

1. Fund Concessional Financial Support for Low-Income Countries - Responding to the Pandemic - Amendments to the PRGT Instrument for Overall Normal Access Limits, Temporary Increase in Annual Access Limit, Exceptional Access Criteria and Creation of the Subsidy Reserve Account and Deposit and Investment Account

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 amended as follows:

1. Section I, paragraph 2 of the PRGT Instrument shall be amended to read as follows:

“Paragraph 2. Accounts of the Trust

The operations and transactions of the Trust shall be conducted through a General Loan Account, an ECF Loan Account, a SCF Loan Account, and a RCF Loan Account (the latter four accounts collectively referred to herein as the “Loan Accounts”), a Reserve Account, a General Subsidy Account, an ECF Subsidy Account, a SCF Subsidy Account, a RCF Subsidy Account, an ESF Subsidy Account, and a Subsidy Reserve Account (the latter six accounts collectively referred to herein as the “Subsidy Accounts”), and a Deposit and Investment Account. The resources of the Trust shall be held separately in these Accounts.”

2. Section II, Paragraph 2(a)(A) of the PRGT Instrument shall be replaced with the following:

“(a)(A) Except as specified in sub-paragraph (B) below, the overall access of each eligible member to the resources of the Trust under all facilities of the Trust as specified in Section I, Paragraph 1(a) shall be subject to (i) an annual limit of 145 percent of quota; and (ii) a cumulative limit of 435 percent of quota, net of scheduled repayments. The Trustee may approve access in excess of these limits if all of the following criteria are satisfied:

- (1) The member is experiencing or has the potential to experience exceptional balance of payments pressures on the current account or capital account, resulting in a need for resources under the Trust that cannot be met within the normal limits.

- (2) Risks to the sustainability of public debt are adequately contained, which shall be evidenced by, and subject to, the standards set forth below:

- I. A rigorous and systematic analysis indicates that there is a high probability that the member’s public debt is sustainable in the medium term. This is generally considered to be met for countries that are assessed under the Bank-Fund Debt Sustainability Framework for Low-Income Countries (the “LIC-DSF”) to be at low or moderate overall risk of public debt distress; or

II. Where the member's public debt is assessed to be sustainable but not with high probability (which includes cases where the member's overall risk of public debt distress is assessed to be high or in debt distress), or where the member's debt is assessed to be unsustainable ex ante, access to resources in excess of the normal limits will only be made available if the combination of the member's policies and financing from sources other than the Fund, which may include debt restructuring, restores public debt sustainability with high probability (generally considered to be met for countries that are assessed under the LIC-DSF to be at low or moderate overall risk of public debt distress) (i) within 36 months from Board approval in the case of a new arrangement under this Trust or a loan under the RCF, or within the period of the new arrangement, whichever is longer, or (ii) within the remaining period of an arrangement, in cases where the Board approves a request for an augmentation or a rephrasing of access under the arrangement;

(3) The member does not meet the income criterion for presumed blending, as set forth in paragraph 1(a) of Decision No. 17082-(21/71), at the time of making a request for resources under this Trust in excess of the access limits set forth in paragraph 2(a)(A) above; and

(4) The policy program of the member provides a reasonably strong prospect of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment."

3. Section II, Paragraph 2(a)(B) (i) to (iii) shall be replaced with the following:

"(a)(B)(i) During the period from March 22, 2021 to December 31, 2021 (the "Applicable Period"), the annual access limit shall be 245 percent of quota for financing approved through December 31, 2021 (the "Eligible Financing"). For the computation of the annual access under the above specified "Eligible Financing", the annual access limit of 245 percent of quota shall apply for any 12-month period that includes any part of the "Applicable Period".

(a)(B)(ii) Notwithstanding the increase in access limits set forth in Paragraphs 2(a)(A) and 2(a)(B)(i) above, a member's access to PRGT resources approved under an arrangement in place prior to September 9, 2020 that was exempted from the application of Policy Safeguards for High Combined GRA and PRGT Credit set forth in Decision No. 16873-(20/91) will remain subject to observance of the access limits and criteria for exceptional access to the PRGT that were in effect at the time of approval of such arrangement; if access under such an arrangement is augmented, the provisions in paragraphs 2(a)(A) and 2 (a)(B)(i) shall apply to such an arrangement."

4. The references in Section II, paragraphs 4(a) and 4(b) to "Section IV, paragraph 5" shall be replaced with references to "Section IV.A, paragraph 5".

5. The references in Section III, paragraphs 1(b)(ii), 1(c)(iii), 1(d)(ii) and 1(e)(ii) of the PRGT Instrument to “Section V, paragraph 3 of this Instrument” shall be replaced with a reference to “Section IV.A, paragraph 4(g) and Section V, paragraph 3 of this Instrument”.
6. In Section III, paragraph 4(b) of the PRGT Instrument, the reference to “Section IV” shall be replaced with a reference to “Section IV.A”.
7. In Section III, paragraph 4(c), first sentence, “June 30, 2024” shall be replaced with “June 30, 2029.”
8. In Section III, paragraph 5(a) of the PRGT Instrument, the reference to “Section IV” shall be replaced with a reference to “Section IV.A”, the words “Subsidy Reserve Account and” shall be inserted before the words “Reserve Account” and the words “Section IV.A and” shall be inserted before the words “Section V”.
9. Section IV of the PRGT Instrument shall be renumbered as Section IV.A.
10. A new paragraph 1(f) shall be inserted into Section IV.A of the PRGT Instrument to read as follows:

“(f) The resources held in the Subsidy Reserve Account shall consist of:

 - (i) the proceeds of donations made to the Trust for the Subsidy Reserve Account;
 - (ii) the proceeds of loans made to the Trust for the Subsidy Reserve Account;
 - (iii) transfers from the Deposit and Investment Account in accordance with Section IV.B, paragraph 3 of this Instrument;
 - (iv) net earnings from investment of resources held in that Account;
 - (v) payments of overdue principal or interest or interest thereon under Trust loans, and payments of interest under Trust loans to the extent that payment has been made to a creditor from the Subsidy Reserve Account; and
 - (vi) repayments of the principal under Trust loans, to the extent that resources in the Subsidy Reserve Account have been used to make payments to a creditor due to a difference in timing between scheduled principal repayments to the creditor and principal repayments under Trust loans.”
11. New paragraphs 4(f) and 4(g) shall be inserted into Section IV.A of the PRGT Instrument to read as follows:

“(f) The Trustee shall draw upon the resources available in the Subsidy Reserve Account to:

(i) pay the difference, with respect to each interest period, between the interest due by the borrowers and the interest due on resources borrowed for loans under the facilities of the Trust specified in Section I, Paragraph 1 of the Instrument, provided that resources available in the Subsidy Reserve Account shall be drawn only if there are no other resources available in the relevant Subsidy Accounts for these purposes; or

(ii) to make payments of principal and interest on its borrowing for Trust loans, to the extent that the amounts available from receipts of repayments and interest from borrowers under Trust loans, together with the authorized subsidy under Section IV.A, paragraph 4, are insufficient to cover the payments to creditors as they become due and payable, provided that resources available in the Subsidy Reserve Account shall be drawn upon for these purposes only if there are no other resources immediately available in the Reserve Account.

(g) Any repayment of principal under Trust loans, to the extent that repayment to a creditor has been made from the Subsidy Reserve Account due to differences in timing between scheduled principal repayments to the creditor and principal repayments under Trust loans, any payments of overdue principal or interest or interest thereon under Trust loans, and any payments of interest under Trust loans to the extent that payment has been made to a creditor from the Subsidy Reserve Account, shall be made to the Subsidy Reserve Account.”

12. In Section IV.A. of the PRGT Instrument, the following sentence shall be added at the end of paragraph 6(b)(i): “Any resources attributable to transfers from the Deposit and Investment Account shall be transferred to that Account.”

13. In Section IV.A of the PRGT Instrument, paragraph 6(b)(vi) shall be renumbered as paragraph 6(vii) and a new paragraph 6(b)(vi) shall be inserted to read as follows:

“(vi) Any resources remaining in the Subsidy Reserve Account shall be used in a manner consistent with paragraph 4(f) of this Section to reduce to the fullest extent possible the interest rate paid by borrowers in accordance with Section II, paragraphs 4(a), (b), and (c) on loans from the PRGT, by means of payments to such borrowers. Any resources remaining after that subsidization and not attributable to the Deposit and Investment Account shall be transferred to the General Subsidy Account, provided that a contributor may request that its share in any remaining resources be returned to it. Any resources attributable to transfers from the Deposit and Investment Account shall be transferred to that Account.”

14. A new Section IV.B shall be inserted into the PRGT Instrument to read as follows:

“Section IV.B Deposit and Investment Account

Paragraph 1. *Purpose and Resources*

The purpose of the Deposit and Investment Account is to provide a separate vehicle under which the Trust can borrow resources to generate net investment earnings for the benefit of the Subsidy Reserve Account or, at the request of a contributor, the General Subsidy Account. The resources held in the Deposit and Investment Account shall consist of the proceeds from deposit and other investment agreements with contributors and the net earnings on the investment proceeds.

Paragraph 2: Borrowing for the Deposit and Investment Account

(a) The Trustee may enter into deposit and other investment agreements for the benefit of the Deposit and Investment Account with the aim of generating net investment earnings from the investment of the resources borrowed. For this purpose, the Managing Director of the Trustee is authorized to enter into deposit and other investment agreements and agree to their terms and conditions with contributors to the Deposit and Investment Account. The borrowed resources shall be invested in accordance with guidelines adopted by the Trustee.

(b) The agreements may provide for the right of a contributor to request the early repayment of the principal amount under its deposit or investment agreement upon representation of a balance of payments need. The contributor shall reconstitute any withdrawn amount as its balance of payments and reserve position improves.

Paragraph 3: Use of Resources

(a) Resources in the Deposit and Investment Account derived from net investment earnings shall be transferred to the Subsidy Reserve Account at the final maturity of the deposit and investment agreement such resources are attributable to; provided that, with the consent of the contributor, the Managing Director is authorized to transfer to the Subsidy Reserve Account at an earlier time resources attributable to that contributor's deposit or investment agreement, to meet the subsidization needs of the Trust.

(b) A contributor may prescribe that investment earnings in the Deposit and Investment Agreement attributable to that contributor's investment be directed to the General Subsidy Account instead of the Subsidy Reserve Account.

Paragraph 4: Termination Arrangements

Upon completion of the subsidy operations authorized by this Instrument, the Trustee shall wind down the affairs of the Deposit and Investment Account. Contributors shall be repaid the principal of their deposits or investments and any remaining investment earnings or losses attributed to it.

Paragraph 5: Repayment of the principal amount and payment of interest to a contributor

Repayment of the principal amount and any payment of interest to a contributor on any borrowing for the Deposit and Investment Account, including repayment upon maturity, early repayment in accordance with Section IV.B, paragraph 2(b), or repayment in accordance Section IV.B., paragraph 4, shall be made exclusively from resources attributed to the deposit or other investment of this principal amount and the net investment earnings thereon, net of the cumulative interest previously paid to the contributor.”

15. In Section V, paragraph 2 (a), the reference to “Section IV” shall be replaced with a reference to “Section IV.A”.

16. Section VIII, paragraph 2(a) shall be amended to read as follows:

“(a) Termination and liquidation of the Subsidy Accounts shall be made in accordance with the provisions of Section IV.A, paragraph 6. Termination and liquidation of the Deposit and Investment Account shall be made in accordance with the provisions of Section IV.B, paragraph 4.”

17. In Section IX of the PRGT Instrument, the reference to “Section IV” shall be replaced with a reference to “Section IV.A” and the words “Section IV.B;” s shall be inserted before the words “Section V”. (SM/21/120, Sup. 2, 07/08/21)

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