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April 3, 2023

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

We welcome this consolidated resource adequacy update that covers all three IMF Trusts: PRGT, RST and CCRT. A more systematic and formalized approach to fundraising is helpful in a world of constrained resources and we support all efforts by the Fund to expand its donor base from the historically limited share of members that have taken most of the burden of contributions to these Trusts.

The PRGT

The substantial scale of financing and macroeconomic challenges facing PRGT countries over the coming years is undeniable. It is therefore clear that the PRGT must be adequately resourced to ensure that the Fund can play its critical role in helping countries to address challenges, supported by sufficient volumes of concessional financing. Inaction or under-action will simply yield greater negative economic and humanitarian consequences, while there is a substantial reputational risk to the Fund in failing to be strongest for its poorest members.

Against this backdrop, the status of PRGT resources is clearly inadequate. Current resource shortfalls are blocking needed increases in PRGT access limits now – an increase for which the rationale was judged by staff to be strong during the recent Board discussion on access limits. We also note the substantial threat to the PRGT being able to adequately support countries over the longer-term if bold and timely actions are not undertaken to address the resourcing problem.

Faster and stronger action is needed to resolve the PRGT's resourcing problems. We thank management and staff for their ongoing efforts to raise bilateral contributions and welcome the stronger attention that will be given to this effort, including at the upcoming

Spring meetings. We hope that a broad base of members will step up to pledge in line with their illustrative requested contributions. However, there is a significant risk that bilateral contributions alone will not fully meet subsidy resource needs. While we therefore welcome that technical work will start now on internal resource options – and the preliminary information in the staff paper on option pros and cons is helpful - we are deeply disappointed with the slow pace in which internal resource options will be presented for the Board’s consideration, noting that, as currently planned, they will not be discussed until the 2024/25 Review of Concessional Financing and Policies. To reiterate our July 2021 position, the annual reviews on PRGT finances are critical in identifying red flags that could trigger an earlier Review. Those red flags are evident. We further remind that many Directors have been calling for the consideration of internal resource use, including gold sales, to be expedited. *We would welcome management’s response to these points. Could staff also elaborate on the nature of the technical work that they are starting now, what the key analytical and process questions are that they’ll seek to answer, and approximately when in the FY 2024/25 they expect the Review to conclude?*

Regarding other potential contingency measures to address the PRGT resource challenge:

- We do not support any option that would slow down or ration PRGT lending, nor the option to raise PRGT interest rates. We agree with the staff view that these types of options would adversely impact PRGT countries during what continues to be an extraordinarily difficult period. We strongly support the proposal to defer the review of the PRGT interest rate structure to the 2024/25 Review.
- We continue to view a longer-term suspension of the PRGT’s reimbursement to the GRA – up to FY 2031 at least – as a relatively simple measure to enact. We don’t see the need to delay the discussion on this option until FY 2024/25, and therefore request that it is urgently brought to the Board for consideration.
- To help address the subsidy challenge, we remain open to explore the option raised during the 2021 Review of Concessional Financing and Policies of bringing blenders fully into the PRGT, with the PRGT having a dual rate mechanism, though note that this would need to be accompanied by a solution for reserve coverage.
- We would support a proposal that reallocates resources from the subsidy account to the Subsidy Reserve Account (SRA) to improve reserve coverage. We also judge that the Board should consider this proposal earlier than suggested.
- We support the proposal for enhanced Board monitoring of progress on subsidies and reserves but underline that this is only useful insofar as it being accompanied by quick corrective actions.

The RST

The fact that this first review of the adequacy of RST resources finds demand for RST financing to be strong and frontloaded is extremely positive. We agreed last year that the

establishment of this Trust was more urgent than ever as the global economy faced unprecedented uncertainty and challenges. But we were unsure at that time what the level of demand for this new tool would be. The strong demand is indicative of the large needs of low-income countries, small island developing states and middle-income countries to reduce risks to prospective balance of payments stability from climate change and other structural challenges. It is right that the Fund should be stepping up to support these needs.

We strongly agree that pledged resources should be made effective promptly to ensure the RST can meet strong demand in the initial years. We support RST fundraising efforts to seek additional pledges toward the SDR6.5 billion loan resource gap to meet RSF demand over the medium term. All members in a position to do so are expected to step in order to fill the medium-term resource gap. In particular, we encourage those countries listed in Appendix II, Table 4 that have not yet pledged to consider doing so as soon as possible. We also agree that additional resources should be made effective during 2023-24 to maintain borrower confidence in RST resource adequacy.

We note that significant new pledges are needed to meet demand in the medium term, and we agree that it is important that these pledges are made soon to avert “first-come first-served risks”. As a starting point, where possible, we should be trying to ensure that countries that most need the resources are able to access the RST at a level commensurate with need, including maximum access where climate finance needs are most urgent. We recognize this has an impact on the lending envelope and reinforces the importance of a successful fundraising campaign to reach the target of SDR27.4bn in loan resource. We look forward to a more in-depth discussion on how the pipeline of requests and access will be handled given available resource on 9 May, drawing on lessons from the initial pilot cases. Further resource pledges between now and then would help that discussion.

We fully support the introduction of a cap on the interest rate at 2.25 percent for Group A countries because the prevailing SDRi significantly weighs against the concessionality. We agree that the implications for reserve account resources are manageable and should be kept under review. This proposal is fully consistent with what was envisaged when the RST was established. The faster than expected increase in interest rates has just accelerated the need to implement this change.

The CCRT

We remain concerned about the severe under-funding of the CCRT. The CCRT has proven to be a valued rapid crisis response instrument and is therefore increasingly important in a more shock-prone world. We should avoid over-relying on the assumption that new donors will contribute resources in a timely manner should they be required urgently. In this regard, we look forward to the comprehensive review of the CCRT to assess potential funding streams. We were disappointed that the staff paper did not suggest any tentative ideas on how to address the CCRT’s lack of resources. *Do staff have potential ideas to share at this stage?*