

**IMMEDIATE  
ATTENTION**

SM/10/249  
Correction 1

September 27, 2010

To: Members of the Executive Board

From: The Secretary

Subject: **Update on the Financing of the Fund's Concessional Assistance  
and Debt Relief to Low-Income Member Countries**

The attached corrections to SM/10/249 (9/21/10) have been provided by the staff:

**Factual Errors Not Affecting the Presentation of Staff's Analysis or Views**

**Page 11, Table 5, column 5 "Contribution received (SDR equivalent)",**  
**row 6 "Oman":** for "3.0" read "2.2"  
**row 8 "Saudi Arabia":** for "5.1" read "5.6"  
**row 10 "Trinidad and Tobago":** for "0.2" read "0.3"  
**last row "Total":** for "145.1" read "144.8"

Questions may be referred to Mr. Powell (ext. 36932), Ms. Yang (ext. 38123), and Ms. Sun-Wang (ext. 36091) in FIN.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:  
Department Heads



Table 5. ESF Subsidy Contributions  
(In millions of currency units; end-July 2010)

	Form of contribution	Contribution pledged		Contribution received
		(Amount)	(SDR equivalent) 1/	(SDR equivalent)
Canada	Grant	CAN\$ 25.0	14.3	15.0
France	Concessional loan	SDR 20.0 2/	20.0 2/	0.0
Iceland	Grant	ISK 10.2	0.1	0.1
Japan	Grant	SDR 20.0	20.0	17.0
Norway	Grant	SDR 24.7	24.7	16.3
Oman	Grant	SDR 3.0	3.0	2.2
Russian Federation	Grant	SDR 30.0	30.0	30.0
Saudi Arabia	Investment agreement	SDR 40.0 3/	40.0 3/	5.6
Spain	Grant	SDR 5.3	5.3	5.3
Trinidad and Tobago	Deposit agreement	SDR 0.8 3/	0.8 3/	0.3
United Kingdom	Grant	£ 50.0	53.1	53.1
<b>Total</b>			<b>211.3</b>	<b>144.8</b>

1/ Calculated using the exchange rates as of end-July 2010.

2/ To be generated from the concessional loan as an implicit subsidy.

3/ Reflecting net investment income (in end-2005 NPV terms) to be generated from investment/deposit agreements.

Table 6. PRG-HIPC Trust – Pending Contributions  
(In millions of SDRs "as needed"; end-June 2010)

Venezuela	20.4	Dominican Republic	0.5
Argentina 1/	6.4	Lebanon	0.4
Gabon 1/	1.9	Grenada	0.1
Trinidad & Tobago	1.6	Vanuatu	0.1
Bahrain	0.9	Maldives	0.01
<b>Total</b>			<b>32.2</b>

1/ Remaining balances.

14. **The financing package approved in July 2009 remains adequate to ensure the availability of resources to subsidize the projected new lending through 2014.** As envisaged in SM/09/158, this package would secure additional subsidy resources of SDR 1.5 billion (end-2008 NPV terms), needed to meet demand of SDR 11.3 billion through 2014 and also allow the self-sustained subsidization capacity of PRGT lending by the Reserve Account beyond 2014 to remain at about SDR 0.7 billion.

15. **Members have responded positively to the Managing Director's request for subsidy resources, but significant additional bilateral pledges are still needed.** So far, 20 members have agreed to contribute a total of SDR 131.7 million in subsidy resources (Table 7). They include traditional as well as nontraditional donors, and several are emerging market countries. It is urgent that additional pledges of subsidy resources be forthcoming to reach the target for bilateral contributions and complete the financing package as approved by the Board in July 2009.

Table 7. New Subsidy Commitments to the PRGT  
(In millions of currency units; as of September 3, 2010)

		Contributions pledged	
		Amount	SDR equivalent 1/
1	Algeria	SDR 2.3	2.3
2	Argentina	SDR 3.9	3.9
3	Austria	SDR 3.9	3.9
4	Australia	A\$30	17.6
5	Botswana	SDR 0.2	0.2
6	Canada	CAN\$40 and SDR 2.8	28.5
7	Denmark	DKK 30	3.6
8	Italy	SDR 22.1	22.1
9	Korea	SDR 8.8	8.8
10	Kuwait	US\$3.9	2.6
11	Malta	SDR 0.2	0.2
12	Netherlands	SDR 9.5	9.5
13	Peru	SDR 1.2	1.2 2/
14	Philippines	SDR 1.9	1.9
15	Qatar	SDR 0.6	0.6
16	Spain	SDR 9.0	9.0
17	Sweden	SEK 50	4.6
18	Switzerland	SFr 16	10.0
19	Trinidad and Tobago	SDR 0.6	0.6
20	Uruguay	SDR 0.6	0.6 2/
<b>Total</b>			<b>131.7</b>

1/ Calculated using the exchange rates as of September 3, 2010.

2/ Reflecting net investment income (in end-2008 NPV terms) to be generated from deposit agreements that are already effective.

#### D. PRGT Reserve Account

16. **The PRGT Reserve Account will continue to provide adequate security to PRGT lenders and note purchasers.** The Account has been financed by reflows of Trust Fund and Structural Adjustment Facility (SAF) repayments, and investment returns on the balances held in the Account. The Trust can tap these resources temporarily to meet its obligations in the event of a delayed payment by a borrower under any facility of the Trust. The balance in the Reserve Account stood at SDR 3.9 billion at end-June 2010, representing a substantial multiple of the projected PRGT loan repayments falling due over the next 12 months and about 75 percent of total PRGT obligations (Appendix Table 4).<sup>12</sup> It is estimated that the Reserve Account will continue to provide a loan coverage ratio of about 40 percent in the medium term, in line with the historical average.

17. **It is envisaged that once the available subsidy resources are depleted, the Fund's concessional lending beyond 2014 could be subsidized on a "self-sustained basis" by the**

<sup>12</sup> This balance includes resources expected to be transferred to the PRGT General Subsidy Account. The adequacy of the Reserve Account in providing security of lending to the PRGT was examined in *Facilitating Mobilization of Loan Resources for Concessional Lending to Low-Income Countries* (SM/10/46, 2/26/10), Section V.