

**LAPSE OF  
TIME**

EBS/22/89\*

**CONFIDENTIAL**

October 5, 2022

To: Members of the Executive Board

From: The Secretary

Subject: **Proposed Amendment to Decision on Investment of Temporary Resources to Generate Income to Contribute to PRG, PRG-HIPC, and CCR Trusts**

Board Action: Executive Directors' **consideration** on a lapse of time basis

Deadline to Request a Board Meeting, after which Proposed Decision Deemed Approved: **Thursday, October 13, 2022  
12:00 (noon)**

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Questions: Ms. Gust, FIN (ext. 36573)  
Ms. Rutkowska, FIN (ext. 37451)  
Mr. Brennan, FIN (ext. 34653)  
Ms. Rustaman, FIN (ext. 35481)  
Mr. Pham, LEG (ext. 34479)





October 4, 2022

## PROPOSED AMENDMENT TO DECISION ON INVESTMENT OF TEMPORARY RESOURCES TO GENERATE INCOME TO CONTRIBUTE TO PRG, PRG-HIPC, AND CCR TRUSTS

Approved By  
**Bernard Lauwers**

Prepared by the Finance Department in consultation with the  
Legal Department

**In July 2017, the Executive Board adopted a decision (hereinafter the “Decision”) regarding the investment of resources provided to the Poverty Reduction and Growth Trust (“PRG Trust”) and other trusts on a temporary basis with the purpose of generating income for the operations of these trusts (“temporary resources”).**<sup>1</sup> Pursuant to the Decision, contributors of these temporary resources had two investment options, depending on their investment preference and risk appetite. They could elect either: (i) the investment strategy that applies for the permanent assets of the relevant trust under the TA Investment Guidelines, or (ii) more narrowly, certain fixed-income obligations of the Bank for International Settlements (“BIS”) under the TA Investment Guidelines. As part of the Review of the Investment Account (IA) and Trust Assets (TA) Investment Strategy in January 2022, a third investment option was added to diversify investment choices for PRG Trust contributors.<sup>2</sup> Under this option, the temporary resources could also be invested under the same strategy as for the Short-Duration Fixed Income (SDFI) component of the PRG Trust.

**This paper proposes that the Decision be amended to clarify that those temporary resources invested under the third option for PRG Trust contributors will be centralized in the Deposit and Investment Account (DIA).** This is in line with the approach presented in the March 2022 Board paper, *2022 Review of the Adequacy of the PRGT Trust Finances*.<sup>3</sup> The DIA was established in July 2021 as a vehicle to receive temporary resources in a separate account of the PRG Trust on a larger scale by providing for an encashment regime to preserve the reserve asset status of such temporary contributions.<sup>4</sup> Resources in the DIA would be invested to generate income from higher yielding assets while still preserving their reserve asset status. The investment strategy for the SDFI

<sup>1</sup> See Decision No. 16253 (17/70), adopted July 28, 2017. The other trusts covered by the Decision are the Trust for Special Poverty Reduction 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”).

<sup>2</sup> See *Review of the Investment Account and Trust Assets Investment Strategy* (SM/21/206, 12/10/2021).

<sup>3</sup> See *2022 Review of Adequacy of Poverty Reduction and Growth Trust Finances* (03/08/2022, SM/22/52), Annex I, paragraph 4.

<sup>4</sup> See paragraph 63 of *Fund Concessional Financial Support for Low-Income Countries—Responding to the Pandemic*.

component is well suited for this purpose as it is designed to enhance the reserve-like properties and resilience of the PRG Trust assets overall, mainly through investments in high-quality short duration fixed-income assets. As investment income earned in the DIA can only be transferred to the Subsidy Reserve Account or General Subsidy Account, contributors who wish to transfer income earned to other subsidy accounts of the PRG Trust would have to avail of the other two investment options under the existing Decision.<sup>5</sup>

**Additionally, since the Decision refers to the TA Investment Guidelines, it is also updated to include a reference to the Resilience and Sustainability Trust (RST) in the title of these guidelines (i.e., to state: “Guidelines for Investing PRG, RS, PRG-HIPC, and CCR Trusts’ Assets”).<sup>6</sup>**

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<sup>5</sup> Based on bilateral agreements with contributors, resources in the DIA derived from net investment earnings attributable to each contributor will be transferred to the Subsidy Reserve Account (or, if preferred by the contributor, to the General Subsidy Account) at the final maturity of the related agreement; provided, however, that the Managing Director is also authorized to agree with individual contributors on transfers prior to the final maturity of the agreement.

<sup>6</sup> See also *Guidelines for Investing PRG, RS, PRG-HIPC, and CCR Trust Assets*, (Public—IMF external website, July 2022). Contributions to the RST are covered by these guidelines, and not by the Decision.

**Amendment to the Decision on Investment of Temporary Resources to Generate Income to Contribute to PRG, PRG-HIPC, and CCR Trusts**

## Proposed Decision

The following decision, which may be adopted by a majority of votes cast, is proposed for adoption by the Executive Board:

Paragraph 1(b) of Decision No. 16253-(17/70), adopted July 28, 2017, as amended, shall be further amended to read as follows:

- “b. Contributor resources being invested to generate income for contributions to a Trust may be invested either:
- (i) in the same manner as the investment assets of the Trust, subject to the provisions applicable to the investment of these assets, as provided under the Guidelines for Investing PRG, RS, PRG-HIPC and CCR Trusts’ Assets approved by the Executive Board in Decision No. 17233-(22/37), adopted April 13, 2022, and as may be amended from time to time (“Trust Guidelines”), or
  - (ii) in obligations of the Bank for International Settlements (BIS), subject to the same provisions under the Trust Guidelines that apply to the investment assets of the Trusts being invested in BIS obligations, or
  - (iii) with respect to resources invested to generate income for contributions to the PRG Trust, in the same class of high-quality short duration fixed-income assets that a component of the investment assets of the PRG Trust is invested in accordance with the Trust Guidelines.
- The foregoing resources shall be centralized in the Deposit and Investment Account of the PRG Trust.”

## Annex I. Redline of the Decision on Investment of Temporary Resources to Generate Income to Contribute to PRG, PRG-HIPC, and CCR Trusts

1. The Fund decides to establish the following investment objectives and policies to guide the investment of resources of the Poverty Reduction and Growth Trust (“PRG Trust”), the Trust for Special Poverty Reduction 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”), which contributors provide to the Trusts on a temporary basis for the investment by the Fund, as Trustee, to generate investment earnings for the Trusts (hereinafter “contributor resources”):
  - a. Contributor resources shall be invested in accordance with the purpose of generating income for the respective Trust as specified under the relevant agreement with the contributor.
  - b. Contributor resources being invested to generate income for contributions to a Trust may be invested either:
    - (i) in the same manner as the investment assets of the Trust, subject to the provisions applicable to the investment of these assets, as provided under the Guidelines for Investing PRG, ~~RS~~, PRG-HIPC and CCR Trusts’ Assets approved by the Executive Board in Decision No. 17233-(22/37), ~~adopted April 13, 2022~~ ~~17200-(22/3)~~, ~~adopted January 12, 2022~~, and as may be amended from time to time (“Trust Guidelines”), or
    - (ii) in obligations of the Bank for International Settlements (BIS), subject to the same provisions under the Trust Guidelines that apply to the investment assets of the Trusts being invested in BIS obligations, or
    - (iii) with respect to resources invested to generate income for contributions to the PRG Trust, in the same class of high-quality short duration fixed-income assets that a component of the investment assets of the PRG Trust is invested in accordance with the Trust Guidelines. **The foregoing resources shall be centralized in the Deposit and Investment Account of the PRG Trust.**
  - c. The Executive Board shall review these investment objectives and policies for investing contributor resources every five years, normally in conjunction with the review of the Trust Guidelines.
2. The Fund adopts this decision pursuant to 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 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 3 of the Instrument to Establish the Catastrophe Containment and Relief Trust, annexed to Decision No. 14649-(10/64), adopted June 25, 2010, as amended.