz. World Bank Group: S. Guimbert, S. Maimbo. Western Hemisphere Department: P. Alonso-Gamo, V. Chensavadijai, I. Goldfajn, J. Kozack, N. Laframboise, S. Munoz, G. van Selm, W. Walker, C. Wong. Executive Directors: A. Andrianarivelo (AF), P. Jennings (CO), Z. Jin (CC), R. Lim (ST), I. Mannathoko (AE). 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), A. Marcussen (NO), M. Massourakis (IT), R. N'Sonde (AF), F. O'Brolchain (CO), O. Parkyn (AP), A. Rieck (GR), C. Roman (FF), J. Romero (CE), D. Ronicle (UK), B. Saraiva (BR), F. Sylla (AF), V. Vumendlini (AE), Z. Zhang (CC). Senior Advisors to Executive Directors: E. Cartagena (CE), M. Choueiri (MI), R. Cunningham (CO), A. Ekelund (NO), J. Garang (AE), V. Grossmann-Wirth (FF), P. Harvan (EC), L. Johnson (AP), B. Lischinsky (AG), R. Mahabir (BR), M. Maida (AE), A. Medearis (US), S. Naka (JA), D. Ong (ST), C. Quaglierini (IT), B. Rankin (CO), J. Rojas (CE), C. Sassanpour (MD), L. Smith (CO), N. Thiruvekadam (IN), A. Tolstikov (RU), R. Velloso (BR), M. Villeneuve (CO), S. Wongwaisiriwat (ST), B. Yoo (AP). Advisors to Executive Directors: T. Abdygulov (SZ), N. Abu Bakar (ST), F. Al-Kohlany (MI), I. Allika (NO), P. Al-Riffai (MI), A. Arevalo Arroyo (CE), R. Bah (AF), G. Basutli (AE), Dennis Bautista (ST), C. Becker (AP), S. Belhaj (MD), B. Boostani (MD), E. Boukpepsi (AF), I. Bustillo (AG), Campbell (UK), K. Dacharux (ST), O. Diakite (AF), D. Fadhel (MI), K. Florestal (BR), D. Hamzah (MI), C. Kuth (SZ), V. Lankester Campos (CE), R. Lopes Varela (AF), M. Merhi (MI), P. Mooney (CO), R. Moral Betere (CE), A. Nainda (AE), L. Nankunda (AF), A. Rao (US), A. Ribeiro Mateus (IT), D. Shestakov (RU), E. Shimada (JA), J. Yoo (AP), O. Zubareva (RU), F. Lopez (CE), A. Mairate (NO).

**DISCUSSION RECORD<sup>3</sup>**

*The Chair:*

Allow me to reflect on the significance of today's meeting. It is not very often when this Executive Board discusses a proposal to enhance the toolkit of the Fund, and this is what we will be doing today, but it is even more rare to reach a decision point in such a record short time. The approval of the \$650 billion dollar SDR allocation was in itself a historic moment. At that time, we were already conceptualizing how we could amplify the significance of this allocation through the Poverty Reduction and Growth Trust (PRGT) and through the establishment of a new Resilience and Sustainability Trust to channel SDRs to countries in most need of financial infusion, countries that are wrestling with shock after shock and yet need to retain attention to the long-term structural transformation they want to implement.

At that time, I admit, many of us felt that the call from members of the Board to reach the point of design approval prior to the Spring Meetings may be one that would find hard to respond to. The Board proved us wrong, and staff proved those of us in management who were cautious in making commitments wrong. When there is a need and there is a will, we can collectively come to a significant outcome.

It is the spirit of multilateralism the world needs, the one the Board talked about when we had the GPA discussion. We have had many conversations around design features, and as always, there are some Directors that would have liked the design to be somewhat different, but no one is objecting to the proposal. The Board is supporting it broadly so we can move forward.

I want to make three opening points: one, to thank our colleagues at the World Bank for the exceptionally strong collaboration and for their dedication to help our team and to recognize Mr. Stephane Guimbert and Mr. Sam Maimbo—they are here with us today—and with whom we will continue to work closely on climate change and pandemic preparedness. Beyond the World Bank, we also recognize that there are other partners, regional institutions, and, of course, the countries themselves that would be critical for success in implementation.

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<sup>3</sup> Edited for clarity.

Second, we heard already from the Board ideas for improvement that we find to be attractive. We are a learning institution, and what I want to commit to the Board today on behalf of staff and management is that we will take the time of early implementation to reflect on these ideas. This gives us the possibility to get the RST evolving as we define the financials and advance on the applicability. We want to start with the proposal at hand but with clear recognition that we have to learn from experience, which takes me to my third and last point.

We have seen in some of the gray statements suggestions to consider an earlier review on qualifying long-term structural challenges and more broadly on the implementability of some of the ideas I mentioned. We are willing to consider an interim review so we can take the RST, which is new for us, a step forward as early as possible. So, in Directors' oral interventions today, they should feel free to flag their views on a possible earlier review of the Trust.

*The Director of the Strategy, Policy, and Review Department (Ms. Pazarbasioglu):*

I would like to add my gratitude to all the Executive Directors and their offices for the tireless engagement with us to bring us to the discussion today. I want to address one key area that was raised in the gray statements, and that is on the purposes of the Trust. The RST's objective is to help members address longer-term challenges to mitigate risks to future balance of payments (BoP) stability. This inherently includes a broad number of issues, but not all of them are necessarily under the IMF mandate or the umbrella of our expertise, nor are they implementable in a timely manner. So, involving the Fund in all areas, in our view, carries significant reputational risks. And to get the RST off the ground, we think we need to be selective and focus on areas that we can realistically contribute most. Our proposal is to initially—and I underline initially—focus on climate change, where we have formulated an excellent collaboration framework with the World Bank and pandemic preparedness, where we are working with them and WHO and others, so that is a work in progress. In these two areas, we feel much more comfortable, and they are also consistent with the RST's aim to address challenges that have clear global public good nature and clear links to balance of payments stability.

I also want to emphasize that RST needs to remain additional to the Fund's existing toolkit, which already addresses many of the other types of macrocritical structural policies that are mentioned in some of the interventions. But as Managing Director said, we are a learning institution,

and as we gain more experience with the instrument and more expertise in other areas, we can look into additional purposes where we can support meaningful reforms to countries and the global community.

In all possible areas, I want to stress the centrality of Fund collaboration with others to ensure the RST is catalytic and truly adding value. We thank the Board for the support during this process; and following the Directors' interventions, the three departments will respond to the Directors' questions.

*Mr. Bevilaqua:*

We have issued a detailed joint statement with Mr. Andrianarivelo, Ms. Mannathoko, Mr. Mohieldin and Mr. Moreno expressing our appreciation for the Chair's leadership and staff's diligence in putting together, in a relatively short time, a complex proposal, including an ingenious financial architecture. We are very happy with the well-designed proposal with one notable exception. Unfortunately, I will have to dedicate my intervention today to this point of disagreement, which is an important one for us, instead elaborating on the other auspicious aspects of the proposal and praising its historical significance.

The definition of qualifying long-term structural challenges leaves a sour taste at the very end of an otherwise constructive process and risks alienating stakeholders and potential donors to the RST. The RST complements the existing IMF toolkit and will likely play an important role in supporting reforms to address the structural bottlenecks with a positive long-term impact on growth and the balance of payments. From the very beginning, it was clear to chairs who originally called for such a trust fund that it should have a sufficiently ample eligibility to encompass the so-called forgotten middle, including small developing states, and that it should also be able to support a broad range of reform topics.

We are glad that the proposal before us meets the first criterion, but we are disappointed that it falls way short regarding the second one. Developing member countries are faced with wide-ranging challenges to enhance the resilience and sustainable growth prospects. Prioritizing and sequencing reforms is critical to increasing the likelihood of success when implementing a broad reform agenda and should be a country-specific undertaking. Restricting the areas to be supported by the RST to climate change and pandemic preparedness is detrimental to country ownership and will disrupt proper prioritization and sequencing, possibly leading to suboptimal outcomes. That

is why the scope of the structural reforms to be supported by the Trust should be broad.

We understand that the Fund will be working in some cases outside our comfort zone in terms of expertise and fully appreciate the challenges of coordinating with other IFIs to leverage their capability. Moreover, we agree that we should move ahead with RST support when we have collaboration frameworks in place. That said, having only two areas rigidly set in the proposal is very disappointing for those of us who expected the RST not to be a thematic fund, but one with a much broader scope.

As stated in our joint gray statement, we are particularly disturbed by the way in which the restriction of areas to be supported by the RST were framed requiring consent by contributors representing 70 percent of contributions. On top of that, the first review to potentially address this issue would take place only three years from now, and I welcome the Chair's comments at the outset that an earlier review is a real possibility. I would strongly suggest that we find a better solution to this issue. The simplest and most effective way to resolve this problem will be to set the purpose of the Fund in more general terms and let the Board define the specific qualifying long-term structural challenges as cooperation frameworks are put in place.

Alternatively, a list of potentially qualifying challenges will be set in the proposal requiring again only Board decision and a cooperation framework to be included de facto as a qualifying challenge for RST support. In sum, it is within our reach to set a more flexible proposal from the get-go in a way that enables the RST to evolve in line with our members' needs and priorities, and I sincerely hope we can make this small adjustment today.

*The Chair:*

It is an important issue and we have spent a great deal of time debating it at the level of staff and management too. What we would like to see is getting the RST up and running by the time of the Annual Meetings while we are still to establish how much we can raise and how we, as an institution, are going to support transformative policies with longer-term significance for balance of payments stability. We think that to get to a credible start, it is important to define an area where we know there is broad interest from contributors and that we have made some advancements working with other organizations to define what our role would be.

In the spirit of Mr. Bevilaqua's comments, we are willing to accelerate the first review because then we would know the demand, how much we have to allocate, and what are the early experiences of engagement with our members, so we take very good note of the joint gray statement and the comments.

*Mr. Tanaka:*

First and foremost, we would like to congratulate Managing Director and all the staff for reaching to the formal Board meeting to establish the RST with longer-term perspective to maximizing the effectiveness of the SDR channeling last year. We stand in broad support for this proposal, and we welcome that the RST design has built upon the right balance between the borrowers' needs and security for contributors. We appreciate staff efforts for securing preferred creditor status (PCS) and clarifying the safety of claims of the Deposit Account (DA) in particular, which are vital for the potential contributors. We reiterate that it is a critical key and literally indispensable to clearly acknowledge PS PCS in the spring IMFC Communique.

Secondly, a successful fundraising campaign is critical to respond to the borrowers' demand given the already high expectation. Japan is now finalizing its consideration for contribution through SDR channeling, including RST. We are preparing to make a pledge at the Spring Meetings, as well as an immediate disbursement of some portion once RST is established.

We request staff periodic update on fundraising progress. In order to effectively raise momentum for fundraising, it is also important to make a demand projection more accurate as getting closer to operationalization. In this regard, close coordination with area departments would be essential, and we expect staff to capture the granular needs and policy challenges among borrower countries.

Thirdly, we strongly support further strategic integration of capacity development (CD) in the context of RST. As we always encourage further integration of CD with lending and surveillance, CD would be a great help for RST program countries in identifying policy challenges and other capacity constraints. In particular so far, Fund has deepened collaboration with the World Bank in CD for addressing climate change, which ensures complementarity and consistency. We expect staff to further strengthen CD collaboration for effective design and implementation of RST reform measures.

We sincerely look forward to seeing RST operationalization and earlier first review of the implementation and expect RST to help transition to the more resilient and sustainable world for member countries in need.

*The Chair:*

Let me recognize three points. One, Mr. Tanaka brought the issue of PCS to the front, and our FIN colleagues have worked very hard to resolve it. Two, early indication of willingness to commit, especially indication at today's meeting, is most welcome. Three, we need to integrate surveillance, so we define policies, capacity development, to help countries implement them, and RST as the financial instrument.

*Mr. Buisse:*

I wholeheartedly support the Chair's opening remarks and applaud her leadership on this historical innovation. Let me in turn thank staff for the new version of the proposal and for the decisions and Ms. Pazarbasioglu for her insightful introductory remarks. More broadly, I really would like to emphasize staff's exceptional effort to make this new instrument a reality in a very constrained and demanding time. Intense bilateral engagement with our chair was also particularly useful, at least for me. The SDR rechanneling is an outstanding achievement. It is the major innovation since the creation of the SDR in 1969. We issued a joint gray statement with Mr. Fanizza, Mr. Hilbers, Mr. Pösö, and Ms. Rieck, and I will focus today on a few selected aspects.

First, I cannot start without reiterating our strong support for the instrument and our willingness to contribute to the RST sooner rather than later. We have committed to rechannel 20 percent of our newly allocated SDRs allocation, around 4 billion, with one billion going to the PRGT. This leaves up to the remaining amount to the RST, depending also on the third rechanneling adoption, still to be explored further.

Second, on the purposes of the RST, we consider the initial focus on climate and pandemic preparedness as appropriate. I note the preference of several other Directors for a broader set of purpose, but I think it is now important that we can launch this instrument with a sufficient, precise, and well-designed focus; but this could be reviewed in a second step through the three-year periodic review or before and as needed and agreed by the Board—I am very open to that—and subject to the consent of the contributors.

Third, on the lending terms, I would like to insist again on our support on the high concessionality of the instrument. This is ensured by the long-term maturity and the tiered infrastructure, but as discussed in the proposal, the level of interest rates should also be frequently reviewed to check that lower-income countries always have benefit of low-enough rates. It is very important that LICs, and not only MICs, can benefit from the RST financing. As I mentioned yesterday at the African regional update, considering that there are many African countries with ongoing programs, I expect countries in the region to be in the first batch of recipients for the RST financing.

Fourth, on the financial structure, we support the current proposal including the possibility of standalone contributions. Some countries can provide loans; some can provide grants. We will need all possible supports. We will welcome and even expect euros from European colleagues, for example, and even SDRs from American colleagues. We also reiterate that gold sales should remain part of the set of options for internal mobilizations of resources, as we also discussed in the context of the review of the PRGT finances.

Fifth, we need to ensure a close involvement of MDBs in beneficiary countries, as well as some thinking on how to best catalyze private sector financing. It is very important also from a communication perspective that the RST does not appear as an IMF tool built by the IMF but just for the IMF. The SDR allocation created strong expectations. We must not deceive them. I strongly welcome the collaboration with the World Bank, and I take the opportunity to thank Mr. Stephane Guimbert on this. We remain very much available in the implementation phase to discuss further any avenues but in particular, those ones, and the other MDBs solution in catalyzing the private sector.

*The Chair:*

Specifically on the private sector, let us say we have 50 billion. It is not a small amount of money, but in comparison to the needs, it really dwarfs. Unless it helps remove barriers for private sector participation on scale, it will not serve the purpose the Board is giving us to pursue today.

*Ms. Shortino:*

I will focus mainly on the RST's purpose. First, I just want to say we really welcome the progress staff have made to further develop the pandemic focus in line with strong borrower demand and including engagement with the

WHO and World Bank on a framework for collaboration. I will echo Mr. Jennings here on two points.

First, it is critical for the Fund not to slip into a project finance role played by the MDBs on climate and pandemics. Programs really need to be very clear about linking reforms to present and prospective balance of payments needs. This is something that we have heard from our own constituencies here in the US, that it needs to be very clear that the Fund is playing its role, and this is in line with its mandate. I think we can get there, and I think we will get there.

Second, I want to echo Mr. Jennings that it will be helpful to have some illustrative examples of conditionality on pandemic preparedness similar to what was done on climate. That would be helpful in engaging with their own domestic constituencies just to explain again why this is really in the IMF's lane.

Second, in the context of the elevated energy prices due to Russia's war on Ukraine, we do believe the RST should address energy security as part of the climate objective, so we appreciate that staff had integrated that into the climate section of the staff report, and we hope that that can also feature prominently in the Guidance Note on the RST.

Third, given the uncertain outlook and spillovers from the war in Ukraine, we really do see merit in considering in the next year or so expanding the RST's focus to other structural challenges. To this end, we support interim review. I think we suggested one year. We could also do 18 months after the operationalization just to determine are there other long-term challenges. Is there demand for other areas? Also, we need to consider if the Fund can, how its frameworks would work with other institutions on any new areas that we would add to the purpose.

Lastly, I will conclude by saying that we strongly support the goal to commence the lending and operationalization of this by the Annual Meetings. We are still working very hard to get our US pledge out there. We continue to seek congressional authorization to lend up to \$21 billion to the RST and the PRGT. We included this in our budget request. We included it in last year's budget request, and we are engaging regularly and very heavily with Congress to try to get this done. I hope to have positive news on that at some point soon.

*The Chair:*

I want to clearly recognize that we need examples that define not only how conditionality is going to work, but why this is related to future balance of payments needs, and I think we can make the case especially in collaboration with our World Bank colleagues.

*Ms. Riach:*

It is really pleasing when reading the gray statements to see the very strong level of support from across the membership for the establishment of the RST. We issued a gray statement in which we fully strongly supported it and supported all three decisions. It is also clear from the gray statements and from the comments today that there are some design issues that we will want to come back to, and I am very pleased to hear the Managing Director's comments about the Fund being a learning institution and a willingness to come back to these. When we are doing something that is so historic and also that has been done on such a tight timetable, it is not surprising that there are some things which we will need to test out.

We very much welcome the early focus on climate-related finance and the good progress that has been made on developing principles for coordination. Here, I also thank World Bank staff for their efforts to work closely with Fund staff on it. We are also happy for the RST to support broader work on longer-term structural challenges, and I very much hear Mr. Bevilaqua's comments on that this afternoon. Like Mr. Buisse, we feel that the priority is to get this up and running, and on climate issues where we know that there is a very large, important, and urgent need and being able to get it up and running with them as a first step seems like a very good way forward for us.

On access levels, I have to say I have some sympathy for the comments in the gray statement of Mr. Andrianarivelo and his colleagues, Mr. Bevilaqua, Ms. Mannathoko, Mr. Mohieldin, and Mr. Moreno, and Mr. Jennings in his gray statement that perhaps there should be higher access levels for those countries with particularly small quotas, and this is something that we feel it might be appropriate to come back to at an early stage.

On the question of whether we would support an early review, I thought Mr. Jennings put it well in his gray statement when he said it was important to take stock of resource adequacy and operations on an annual basis in addition to the planned comprehensive review in three year's time.

That is kind of how we see it. We said saw the review in three years as being the maximum length of time, and if as we see it rolling out, we feel that there are lessons that could be learned more quickly than that, we would be very happy to support an earlier review.

We talked about how quickly this design has been put in place. The membership asked staff and management to have the design signed off by Spring Meetings and to have it operational by Annual Meetings. I guess where we are today is that as staff have done their part, they have put forward a design proposal for us to sign off today just ahead of Spring Meetings. The question of whether it will be operational by Annual Meetings must depend on contributions and on the membership's willingness and ability to come forward with contributions because it cannot be operational if it does not have any resources to lend. That is difficult for all of us, and this is definitely one of the things where we have been having extensive bilateral consultations, and I really appreciate the effort that staff are going to show flexibility on how contributions are made and to recognize that different countries have different constraints but that where there is a willingness on our part to make contributions, there is a willingness on the Fund's part to make that as easy for us as possible.

Like our French colleagues, the Chancellor of the Exchequer has committed to recycle 4 billion SDRs. We have put one billion additional SDRs into the PRGT, and we very much hope to be able to make a very early announcement on a specific contribution to the RST.

*The Chair:*

I want to thank Ms. Riach for recognizing that small quotas are an obstacle to countries that may actually have disproportionately high needs, and I am grateful for the willingness to look into that as we take stock in implementation. I could not agree more that the next six months are about raising the funds and putting the institutional structures in place so we can deliver for the Annual Meetings as well. Judging by the first contributions here by Board members, there seems to be a good momentum. Let us build on that.

*Mr. El Qorchi:*

We have issued a gray statement supporting the proposal to establish the RST, and here I will make a few points for emphasis.

We support the RST goal to address a broad set of challenges facing low-income countries (LICs), middle-income countries (MICs) and small developing states (SDS). Climate change is unequivocally critical, but there are also equally important challenges for LICs, MICs, and SDS. For instance, the pandemic has set back the significant progress made by many countries over the last decade in the area of poverty alleviation and social-safety-net-strengthening policies. We reiterate our view that RST access policy should be standalone. We anticipate that financing long-term structural programs might require significantly greater funding than short-term programs. Being among the first chairs to draw attention to the forgotten middle, we believe that the proposed funding for several MICs and blend LICs with long-term balance of payments problems is on the lower side to meet the magnitude, variety, and nature of the challenges ahead, particularly considering the imperfections of Fund quota determination.

Therefore, even though we strongly support the RST proposal, we view the capping of access at 150 percent of quota or 1 billion SDR, whatever is lower, to be modest considering the large financing needs associated with addressing qualifying structural challenges. We, therefore, consider that eligibility should prioritize the Fund's most vulnerable members, including LICs, SDS and vulnerable MICs. The income-based model seems appropriate to ensure a better targeting of countries highly exposed to climate change and those at an early stage of their digital development. That said, we are not convinced of the thinking and the rationale behind RST policy safeguard to use upper credit tranche (UCT)-quality program conditionality. It would be unfortunate to deny access to RST for a country prone to serious climate change threats and risks or even confronting the consequences of a major climate change disaster because the country does not have a UCT program.

The RST should be structured flexibly to allow countries with long-term structural challenges with potential implication for balance of payments stability to access the Trust. RST program design could also incorporate appropriate safeguards to mitigate any adverse risks without necessarily coupling it with a UCT-quality program.

Finally, we welcome the suggestion to accelerate the first review of RST. We underscore the need to effectively mitigate potential risk for Fund finances, human resources, and reputational risk from creating a new RST, including those arising from a low access cap or low demand amid high expectation.

*The Chair:*

We have made an effort to find the right place for now on the issue of conditionality by expanding the prerequisite to include nonfinancial arrangements, not just UCT-quality programs; and as Mr. El Qorchi said, we recognize we would have some learning, and we would take stock early and see what is it that we can further discuss at the level of our membership. We do not want to go forward with a design that goes into too much detail on each and every topic. We want to start and then on that basis have the membership engaged to decide whether adjustments are necessary, and I hope Mr. El Qorchi would see this as the right way to go.

We need to get the confidence of those that would like to provide own lending of SDRs. If we do not have it, we can have a beautiful design but no money. Let us see, we know where the confidence is today. Let us move and then build more confidence, if we can, to expand both eligibility and the structural challenges to be addressed. I also would say if we have 30 billion and we have a demand for the objectives we have now decided that absorbs all this 30 billion, the only way we can expand is to have more contributions. How are we going to get more contributions? By showing that we have committed to do the work. Let us build that going forward.

*Ms. Rieck:*

We have a meaningful proposal here that has the potential to support members in addressing their long-term challenges, and here we consider the fight against climate change the most important challenge at hand. We have issued a joint gray statement with other colleagues where we expressed our support for establishing an RST administered by the Fund, and I just want to complement what we have already written here with four points today.

First, a general remark. Obviously, it is of utmost important that the RST is fully in line with the provisions of the IMF Articles of Agreement and that it does not entail any risk for the General Resources Account (GRA) and the Fund's financial and institutional integrity.

Second, it should be clear that the RST can only provide limited financial assistance to achieve its intended objectives. Other institutions and donors, including the private sector, have to provide most of the necessary financing in this regard in line with their respective mandates and expertise.

In this respect, we are also skeptical about further broadening the scope of the RST beyond climate change and pandemic preparedness, and we are also a bit cautious about higher access limits.

My third point is more specific on the preferred creditor status of RST claims. We have made the point in previous discussions. We would have preferred an even clearer prioritization of repayments to the GRA and the PRGT over repayments to the RST. Seniority of the GRA should exist at all times and not only in cases of payment arrears or the danger thereof. We trust that staff will advise country authorities accordingly and that all safeguards are adhered to.

Lastly, I believe that country authorities know very well what is best for them, so I am confident that those who feel the RST can usefully support and complement their efforts in climate policies and/or pandemic preparedness will turn to the Fund and request a Resilience and Sustainability Facility (RSF) program, so RST financing should be demand driven like any other financing by the Fund. A specific promotion does not seem necessary or advisable and would not be in line with the Fund's role at the center of the global financial net. Explicitly advertising RST financing could also lead to less ambitious UCT programs and may give rise to reputational risks. We believe that a careful communication is needed in this regard.

Before I stop, let me echo other colleagues in strongly supporting a review of the RST within three years. We are open to an interim review or a stocktaking, as the Chair suggested. There are several important and critical design features of the RST that merit a detailed assessment whether they prove to be adequate, and in particular, I would like to support Mr. Palotai and colleagues' call to closely monitor and fully assess the impact of excluding RSF lending from the exceptional access framework at the time of the first review.

*The Chair:*

I hear Ms. Rieck loud and clear, especially on the issue of this being a relatively modest instrument. It has to fit in a bigger picture with our comparative advantage in mind. I also recognize her comments on further work on the PCS.

*Mr. Andrianarivelo:*

We issued a comprehensive joint gray statement with other EDs, and I would like to highlight a few concerns on the forthcoming implementation of the RST that need to be addressed for its effectiveness.

First, on financing terms, while we welcome the RST lending terms that would provide high degrees of concessionality for LICs, we see merit for considering the interest rate be capped. We need it to be fixed, not fluctuate with SDR interest rates but particularly for the poorest members as a global interest rate normalization takes place. We would request for a flexibility to allow countries with UCT program with 6 months of implementation left instead of 12 or simply delete this requirement. Also, is it possible to disburse RST according to countries' requests without waiting to have our pledges done?

On debt sustainability requirement, we understand, and we accept that the requirements for sustainable debt and adequate capacity to repay the Fund is mandatory to access the RST. The pandemic and the spillover effects of Ukraine-Russia war has now immeasurably exacerbated the debt position. In this context, and as Managing Director stated, we are a learning institution, and as such, when considering Common Framework (CF), today's achievement, what did we learn? Is there any other possible way to solve debt issues? All of us accept that without solving debt vulnerabilities, the RST will fall short in delivering its promises for many of our countries. In addition, I would like to associate myself with points raised by Mr. Bevilaqua in order to increase the effectiveness of the RST.

Finally, we support the proposed access limits. We would not see any other access limit during the implementation of RST. However, as it is stated by Ms. Riach, but I say it again, we note that for some small and vulnerable members with small quotas, the proposed access limit might not be sufficient compared to their needs. I will not conclude my intervention without thanking contributing countries to the RST through my colleagues who represent and on this Board.

*Mr. Pösö:*

We have issued a gray statement together with four other chairs supporting the establishment of the RST, so I will just highlight a few points from our side.

We agree that the Fund within its mandate should help vulnerable members finance proactive reforms to address long-term structural challenges. As said many times before, close collaboration with the World Bank and other MDBs will be crucial in these endeavors. We strongly support the focus on climate change mitigation, transition, and adaptation from the onset. Like Mr. Jennings notes in his gray statement, the macrocriticality of climate change is indisputable, and it is an area where the Fund has clear and growing experience and expertise. Like the Chair, we stress the importance of focusing on the catalytic impact of RST lending, not least from the private sector given the substantial amounts needed to address climate change challenges.

We also agree that pandemic preparedness is a macrocritical longer-term structural challenge but we see additional work is needed to make the Fund prepared to support countries in this area. On the earlier review, let me say that let us not send a message today that we are approving something incomplete. As Ms. Pazarbasioglu said, we need to focus on issues on which we can realistically contribute, and what we need now is a good and credible start, as the Chair put it.

We strongly support the proposal to link RSF financing to an on track, standalone IMF program with UCT-quality conditionality. We take note that Flexible Credit Line (FCL) arrangements are included as a qualifying instrument but hope that countries meeting the strong FCL qualification requirements will be able to finance their longer-term structural reforms from private markets.

We support the proposed access limits and believe that access considerations should be country-specific with a particular focus on debt sustainability and capacity to repay the Fund, of course, in addition to the strength and ambition of the RSF reform package.

We welcome the tiered interest rate and service charge structure that allows more concessional financing terms for lower income countries. We also support the proposed governance structure for the RST, as well as counting its financing towards the threshold of post-financing assessment.

Finally, we fully agree that the well-functioning voluntary SDR market is essential for effective SDR channeling and warmly welcome the six new participants to the VTA market.

*Mr. Jennings:*

This chair has been advocating for some time for the most vulnerable countries to have access to concessional finance, and the RST will help make this possible at the IMF. We have also advocated for innovative solutions to help maximize support available to vulnerable countries while minimizing the cost to donors. The RST delivers on this as well. There is much for all of us to be proud of today, and we strongly support the establishment of this important instrument.

The hard work is still to come and that is to ensure that the RST succeeds in its objective, which is to help countries strengthen their resiliency. We have come up with a good plan for the RST and have to focus on execution now. This starts with ensuring that the RST has sufficient resources. We encourage all countries with strong external positions to contribute to the RST as soon as possible so that the RST can commence lending operations by the Annual Meetings.

We also need to ensure that there is significant and tailored outreach to eligible countries so that they can have a clear understanding of the support available under the RST and the options to access it. This will be particularly important for countries with very limited capacities, including small developing states. We will need to closely monitor not only resource adequacy but whether the RST is succeeding in channeling support to those members most in need of resources to strengthen their resilience to climate change and other challenges. In this context, we welcome the plan to conduct a comprehensive RST review no later than three years after operationalizing of the facility.

However, like some other Directors have suggested, it would also be important to take stock earlier, and we welcome the Chair's confirmation that consideration will be given to doing so. We would advocate considering doing so as early as a year, if warranted based on learning and experience so we can make any course corrections as necessary and early to ensure that the RST does meet its objectives and delivers on its potential, including perhaps to make the RST financing more attractive and accessible. The expectations for and promise of the RST are very high. It will be up to us to ensure that they are met.

*Mr. Palotai:*

With the large remaining gaps in the RST's implementation and the uncertainty regarding fundraising, it seems now that the formal approval plan for today brings the RST only halfway, but as Mr. Pösö just said, we need a credible start. We have issued a statement, so I will just add three points.

First, given the remaining gaps, including in the assessment of prospective balance of payments needs and reform strengths, a comprehensive review at the latest at the three-year mark will be essential for a deep reflection on the ambitions and calibration for the new Trust, as well as to address enterprise risks for the Fund. We support Mr. Trabinski's call for operational clarity and budgetary transparency based on workable procedures.

Second, staff's assurances of a meaningful Board engagement on forthcoming guidance notes, governance standards, and the perimeter and mandate of the first review would be very much welcome. We caution against any changes that would loosen conditionality, increase concessionality, or reduce safeguards.

Finally, we reiterate our call on the importance of multilateral cooperation in the implementation of the RST and on avoiding duplicating MDBs. We encourage staff to consider engaging with regional international financial institutions (IFIs) with a significant share of the Fund's membership.

*Mr. Mochtar:*

As in our gray statement, we welcome the establishment of the RST as an important addition to the Fund lending toolkit to help meet members' structural transformation. Going forward, the task will still be challenging, particularly in ensuring the effective implementation of this toolkit, the success of which lies in three Cs: collaborate, catalyze, and calibrate.

First, on collaborate, we join other Directors in calling for a well-developed cooperation framework with WHO and the World Bank on the issue of pandemic preparedness. On climate change, we support Ms. Shortino's call to scope in energy security as well. In this regard, collaboration with other institutions such as the International Energy Agency and International Renewable Energy Agency could be necessary. The collaboration would also correspond to the staff plan to identify six to eight countries to the pilot RSF arrangement. This pilot should cover a diverse mix of countries from low and middle-income countries and small developing

states. It is critical that this pilot clearly demonstrates the collaborative arrangements with other development partners.

Second, on catalyze, the Fund's work across lending, surveillance, and CD must be well coordinated to build stakeholder confidence on the sustainability of RST beneficiaries and, hence, advancing the catalytic effect. Here, we need rigorous analytical tools as the foundation for CD and technical assistance (TA) works. Given the diverse ambition of RST from the onset, the tool must be correspondingly upgraded, especially in two priority areas. Like in the Global Policy Agenda (GPA), we welcome the new G20 data gap initiative which prioritized climate change data and encouraged staff to continue enhancing the rigors of longer-term analysis. We welcome staff comment on the concrete plans to engage other stakeholders, in particular the private sector, to ensure that these catalytic effects materialize.

Last, to calibrate. While we are now in the final mile of the design phase, the proof of the pudding is in the eating. Despite our best effort, the RST in its current form might not meet member countries' needs in the most effective manner. We need to learn by doing and be ready to recalibrate in a timely manner. Specifically, we would like to ask staff to pay close attention to whether RST financing is finding its way to the Fund's most vulnerable members and if not, why. We have argued many times that the proposed access limit might not meaningfully meet the financing need of the members with lower quotas. If this becomes the main stumbling blocks, the Fund should stand ready to recalibrate at the earliest opportunity. Here, given the novelty of the RST, we agree with Mr. BinZarah, Ms. Shortino, and others, that the first review can be earlier than the proposed three-year mark.

*Mr. Bhalla:*

We have shared the broad set of points in our gray statement in the context of this proposal, and for emphasis, we would just like mention three issues.

First, the RST is proposed to be established with the sound intention of tackling key long-term structural challenges. Unfortunately, the global economy is suffering from multiple disruptions which require immediate attention. RST can be relevant in the current situation by being agile to provide support to tackle country-specific problems. The key factor for the success of RST is its flexibility in structuring programs in addition to the concessional terms of financing. The Fund can play an effective role in

balancing the priorities of the borrowers and the potential lenders to make a meaningful impact.

Second, long-term structural issues take time to address and resolve. There could be difficulties in assessing the benefits arising from the RST, as the beneficiaries would essentially have to avail of concurrent IMF arrangements or programs with upper credit tranche conditionality. In this context, the distinction of benefits arising under the IMF arrangements under the General Resources Account, Poverty Reduction and Growth Trust, the GRA, and the PRGT, and the RST should be delineated clearly. The Fund needs to provide a clear perspective of this issue, including the possibility of facility shopping.

Third and finally, we agree with the staff view that the investment strategy for the Deposit Account and Reserve Account should support the dual role of generating income and providing security to lenders, including in accounting EA claims as international reserves. Maintaining high-quality investments and sufficient liquidity to meet potential encashments will be important in considering the operations of both the reserve account and the deposit account.

*Ms. Mannathoko:*

We issued a joint gray statement with four other chairs appreciating your leadership on this, but also supporting the key proposals. I just want to cover a few points.

I want to really welcome the high concessionality and highlight here that parsimony and conditionality will be vital for successful implementation of reforms. In addition, we feel that to address concerns that have been raised by G20 and various other countries, the accompanying Policy Coordination Instrument (PCI) Policy Support Instrument (PSI) instruments will really need to be focused only on reforms that are relevant to the RST to resilience building, sustainability, such as adaptation measures, et cetera. So that countries do not feel that they are engaged in a macrofinancial payments program.

We also stress the need to ensure that qualifying countries, including LICs and fragile and conflicted-states (FCS), are able to benefit from the RST in practice and that their interest rates remain capped at the low level envisaged, as was also mentioned earlier by various other chairs. The threshold for a satisfactory macro framework, some feel, should be spelled out

more explicitly just for improved transparency and equity. In this regard, we urge flexibility in the design of the RSF, a judicious application of access norms to ensure that they do not turn into glass ceilings, especially for cases where they meet the requirement of strong ownership and sustainable debt and capacity to repay.

For us, given the link between climate and food security, quite a few of our Ministers also felt that the scope of the RST should be broad and flexible enough to address resilience and adaptation in agriculture, livestock, food-related industries, and similar climate change-impacted areas, which they see also entailing macroeconomic risk. Livelihoods and industries are being impacted and feeding into macro policy decisions.

The Trust should also seek to accommodate requests that go beyond climate and pandemic preparedness and that are areas that are already aligned with current strategies and workstreams that are covered under the budget augmentation, such as digital money and FCS resilience. This is really because time is of the essence on these issues, so we do urge staff to consider accommodating these requests from authorities at the onset or else in about a year's time when, I think it was Mr. Jennings who suggested that timeline for the first review.

We believe the access cap of 150 percent is too low for small-quota countries and want to encourage staff to revisit this issue in a year's time. Like Ms. Riach and Mr. Andrianarivelo and Mr. Mochtar just now, we also feel a timely RST review that reflects on the viability and feasibility of higher access limits for small-quota countries will be important. Beyond that, we were supportive of the governance framework and the financial architecture, and we saw merit in creditors being able to enjoy protected provisions but also encourage contributing members to strengthen the VTA, and here we also just really want to thank those contributors that have already made their contributions to the RST.

Finally, just to say frontloading the RST, given limited fiscal space for many countries, will be important for these countries which are constrained. We also want to just urge effective messaging, a good communication strategy to properly articulate the RST's role in supplementing existing instruments but also in catalyzing supporting resources. Here, like Mr. Buisse, we really note the importance of this catalytic role and urge staff to build this aspect into the Guidance Note in a substantive way.

*Mr. Chodos:*

We all have different views on how this has to go forward, but this was leadership and commonality on decisions; and even if it is not the best for everyone, it is a significant step forward. We issued a gray statement but want to focus on couple of issues we think are important to keep in mind in the process going forward especially.

The first one is the obvious one; that is, we are here because we decided to issue much-needed liquidity in the world. Then there is the issue of how to make a more efficient redirection of those SDRs that we issued. We should never forget that the RST is inextricably linked with the decision of issuance of 650 billion SDRs and that what we are doing is trying to channel them so as those SDRs address the needs that were designed. Hence, the importance is that we focus RST thinking on the ends and the objectives we had when we issued the SDRs. If not, it would seem that RST is something of an ad hoc decision, and it really is not. In that vein and under that spirit is that we think that the cap, together with other speakers, Ms. Mannathoko, Mr. Mochtar, is significantly low, the 150; but we are also very concerned on the 1 billion SDRs cap. We think that that is very, very low. It is problematic, especially combined with the upper credit tranche requirement because in the end, countries are going to have a tendency to view this on an aggregate basis.

If we think from an aggregate basis of exposure, given the state of the crisis and where we are going and prospective increases in interest rate and problems of debt and balance of payments problems in the world, there are going to be countries that are going to pile up upper credit tranche requirements, and those are likely to be 500, 600, 700 percent of quota. So, aggregate exposure only into the RST would seem too little.

The whole idea of the caps has to be thought in parallel with the idea of the upper credit tranche requirement because at the end of the day, this is an aggregate decision and especially given that we are facing the challenges of climate change and pandemics and health and long-term challenges. For many countries, this looks like a very low resource, especially because the challenges we are trying to attack with the RST are regional and global challenges, not country-specific challenges. Again, there is an issue of the combination of the upper credit tranche requirement with the structure of the caps do not fit exactly very well and could eventually affect demand.

In terms of the offer side, the supply-side, we were a little bit uncertain as to what is going to end up being the envelope. We started this process with

the prospective of 100 billion. It went down to 60, 40, and there are all sorts of levels of uncertainty vis-a-vis what is going to happen on the donor side. That is why we were thinking just as an idea, that maybe the Fund itself could at least fund a little bit of the RST through the GRAs, maybe as a catalytic signal of its own commitment so that to generate more emphasis on the other side of the other donors that would contribute their own SDRs.

The last thing is giving the importance, the more we take into the frontload the review, maybe one year of review, it would be better because this is something that we have to monitor at all times in terms of how successful it is going to be because it has much pressing needs, and there is a lot of our reputation at stake on whether we can move this forward and make it happen and being a successful instrument.

*The Chair:*

I just want to reflect on the numbers. 100 billion continues to be our aspiration. This is what we have said we want to mobilize. We did not say we are going to mobilize it in three months, in five months, in six months. We said that is the direction. During the G20 meeting, we got to 60 billion, and we have set a target for the RST of at least 30 billion to begin with. It can go up. We do not have a ceiling of how high it can go. It depends on how good it is, and I would say we need to remember that the very best way to convince people to bring more is if what they have already put forward works well. That is thus the discussion we are putting forward today. Let us put it to work, see the impact, and then if we need to adjust, do it.

I take note of the point Mr. Chodos made: Is it possible at any point that the GRA resources can complement the RST? Never say never, but at this point I want to repeat what we have said today. Let us put this forward, make it work, prove that there is both demand and effective implementation to do more.

*Mr. Mohieldin:*

As a result of that and with the good collaboration with management and the Board, we have now what I can consider a very bright and great day during the darkest of times that we are suffering from globally. This is a proof that good cooperation and multilateralism in action is still there alive and kicking. I am happy as well to see colleagues from the World Bank. Let me add very quickly, because I joined Mr. Bevilaqua, Mr. Moreno, Mr. Andrianarivelo, and Ms. Mannathoko in a joint gray statement, it is

exactly a year since we had our extensive discussions with the staff, and now we have this great result today.

To the Chair's point, that we are a learning institution, so let us learn fast. It seems to me that a review in three years in a fast-changing world is too long. Let us agree today that either a year from now or a year from the Annual Meetings we have the review of whatever is happening. It is a fast-changing world. I know that the staff have been very diligent in sharing surveys, in questionnaires, in soliciting opinions on the potential demand and perception of the Fund, but potential and perception is very different from reality and evidence-based approach. So let us get the data as much as we can and reflect on them and to make where there is this kind of spirit of cooperation and pragmatism the needed adjustments.

In my constituency, not very different from others in Africa, we can have a long list of demands, not limited to climate, not even if we are taking climate change with managing the transition, the mandate's scope will be bigger than being outlined now. Well, areas like food security, issues like sustainable public finance, job creation, shocks related to migration and food security, they could qualify in a good day as macrocritical. Anyway, let us again go with this kind of pragmatism and spirit of cooperation and see how the demand is reflecting the generous supply. We very much welcome on behalf of potential beneficiaries; I would like to thank those who contributed and led the way earlier through contribution by SDRs and other means. But without demand, this process will not function, so again it is another area of collaboration here.

I would like to say and very quickly here that on climate, we see the potential for the operationalization in October, a couple of weeks before the COP27, and that could be an area for showcasing with some sort of projects, perhaps not in the form of project finance—our institution will never be a project-financed institution—but basically as a demonstration of what this institution can do with its own mandate.

Then, I would like to thank in advance Mr. Rice and his team and all in senior management and Managing Director, and all of us in sharing this example widely and broadly as a good example of collaboration in times of need.

*Mr. Zhang:*

Although this Friday, we will discuss the staff compensation, I would like to say even without the high inflation, the staff deserve a higher increase of their salaries for their hard and effective work in this very difficult time. We have issued a written gray statement, and I would like to briefly make a few comments for emphasis.

First, we strongly support the overall design of the RST, and China is ready to positively make our contribution to the RST after its establishment. Late last year, President Xi announced to channel US\$10 billion SDRs to African countries. This will include many through the RST and the PRGT.

Second, we welcome some member countries to make standalone contribution to the DA and/or RA to support the RST for the purpose of reserve buildup and credit protection. We have expected a much higher amount of the RST than the current proposal, so we encourage more member countries with strong external positions to consider contributing to the RST. We also call for the RST to be put into operation as soon as possible. This is essential to maintain the reputation of the Fund.

Third, it is necessary to ensure the RST has the quasi-PCS. The PCS of the RST can be lower than loans from the IMF and other international institutions but should be superior to bilateral official creditors and the private creditors.

Fourth, I would like to reiterate that the RSF conditionality should be established and monitored by the IMF, more specifically by the Executive Board. The Fund can communicate with experts from the World Bank, WHO, and other international institutions when and where appropriate based on their respective professionals, and the outside advice is only for reference.

*Mr. Moreno:*

This is a historic day. We are providing a good instrument for the recycling of the SDR, so this is a significant improvement with the SDRs allocations that we've had in the past, and we particularly welcome the financial design which has made the recycling possible. So, this is a celebration, but I have to signal that there is a bit of a bittersweet taste into it because we have been sponsoring together with Mr. Bevilaqua, Ms. Mannathoko, Mr. Andrianarivelo, and Mr. Mohieldin a broad range of purposes for the RST from very early on.

I understand the restrictions, and let me be clear that my constituency fully supports climate as a macrocritical priority, and we support the proposal. A more open approach, with respect to the purpose, would be useful, in the sense that RST can finance macrocritical structural reforms, something very similar to what we have with the PRGT, which basically finances programs, so nothing really would be approved without management proposing it and the Board approving it. To be clear, we all understand that the RST was always going to start with climate, but I just get the sense that we are unnecessarily tying our hands. We have new macrocritical issues on the table, such as food security and refugees, and arguably for issues such as digitalization or financial inclusion, the Fund has more expertise on them than on pandemic preparedness.

However, keeping it practical and in the spirit of moving forward, I welcome the proposal to review it next year, in 2023. I would like to, and I would appreciate it if consideration were made to a more open approach. I would like to echo Mr. Mohieldin; we need to learn fast in today's world, and I would also add that it is important to communicate clearly that we are starting—this is the kickoff of the program, and we are starting with climate and pandemic preparedness. This is the language that we have been using in the past in previous GPAs. It is the language that we have used until now.

Let me try to end here on a sweet moment and say that this is a significant improvement to the Fund's architecture, but really let us try to make it better and eliminate all the sourness that could remain in it.

*Mr. Peter:*

As stated in our gray statement, we support the establishment of the RST as it is proposed at the moment. I fully agree here with Mr. Mohieldin that this proposal is a good example of international collaboration in times of need. Let me say to those colleagues who are not fully happy with the outcome in front of us today, that they are not the only ones, but that is the nature of international cooperation. I would like to make four comments today.

First, we still see significant uncertainty about how the Resilience and Sustainability Facility will be implemented. In particular, choosing reform targets and monitoring implementation will be highly challenging given the time horizon of up to two decades. For the RST to achieve its purpose, the Fund will need to focus on its specific expertise in macroeconomic policy design and in supporting macrocritical reforms. Like Mr. Palotai in his gray

statement, we stress that the staff Guidance Note in preparation will play an essential role in guiding programs and ensuring comparable flexibility and consistency across country cases. At this stage, this significant uncertainty speaks for a rather limited purpose of the RST, and we see fighting climate change as the one that fits best.

Second, the Fund has Trustee as a particular responsibility to ensure the financial soundness of the RST. Design features providing the necessary policy and financial safeguards are therefore imperative. Thus, we strongly support the requirement of an on-track Fund-supported program with UCT-quality conditionality, the binding cap on access of the lower of SDR 1 billion or 150 percent of quota. In addition, given the very long loan maturities, we support the proposal made by Mr. Palotai in his gray statement of standardizing a set of prior actions or requirements on governance before disbursing RSF financing.

Third, we consider appropriate the pooling of RST investment assets with those of the PRGT. It will allow the investment strategy to be implemented in a cost-efficient way.

Finally, we are open to an interim review, perhaps not after one year already, as we first need to gain some experience; and as Mr. Pösö put it, we do not want to signal that the RST proposal in front of us today is somehow incomplete. So, an interim review in perhaps 18 months could be a good compromise.

*Mr. Dresse:*

As the Chair indicated, today is an important day, and I hope today's decision will be followed by speedy implementation of the RST this fall. We have issued an extensive joint gray statement with European colleagues.

First, we support the primary focus on climate, as well as on pandemic preparedness. We are mindful, however, that going forward, countries will make reasonable demands to explore other areas subject to creditor consent.

Second, we welcome staff work to ensure the reserve asset status of the RST claims. We, however, think that some safeguards will need to be carefully reviewed in a review which, in our view, can also take place earlier than in three years, as we may already learn a lot in our first years of operations.

In particular, there are three areas—the threshold for post-financing monitoring, which strikes us on the high side; the combination of RST with precautionary programs without ex-post conditionality; and the fact that RST financing exempted from the exceptional access threshold, as mentioned by Ms. Rieck before me.

Third, to increase the RST impact, we urge for a strong link with capacity development in order to enhance the reform implementation capacity of RST borrowers, as mentioned by Mr. Tanaka.

Fourth, we warmly welcome the details in the paper on how to collaborate with the World Bank. It is critical for the outside world to understand well how the World Bank is involved in the RST.

Fifth, RST financing is capped given limited resources. That makes sense. That said, the amount may be small in many countries to have meaningful impact, so it will be key to have a credible RST designed to attract other sources of financing, including from the private sector, as mentioned by Mr. Buisse.

Finally, I am happy to confirm that a few countries in my constituency, including my own, Belgium, are expected to contribute to the RST. Let me stop here and express my warmest hope that the RST will be instrumental in helping countries to cope with their structural transformation in these important areas.

*Mr. Fanizza:*

I want to use Ms. Riach's words in her gray statement: this is the culmination of an enormous and exceptional effort. We are here to sign off on a proposal which we strongly support. We have issued a gray statement.

The first thing, on the purpose of the RST, we need to be pragmatic. This is a trust fund. Money comes in from donors. Everybody should be happy about it. Why do we try to make it acceptable? I know that the needs are incredible but let us focus what people think are the priorities. Now the priorities are climate change and pandemic, and climate change is important now in this political situation. I want to echo Ms. Shortino here: there is no energy transition without energy security. So, the political situation has made the purpose of the Trust even more relevant in these circumstances, and it will be important, it will for all countries—energy security and energy transition cannot be done independently one of the other. They are the same thing, and

that is quite important for me. We can be open to discussing, when possible, how to modify possibly and if need be. Clearly, three years seems to be a very long period right now. Even in one year the situation might be completely different, so there is no issue there.

Finally, an observation on the timeline. It might be ambitious, but we are working toward it. I can confirm that Italy has committed, like France, 20 percent of its SDR allocation to be recycled. It has already completed all the work necessary for its contribution to the PRGT. Everything signed, and the complement will be done for the RST. There are some legal procedures that will be taken care of, but we will do it. We will try to do it as much as possible, and here I stress the importance that everybody does the same. The worst scenario would be that we are not being able to do it because there is lack of contribution, and we will look very laughable frankly. That is also important.

Let me say that, yes, we can hear all the criticism, all the contribution that is needed to do, we want this safeguard; but at the end of the day, this is a Trust with voluntary contributions. That is what counts in a sense, and we will have to work toward that.

*Mr. Huh:*

Korea has also announced its plan to contribute 900 million SDRs to the RST. While strongly supporting the establishment of the RST, I would like to highlight four points for emphasis.

First, we expect the members hardly hit by the pandemic and severely impacted by climate change to be the early beneficiary of the RST. However, some of these members, including small states, have not traditionally come to the Fund for finance support. We strongly encourage staff to actively engage with this part of membership. We support the view expressed by Mr. Jennings that a tailored communication strategy to eligible members, especially small states, will be the key to success of the RST. We are convinced that the catalytic effect of such an engagement could help facilitate access to other multilateral financing for climate change.

Second, we are concerned that data gaps will prohibit small states with limited capacity from qualifying for UCT programs, including nonfinancial arrangements like PCI. We see this as a major downside risk to RST success. We reiterate our call to staff to urgently address data gaps in eligible countries, starting with small states. We thank staff for the response to our

gray statement in written questions. However, we note that IEO also shares our concern and highlights the need for change in UCT accessibility for vulnerable small states. Further staff comments are welcome.

Third, as indicated by many colleagues, 150 percent access limit may still be insufficient to offset the heavy transaction cost of engaging with IMF for vulnerable members with very small quotas. In addition, adaptation costs for these members far exceed their economic capacities. As Ms. Lim in her gray statement, quota-based access limit might not meaningfully meet the financial needs of members with small quotas. Therefore, we would welcome further refinement to access level, which could include either tiered structure or allowing exceptional access. This brings my last point, which is to support call by many colleagues for earlier interim review of RST after one year of operation.

*The Chair:*

I appreciate the point about lessons from IEO evaluations, when it comes down to small states, a point that others are concerned about. We, of course, will take that into account as work continues.

*Mr. Mozhin:*

We issued our written statement where we made it clear that we support the establishment of the RST, including the last-minute design additions to the original proposal.

It is hoped that the RST will help to close a significant gap in the international financial architecture. We have seen on many occasions that balance of payments pressures and short-term financing needs are, in fact, manifestations of very deep-seated structural deficiencies, and the short-term solutions to these balance of payments needs simply do not exist without addressing those deep-seated structural challenges. From that point of view, the RST is, if successful—nobody can be sure at this stage—but if successful, it will be a very important addition to the international financial architecture and close the gap which is there.

When I am talking about deep-seated structural issues, of course, many of such structural objectives require a significant upfront investment. They cannot be even approached without access to significant or at least some financing. So, from that point of view, of course, climate issues and pandemic preparedness are very natural examples of where the RST resources could be

devoted to. At the same time, I also agree with Mr. Bevilaqua, Mr. Andrianarivelo, Ms. Mannathoko, perhaps others, that we need also to think about expanding the range of structural challenges to be addressed through the RST financing. Ms. Mannathoko spoke about food security issues. Others spoke about energy security issues, but even more traditional macroeconomic reforms may require significant upfront financing developments; even, I do not know, reform of the pension system could be one such example in many circumstances.

Now, another important aspect of the RST is, of course, that it is a way to utilize SDRs, which have been recently allocated to the whole management, and the bulk of these SDRs was provided to those members which do not really need them very much; and so from that point of view, the idea of rechanneling some of these SDRs and to seek the useful application, useful application of these SDRs, this is an idea which is very natural, and the RST is addressing this whole challenge.

Now, unfortunately under the current circumstances, and by that I mean the theft of our set of bank reserves, we will not be in a position to contribute to the RST; but we have been thinking about it and perhaps it is, in case circumstances change, we would be very happy—at least I would certainly make the case to my authorities that this is a useful way to dispose of the SDRs, which we do not necessarily need in the short run.

*Mr. BinZarah:*

We broadly support the proposal and the associated decisions, and I would like to associate myself with Mr. Bevilaqua, and I will take this opportunity to underscore a few points today.

First, as a governing principle, we highlight the need for RST to operate within the Fund's mandate, as well as preserving the nature of the SDR as a reserve asset. We also reiterate our position that the Trust should serve multiple critical needs of the identified beneficiaries. Therefore, we welcome the inclusion of pandemic preparedness with the purpose of the Trust. Nonetheless, we are of the view that the proposal could have been more forward-looking and detailed on the expected inclusion of other issues under the RST. Moreover, we share the concern of other colleagues regarding the provision of qualifying long-term structural challenges which may hinder the inclusivity of scope under the Trust. We call for a more objective and complete metric to assess the strength and ambition of the reform measures.

Second, we welcome the framework for collaboration with the World Bank on climate and look forward to that of the pandemic preparedness. Close coordination and collaboration with relevant stakeholders, specifically in areas outside the Fund's expertise, is paramount for the success of the Trust. On a related note, we emphasize that the Fund's engagement on climate policies should remain within its core mandate and anchored by Nationally Defined Contributions (NDCs) under the Paris Agreement and Sustainable Development Goals (SDGs). Here we highlight the importance of focusing climate policies on adaptation measures and building resilience to climate shocks as most relevant to identified beneficiaries.

Finally, we support the structure of the instrument, including its UCT-quality conditionality, the inclusion of the encashment clause and maintaining the reserve characteristics in the loan account. On lending maturities, while we note that long maturities are broadly in line with the timeframe required to implement the needed reforms under the facility, we encourage staff to consider short-term maturities as warranted.

*The staff representative from the Strategy, Policy, and Review Department (Ms. Ramakrishnan):*

Thanks to all the Directors for the very constructive discussion, and we truly welcome the engagement that we have had with them during the course of this journey. There were a few questions in the gray statements that I thought I could take up now and answers a few questions that came up in the discussion today.

Regarding the qualifying challenges and the desire to add more, the Trust is, indeed, designed to add more challenges, so that is a built-in design feature, and it is a question of timing. Given that we are starting with climate and pandemic preparedness, and that was a culmination of discussions based on engagements with the Board through the course of the last several months, so the design is that we will start with climate change and pandemic preparedness and go farther as we gain more experience and as we are able to build on the collaboration framework that we have currently built with the World Bank on climate change and what we are working on now on pandemic preparedness also.

I would also add that some of the structural challenges that create actual balance of payments needs right now, we have a toolkit that can fill financing gaps that exist now, and we should leverage all aspects of the toolkit to address the problems that confront the world right now. I would also add

that adding new challenges also requires us to think about how we are going to work with other institutions, what would be the relevant partners, and how do we build a collaboration framework with them on these new challenges.

Although it may come as a surprise to the Board, on building these frameworks, it is not the collaboration aspect that is a challenge, rather identifying the diagnostics and what would be the policy priorities and what is the right conditionality for us to address is a challenge. For many of these issues, and I can tell based on the discussions we are having on pandemic preparedness, for example, it is not that straightforward. We need to put in a lot more effort on what would be those areas where we can leverage the expertise of the institution, while collaborating with other institutions to be able to expand the set of qualifying challenges.

As Ms. Pazarbasioglu mentioned earlier, the reputational risks would be high. We worry that if we stretch this too far and go in a direction where we are not entirely comfortable, there is a reputational risk that we need to be careful about in going too far and stepping too far into the development financing side of things.

What would be the considerations if we were to include new structural challenges under the RST? One would be the macroeconomic criticality and the consistency with the Fund's mandate. It would be the demand from potential borrowers and the desire from the borrowers. That would be an important consideration, and we can do a survey on that. I would also remind Directors that in the survey that we already conducted, we had a significant demand for climate change and pandemic preparedness, so it is not like we are going to be creating a Trust where there is no demand. We did see significant demand for the two purposes that we are starting our operations at the time when it is ready.

The third aspect would be the global public good nature of the challenges addressed by the RST, and climate change and pandemic preparedness fit that objective of global public good. Operational capability, including whether as an institution we have the necessary expertise and are able to come up with meaningful conditionality that the Board are able to assess and say that things are met. Therefore, it is a part of the design, but give us a chance to actually make this work so that we are then able to come back and add more challenges as we gain more experience.

In that regard, staff's view is that we first need to get this operational, which requires fundraising; so Annual Meetings is, indeed, our objective, but

it also depends on how well the fundraising carries on. Once it is operational, we would want to gain the experience that we would need, and staff's view is that the midpoint, three years, if it is too far, let us come to 18 months, and we come with an interim review to look at the purposes of the qualifying challenges that we could address in the context of the RST.

Just a quick update on the pandemic preparedness and where we are in our discussions with the World Bank and the WHO. We have met several times with both institutions, and we have been having very productive technical discussions on how we might be able to go forward. The template we are using is what we broadly agreed with the World Bank already, so we have that as a starting point, and we will have to customize it to see how pandemic preparedness might fit into that. This is work in progress. As I said earlier, sometimes the difficulty is finding what is the right diagnostic and how did we arrive at the conditionality. Based on discussions, some of the conditions that might fall under pandemic preparedness might include designing contingency measures that allow for the reallocation of spending during pandemics or putting in place public financial management (PFM) systems ensure emergency procurement that is aligned with good governance, and there may be other governance aspects that we can bring into the conditionality; but this is going to vary country-by country, and it is still a little early for us to be able to say we are prepared to lend into pandemic preparedness. We are not there yet, but we do hope that, and we expect that by the time it is operational, we will have the framework; and we will engage with the Board once we are in a better position to be able to define what that collaboration frameworks might look like.

There was one question on whether the transition arrangement can be made to 6 months rather than 12 months. It was originally 18 months and we have brought it to 12 months; and we want to give at least some time because these are long-term challenges. We are coming up with new measures and to be able to assess and give the time the country to deliver, we think 12 months would be the minimum that would be appropriate for countries to deliver, so from that standpoint, we think 12 months remains appropriate. But if we do see that as we gain experience, if we see that—well, this is for the transition, so it is unlikely that the review is going to change then because this is at the start of the RST's disbursements.

*The representative from the World Bank (Mr. Guimbert):*

The framework for collaboration on climate was well established last time the Board met and were presented. Since then, the Fund has finished its first CMAP, and on our side we are well advanced on our CCDRs. We are updating our board tomorrow. We had a large workshop on the CCDRs last week, and IMF colleagues joined, so we have quite a formalized way of collaborating both at the corporate level here in D.C. and at the country level.

We are quite comfortable advancing with the CCDRs. Once we are done with this first batch, we are going to have CCDRs covering countries over 3 billion people and linked to 45 percent of global emissions; so, this is going to be a strong set of cross-cutting countries that will provide a solid analytical basis for the discussion. We are finding the CCDRs particularly useful to have an economy-wide analysis, so not climate separate from other macrostructural and development issues but something that is integrated. As such, we believe this would be a very strong basis also as IMF staff put together RST proposals or programs on climate. In fact, out of that first generation of CCDRs, we can see a lot of the policy recommendations will be related to areas where the IMF traditionally has been involved, so we see this as a very fruitful basis for collaboration.

On pandemic preparedness, just to complement what Ms. Ramakrishnan said, we have started the conversation. It is a slightly more complex conversation in the sense that there are a number of more sectoral issues, and there are fewer economy-wide integrated diagnostics, the same way as we have as CCDR; but together with colleagues from WHO, we are working through those issues and making progress using the same methodology we have for climate, which is to really just look at a couple of case studies and gradually become more concrete and practical in how we do the collaboration.

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

Let me cover a few issues we did not address in our written answers and touch on some points that were raised in today's discussion. The first point is on the interrelated issues of interest rates and reserves. Just to assure Directors that interest rates would be reviewed regularly, and there is the flexibility for an earlier review. One possibility for an earlier review would be establishing a cap on interest rates for Group A countries if that was needed to ensure that those interest rates remained affordable.

A review of interest rates would have to be taken together with an assessment of reserve adequacy. As can be seen from Annex V of the paper, lending margins are the main factor building reserves in the first decade of the RST. That is the main reason why we cannot establish a cap at the outset, as we need to wait until we are able to assess the level of reserves and the pace of reserve accumulation.

Because an interest rate cap would slow reserve accumulation, it is proposed that there would be a consultation with contributors ahead of the Board consideration of the cap. This prior consultation aims to enable a timely adoption of a cap when its needed and feasible while giving confidence to contributors in reserve adequacy.

Let me discuss the possibility of inadequate reserves. There are several factors limiting this risk, including the requirement that loan contributions are made as a package with deposit and reserve contributions, the fact that high demand for RST lending would also mean a high level of margin of income, and there is also the potential for standalone contributions to the Reserve and Deposit Accounts to strengthen reserves. If nonetheless, reserves persist to be inadequate, the Board could consider various contingency measures, including higher lending margins and steps to contain lending volumes if that would strengthen reserve coverage.

Turning to the questions around the Fund's internal resources, staff's understanding is that if these are to be used, they are prioritized for the PRGT rather than for the RST. The RST is envisaged to be a self-sustained, contributor-funded Trust. A two-stage funding strategy for the PRGT was agreed in July 2021 with the use of internal resources to be considered at the full review of the PRGT in 2024-25. The Board recently confirmed its support for this two-stage approach in the recent review of the adequacy of PRGT finances. Let me just assure the Board that 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 that review.

Turning to the VTA market, a number of Directors expressed views on the links between the RST and Voluntary Trading Arrangements in SDRs and on the need to ensure this market continues to function well. There has been a significant expansion of the SDR market and I was pleased that Directors welcomed that progress.

As we operationalize the RST, we will nonetheless be very conscious that a well-functioning voluntary market is key to ensuring that SDRs

channeled to the RST can be converted into freely useable currencies as needed for the benefit of RST borrowers. So, there is a strong expectation that SDR contributors to the RST would have VTAs that could support the conversion of channeled SDRs into currencies. In fact, all the countries that we plan to approach for contributions to the RST are VTA participants. This will continue to support a broad distribution of SDR transactions among the VTA participants, which is important for a smooth functioning of the SDR market. Of course, staff will continue to engage with IMF members on possible steps to further expand and strengthen the voluntary market in SDRs.

Turning to fundraising, we will soon embark on a broad-based fundraising campaign. Our ambitious goal is to reach a critical mass of finalized contribution agreements by the time of the Annual Meetings to allow the RST to start lending. I was very happy to hear that some countries may be able to make pledges as soon as the Spring Meetings, which would certainly help build momentum to that ambitious goal. We also understand that RST is novel. The staff are very happy to engage with country authorities before they make a decision on a pledge or on a pledge amount.

During those discussions we expect to address numerous questions on the RST accounts. I expect that we will explain that unfortunately a standalone loan account contribution would not be possible at the outset, as they would undermine the inter-contributor equity in risk sharing. But looking further down the line, if adequate reserves are in place, this is an option that could be considered to bolster the lending capacity of the RST. We will continue to emphasize the reserve asset quality of the loan and deposit accounts in our public communications.

I understand it is very natural for the Board to be interested in the progress being made on the RST fundraising, and we will certainly look for a suitable opportunity to provide an update in the interim and well ahead of the Annual Meetings on the progress being made. And then at the time of operationalization, we will provide an update to the Board on the contributions that had been raised and how they form a critical mass that would permit operationalization; and based on the discussions with potential borrowing countries, we could provide an update on the demand situation.

Let me conclude by noting that the continued close collaboration between staff and the Board on the RST will not stop today. In fact, it may get more intensive during the fundraising work, and we will very much appreciate the Board's continued support.

*The staff representative from the Legal Department (Mr. Steinki):*

There were a few questions on the contributor consent requirements, both for adding new qualifying long-term structural challenges but also more general. We revised both the main paper and the supplement to elaborate on these issues, in particular to bring out where the 70 percent qualified majority is needed to add the new structural challenges and where we basically operate with the consent of every contributor if we amend other protected provisions.

I hope this addresses the remaining questions, but we, of course, stand ready to elaborate.

*Mr. Mohieldin*<sup>4</sup>:

Through the Chair, can we agree today on a specific date for the early review?

*Mr. Chodos*<sup>5</sup>:

I support Mr. Mohieldin's request.

*Mr. Saraiva*<sup>6</sup>:

We also agree that the timing of the interim review should be set today.

*Mr. BinZarah*<sup>7</sup>:

We also support Mr. Mohieldin's request.

*Mr. Moreno*<sup>8</sup>:

We also support Mr. Mohieldin's request.

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<sup>4</sup> These comments were made in the videoconference chat window.

<sup>5</sup> These comments were made in the videoconference chat window.

<sup>6</sup> These comments were made in the videoconference chat window.

<sup>7</sup> These comments were made in the videoconference chat window.

<sup>8</sup> These comments were made in the videoconference chat window.

*Mr. Huh*<sup>9</sup>:

We also support Mr. Mohieldin's request, if possible.

*The Chair*:

We have received in the chat comments from a couple of Directors asking whether we can agree on the early review. More specifically, Mr. Mohieldin is asking can we agree today on a specific date of the early review. The answer to this question is: do not count your chickens before they roost. Since we need to fundraise and set up the Trust and then on that basis operationalize it, what we can do today is to agree on a timeline for the review from the moment the Trust is operational. What I heard from Executive Directors broadly is support for an interim review, for an early time for the review, some explicitly indicating that 18 months from operationalization seems like the right time, so we have accumulated experience that can be assessed, and on that basis, we can take prudent action.

We are now coming to the end of another historic meeting. And as Mr. Chodos said, today's meeting would have not been possible if we did not have that historic allocation and if we did not have the wisdom collectively to recognize that we can make this allocation work even harder for the membership.

As staff has already indicated, we start immediately with our fundraising campaign. I was very encouraged by those who spoke today of commitments. It would be fantastic to hear them during the Spring Meetings more formally to give that boost of confidence that is necessary to quickly advance fundraising.

I also am going to send letters. We have identified 35 countries to which we want to make that pitch, and I will follow up with phone calls together with staff to provide explanation to those who may not be very familiar with the details of our decision.

In addition, I will send letters to PRGT contributors to seek their consent on the proposed PRGT amendments for investment asset pooling. This will benefit all by achieving economies of scale and is essential for the making of RST operational in the ambitious timeframe we agreed today. We are going to move at the level of staff with the detailed decisions on both the

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<sup>9</sup> These comments were made in the videoconference chat window.

fundraising side and on the borrowers' side, those who are interested, and we will be ready with the test phase as we go into the Annual Meetings. We will prepare our systems and processes to ensure that we are ready.

*The Chair adjourned the discussion.*

## ANNEX

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

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GRAY/22/1016

April 8, 2022

**Statement by Ms. Riach and Ms. Campbell on Proposal to Establish a Resilience and Sustainability Trust  
(Preliminary)  
Executive Board Meeting  
April 13, 2022**

**We thank staff for the paper and proposed decisions and instrument.** This is the culmination of an enormous and exceptional effort by staff to respond to a request by members to provide a mechanism to voluntarily channel SDRs from countries with strong external positions to countries where the needs are greatest. This new Trust will provide affordable long-term financing to help low-income countries, including in the African continent, small island developing states and vulnerable middle-income countries to reduce risks to prospective balance of payments stability, including those stemming from pandemics and climate change. Establishment of this Trust is more urgent than ever as the global economy faces unprecedented uncertainty and challenges. We commend staff for their extensive and effective consultations with multiple stakeholders, including with members and with civil society. And we welcome the close collaboration with the World Bank as this proposal has been developed. **We support all three decisions proposed and offer the following comments on the detail.**

**We fully support the formal establishment of the Resilience and Sustainability Trust under the RST instrument and the proposed consequential amendments to other executive board decisions.** We agree with staff's proposal that the RST should address select qualifying longer-term structural challenges that create macro-critical risks to prospective Balance of Payment (BoP) stability. There is a large and immediate need for climate related financing, not least because Russia's invasion of Ukraine has given even more prominence to energy substitution and security issues. Given this, and to support smooth take up of the new facility, we agree that at the outset it makes sense for the RST to support reforms that address challenges associated with climate change and future

pandemics. We are also open to consideration of using RST resources to finance other longer-term structural challenges in the future.

**We welcome that the operation of the RST will be subject to periodic and ad hoc reviews by the Executive Board as Trustee and that the first of these reviews will occur no later than 3 years after the operationalization of the Trust.** As part of that review, we would like staff to consider whether there have been any significant impediments to small, climate vulnerable states' accessing the RST and how these might be overcome. We also think the review will be a good opportunity to look at whether access levels capped at the lower of SDR1bn or 150% of quota are appropriate, whether they strike the right balance between difficult trade offs and whether it matches supply and demand of resources.

**We support the proposed list of RST eligible members and agree with the criteria governing entry into, and graduation from, the RST eligibility list.** We support the approach to base eligibility on per capita income and population thresholds so that it includes all developing and highly vulnerable small states as well as most middle-income countries in need of support.

**We fully support staff's approach to closely coordinate with the World Bank and other relevant agencies, including regional MDBs on RST lending operations.** This will be critical to the success of the RST. We support the framework for collaboration which includes coordination in the five key areas (diagnostics, policy priorities, conditionality, implementation supervision and program documentation). The principles for coordination on RST operations is well developed on climate related issues but there is not yet an equivalent framework for pandemic preparedness. Support for pandemic preparedness through the RST will necessarily be contingent on an adequate coordination framework. This is particularly important because it is not an area of Fund expertise so it will require deep and comprehensive collaboration with other institutions – notably the World Bank – to support on the policy side. We look forward to updates on how this work is progressing in the coming months. *How do staff intend to keep the board updated on this? Could staff provide an outline more generally of what the next steps will be in the next 6 months ahead of the RST becoming operational? Will staff involve the board in development of an RST guidance note, for example?*

**We highlight the importance of ensuring continued smooth functioning of the VTA market in light of additional demands as a result of SDR channeling, including at the outset when SDRs will need to be converted for investment purposes.** We welcome that staff efforts to expand and strengthen the VTA market have led to six new VTAs. We encourage staff to continue to engage with IMF members on steps to further expand and

strengthen the voluntary market and call for additional members to sign VTAs. We reiterate our strong expectation that SDR contributors to the RST would have VTAs that could support the conversion of channeled SDRs into currencies to ensure broad distribution of SDR transactions among VTA participants.

**Finally, we support the new investment guidelines which will allow the RST's reserve account and deposit account resources to be pooled with PRGT's investment assets for the purpose of investment.** We agree this is a sensible approach because it will facilitate timely implementation of the investment strategy and limit investment costs.

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GRAY/22/1018

April 8, 2022

**Joint Statement by Mr. Buissé, Mr. Fanizza, Mr. Hilbers, Mr. Pösö, and Ms. Rieck on  
Proposal to Establish a Resilience and Sustainability Trust  
(Preliminary)  
Executive Board Meeting  
April 13, 2022**

We thank Staff for the proposals on the establishment of the Resilience and Sustainability Trust (RST).

We reaffirm our support to the establishment of an RST administered by the Fund to provide financing with longer repayment schedules, subject to appropriate risk mitigation, to assist vulnerable countries' reform efforts to reduce risks to prospective balance of payments stability, focusing primarily on climate change, as well as on pandemic preparedness. The RST should complement the Fund's existing lending toolkit with its focus on prospective BoP needs.

We call on the Fund and the membership to strive for the RST to be made operational in 2022. This includes reaching a critical mass of voluntary contributions from a sufficiently broad base of contributors by the time of the launch.

The RST needs to operate within the Fund's mandate, in line with its programs and expertise, while ensuring appropriate collaboration and coordination with the World Bank Group and other multilateral institutions as needed. We support the review of the RST three years after its creation, or earlier, if appropriate. The governance of the RST should be aligned with the PRGT, requiring the consent of creditors for decisions on terms affecting creditor interests, including changes to longer term structural challenges to be addressed with RST financing.

We thank Staff for its updated demand analysis and take note of the expected demand of SDR 22 billion under the baseline scenario. We welcome the differentiation of financing terms among three groups of countries to allow for more favorable financing terms for lower-income countries and small states. Interest rates should be reviewed regularly to ensure appropriate levels of concessionality for the poorest countries, while guaranteeing the building up of an adequate level of net reserves. Creditor consent should be ensured in the event where changes could slow the build-up of reserves.

We welcome the initial and illustrative conditionality examples - set through the Resilience and Sustainability Facility (RSF) - with a focus on macro-critical longer-term structural challenges including adaptation, mitigation and transition policies and measures related to climate change. We encourage Staff to develop similar illustrative examples regarding conditionality on pandemic preparedness. We see a need to further clarify the set of reforms expected under an RSF-supported program and the associated BoP needs and welcome that Staff will be provided a Guidance Note in this regard.

The Fund should work in close cooperation with the World Bank and other Multilateral Development Banks (MDBs) as well as with the World Health Organization in designing and specifying conditionality for RST lending in the different priority areas. In this regard, we take note of the proposed five areas for coordination between Bank and Fund staff and welcome the broad principles for cooperation including the details on the modalities of engagement. We also welcome that conditionality measures will be designed, monitored, and assessed by the Fund. This will avoid cross-conditionality, ensure consistency with the conditionality of concurrent Upper Credit Tranche (UCT) programs, and promote parsimony. We look forward to more detailed guidelines as regards the cooperation with other MDBs as well as the World Health Organization on pandemic preparedness related loans, by the time of the operationalization of the RST.

We support linking RSF financing to an on-track concurrent Fund-supported program with UCT-quality ex-post conditionality. We would welcome more details on how an RSF program could benefit from the macroeconomic stabilization measures of the UCT program in the context of a minimum 12-month overlap with a UCT program for RSF loans approved in the first six months' operation of the RST. We welcome Staff's proposals to establish the RSF with a specific conditionality separate from the concurrent UCT program, in line with the Fund's Guidelines on Conditionality, and underscore the aim to kindle a strong catalytic effect of RSF financing. Country ownership of RST supported programs will be crucial for success. RST lending should help catalyze private sector and multilateral green finance, including by sending a positive signal of the commitment of the authorities to clear and predictable adaptation, mitigation and transition paths. To increase the RST's climate impact, we urge for a strong link with capacity development to enhance the reform implementation capacity of RST borrowers.

We welcome the additional safeguard measures announced to manage situations where the UCT program goes off-track before the RSF supported reforms and disbursements have been completed. We welcome the proposal to count RSF financing towards the quota threshold established under the Post-Financing Assessment (PFA) policy. We take note of the proposal to initially set the threshold that would trigger a PFA at the same absolute level applied for the PRGT. As a lower RST specific trigger could be appropriate owing to the longer maturity of RST lending, we support considering the need to recalibrate this threshold for better tailoring to the RST at the first review. We also call for the enhanced monitoring of outstanding RST loans in Article IV consultations after the end of the RSF agreement and would welcome more details from Staff on its inclusion, which should be spelled out in the Staff Guidance Note.

We support Staff's proposal to set a cap on cumulative access at the lower of 150 percent of quota or SDR 1 billion and welcome the additional proposed safeguard to ensure that the RST lends only to countries with sustainable debt and sufficient capacity to repay. We further support that determination of access levels will take account of country-specific considerations, including the strength of the RST-supported reforms. The impact of excluding RSF lending from the EAF should be closely monitored and should be fully assessed at the time of the first review of the RSF. We acknowledge the proposals to mitigate excessive accumulation of de facto senior debt and to prioritize payments to the GRA and the PRGT over RST obligations, without implications for the de facto preferred creditor status of the RST as such. We support the proposal for inclusion of a reference to the de facto Preferred Creditor Status (PCS) of the RST in the IMFC Communiqué.

We take note of the proposed maximum maturity for RSF loans of up to 20 years embedding a 10.5-year grace period before commencing repayment, while acknowledging the significant challenges of reliably assessing debt sustainability and capacity to repay over such a long period. We support the proposal to charge interest equal to SDRi plus a modest tiered margin add-on rate as well as a small upfront service charge to cover operational costs and, most importantly, to build up the Reserve Account balance to ensure the financial soundness of the RST. We note that the build-up of the Reserve Account will be slow and that the reserves-to-loans ratio is projected to be substantially lower than that of the PRGT by the time loan amortizations fall due, which warrants close monitoring of the adequacy of net reserves over the coming years. We also take note of Staff's analysis that only in an extreme tail risk scenario the Deposit Account's resources would be needed for credit protection. We welcome the option to contribute solely to the Deposit Account or the Reserve Account, but not the Loan Account. We also welcome the Fund's intention to review periodically the adequacy of reserves together with the interest and charges' structure with a view to ensuring an adequate degree of reserve coverage. Further options to strengthen the coverage ratio of the RST could also be assessed in the context of such reviews.

For EU National Central Banks (NCB) to be allowed to contribute to the RST in accordance with EU law, 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's Governing Council, overall, the arrangements to ensure the reserve asset status of claims on the RST's Loan and Deposit Accounts are acceptable – subject to a number of conditions related to ensuring liquidity and high quality – as they are comparable to claims on the PRGT's Loan Account.

We welcome the six new participants to the group of Voluntary Trading Arrangements (VTAs) providers as of March 2022 and take note of the projections by the Fund of a sufficient absorptive capacity of the VTAs even if the full amount of the estimated SDRs channeled to the RST (SDR 33 billion) were to be converted in the VTA market. However, we stress the importance of fair global burden sharing and call for further increase the participation of IMF members on a voluntary basis.

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GRAY/22/1019

April 8, 2022

**Statement by Mr. Huh, Ms. Johnson, Mr. Yoo, and Mr. Iona on Proposal to Establish a  
Resilience and Sustainability Trust  
(Preliminary)  
Executive Board Meeting  
April 13, 2022**

We thank staff for the refined version of the proposal to establish a Resilience and Sustainability Trust (RST) to complement the Fund's toolkit, with a specific focus on supporting policy reforms to address macroeconomic stability risks associated with long-term structural challenges. We fully support this innovative and essential initiative to redirect the SDRs from countries with strong external positions to poorer and more vulnerable countries to enhance their economic resilience and long-term sustainability. We remain convinced that the initial focus should be on climate change and pandemic preparedness, with the view to include other long-term structural challenges over time, as determined by the Board. Our priorities have not changed, and they include ensuring that small developing states, such as those in our constituency, are not just eligible, but also qualify and are genuinely interested, to seek out access under the RST and take advantage of its catalytic role to unlock other sources of financing. We see success of the RST as ensuring that it mobilizes additional financing, including from those members who do not traditionally seek out Fund financing, and is not merely a top up for members with existing programs.

**We reiterate our endorsement of the establishment of the RST, including the RSF instrument, to provide financing in support of policy responses to long-term macro-critical challenges.** We are convinced that the RST fills a critical gap in the Fund's lending toolkit, by providing more affordable and longer maturity financing beyond the traditional lending for near term external stability challenges. The RST's high degree of concessionality is appropriate given the target borrower group of LICs, vulnerable MICs and small states who often face limited fiscal space, low debt carrying capacities and limited access to finance, constraining them from effectively responding to long-term structural challenges.

**The initial focus of the RST on climate change and pandemic preparedness remains appropriate and is consistent with the results of the member survey.** Climate change is macro-critical and an existential threat to small states and we believe that through the RST, the Fund is in a position to catalyze finance for adaptation by helping this part of the membership build strong institutions and public financial management systems to meet the requirements of multilateral climate. We also agree that for others, the engagement could also include mitigation and transition measures. Additionally, the COVID-19 pandemic demonstrated the importance of having in place reliable health systems, infrastructure and human resources, as well as policy buffers and financing, to provide timely and stronger response during major outbreaks. Pandemic preparedness will safeguard economic growth, reduce fiscal risks, mitigate losses to households, businesses and banks with knock on effects on balance of payments stability.

**We call on staff to urgently address data gaps in small developing states to facilitate qualification for RSF, and enhance their awareness on access.** While most of our small state members are deemed eligible RST users, many may not meet the UCT program qualification criteria at the point of operationalization. Not only does a financial UCT program appear irrelevant in the absence of protracted external balance concerns for these members, an application for a PCI or PSI will most likely be declined due to limited readily available data to support such a program. We therefore see an urgent need to address data gaps to enhance qualification for those who have shown interest in the members survey. *Staff's comments are welcome.* At the same time, we reiterate our call for increased creativity and flexibility in designing conditionalities for UCT quality arrangements accompanying RSF engagement, keeping country specific capacity constraints and challenges in mind. Furthermore, raising the awareness of eligible members is critical, and must be done in a systematic manner, to ensure the most vulnerable members benefit from this initiative.

**We regret not having further progress on improving the quota-based access cap to attract the interest of more small developing states who have not traditionally come to the Fund for financial support.** Using very small (and outdated) quota shares to determine access remains wildly disproportionate to the enormous financing needs of small developing states, especially those who are already impacted by the effects of climate change and natural disasters. Notwithstanding that, we welcome staff's openness to revisit the access limit depending on fundraising results. We reiterate our suggestion for, if uniformly increasing the access limit beyond 150 percent is not feasible, introducing a tiered access limit structure (akin to the tiered interest rate structure staff have proposed) or allowing exceptional access to extremely vulnerable members with very small quota shares. We also emphasize that in

the event of lower than anticipated contributions, that the current access limit for small developing states is protected as lower access will further discourage engagement.

**We commend Fund and Bank staff for developing a coordination framework for climate change but urge that the same be done expeditiously for pandemic preparedness, in collaboration with WHO.**

The survey pointed to high demand for engagement on strengthening health systems, demonstrating the urgency to put in place such framework to guide the principles of engagement and facilitate the establishment of diagnostic procedures to determine appropriate conditionalities, among others. Coordination with other IFIs and MDBs is also crucial in the design of reform measures to complement their lending and help catalyze additional financing.

**We broadly support the proposed financial architecture and call for early pledge of potential contributors to ensure the timely operationalization of the RST.**

We welcome a more flexible approach by introducing “standalone” contributions to the RA and/or DA unrelated to LA contributions. While we can go along with a request for a packaged contribution, we would call for a consideration of “standalone” loan contribution at a later stage to encourage more SDR rechanneling from potential lenders that are not able to provide capital and/or investment resources. We support the investment strategy for the RST and pooling of the RST investment assets with those of the PRGT. Finally, we look forward to burden sharing contributions from traditional donors and also encourage voluntary contributions from other members in stronger external positions.

**We welcome the refinements to other aspects of the proposal, including the clarification of long-term qualifying structural challenges and the graduation procedures.**

We agree that the Fund should only engage on structural challenges with direct implication on macroeconomic stability and in line with its original mandate, with due consideration to the global public good nature of the risks and the Fund’s own capacity. With regards to graduation, we see merits in ensuring the threshold is high enough to avoid immediate re-entries which may tarnish the integrity of Fund’s processes.

**We recognize that enterprise risks associated with any Fund lending do apply in the context of the RST.**

Some could be further exacerbated as the Fund enters new focus areas of lending and the longer-term nature of these challenges. The Board and staff must therefore be extra vigilant in ensuring policy and design modalities, financial architecture and other safeguards are adequate and remain relevant to mitigate these risks through regular reviews and updates.

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GRAY/22/1022

April 8, 2022

**Joint Statement by Mr. Andrianarivelo, Mr. Bevilaqua, Ms. Mannathoko, Mr. Mohieldin, Mr. Moreno, Mr. Alhosani, Mr. Fuentes, Mr. Guerra, Mr. Nakunyada, Mr. Saraiva, Mr. Sylla, Ms. Choueiri, Mr. Garang, Ms. Moral Betere, and Ms. Nankunda on  
Proposal to Establish a Resilience and Sustainability Trust  
(Preliminary)  
Executive Board Meeting  
April 13, 2022**

1. We welcome the opportunity to consider formally the proposal to establish the Resilience and Sustainability Trust (RST) and the associated Resilience and Sustainability Facility (RSF). We thank the Managing Director for her strong leadership in advancing the discussion on the RST and staff for their excellent and comprehensive work, as well as extensive consultations with Executive Directors and multiple stakeholders, which allowed broad support for the RST. We appreciate the effort to accommodate various requests made in preceding discussions and broadly support the proposed decisions, with the notable exception of constraining “Qualifying Longer-term Structural Challenges” to those related to climate change and pandemic preparedness. We concur with staff that a supportive multilateral context, the principle of additionality, adequate governance and financial architecture, coordination with multilateral agencies, and integration with Fund capacity development are essential ingredients in establishing the RST, which should supplement Fund’s lending toolkit to address long-term, BOP vulnerabilities arising from selected but underlying macro-critical structural impediments. We have the following comments:

2. **Rationale.** Macro-critical long-term structural challenges in emerging markets and developing countries (EMDCs) need to be addressed in a timely manner to avoid adverse long-term fiscal, monetary, financial, and external implications. In light of prevailing tight fiscal space, heightened debt vulnerabilities, and limited access to long-term financing in many EMDCs, compounded by the repercussions of the war in Ukraine, we view the RST as an important and innovative complement to bolster the IMF's existing lending toolkit. The RST would provide essential policy support and affordable long-term financing to support reforms and help address risks to sustainable and inclusive growth while strengthening resilience in these economies.

3. **Purpose. We believe that the RST should help address a wide range of structural challenges upfront.** We view the RST targeted at addressing long-term structural policy challenges covered by an IMF-supported program as essential to achieve the related prospective balance of payments (BoP) stability needs in EMDCs. We appreciate the proposal that the RST supports reforms that address challenges associated with climate change and future pandemics at the outset. Our engagement with our constituency countries indicates interest in the RST beyond the need to address climate change and pandemic preparedness. In light of the diverse challenges faced by many low-income countries (LICs), small developing states (SDS), and middle-income countries (MICs), we believe that the RST should cover additional structural challenges upfront. **This would include, notably, food security, sustainable public finances, job creation, more equal opportunities, financial inclusion, refugee and migration flows, economic diversification, digitalization, including central bank digital currencies (CBDCs).** We are particularly disturbed with the proposal to not only constrain the “Qualifying Longer-term Structural Challenges” to those related to climate change and pandemic preparedness but also to establish this as a “protected provision”, whose amendment would require consent from a qualified majority of contributors to the Trust. **We, therefore, suggest adding the above-mentioned structural challenges in the formal proposal, acknowledging that a framework would need to be developed in these different areas to make them operational.** Therefore, we also encourage staff to work with the World Bank or other relevant IFIs/MDBs to establish effective coordination and cooperation mechanisms in the aforementioned areas, in which the Fund already has an engagement strategy, in parallel to the full operationalization of the RST. *Staff’s comments would be appreciated on the way the priority areas for collaboration could be addressed in the next few months to ensure that cooperation frameworks are in place when the RST becomes operational. We would also welcome staff’s views on the extent to which the RST will support CBDCs.*

4. **Eligibility.** We support staff’s proposal of simple eligibility criteria for countries to access RST financing. We also appreciate staff’s efforts to address our call at the July and October 2021 meetings to enable the most significant number of countries with long-term structural challenges to have the option of tapping into the RST resources. In this regard, we welcome the fact that 143 countries, including all PRGT-eligible countries, all developing and highly vulnerable small states, and most MICs, will be RST-eligible (Annex I). However, given unsustainable debt, several of these countries may not be able to benefit from the RST. Therefore, we call for an efficient operationalization of the Common framework for debt treatment that will enable timely debt restructurings for participants. We also call for urgent consideration of debt treatment mechanisms for countries that are not eligible for the Common framework.

5. **Qualification and policies.** We support the proposed qualification requirements for an RSF arrangement. These include having (i) a package of high-quality reform measures

aimed at addressing long-term structural challenges, (ii) a concurrent financing or non-financing Fund-supported arrangement with UCT-quality conditionality, namely an SBA, EFF, SCF, ECF, FCL, PLL, PCI, or PSI, with at least 18 months remaining prior to its expiry, and (iii) sustainable debt and adequate capacity to repay. We are particularly pleased about the inclusion of precautionary and non-financing arrangements as part of the qualification requirements, as this addresses the potential demand from members that have no immediate BoP need but have prospective BoP stability issues. We are also comforted that a guidance note would elaborate on designing and assessing the strength of the package of structural reforms, which would typically be developed by the Fund in consultation with other relevant institutions, including the World Bank. **While broader coordination and consultations are important to leverage comparative expertise and institutional knowledge, we strongly support staff's view that the Fund alone must determine conditionality, ensuring parsimony, and that there is no cross-conditionality.** It is imperative that staff ensure that conditionality remains parsimonious and focused on critical issues linked to resilience and does not hamper the ability of countries to use the RST. This is particularly important in fragile and conflict-affected states (FCS), which face significant long-term structural challenges, and should not be left behind. *Staff's comments are welcome on ways to take the debt parameter into consideration to optimize countries' access to the RST.*

6. **Access.** Staff propose a cumulative access limit at the lower of 150 percent of quota or SDR 1 billion. However, for numerous small EMDCs whose quotas are less than SDR 200 million (currently, about 0.04 percent of the total IMF quota), this will translate into maximum access of SDR 300 million or less. **Therefore, given that shocks and needs tend to be disproportionately higher for small developing economies, we still favor considering a mechanism where countries with small quotas of below SDR 200 million or where the population is less than 1.5 million people are given a higher cap of 200 percent of quota.** We take note of the proposed access norm of 75 percent of quota as a starting point of access determination, reflecting resource constraints associated with the limited size of the Trust. Moreover, the significant income and growth divergence underway and the ongoing pandemic in poorer regions will require an increased risk appetite by the Fund, especially for LICs and fragile and conflict affected states (FCS). *We are concerned that the norm may act as a de facto ceiling and would appreciate staff's elaboration on the way they envisage BoP needs, the strength of the RST reform package, and debt sustainability considerations to influence the access norm. We also seek confirmation from staff that a higher cap of 200 percent of quota for small quota countries will be reconsidered, given current challenges and the marginal impact it would have on RST resources.*

7. **Additionality and Policy Safeguards.** From the onset, we supported an RST that would supplement Fund lending by providing additional financing to EMDCs, with the purpose of addressing the prospective balance of payments needs, with emphasis on filling a

gap in financing to SDS and MICs, the so-called “forgotten middle”, in addition to complementing the PRGT, by providing longer-term financing to LICs. We, therefore, support staff’s proposal to exclude RST financing from the policy safeguards for high combined credit exposure from the PRGT and GRA.

8. **Lending terms.** We support the Resilience and Sustainability Facility (RSF)’s design features relative to other Fund lending facilities, namely the maximum maturity of 20 years, a 10½ year grace period, an interest rate structure set at a modest margin over the three-month SDR rate, as well as the fact that it will not be subject to surcharges. In this connection, we are pleased that the RST terms will be cheaper than GRA terms and, at current interest rates, more concessional regular PRGT terms, as shown in Table 2, Annex II. We support the proposed tiered interest rate structure that differentiates financing terms across three country groups. We support the adoption of an interest rate cap for Group A borrowers to ensure that the poorest borrowers are protected from rising market rates, particularly as the global interest rate normalization takes place. Future reviews could detail the way the cap would become operational.

9. **Governance.** We strongly support the proposed RST governance structure and delineation of responsibilities, including the role of the Fund as a trustee with the Executive Board carrying authority to make decisions pertaining to the RST, with creditor consent as needed to alter the fundamental nature of the facility. We agree that a review of the RST be conducted three years after its creation. The presumed de facto preferred creditor status (PCS) of RST loans has our strong support. This is equivalent to lending under the GRA and the PRGT in recognition of the public good nature of IMF financing. Moreover, PCS is an important additional safeguard under a multi-layered risk management framework to underpin the safety of lenders’ claims on the RST. We welcome the RST graduation rules along with the buffer period and the principle that graduation changes will not interfere with the existing RSF programs.

10. **Financial architecture.** We commend staff for the proposed general framework, designed to ensure the safety and liquidity of contributors’ claims on the RST while minimizing the need for budgetary contributions. The three-pillar financial structure, consisting of a Loan Account, a Reserve Account, and a Deposit Account, proposes an adequate reserve buffer and a funding mechanism that helps maintain the reserve asset status through encashability and high asset quality. In order for the RST to attract donors, it needs an encashability mechanism to ensure that lent resources can continue to be counted as lenders’ own reserve assets. The proposed financial structure also envisages significantly higher reserve levels by the time RST loan repayments begin. We agree with staff that a smooth functioning SDR voluntary trading market would underpin successful RST operations and, therefore, encourage members with strong external positions to participate in the Voluntary Trading Arrangement (VTA) market.

11. **Investment Pooling.** We see merit in applying the PRGT's well-established investment strategy to the RST. To ensure responsible investment, we urge continued leveraging of tried and tested investment pooling strategies to set up the RST. We, therefore, support the pooling of RST resources with PRGT, to facilitate timely implementation of the investment strategy and limit investment costs. Further, we urge staff to apply standard practices from the PRGT to avoid administrative costs associated with setting up of a new structure.

12. **Next steps.** The staff has made significant progress in advancing the RST framework, and we support launching the fundraising effort immediately after the establishment of the RST so as to operationalize the Fund as soon as possible. We look forward to its operationalizing and concur with staff that this would require a critical mass of resources from a sufficiently broad base of contributors with strong external positions. The signal that an operationalized RST would give in this unprecedented uncertain context in terms of cooperation among countries will be extremely important. We know that staff is making every effort to make the RST operational, and now is the time for donors to rise to the occasion. We appreciate the demand projections and financing scenarios and note that to meet the projected baseline demand, with around 70 countries assumed by staff to request support in the coming years, the RST would need to mobilize US\$46 billion in total resources. *We would appreciate regular updates to the Board on potential contributions to the RST and updated demand.*

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GRAY/22/1023

April 8, 2022

**Statement by Mr. Chodos, Mr. Herrera, Mr. Lischinsky, and Ms. Bustillo on Proposal to  
Establish a Resilience and Sustainability Trust  
(Preliminary)  
Executive Board Meeting  
April 13, 2022**

We thank staff for its extensive efforts and well-designed proposal to establish a Resilience and Sustainability Trust (RST) and for the informative Q&A session.

Amidst a challenging geopolitical and economic juncture, the RST will complement the IMF's existing toolkit in support of the members' needs and enhance prospects for a sustainable and resilient recovery. Moreover, it will help leverage the large allocation of Special Drawing Rights (SDR) in a manner that addresses longer-term structural challenges and promotes the global public policy agenda. If this is not the case, that at least 30 percent of the new SDR allocation is transferred to those countries in need, it will be a failure, as was the 2009 one, and a reputational risk for the IMF.

The RST should remain consistent with the Fund's mandate to address balance-of-payment needs and with a focus on core activities in line with macro-criticality. By providing balance-of-payment support associated with long-term reforms, increasing policy space, and rebuilding financial buffers, the RST should contribute to prospective balance-of-payment stability. We take note that the RST would initially support measures to address climate change and enhance pandemic preparedness and concur that policies related to adaptation, transition, and mitigation are important to enhance balance-of-payment stability. Nonetheless, we are of the view that the RST should support reforms in wider areas as longer-term structural challenges that entail risks to macroeconomic stability depend on country circumstances and are country specific. Moreover, country ownership and strong commitment of the authorities will be critical to undertake the necessary reform.

We welcome that about 143 countries—low-income countries, vulnerable middle-income countries, and small states—will be eligible for RST financing. However, we would have

preferred making RST financing available to the full range of middle-income IMF members who commit to tackle long-term structural issues that impact prospective balance-of-payment stability. Providing support to all middle-income countries who undertake macro-critical reforms would enhance resilience and sustainability and be consistent with the global public good nature of RST lending.

We support the proposed low-cost long maturity lending terms, along with a tiered margin structure, and a review of charges as appropriate. Specifically, the longer-term 20-year maturity structure for loans and a 10-year grace period are essential as structural reforms take time to bear fruit. On access, the proposed cap at the lower of 150 percent of quota or SDR 1 billion falls short to balance demand and financing estimates. At the same time, we underscore that for many low-income countries' quota shares, and for many MICs and LICs, SDR 1 billion is significantly lower than their financing needs. That is why the RST access should be blended with GRA resources at a 20-year maturity and a 10-year grace period, to have a true significant long-term impact on MICs and LICs' financial needs.

Strengthening the collaboration with the World Bank is critical, not only to harness needed expertise in the areas to be supported by RST lending and provide the most effective support to member countries but because of their experience in long-term maturity loans. In this regard, we welcome the coordination framework with the World Bank on RST operations and underscore no cross-conditionality. At the same time, we would also favor drawing, as appropriate, on the vast expertise of other international institutions, including regional development banks.

We support the proposed financing architecture. As designed, the financial architecture would mitigate credit risk for contributors' claims supported by a multilayered risk management framework that preserves the reserve asset. In addition, the encashment scheme would counter liquidity risk if a creditor needed to recall its loans at short notice. Of note, however, is that for the RST to become operational, both sufficient loan resources and a broad pool of contributors are needed. In this regard, we emphasize the importance of staff's fundraising efforts and keeping the Executive Board regularly informed on fundraising status. Moreover, staff's efforts to increase the scale of existing Voluntary Trading Arrangements (VTAs) and the number of VTA participants remain critical to ensure enough liquidity and the smooth functioning of the market.

On administrative costs that the RST should deal with, it is time that countries burden-share the IMF's administrative costs. The RST should pay these costs to the GRA account, but other financial global goods, as among others, AIVs or FSSPs of AEs, should be paid by a small group of vulnerable MICs and LICs indebted with the IMF.

Finally, we call on staff to operationalize the RST with urgency once approved by the Executive Board. In addition, a comprehensive review of the RST should be undertaken

within no more than a year from its implementation so as to address shortcomings of putting it in practice.

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GRAY/22/1027

April 8, 2022

**Statement by Mr. El Qorchi and Mr. Ahmed on Proposal to Establish a Resilience and Sustainability Trust  
(Preliminary)  
Executive Board Meeting  
April 13, 2022**

1. **We thank staff for a detailed paper laying out a proposal for the establishment of a Resilience and Sustainability Trust (RST).** We broadly concur with the proposal to establish the RST with the objective of facilitating structural transformation in financially-constrained countries to prevent significant future balance of payments (BoP) pressures. The RST enjoys broad support from the membership and the proposed design features and financial architecture draw on consultations with the Board as well as key stakeholders.
  
2. **We agree with the conceptual underpinning of the RST.** The Fund's historic \$650 billion general allocation of Special Drawing Rights (SDRs) was appropriately timed to ease member countries' financing constraints, amidst the pandemic, and provided much-needed policy space for countries to foster macroeconomic stability and build up external buffers. The challenges from the pandemic, spillovers from geo-political shocks, and long-standing structural problems pose a significant impediment for BoP stability and sustainable growth, especially for LICs, vulnerable MICs, and small developing states (SDSs). The pandemic shock has widened financing gaps in such countries, which along with debt vulnerabilities and limited access to long-term financing, are posing daunting challenges. It is against this backdrop that we welcome the ongoing initiative to re-channel SDRs from countries with strong external position to countries where the need is enormous, through the RST framework to help address long-standing structural vulnerabilities.
  
3. **The proposed RST aims to contribute to BoP stability by supporting policy reforms that reduce macro-critical risks associated with longer-term structural challenges, and by enhancing economic resilience and sustainability.** We support the RST's goal to address a broad set of challenges facing LICs, MICs, and SDSs in line with the countries' constraints and own priorities. Climate change is unequivocally important, but there are also critical challenges for LICs, MICs, and SDSs. For instance, the pandemic has

set back the significant progress that many of these countries had made over the last decade in the areas of poverty alleviation and social safety net strengthening policies. Additionally, we think digitalization can have a material impact on future pandemic resilience and prospective BoP stability as, during the ongoing crisis, countries with strong digital footprints have demonstrated resilience, and arguably are rebounding faster from the crisis.

4. **Eligibility should prioritize the Fund’s most vulnerable members, including LICs, SDSs and vulnerable MICs.** The income-based model, subject to regular reviews similar to the PRGT, seems appropriate to ensure a better targeting of countries highly exposed to climate change and those at an early stage of their digital development. That said, we underscore that a concurrent UCT-quality program should not be a pre-requisite for accessing the Resilience and Sustainability Facility (RSF). We are not convinced of the thinking and rationale behind tying RST policy safeguards to a UCT quality program conditionality. The RST should be structured flexibly to allow countries with long-term structural challenges with potential implications for BoP stability to access the Trust. RST program design should also incorporate appropriate safeguards to mitigate any adverse risks without necessarily coupling it with a UCT quality program. *It would be peculiar to deny access to RST for a country prone to serious climate change threats and risks or even confronting the consequences of a major climate change disaster because it doesn’t have a UCT program. Also, we consider that the demand scenarios might significantly change in the case of a stand-alone RST program. Staff comments are welcome.*

5. **We reiterate that RST access policy should be stand-alone.** The Fund’s existing PRGT/GRA access norms can serve as a useful guide to operationalize the RST at the outset, but we anticipate that financing long-term structural programs might require significantly greater funding than short-term programs. In this context, we view the capping of access at 150 percent of quota or SDR 1 billion, whatever is lower, to be modest considering the large financing needs associated with addressing qualifying structural challenges. As a result, even though we strongly support the RST proposal, we believe that the proposed funding for several MICs and blend LICs with long-term balance of payment problems, will be insufficient to meet the long-term financing needs related to the objectives contemplated and challenges ahead.

6. **We support the proposed financial architecture of the RST. The governance structure of the RST is envisaged to be broadly similar to the PRGT and administered as a loan-based Trust.** Lenders will voluntarily contribute SDRs, which will provide the loan resources for eligible borrowers. The RST presumes *de facto* preferred creditor status. We support the staff proposal to review RST three years after its creation or earlier, if warranted. We agree with a multilayered credit risk mitigation framework relying on policy safeguards, financial buffers, and a supportive multilateral context.

7. **Finally, we underscore the need to effectively mitigate potential risks for Fund finance, human resources, and reputational risks** from creating a new RST, including those arising from the low access cap or low demand amid high expectations.

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GRAY/22/1028

April 8, 2022

**Statement by Mr. Tanaka, Ms. Kashima, Mr. Naka, and Ms. Fukuda on Proposal to  
Establish a Resilience and Sustainability Trust  
(Preliminary)  
Executive Board Meeting  
April 13, 2022**

We appreciate the comprehensive paper on the detailed proposals for the establishment of the Resilience and Sustainability Trust (RST) building on the past informal Board discussions. We highly expect the RST to amplify the benefit of the SDR allocation to help borrowers address structural challenges and to be smoothly operationalized later this year. As we broadly support the staff proposal in the paper, we would like to emphasize the following points.

***Scope of Purposes***

**We support the envisaged purposes focusing initially on climate change and pandemic preparedness, which are macro-critical and relevant to many member countries.** We are assured that the Resilience and Sustainability Facility (RSF) could effectively compliment the Fund's existing lending toolkits, serving the membership as a helpful guidance to bolster sustainable growth. Given the ongoing Fund's own capacity building and fundraising status, we consider that the early focus on climate- and pandemic-related reforms would be reasonable and would facilitate the smooth take-up of the RSF.

***Key Lending Features***

**We agree with the RST's proposed key design features, including eligibility criteria, access limit and interest rate structure.** The eligibility criteria proposed in the paper would ensure that the countries vulnerable to the envisaged structural policy agenda would have access to the RST. We consider that the proposed access limit of the lower of 150 percent of quota or SDR 1 billion would allow equitable access among the targeted recipients while leveraging the catalytic role of the Fund's financing. We also note that the highly

concessional nature of the RSF lending is sufficiently ensured through a long grace period and the tiered interest rate regime. Although we are open to consider putting an interest rate cap for PRGT non-blender countries in a future review, a careful approach would be warranted so as not to erode the Trust's financial soundness. Such a cap should not be introduced when the accumulation of the net reserve is below expectation.

**We are pleased to see granular image of the RSF conditionality, starting with the 'reform measures' to address climate change.** We encourage staff to continue working on the conditionality framework for pandemic preparedness objective. As we understand that tying each disbursement to one reform completion would benefit clarity of program reviews and that pricing each reform is not realistic, we emphasize that reform measure design is even more critical for effectiveness and plausibility of the RSF. We also stress that a concurrence of a UCT program is critical for the RSF's additionality nature.

### *Safeguards*

**The Fund should secure sufficient safeguards to support robustness of the RSF.** Given the long-term and *de facto* senior nature, the entire debt and debt service burden should be well considered for the sake of both borrowers' sustainable growth and sound financial operation of the RST. Indication of debt composition, analysis of long-term debt sustainability under the LIC Debt Sustainability Framework (DSF) or the Sovereign Risk and Debt Sustainability Framework for Market Access Countries (MAC SRDSF), and an extended capacity to repay projection would be integral pieces.

**Further, it is necessary to have an enhanced follow-up engagement with the borrowers even after expiration of the program.** To this end, we welcome that an absolute level of outstanding RST credit is set as another threshold for the Post-Financing Assessment (PFA) in addition to the current one relative to quota. Meanwhile, if the PFA would not be activated and there is no follow-up UCT program, extra focus in Article IV consultations should be put on the borrower's capacity to repay and relevant policy implementation. We request staff to ensure continued monitoring even within the regular engagements including coordination with the World Bank (WB) when needed.

### *Financial Architectures*

**We support the proposed financial architectures and reiterate that the Fund should secure the reserve-asset status of the claims on Loan Account (LA) and Deposit Account (DA).** *De facto* preferred creditor status (PCS) of RST loans needs to be acknowledged in an upcoming IMFC Communiqué. We also would like to ask staff once again to refrain from emphasizing DA's possibility of functioning as a credit risk backstop. We urge the Fund to have clear external communication that claims on DA, as well as LA, would be entitled

reserve-asset status with sufficient liquidity and security. We also note that allowing standalone contributions to DA and/or Reserve Account (RA) would facilitate mobilizing further contributions to build up reserves, which increases security of claims on the RST for all contributors.

**A well-functioning voluntary SDR trading market is important for smooth RST-related SDR transactions.** We are assured that the market capacity could absorb sufficiently the expected SDR trading demand. Contributors to the RST should also contribute to Voluntary Trading Agreement in an equitable manner, and we expect the Fund's continued efforts on this front.

### *Governance, Coordination and Integration with CD*

**We consider that continuous Board engagement is key for strong, accountable, and transparent implementation of the RST.** In this regard, we support reviewing the RST three years after operationalization, including the assessment of sunseting. We also support the scope of the protected provisions in the RST Instrument, which specifies fundamental terms of the RST and requires creditor consent if amendment is needed, in order to secure quality of contributors' claims.

**We welcome the framework for coordination with the WB.** Like climate change programs, we encourage staff to continue working on a framework for pandemic preparedness programs with relevant international organizations, notably, the WB and the World Health Organization. It is important that the Fund and the WB take advantage of their expertise and respect each other's mandates, and harvest synergies by reducing activity overlaps and redundancy under overall development policies. In this regard, the Fund should deeply involve the WB in program formation and assessment. We appreciate the formulation of the Broad Principles for Bank-Fund Coordination in RST operations, but in the meantime, it would be likely that staff needs to seek appropriate form and degree of coordination on a case-by-case basis under these Principles. A test case at an early stage would be helpful for providing granular image of actual collaboration.

**We strongly support integration with CD in the context of the RST reform measures.** Just as we have encouraged further strategic integration of CD with lending and surveillance in general, CD would play a critical role to make RSF programs successful through identifying policy challenge and addressing capacity constraints. Further, the Fund has been expected to collaborate closely with the Bank in particular in the area of climate change in order to ensure complementarity and consistency. We strongly encourage staff to deepen this collaboration in CD also for effective design and implementation of the RST reform measures.

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GRAY/22/1032

April 8, 2022

**Statement by Ms. Lim, Mr. Mochtar, Mr. Ong, Ms. Wongwaisiriwat, Ms. Abu Bakar,  
and Mr. Bautista on Proposal to Establish a Resilience and Sustainability Trust  
(Preliminary)  
Executive Board Meeting  
April 13, 2022**

We commend management and staff for the tremendous speed in designing a brand-new financing facility, the Resilience and Sustainability Trust (RST). We welcome the establishment of the RST as an important addition to the Fund's lending toolkit to help meet members' structural transformation needs. We broadly support staff's proposals for the RST design, noting that the coverage, eligibility, and qualification criteria have been refined over the months following close engagements with the Board. Here, we offer the following additional points.

**RST Design and Collaboration with Partners**

**We reiterate the importance for RST to have a distinct design and modality that do not overlap either with existing Fund financing facilities, or financing arrangements offered by other Multilateral Development Banks.** We expect that staff reports on RSF arrangements would comprehensively discuss how any requested RSF arrangement appropriately complements and/or catalyzes financing and programs from other relevant development partners. Given the Fund's limited domain expertise on climate change and pandemic preparedness, we underscore the urgency and criticality to put in place, firm collaboration frameworks with relevant institutions – WBG, WHO, IFIs and MDBs, and possibly even private financing institutions. These frameworks should carefully set out not just modalities for technical-level collaboration, but also consider higher-level strategy coordination across institutions. *Moreover, as the survey indicated that as many as 64 countries are interested in accessing the RST to support reforms on pandemic preparedness, could staff share if WBG or WHO has existing financing and assessment tools in this area that are ready to meet this frontloaded demand?*

**Access Limits**

**We welcome the proposed criteria for borrowers to have a concurrent “on track” UCT program and can go along with the overall cumulative access cap of 150 percent of quota or SDR1 billion as a start.** However, we remain of the view that the percentage cap on quotas may not meaningfully meet the financing needs of members with lower quotas. The ongoing IEO evaluation of the Fund’s emergency response to the pandemic has also preliminarily found that the amount of emergency financing provided to small developing states, constrained by the access limits, have very limited relationship with their actual financing needs, resulting in these members suffering the largest depletion of their reserves during the crisis. In our view, this indicates the need for the Fund to take a more flexible option in determining access for our most needy and vulnerable members. *Could staff confirm if the proposed cumulative access limits are hard caps?* On a related note, we encourage early engagement to promote awareness amongst authorities to the upcoming rollout of the RST, and if authorities might have interest, to flag that they may need to take the time to rollout a UCT program, whether a financing or non-financing one, as well. We urge staff to closely monitor take-up of RST financing amongst the small developing states. If RST financing is clearly not finding its way to the Fund’s most vulnerable members, the Fund needs to carefully analyze and address the underlying reasons in a timely manner, potentially even earlier than the review at the three-year mark.

### **Financial Architecture and VTA**

**We strongly welcome staff’s new proposal to allow for “standalone contributions” to the reserve and/or deposit accounts, as an added option to the “Contribution Package.”** Standalone contributions to the deposit account could help facilitate contributions from members who may be bound by legislative or other domestic requirements to only contribute their SDR holdings if the reserve asset status of the SDR holdings can be retained.

Separately, the PRGT’s reserve account was earlier funded with Special Disbursement Account (SDA) resources derived from gold sales profits. We understand that the use of internal resources to fund the reserve account of the RST would require time-consuming consensus-building discussions amongst the members and might not be timely enough given the need to establish the RST in a short period of time. That said, we urge staff to perform the necessary analytical work to examine such an option especially if there are clear signs that RST fundraising is below target and unable to meet members’ demand for RST financing. *Staff’s comments are welcome.*

**On VTA, we acknowledge the work of the Fund in bringing more participants onboard.** Even though the scaled up absorptive capacity of the voluntary market is expected to be sufficient for future exchanges of SDRs, we encourage the Fund to continue its efforts to engage with more Fund members to further expand and strengthen the voluntary market.

### **Enterprise Risk**

**We encourage staff to continue to work closely with ORM to arrive at a more holistic framework for assessing and managing risks associated with the RST.** We note that the staff’s current design proposals for the RST are formulated with a view to mitigate much of the associated risks to the Fund. In parallel, such close collaboration with ORM would help staff identify and assess risks in a more forward-looking manner and allow the management

and the Board to see the trade-offs between risks more systematically. For instance, while the proposed access criteria are designed to limit financial risks to the Fund, they might gradually add to the Fund's reputational risks in the longer term if the new facility fails to sufficiently meet the needs of its most vulnerable members. To mitigate risks in a more comprehensive manner, the Fund needs to continually review the initiative against the ERM framework as it gains experience in operationalizing RSF, to appropriately modify policy and design modalities, financial architecture, and other safeguards.

### **Guidance Note and Pilot Program**

**As the Fund reaches the final mile of the initial *design* phase of the RST, we urge speedy progress in *operationalization*.** Chief amongst these, is the preparation of the Guidance Note which should clearly set out how staff assess a myriad of factors, including the strength and ambition of the package of RST-supported reforms, members' capacity to repay amongst others, to derive the appropriate access limits. We call for the use of contrasting country case studies to better illustrate how assessments can be performed in an evenhanded manner. **We also welcome the staff's intention to identify a few suitable country members as pilots for the RSF arrangements to help build experience and identify areas for further refinement.** *Could staff elaborate on the timeline and details of the pilot programs?*

### **Integration with Surveillance and Capacity Development**

**Lastly, RST lending and supported policy reforms need to be complemented by rigorous ongoing surveillance and well-integrated, country-tailored capacity development efforts to secure durable improvements in members' ability to mitigate or deal with structural changes.** On surveillance, we reiterate the call for newly developed surveillance analytical tools, for instance incorporating climate adaptation into fiscal frameworks and climate risk analysis for FSAPs, to be well-integrated into surveillance for our broad membership. On capacity development, we also emphasize the need for Fund CD to be well coordinated with that provided by other development partners.

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GRAY/22/1033

April 8, 2022

**Statement by Mr. Palotai, Mr. Azal, Mr. Just, and Mr. Harvan on Proposal to Establish a  
Resilience and Sustainability Trust  
(Preliminary)  
Executive Board Meeting  
April 13, 2022**

We thank staff for the extensive engagement and revisions in the paper reflecting some of our concerns raised in the previous informal meetings. The RST breaks new ground by going beyond the Fund's core function of lender of last resort in areas with no clear comparative advantage. The Fund will inevitably tread on the turf of other IFIs, MDBs and RDBs and should aim to benefit from their rich experiences and expertise instead of reinventing the wheel. Since the Fund is entering uncharted territory with the RST, we can accept a not fully fleshed out proposal reflecting strengthened safeguards. We emphasize the need for a comprehensive review of its functioning early on as well as to be briefed before operational glitches turn into significant risks.

We underscore that the **purpose** for which SDRs are channeled must be consistent with the Fund's mandate. Fund-supported programs should be directed primarily towards (i) solving the members' balance of payments problems and (ii) achieving medium-term external viability while fostering sustainable economic growth. We would like to stress that only those long-term structural issues should be approached which create macro-critical risks to prospective BoP stability.

We note that significant uncertainty remains about how the RSF will be **implemented**. In particular, how prospective BOP needs will be assessed and quantified and how the strength of RST-related reforms will be analyzed. Close coordination and cooperation with others in assessing the strength of reforms in areas where the Fund has no expertise will be essential for the effective use of resources. We encourage staff to also work with regional IFIs including the EIB, ADB and EBRD as partners. Utilizing the lessons learned from the emergency financing we see value in standardizing prior actions on governance, in particular with regards to public investment management, before disbursing any RSF support. We look forward to staff's engagement in the ongoing work on guidance notes which will play an essential role in guiding programs and ensuring comparable flexibility and consistency across country cases.

We underscore the importance of linking RSF financing to an on-track concurrent Fund-supported program with UCT-quality ex-post conditionality. The RST proposals appropriately ringfences the GRA and PRGT conditionality and reviews. We welcome the additional **safeguard** measures announced to manage situations where the UCT program goes off-track before the RSF supported reforms and disbursements have been completed. We note the RST's specific risks highlighted and welcome the proposed mitigating actions, albeit they might fall short of what is needed. We welcome the proposal to count RSF financing towards the quota threshold established under the Post-Financing Assessment (PFA) policy. However, a more robust post program monitoring mechanism going beyond naming and shaming in Article IV reports would help, for example by allowing the Board to decide on early repayment of outstanding RSF loans. Country ownership of RST supported programs will be crucial for success. We welcome the additional proposed safeguard to ensure that the RST lends only to countries with sustainable debt and sufficient capacity to repay.

We further support that determination of **access levels** will take account of country-specific considerations, including the strength of the RST-supported reforms. The impact of excluding RSF lending from the EAF should be closely monitored and fully assessed at the time of the first review of the RSF. We underscore the significant challenges of reliably assessing debt sustainability and capacity to repay over such a long period. We acknowledge the proposals to mitigate excessive accumulation of de facto senior debt and to prioritize payments to the GRA and the PRGT over RST obligations.

We welcome the Fund's intention to review periodically the **adequacy of reserves** together with the interest and charges' structure with a view to ensuring an adequate degree of reserve coverage. We note that the build-up of the Reserve Account will be slow and that the reserves-to-loans ratio is projected to be substantially lower than that of the PRGT by the time loan amortizations fall due, which warrants close monitoring of the adequacy of net reserves over the coming years. *Staff's comments on how a potential fundraising shortfall will be addressed and implications for the effective functioning of the RST, should the funding gap persist, are welcome.*

We welcome the assurance on fair global burden sharing among existing **VTA** members. The RSF loans will have a much longer maturity and VTA members will likely see longer periods before SDRs are exchanged back to currencies. Only VTA members should be RST loan account contributors. We encourage staff to continue with their efforts to expand the list of VTA members.

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GRAY/22/1037

April 8, 2022

**Statement by Mr. Jennings and Mr. Villeneuve on Proposal to Establish a Resilience and Sustainability Trust  
(Preliminary)  
Executive Board Meeting  
April 13, 2022**

We thank staff for the proposals to establish the Resilience and Sustainability Trust (RST), and for their impressive efforts to develop this important and significant new instrument.

**We strongly support the establishment of the RST.** The RST will help make IMF concessional finance available not only to low-income countries, but now also to vulnerable middle-income countries. In addition, it will help advance the global efforts to support vulnerable countries to address climate change and longer-term structural challenges. We welcome the proposed maximum loan maturity of 20 years and a 10.5-year grace period, while acknowledging the significant challenges of reliably assessing debt sustainability and capacity to repay over such a long period.

**We support the proposed design features of the RST and see greatest value in an initial focus on climate change.** The macro-criticality of climate change is indisputable, and it is an area where the Fund has clear and growing experience and expertise. We welcome the initial and illustrative conditionality examples related to strengthening resilience to climate change. We encourage staff to develop similar illustrative examples regarding conditionality on pandemic preparedness. It will be important for the Fund to not slip into the project finance role played by MDBs.

**We can support the proposed access limits,** though we would have preferred a tiered access limit structure (akin to the tiered interest rate structure) or allowing exceptional access to vulnerable members with very small quotas.

**We strongly welcome the planned strong and systemic collaboration with the World Bank and other multilateral institutions.** We agree with the proposed five areas for coordination between Bank and Fund staff and welcome the broad principles for cooperation—including the details on the modalities of engagement. We look forward to

more detailed guidelines as regards the cooperation with other MDBs, as well as with the World Health Organization on pandemic preparedness related loans, by the time of the operationalization of the RST.

**We welcome the six new participants to the group of Voluntary Trading Arrangements (VTAs) providers as of March 2022 and take note of the projections by the Fund of a sufficient absorptive capacity of the VTAs, even if the full amount of the estimated SDRs channelled to the RST (SDR 33 billion) were to be converted in the VTA market. We encourage additional members to join the VTAs.**

**Significant and tailored outreach to eligible countries, especially for small states, will be critical to making the RST a success.** Many of these members have never had a UCT program and have very limited public service capacities. A non-financial program (e.g., a PCI) that closely aligns with the members' existing reform objectives may be an easier pathway for many, but these tools especially are not widely understood. It will be very important for staff to provide tailored support and engagement to eligible members to help them better understand not only the support available under the RST, but also the various options and processes to secure a UCT-quality arrangement.

**It will be important to ensure that the RST delivers on its potential.** There are clear expectations that the RST will be an accessible tool and provide significant support to countries most in need of resources to support strengthening resilience to climate change and other long-term challenges. In addition to the planned comprehensive review of the RST three years after its creation, it will be important to take stock of RST resource adequacy and operations on an annual basis, at least at the outset of the RST's existence. This will enable tweaks and course-corrections as necessary, including perhaps to make the RST more attractive and accessible.

**We call on the Fund and the membership to ensure that the RST is operational by the 2022 Annual Meetings.** This will require securing a critical mass of contributions from a sufficiently broad base of contributors by the time of the launch. We call on all members with strong external positions to contribute to the RST as soon as possible.

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GRAY/22/1038

April 8, 2022

**Statement by Ms. Shortino, Ms. Medearis, and Ms. Rao on Proposal to Establish a  
Resilience and Sustainability Trust  
(Preliminary)  
Executive Board Meeting  
April 13, 2022**

We strongly support the establishment of the new Resilience and Sustainability Trust (RST) and welcome that staff have moved expeditiously to reach Board approval on this new trust. The RST provides a critical opportunity to pool resources in a trust that leverages SDRs towards supporting countries in their efforts to address medium-term structural issues such as climate change and pandemic preparedness. The RST will help eligible countries address longer-term structural challenges, thereby improving their resilience to balance of payments shocks stemming from these challenges and laying a foundation for sustainable economic growth. The RST is needed now more than ever, as spillovers from Russia's unjustified invasion of Ukraine threaten durable recoveries from the pandemic and impede the financial capacity of some countries to invest in longer-term resilience. **We support the proposed decisions on the creation of the trust, with two modifications to the purposes of the Trust.** Specifically, we would request the following changes to Attachment A: (1) Paragraph 1(b) should specify that Qualifying Longer-term Structural Challenges on climate change should include energy security, and (2) Section XI should include a review of the RST's purpose in one year.

**We welcome the RST's proposed focus on climate change and pandemic preparedness at the outset, in line with the results of the survey on borrower demand.** In the current environment, with rising energy prices resulting from Russia's war in Ukraine, we believe it critical that the qualifying longer-term structural challenges include "energy security" as part of the RST's focus on climate change. We appreciate the illustrative conditionality in staff's proposal. We expect that RST programs will clearly lay out the linkages to improved balance of payments stability and/or balance of payment needs stemming from reforms. We encourage staff to engage with the broad range of eligible countries, including small island developing states, so that the RST supports robust economic programs that span the full breadth of health and climate challenges—adaptation, mitigation, and transition.

**We support the proposed broad country eligibility, dual access limit approach, pricing, safeguards, and financial structure for the RST.** We reiterate the importance of a concurrent, on-track UCT-quality program as a prerequisite for RST lending. This requirement anchors RST reforms within strong macroeconomic frameworks, confers necessary safeguards, and helps ensure the additionality of RST financing. Depending upon realized RST demand and funding, we see a benefit to revisiting access limits at the comprehensive review to assess whether the 150 percent or 1 billion SDR caps are sufficient to incentivize meaningful long-term structural reforms and take-up among intended beneficiary countries. Should global interest rates rise, and the RST's financial position allows, we would support capping RST interest rates for lower income borrowers. We appreciate staff's close attention to and mitigation of enterprise risks, as detailed in Table 1, and encourage staff to share similar assessments as part of other Board policy documents.

**We view close IMF coordination with the World Bank and other relevant international organizations, such as the WHO, as critical to identify and design ambitious RST reforms.** We commend Fund and World Bank staff on the development of the Broad Principles for Bank-Fund Coordination in RST Operations to facilitate the design and assessment of climate-related conditionality. The staff report notes that a framework for collaboration on pandemic preparedness is under discussion with the World Bank and other stakeholders, including the WHO. *Can staff provide an update on this framework, including the respective roles of the World Bank and WHO, and timeline for finalization?* We stress that any expansion of the RST's purpose should also involve the development of collaboration frameworks with relevant leading institutions.

**Lastly, we welcome staff's commitment to conduct a comprehensive RST review no later than three years, and also call for an interim review one year after the operationalization of the RST to assess whether to expand upon the qualifying longer-term challenges eligible for RST financing.** Given the uncertain outlook and potential spillovers from Russia's war on Ukraine, we believe a more narrow review of the RST's purpose is warranted to assess whether there are additional longer-term challenges that would require RST support. This review could also evaluate emerging RST demand and resource developments.

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GRAY/22/1039

April 8, 2022

**Statement by Mr. Binzarah and Ms. Alhawas on Proposal to Establish a Resilience and Sustainability Trust  
(Preliminary)  
Executive Board Meeting  
April 13, 2022**

We thank Staff for the comprehensive proposals and helpful Q&A session. We are broadly supportive of multidimensional measures that address macro-critical long-term structural challenges faced by vulnerable countries. If designed and implemented appropriately, the proposed Resilience and Sustainability Trust (RST) could complement the IMF's existing lending toolkit focusing on longer-term macro-critical structural challenges that are within the Fund's areas of expertise. In this regard, the establishment of the RST should ensure the consistency with the IMF's mandate and preserve the nature of the SDR as a reserve asset. We offer the following comments for emphasis.

**We take a positive note of the inclusion of Pandemic Preparedness under the RST, but reiterate the need for the trust to be multi-focused at the outset.** This will allow it to address balance of payment issues in a more inclusive way and enable it to better cater to the needs of its potential beneficiaries. We underscore that macro-criticality is country specific and we strongly encourage staff to go beyond the proposed early focus on climate change and pandemic preparedness. Given the macro-economic situation of many EMDCs other important challenges, such as energy poverty, digitalization, and unemployment can be included. While the intention to expand the trust is included in the proposal, no concrete plan has been suggested and details remains unclear. Nevertheless, we see merit in the coverage of climate issues, but these be limited to adaptation measures as building resilience to climate shocks is most relevant to the identified beneficiaries. More generally, we emphasize the balance between the adaptations policies in climate change on the reform measures – initial and illustrative consideration, as per the principles of the UNFCCC and Paris Agreement. Here, we note the "climate mitigation section" examples that can include CCE, investing in

new technologies, and carbon capture utilization and storage (CCUS). *We would appreciate staff's comments on the timeline and intentions on expanding the scope of the RST? Specifically, how do staff envisage the addition of new topics? Which topics are in the "pipeline" and/or most likely will be included? How long do staff expect the focus to remain mainly on climate and pandemic preparedness as it is the case at the onset?*

**Close coordination and collaboration with relevant stakeholders, specifically in areas outside the Fund's expertise, is paramount to the success of the Trust.** The RST should operate in line with the Fund's mandate. Here, we are appreciative of staff's efforts and consultations with the World Bank and other relevant MDBs. And we welcome the proposal's details on coordination with the World Bank on climate. However, we note in the proposal that the framework for collaboration on pandemic preparedness is lagging. On this note, we stress the importance of timely coordination with the relevant stakeholders on each of the trust's focuses. *Could staff provide a scope, timeline, and updates on the collaboration framework on Pandemic Preparedness?*

**The eligibility requirements and the complementary nature of the RST to Upper Credit Tranche (UCT)-quality programs are appropriate.** Here, we echo staff's conclusion that the interplay with UCT- quality programs will allow for adequate safeguards, avert facility shopping, and create mutually supportive policies that support a stable macroeconomic environment which is a necessary condition for pursuing effective long-term reforms. Moreover, as mentioned by staff, support under a qualifying UCT program will help medium-term balance of payments sustainability and provide the macroeconomic foundation for an RSF arrangement to tackle longer-term challenges. We strongly support the integration of the Capacity Development within the RST and call on targeted tailored programs. We can support the RST's proposed favorable lending terms while we remain to be convinced about the program length. We suggest a maturity length comparable to PRGT to the extent possible, to ensure that the trust is not perceived as developmental in nature.

**On governance, we support the proposed structure as it pertains to the IMF and Executive Board's role and the preferred creditor status.** We recognize the extension of the Fund's preferred creditor status and its role in mitigating credit risks for contributors, while underscoring implications on debt for borrowers. Here, we emphasize the importance of realistic debt sustainability analysis and capacity to repay considerations given the long maturities of the facility and mounting debt vulnerabilities of many potential beneficiaries. With many dynamic variables and uncertainties affecting the eligibility requirements and access levels among others, a review of the trust could take place earlier than the proposed three-year timeline.

We look forward to timely board updates regarding evolvments of the RST.

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GRAY/22/1040

April 8, 2022

**Statement by Mr. Trabinski, Mr. Peter, and Mr. Gindrat on Proposal to Establish a  
Resilience and Sustainability Trust  
(Preliminary)  
Executive Board Meeting  
April 13, 2022**

**We support the establishment of the Resilience and Sustainability Trust (RST) to help members address the challenges of climate change.** We underscore that the RST needs to operate within the Fund’s mandate. We also support the review of the RST three years after its establishment.

**The rationale of the RST is to provide financial support to low-income countries, small states, and vulnerable middle-income countries in addressing risks to prospective balance of payments stability stemming from longer-term structural challenges.** The RST will complement the Fund’s existing lending toolkit at the long end of the toolkit’s term structure, with an emphasis on stability-enhancing economic transformation. Choosing reform targets and monitoring implementation will be highly challenging given the time horizon of up to two decades. For the RST to achieve its purpose, the Fund as trustee must focus on its specific expertise in macroeconomic policy design and in supporting macro-critical reforms. To garner other essential information and know-how, close and effective cooperation with the World Bank—and others when appropriate—is critical.

**The main purpose of the RST should be to help members address the universal challenge of climate change.** Climate resilience and transitioning to a low-carbon world is the one global public good that uniquely justifies Fund financial support via the new facility. We can go along with having pandemic preparedness as a second policy objective, although we underline that there are no established procedures and a general lack of expertise at the IMF when it comes to health-related topics. *Could staff elaborate?* More generally, we do not support envisaging an expansion to other purposes, which may dilute the scope of the instrument.

**The Fund, including its Executive Board, has a particular responsibility to ensure the financial soundness of the RST.** According to its legal framework, the Fund as trustee of the RST cannot bear any risk of loss. Thus, the proposed design features of the RST providing the necessary policy and financial safeguards are imperative. We strongly support the requirement of an on-track Fund-supported program with UCT-quality conditionality, the binding cap on access of (the lower of) SDR 1 billion or 150 percent of quota, and the build-up of sufficiently strong reserve buffers. The consistency of RST reform targets with GRA/PRGT conditionality will be critical to ensure a solid foundation for structural policy implementation and to mitigate credit risks. The reserve asset quality of contributors' claims must be preserved, including for those providing SDRs.

Building on our statements in earlier informal Board discussions, we have the following specific comments on the RST proposal:

- **We reluctantly accept that the RST foresees a loan maturity of 20 years and classifies FCL and PLL arrangements as instruments allowing for qualification for the Resilience and Sustainability Facility (RSF).** To limit financial risks to both the Fund and the RST, we would have preferred RSF financing to count for the purpose of triggering the application of the exceptional access frameworks and the combined GRA-PRGT high access safeguards.
- **We approve of the additional flexibility for potential contributors to provide standalone funding to the Reserve Account and the Deposit Account.** Such contributions would indeed generally be in the interest of the Trust and help strengthen its financial basis. Moreover, the periodical review of the adequacy of reserves together with the interest and charges structure would help ensure an adequate reserve coverage.
- **We understand and appreciate that the extension of the purposes of the RST will be a protected provision and changing it will need a voting majority of contributors representing 70 percent of total commitments.** *We would appreciate more clarity on what other fundamental terms of the RST instrument will be similarly protected and ask staff to elaborate.* We also note that for a non-consenting contributor, further drawings under its borrowing agreement will be suspended and a repayment of principal contributions to the Reserve Account or the Deposit Account can be requested.
- Regarding the transitional arrangement for the first six month of operations of the RST, we consider the minimum 12-month overlap with an UCT-quality program as a very short time lapse. *Could staff elaborate more on the rationale and need for this transitional regime?*

**The RST requires operational clarity and budgetary transparency.** The Fund needs to establish workable procedures for RST lending and inter-agency collaboration practices.

Both will be staff-intensive and call for cost awareness. We thank staff for laying out the respective set-up costs and steady-state implications, and how these costs will be recovered. We also appreciate the indications on how staff envisages to mitigate enterprise risks in Table 1.

**We welcome the increased number of VTA participants and call on the Fund to continue its efforts in this regard.** This expansion helps to enhance burden sharing and to ensure the absorption of the likely volume of exchanges of SDRs in freely usable currencies. We take good note of staff's assessment of the impact of SDR-to-RST channeling on the SDR trading market.

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GRAY/22/1043

April 11, 2022

**Statement by Mr. Jin, Mr. Zhang, and Mr. Bai on Proposal to Establish a Resilience and Sustainability Trust  
(Preliminary)  
Executive Board Meeting  
April 13, 2022**

We thank staff for the well-written report and the helpful bilateral outreach with our office. In light of the heightened uncertainties in the global outlook, still ongoing pandemic, and increasing significant climate risks, the RST will play an important role in supporting member countries in need, especially supporting reforms targeting climate issues and pandemic preparedness.

**We broadly support the overall design of the RST, and China is willing to positively make our contribution to the RST after its establishment.** Last year, President Xi announced to channel 10 billion US dollars SDR to African countries. This will include mainly through the RST and PRGT. We would like to limit ourselves to the following points for emphasis.

**On the financial architecture of the RST**, as always emphasized, we think RST should be self-sustainable financially, and can operate without additional grants and subsidies. Therefore, we are glad to see the remuneration rate to the loan account and deposit account contributions will be at the SDRi or lower.

We welcome some member countries to make “standalone” contributions to the DA and/or RA, to support the RST for the purposes of reserve build-up and credit protection. We encourage more member countries with strong external positions to consider contributing to the RST, to ensure the Fund’s ability to mobilize sufficient resources for the RST. We support staff’s proposal that RA resources will be distributed to contributors based on their share in the account at the time of the liquidation of the RA. This proposal is essential to ensure that the benefits of contributors are proportional to their contributions and risk-taking.

**On the preferred creditor status (PCS) of the RST**, it is necessary to ensure that the RST has the quasi-PCS. The PCS of the RST can be lower than loans from the IMF and other

international institutions but should be superior to bilateral official creditors and private creditors.

**On the RSF conditionality**, we would like to reiterate that the RSF conditionality should be established and monitored by the IMF, more specifically, the Executive Board. When designing the conditionalities, the Fund can communicate with experts from the World Bank Group, WHO, and other international institutions when and where appropriate, based on their respective professionals and the outside advice is only for reference.

**On mitigating enterprise risks**, we hope the RST would be put into operation as soon as possible after its establishment. This is essential to maintain the reputation of the Fund. It is also important to provide necessary safeguards to mitigate credit risks and ensure the RST's sustainable operation. In addition, we encourage the Fund to invite more member countries to participate in the VTA for fair burden-sharing among member countries.

**Last but not least**, considering the long-term feature of the RSF, we encourage staff to consider the feasibility of exploring long-term balance of payments (BoP) supporting instruments under the GRA to help members, which may also enhance the safeguards and monitoring of the RSF.

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GRAY/22/1044

April 11, 2022

**Statement by Mr. Bhalla and Mr. Natarajan on Proposal to Establish a Resilience and Sustainability Trust  
(Preliminary)  
Executive Board Meeting  
April 13, 2022**

1. We thank the staff for the paper on the proposal to establish a Resilience and Sustainability Trust (RST). Addressing the challenges arising from the pandemic and long-term structural challenges requires long-term financial support. Such support can be useful for low-income and vulnerable countries to reduce the risk of instability in the balance of payments. RST financing can also strengthen the Fund's existing lending toolkit and enhance economic resilience and sustainability by providing access to affordable financing.

2. We recognize front loading financing measures can help countries as many of them have constrained fiscal space and external stability concerns. We concur that designing RSF in the context of an existing or concurrent UCT-quality program can help to achieve long-term stability through suitable policy measures and reforms. The staff paper outlines how RST would support challenges associated with climate change (and the pandemic). However, the scope of RST should also include other vulnerabilities which can significantly affect the members. *Can the staff comment on the actions taken in this respect?* Since the SDR allocation was proposed against the backdrop of financing needs arising from the COVID-19 pandemic, we believe that priority should be given to meet immediate needs, particularly of Low-Income Countries (LICs) to combat the pandemic. We believe that IMF should focus on immediate and medium-term financing needs, including the current pandemic rather than climate change. The multidimensional long-term structural issues

take time to address and resolve. As such, the benefits arising from the RST are difficult to assess as the beneficiaries would essentially have to avail of concurrent IMF arrangement or programme with upper credit tranche (UCT) conditionalities. In this context, the distinction of benefits arising out of the IMF arrangements under the General Resources Account (GRA)/ Poverty Reduction and Growth Trust (PRGT) and the RST should be delineated clearly. The IMF needs to provide a clearer perspective on this issue, including the possibility of facility shopping.

3. Eligibility based criteria - per capita income and population thresholds - is very suited to address the concerns of countries with small populations. It would be pertinent that programs and the conditionalities thereof are designed to remain in alignment with multilaterally agreed and accepted norms. The tiered interest rate structure helps to differentiate financing across three groups of countries. Given the long maturity of RST loans, it is possible that some countries could shift from one group to another during the period. *Can the staff comment on the implication for the interest rate structure of a member shifting from one group to another during the period of an existing loan?*

4. The paper proposes medium-term debt sustainability as a key qualification for accessing the RST and would include analysis and discussions on composition of public debt including *de facto* senior debt, debt risk analysis over a period up to 20 years and extended capacity to repay (CtR) for RSF repayment period taking into account all IMF borrowing by the member. Since, the LIC debt sustainability framework (DSF) already requires a macroeconomic framework for a 20-year projection period and debt and debt service projections for full repayment period, we do not see any major issue if the same is made applicable to RSF. However, with respect to market access countries (MACs), the 10-year horizon for debt and gross financing need projections and analysis of key longer-term risks, the compulsory inclusion of such analysis under concurrent RSF arrangement may deter MACs to go for RSF arrangement owing to possible curtailment of market access and stigma. With respect to CtR, we feel that it is difficult to assess correct CtR for a very long projection period. We are also surprised to see non-inclusion of debt limit policy (DLP) in the currently proposed RST. The specialized nature of subjects envisaged under the RST Facility like climate change and enhancing pandemic preparedness calls for collaboration with institutions with comparative advantage in the respective domains. The engagement can be made effective by leveraging the institutional skills which can help in optimizing the resources and enhancing the outcomes. In this context, we welcome the coordination

mechanism proposed with the World Bank and regional MDBs/IFIs in the development and operations of RST.

5. At present, the IMF's coordination with the World Bank is limited to climate change related issues as they need to be customised for long-term challenges under the RSF to the specific features consistent with the country diagnostics developed by both institutions. The World Bank is expected to provide only an assessment letter on request from IMF's Mission Chief. The IMF would take help from the World Bank's Country Climate and Development Reports (CCDR), and its own Climate Change Policy Assessments (CCPA) including successor instrument, Climate Macroeconomic Assessments Programs (CMAPs). However, it is also proposed that if neither a CCDR nor a CMAP are available, RSF policy design would be based on other available information and discussions with other IFIs/regional MDBs and the authorities. This implies there would be lack of uniformity and issue of non-standardisation across membership availing RSF. *Staff may comment.*

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GRAY/22/1045

April 11, 2022

**Statement by Mr. Mozhin and Mr. Shestakov on Proposal to Establish a Resilience and Sustainability Trust  
(Preliminary)  
Executive Board Meeting  
April 13, 2022**

**We support the establishment of the new Resilience and Sustainability Trust (RST).** We thank staff for the comprehensive paper and for the helpful Q&A sessions. With its focus on longer-term structural challenges, the RST will complement other instruments in the Fund’s lending toolkit. Financing through the RST would help a broad share of Fund members to support vital reforms and mitigate macro-critical risks stemming from climate change and future pandemics. We consider the expectation that the RST will be operational by the 2022 Annual Meetings to be a testament of staff’s hard efforts and wide support across the Fund membership.

**We see merit in the proposal to limit the reforms supported by the RST to the ones addressing climate change and future pandemics.** At a later stage – after the RST is operationalized and subject to the donors’ approval – we believe that the scope of challenges addressed through the RST might be broadened to include gender equality, digitalization, or other issues deemed macro-critical and creating risks to prospective BoP stability. For many of these issues collaboration with the World Bank and other development partners will be essential to avoid duplication of effort, and appropriate collaboration frameworks should be leveraged. The broad principles for Bank-Fund coordination in the RST operations are a welcome step in this direction, upon which staff might want to base further guidance before the operationalization of the RST.

**We support the proposed access limits.** A lack of annual access limits will help to facilitate the flexibility in the timing of RSF disbursements, without limiting their size. Nevertheless, we note that for some small and vulnerable members with small quotas the proposed access limits might be low relative to their needs. For many small island states the projected costs of investment in climate resilience are orders of magnitude above the maximum amount they

might draw from the RST. For such cases, the Fund's support would still be critical in its catalytic role.

**Supporting and monitoring progress of reforms over the prolonged period will be a challenging task.** Most notably, political economy considerations might jeopardize consistent program ownership. These risks are heightened further by the uncertainties inherent in the nature of the macro-critical issues the RST funding aims to address. For example, measures to support economy-wide climate adaptation take time to implement and their impact might be slow to materialize. Changes in the input metrics in such programs, e.g., a fossil fuel tax rate, are much easier to observe than their intended outcomes, which might vary widely depending on the feedback from the economic actors. In this regard, we are supportive of the proposal to extend the current Post-Financing Assessment policy on the RSF arrangement and agree with the proposed trigger level. We also welcome the other proposed safeguards. *While we find the breakdown of the RST enterprise risks and their proposed mitigation in Table 1 informative, it is still unclear, whether the reversal of RSF-supported policies after their implementation will be expected to be reversed back, e.g., as a prior action under the subsequent Fund arrangements. Staff comments are welcome.*

**We approve the proposed option for standalone contributions to the Reserve Account or the Deposit Account.** Such flexibility will be valuable for potential contributors, which are not in a position to make contributions to the Lending Account. Standalone contributions will strengthen the RST reserves accumulation and raise the RST income from investments.

## **Proposal to Establish a Resilience and Sustainability Trust**

Responses to Technical Questions Posed by Executive Directors in Advance of  
[EBM/22/37]—[April 13, 2022]

*Staff's responses to technical and factual questions are below. Broader policy questions in the areas of uses of RSF support, ongoing work on pandemic preparedness and use of gold sales will be addressed in staff's oral intervention at the Board meeting.*

### **Uses of RSF Support**

- 1. Staff's comments would be appreciated on the way the priority areas for collaboration could be addressed in the next few months to ensure that cooperation frameworks are in place when the RST becomes operational. We would also welcome staff's views on the extent to which the RST will support CBDCs.**
  - 2. We would appreciate staff's comments on the timeline and intentions on expanding the scope of the RST? Specifically, how do staff envisage the addition of new topics? Which topics are in the "pipeline" and/or most likely will be included? How long do staff expect the focus to remain mainly on climate and pandemic preparedness as it is the case at the onset?**
  - 3. The staff paper outlines how RST would support challenges associated with climate change (and the pandemic). However, the scope of RST should also include other vulnerabilities which can significantly affect the members. Can the staff comment on the actions taken in this respect?**
- Staff will respond to these questions during the Board meeting.

### **Pandemic Preparedness**

- 4. We can go along with having pandemic preparedness as a second policy objective, although we underline that there are no established procedures and a general lack of expertise at the IMF when it comes to health-related topics. Could staff elaborate?**
- 5. The staff report notes that a framework for collaboration on pandemic preparedness is under discussion with the World Bank and other stakeholders, including the WHO. Can staff provide an update on this framework, including the respective roles of the World Bank and WHO, and timeline for finalization?**
- 6. Could staff provide a scope, timeline, and updates on the collaboration framework on Pandemic Preparedness?**
- 7. Support for pandemic preparedness through the RST will necessarily be contingent on an adequate coordination framework. This is particularly important because it is not an area of Fund expertise so it will require deep and comprehensive collaboration with other institutions – notably the World Bank – to support on the policy side. We look forward to**

***updates on how this work is progressing in the coming months. How do staff intend to keep the board updated on this?***

- Staff will respond to these questions during the Board meeting.
- 8. *Moreover, as the survey indicated that as many as 64 countries are interested in accessing the RST to support reforms on pandemic preparedness, could staff share if WBG or WHO has existing financing and assessment tools in this area that are ready to meet this frontloaded demand?***
- There are a range of assessment tools that could help inform selection of reform targets for pandemic preparedness, including the Joint External Evaluation (JEE), State Party Self-Assessment Annual Reporting (SPAR), National Action Planning for Health Security (NAPHS), After Action Reviews (AAR) and the Global Health Security (GHS) Index.
  - Staff are engaging with both the WB and the WHO to determine how these inputs could be useful in determining policy priorities for a member under the RST. However, some of these tools are being reviewed to reflect important lessons from the pandemic and might need to be updated, may lack broad country coverage, or do not provide clear prioritization of which gaps to address first. These challenges may be a factor in initially designing an RSF arrangement with focus on pandemic preparedness. Staff will continue these discussions with the Bank and the WHO in the coming weeks/months to leverage their expertise and explore the best ways to move forward to support RST-eligible members.
  - In addition, to the extent that the WB and WHO have financing and policy support tools in place to support pandemic preparedness, the collaboration framework will be designed to ensure complementarity to existing tools.

## **Climate Change**

- 9. *It is also proposed that if neither a CCDR nor a CMAP are available, RSF policy design would be based on other available information and discussions with other IFIs/regional MDBs and the authorities. This implies there would be lack of uniformity and issue of non-standardisation across membership availing RSF. Staff may comment.***
- Staff often use a variety of diagnostic tools to identify macro-critical structural reforms. To the extent the CCDR or the CMAP are not available, staff will use other diagnostic tools (as noted in ¶177 of the paper), while balancing country-specific priorities and evenhandedness concerns.
  - Close coordination with other IFIs and our own in-house experts, who are experienced in supporting CCDRs and CMAPs, will ensure that similar frameworks and standards are applied to ensure evenhandedness.

## Qualification

- 10. We would welcome more details on how an RSF program could benefit from the macroeconomic stabilization measures of the UCT program in the context of a minimum 12-month overlap with a UCT program for RSF loans approved in the first six months' operation of the RST.**
- 11. Regarding the transitional arrangement for the first six month of operations of the RST, we consider the minimum 12-month overlap with an UCT-quality program as a very short time lapse. Could staff elaborate more on the rationale and need for this transitional regime?**

- The transitional regime aims to not preclude approval of an RSF arrangement to members with a UCT-quality program already in place for some time and that have built strong implementation records and have a demonstrable commitment to the purposes of the RST.
- Staff sees 12 months as the minimum time needed to implement meaningful reforms in these cases, as by this time (likely past the program's midpoint) a significant part of the immediate need for macro stabilization is likely to have been resolved, leaving greater bandwidth to address medium- and longer-term challenges. Access will be calibrated according to the feasible ambition of reform targets in that time frame, in addition to debt and capacity to repay considerations.
- The RSF arrangement will automatically terminate with the end of the existing UCT-quality program and thus benefit from the macroeconomic stabilization measures of such program, including those that were implemented before the start of the RSF arrangement.

- 12. While most of our small state members are deemed eligible RST users, many may not meet the UCT program qualification criteria at the point of operationalization. Not only does a financial UCT program appear irrelevant in the absence of protracted external balance concerns for these members, an application for a PCI or PSI will most likely be declined due to limited readily available data to support such a program. We therefore see an urgent need to address data gaps to enhance qualification for those who have shown interest in the members survey. Staff's comments are welcome.**

- The PCI is available to all Fund members seeking to maintain close policy dialogue with the Fund, except: (i) those with overdue financial obligations to the Fund; and (ii) those who have a present or prospective Balance of Payments need to draw on Fund resources (excluding RST resources) at the time of PCI approval. While the PCI has no qualification criteria, the requesting country would have to credibly commit, as well as have the capacity, to implement policies strong enough to constitute the basis for a Fund-supported program (i.e., UCT quality policies).
- Beyond the PCI or PSI, other instruments are also available (such as the SBA and SCF, subject to qualification requirements under relevant policies) to support countries without protracted external balance of payments concerns, for short-term or potential Balance of Payments needs.
- As with all Fund programs, any request would be considered on a case-by-case basis and the country specific constraints would be taken into account when designing the reform targets

(under data constrained environments). Staff stands ready to conduct outreach to these countries and provide technical assistance and initial engagements to set up the necessary monitoring framework.

**13. It would be peculiar to deny access to RST for a country prone to serious climate change threats and risks or even confronting the consequences of a major climate change disaster because it doesn't have a UCT program. Also, we consider that the demand scenarios might significantly change in the case of a stand-alone RST program. Staff comments are welcome.**

- It is possible that demand could be higher if stand-alone RST programs were an option. However, the results of the recent demand survey do not suggest a lack of demand. Indeed, these results reinforce the need to raise a sufficient critical mass of resources to be prepared to meet early demand.
- The concurrent UCT program (i) provides adequate policy safeguards that contribute to mitigating the credit risk associated with RST financing and thereby supporting the reserve asset status of RST contributions, a key requirement for central banks of many potential contributors; (ii) mitigates the risk of facility shopping, whereby the RST's longer and cheaper financing could be (mis)used to finance BoP problems normally addressed under GRA/PRGT programs; and (iii) supports a stable macroeconomic environment in the borrowing country which is a necessary condition to pursue long-term reforms and support a catalytic role for the RST.
- That said, this is a new trust and lending facility and there is the possibility to explore a standalone option at the time of the RST review, based on experience gathered.

### Conditionality

**14. While we find the breakdown of the RST enterprise risks and their proposed mitigation in Table 1 informative, it is still unclear, whether the reversal of RSF supported policies after their implementation will be expected to be reversed back, e.g., as a prior action under the subsequent Fund arrangements. Staff comments are welcome.**

- The risk of reversal exists even in current GRA/PRGT-supported programs. Barring a subsequent Fund-supported program, and closer monitoring during a PFA, Article IV consultations are the main tool for monitoring macro-critical policies. In a similar vein, in the absence of a follow-up UCT engagement, the proposal for the RST is to have close monitoring with an RST-trigger for a PFA as well as through the Article IV consultation.
- To the extent the reversed reforms remain critical to addressing longer-term challenges, they could be considered in the context of a follow-up RSF arrangement. In cases where the reversed reforms are of a dual-purpose nature (also contributing to resolving the BoP problem), and to the extent they are critical to resolving the current BoP problem, considering them as conditionality under any follow-up UCT arrangement is an option.

- Should early RSF arrangements suggest that reform reversals are an issue, it could be taken up in the upcoming review of the instrument. To reduce the risk of reversal, it would be critical to identify the right policy priorities and conditionality, as well as their strong ownership. Staff will consider issues pertaining to ownership of the RSF reform agenda in the operational guidance note.

## Access

**15. *It is imperative that staff ensure that conditionality remains parsimonious and focused on critical issues linked to resilience and does not hamper the ability of countries to use the RST. This is particularly important in fragile and conflict-affected states (FCS), which face significant long-term structural challenges, and should not be left behind. Staff's comments are welcome on ways to take the debt parameter into consideration to optimize countries' access to the RST.***

- Conditionality under RSF Arrangements is expected to be focused and streamlined to address the policy priorities identified in the available diagnostics and which are also a priority for the authorities. As with all Fund arrangements, conditionality will be established on a case-by-case basis taking into account each member's capacity constraints and the provision of capacity development to implement measures.
- Access under RSF arrangements would be guided by norms and other criteria, including debt composition and sustainability.
- Medium-term debt sustainability is a key part of qualification for financing under an RSF arrangement. Additionally, all requests for RST financing will need to take into consideration the composition of public debt, including the share of *de facto* senior debt, debt risk analysis over a longer time horizon, and an extended capacity to repay analysis that takes into account all Fund borrowing by the member.
- These safeguards are standard to all Fund lending and take into account the long-term repayment period of RST financing, and ensure that RST lending does not aggravate debt vulnerabilities.
- Access would be calibrated taking these considerations into account.

**16. *We are concerned that the norm may act as a de facto ceiling and would appreciate staff's elaboration on the way they envisage BoP needs, the strength of the RST reform package, and debt sustainability considerations to influence the access norm. We also seek confirmation from staff that a higher cap of 200 percent of quota for small quota countries will be reconsidered, given current challenges and the marginal impact it would have on RST resources.***

- The starting point for access under RSF arrangements is the norm of 75 percent of quota, and this is neither a ceiling nor a floor.

- Starting from the norm, access would subsequently need to be calibrated and determined on a case-by-case basis. A strong package of reforms that also adds to BoP needs in the short-term (while improving BoP stability over the longer-term) may justify higher access, while a more limited set of reforms in a country with a more precarious debt sustainability position may warrant more constrained access.
- While staff has raised the access limit in the proposal from 100 percent of quota to 150 of quota in response to feedback from Directors, a review of the access limits could take place at the time of the RST review, taking into account Trust resources and accumulated experience.

**17. Could staff confirm if the proposed cumulative access limits are hard caps?**

- While there would not be annual access limits and the PS-HCC Policy and Exceptional Access Framework would not apply to RST financing, cumulative RST access would indeed be limited to the lower of 150 percent of quota or SDR 1 billion.
- One objective of access limits is to ensure that the Trust's limited resources reach all those who qualify and request an RSF arrangement. Staff baseline demand estimations point—based on an average access of 100% of quota—to the need to raise about \$45 billion, which is substantial.
- Staff also does not envisage financing from the RSF to be the only source of financing to meet a member's financing needs to address longer-term challenges. Catalyzing other official, multilateral and importantly private financing has to be the goal of the structural reforms supported by the RST.
- A review of the access limits could take place at the time of the RST review, taking into account Trust resources and accumulated experience.

**Financial Architecture**

**18. Staff's comments on how a potential fundraising shortfall will be addressed and implications for the effective functioning of the RST, should the funding gap persist, are welcome.**

- Formal fundraising will kick off immediately after the Board meeting with the objective of concluding contribution agreements in a short period in order to build a critical mass of contributions to allow for the operationalization of the RST. Fundraising would likely continue after operationalization to further broaden the contributor base and to seek the resources needed for the full drawdown period
- Staff would continue to monitor closely the adequacy of RST resources, including through regular papers for Board discussion on this topic at the end of each financial year, and on an *ad hoc* basis if warranted by developments. Raising a critical mass of resources upfront, and continuing fundraising after operationalization, would help contain the risks of resources proving to be inadequate.
- Nonetheless, if demand is significantly stronger than projected and a forward-looking analysis indicates that resources are inadequate, the Board would need to consider the adoption of

contingency measures to avert the risk of a suspension of new RST loan commitments. These measures could include a new round of loan fundraising, and, if warranted, mobilizing additional reserves and/or deposits. On the demand side, there are range of options that would essentially ration resources by reducing access limits and/or access norms or narrowing RST eligibility. If risks to adequacy are not imminent, it may be possible to manage access levels in RSF arrangements taking into account overall resource constraints, especially for larger RSF commitments, while continuing to raise additional resources.

**19. *Can the staff comment on the implication for the interest rate structure of a member shifting from one group to another during the period of an existing loan?***

- At the outset of an RSF arrangement the borrowing member would be part of a certain group. As noted in the paper, irrespective of changes in a member's group during the lifetime of an RSF arrangement, and also subsequent to that arrangement, the member would continue servicing credit outstanding arising from disbursements under that arrangement at the interest rate that corresponds to the original group when the arrangement was approved. However, any modification of the interest rates (including the margins for each group) agreed by the Executive Board, would apply to interest accruing after the effective date of the modification.

**20. *The PRGT's reserve account was earlier funded with Special Disbursement Account (SDA) resources derived from gold sales profits. We understand that the use of internal resources to fund the reserve account of the RST would require time-consuming consensus-building discussions amongst the members and might not be timely enough given the need to establish the RST in a short period of time. That said, we urge staff to perform the necessary analytical work to examine such an option especially if there are clear signs that RST fundraising is below target and unable to meet members' demand for RST financing. Staff's comments are welcome.***

- Staff will respond to this question during the Board meeting.

**Protected Provisions**

**21. *We understand and appreciate that the extension of the purposes of the RST will be a protected provision and changing it will need a voting majority of contributors representing 70 percent of total commitments. We would appreciate more clarity on what other fundamental terms of the RST instrument will be similarly protected and ask staff to elaborate.***

- The purposes provision in the RST instrument allows the Trustee, with the support of a 70 percent majority of contributors to add additional qualifying long-term challenges that the RST can help address (see Section I, Paragraph 1(b) of the RST instrument). As elaborated in SM/22/63, Revision 1, paragraph 29 and footnote 38, a change in qualifying long-term structural

challenges is not, in itself, an amendment of a protected provision (under Section X of the RST Instrument). This is because the longer-term challenges can be changed with a 70 percent majority approval (alone); it does not require that all contributors agree.

- An amendment to this provision of the RST Instrument itself, for example to change the contributor consent threshold, as well as any amendment to any other protected provisions under Section X of RST instrument would however require consent of all affected contributors if they affect the key interests of these contributors. These protected provisions are also summarized on page 8 of SM/22/63, Supplement 3.

### **Next steps**

#### **22. *We would appreciate regular updates to the Board on potential contributions to the RST and updated demand.***

- In line with the existing practice for the PRGT, it is envisaged that the Board would receive annual updates on the adequacy of RST resources, with the potential for *ad hoc* updates in case of significant developments. These updates would cover developments in RSF commitments and disbursements and the progress in RST fundraising. Staff would also seek to assess near-term prospects for RST demand based on the pipeline for PRGT and GRA demand.

#### **23. *We also welcome the staff's intention to identify a few suitable country members as pilots for the RSF arrangements to help build experience and identify areas for further refinement. Could staff elaborate on the timeline and details of the pilot programs?***

#### **24. *Could staff provide an outline more generally of what the next steps will be in the next 6 months ahead of the RST becoming operational? Will staff involve the board in development of an RST guidance note, for example?***

- Once the Executive Board approves the establishment of the RST, staff will focus on fundraising, investment of RST assets, and other operational matters. Staff is striving for the RST to begin lending soon after the 2022 Annual Meetings, subject to adequate funding and completion of the operational setup.
  - Fundraising and pooling of investment assets: staff will launch an official fundraising campaign soon after the Board meeting and aim to secure pledges from a broad base of contributors. These will be followed by negotiation and conclusion of contribution agreements with individual contributors, and it is not necessary to have made a pledge before starting discussions on these agreements with staff. Finalizing a contribution agreement is the critical step for resources to count toward the critical mass of resources needed to make the RST operational. Following the proposed creation of the RST on May 1, the Trust will stand ready to accept the provision of resources for Deposit Account (DA) and Reserve Account (RA). Following the conclusion of the Board meeting, staff will also seek PRGT contributors' approval for pooling of investments between IMF trusts, including the PRGT and RST, so as to allow for the operationalization of the RST investment strategy.

- Operationalization: staff expects that the RST's bank accounts would be opened at the BIS by early May, and the Fund's existing financial systems would be updated to ensure RA and DA contributions can be accepted and recorded in the financial accounts of the RST. In the period to end-September, the financial systems would be further developed with the aim of ensuring that loan operations can be conducted through the Loan Account (LA) by the 2022 Annual Meetings. The development of internal and external reporting for all three accounts is expected to be completed by end-September.
- Pilot phase: Given that the RSF is a new instrument with a focus on relatively new issues for the Fund (e.g., in terms of framing the right conditionality), staff aims to have an initial test phase of at least 6 months after operationalization to work with 6-8 diverse countries from different regions as a learning phase before expanding operations to a larger group of borrowers.
- Outreach: staff will work closely with Area Departments to continue outreach to eligible countries to further clarify a potential pipeline of RSF borrowers and lay the groundwork for speedy operationalization.
- Demand developments and Guidance Note: Staff will provide an informal update to the Board on demand developments closer to expected operationalization and will do outreach to the Board before the guidance note is finalized to gather inputs. Guidance notes are generally sent to the Board for information, but given that the RST is a new instrument, staff will engage with the Board as needed. Nonetheless, the full guidance note will not be prepared in the next 6 months. As has been the practice with the introduction of other instruments (e.g., FCL, PLL, PCI), the guidance note for the RST will be drafted on the basis of experiences with early RSF arrangements, i.e., it will necessarily succeed operationalization. In the next 6 months, the authoring team will prepare and disseminate detailed in/out-reach materials that will go over key design issues, as well as cover points that were deemed to be too technical for the Board paper. The team also will be working with area departments on specific issues arising as teams prepare to start the first RSF arrangements.
- Other preparations: staff will set up the necessary processes to implement collaboration frameworks (with WB and other IFIs) on pandemic preparedness for operationalization of the RST.

## 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