



SUPPLEMENT

SELECTED DECISIONS

and Selected Documents
of the International Monetary Fund

December 31, 2022

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PREFACE

The Fund's Legal Department has produced this Supplement to *Selected Decisions and Selected Documents of the IMF*, 42nd Issue, with the aim of making available in convenient form selected policy decisions and documents issued after the publication of the 42nd Issue but before the issuance of the forthcoming 43rd Issue. The Supplement will be published in PDF format on the external website of the Fund (www.imf.org).

In this Supplement, stand-alone policy decisions and documents are reproduced in full. In the case of decisions amending other decisions, amendments generally are incorporated in the amended decisions. However, where a relatively short amendment pertains to a relatively long document, the amending decision is included as a stand-alone document. The order of documents in the Supplement follows the order of the Articles in the Fund's Articles of Agreement.

RHODA WEEKS-BROWN
The General Counsel
Director of the Legal Department

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Exchange Arrangements and Surveillance

Mainstreaming Gender

*The Chair's Summing Up—IMF Strategy Toward
Mainstreaming Gender, Executive Board
Meeting 22/69, July 22, 2022*

Executive Directors welcomed the opportunity to discuss the IMF Strategy Toward Mainstreaming Gender. They noted that the strategy is particularly timely given the current economic uncertainties and recent shocks, which are exacerbating pre-existing gender gaps.

Directors recognized that reducing gender inequality can increase economic growth, reduce inequality, and foster economic and financial resilience. Well-designed macroeconomic and financial policies can support efficient and inclusive outcomes and equitably benefit women, girls, and the society in general. In this light, Directors broadly supported the strategy, with most concurring that narrowing macrocritical gender gaps falls squarely within the IMF's mandate. They noted that the Fund has an important role to play in mainstreaming gender in its core activities when it is deemed macrocritical. A number of Directors considered that, given its mandate and core competencies, the role of the IMF in tackling gender disparities is relatively limited. A few other Directors saw merit in defining SMART goals and objectives in the operationalization of the strategy.

Directors concurred with the strategy's focus on four pillars: (i) empowering country teams to provide tailored and granular policy advice to countries by developing and deepening tools for modeling and data analysis and creating a centralized data hub offering comparable, cross-country gender-related indicators; (ii) establishing a robust governance framework and a supportive internal organizational structure to promote wider buy-in from staff and ownership from country authorities and key stakeholders, and ensure that macrocritical aspects of gender are integrated in country work in an evenhanded manner by

relying on a combination of a top-down and a bottom-up approach; (iii) deepening collaboration with other international partners, such as the World Bank Group and UN Women, to benefit from knowledge sharing and peer learning, leverage complementarities, and maximize the impact on the ground; and (iv) efficiently utilizing resources allocated to gender by realizing economies of scale and avoiding duplication of effort. On data, Directors highlighted the importance of supporting members with data capacity constraints, with some cautioning against placing additional resource pressures for data collection on member countries and the Fund. On collaboration, a few Directors expressed reservations regarding the involvement of CSOs and NGOs as external funding partners.

Directors broadly agreed on the importance of integrating gender in the IMF's core functions—surveillance, lending, and capacity development (CD). They noted that member countries may have different challenges and characteristics that are at the core of gender gaps, and that country circumstances require a tailored and granular approach by Fund staff that avoids overly standardized recommendations. Staff will need to engage closely with country authorities on these issues in both surveillance and program contexts while also being mindful of cultural and other sensitivities. A few Directors emphasized that Fund engagement should remain targeted to macroeconomic objectives.

Directors agreed that where gender gaps are judged to significantly influence present or prospective balance of payment needs and domestic stability, staff should include gender in Article IV Consultations. They noted further that this assessment will need to be made on a case-by-case basis, and the coverage in surveillance will be limited to areas in which the IMF has expertise, focusing on key macroeconomic and financial policies. The timing and sequencing of gender-related policy advice need to be carefully considered vis-à-vis country authorities' implementation capacity and policy priorities.

Directors broadly supported introducing gender in IMF program conditionality but stressed that gender-related structural benchmarks should be included only if they are critically important to achieving program goals, and that the measures are within the country authorities' control. Parsimony and prioritization will be important. A few Directors cautioned against including gender-related conditionality

at this early stage of implementing the strategy and given the current difficult conjuncture.

Directors noted that CD can be particularly impactful to assist countries in implementing their gender policy objectives. Member countries can benefit from CD that is provided in coordination with other IFIs, development partners, and IMF Regional Technical Assistance Centers and Regional Training Centers.

Directors broadly welcomed the strategy's ambitious vision coupled with its gradual, measured implementation timeline. They noted that a phased approach is in line with resource availability and accounts for the need to develop an adequate knowledge base and expertise among staff to engage meaningfully with members. Directors urged staff to work expeditiously in articulating clear criteria for assessing the macrocriticality of gender issues and operationalizing this assessment. Most Directors suggested advancing the timeline for the Staff Guidance Note. Directors broadly supported exploring synergies with other Fund workstreams such as climate, digitalization, and fragile and conflict-affected states, with a few Directors stressing the importance of clearly establishing the relevance and connection to these workstreams.

Directors also supported the strategy's call for enhanced internal and external communications to set expectations, build support and ownership, and foster peer learning, and welcomed the plans to conduct a periodic stocktaking and Board engagement on the implementation of the strategy.

SU/22/117,
July 27, 2022

Capital Flows

*The Chair's Summing Up—Review of the Institutional View
on the Liberalization and Management of Capital Flows,
Executive Board Meeting 22/27, March 21, 2022*

Executive Directors welcomed the opportunity to discuss the review of the Institutional View (IV) on the Liberalization and Management of Capital Flows. They noted that, at the time of its adoption, it was envisaged that the IV would evolve in the light of research and lessons from its implementation. Directors highlighted the useful

contributions from the work on the Integrated Policy Framework (IPF) and the Independent Evaluation Office's evaluation on IMF Advice on Capital Flows in informing the review.

Directors underlined that the core principles of the IV remain valid, namely the overall presumption that capital flows are desirable and can bring substantial benefits for countries. The IV should continue to aim to help countries reap those benefits while managing the risks to macroeconomic and financial stability of large and volatile capital flows. CFMs can be useful in certain circumstances, but should not substitute for warranted macroeconomic adjustments. It is also important to ensure that the Fund's policy framework on capital flows also guards against unintended effects or possible inappropriate use of CFMs. A number of Directors emphasized that strong macroeconomic frameworks and sound financial regulation and supervision, as well as structural reforms and market development to reduce underlying market imperfections, are the first line of defense to protect against excessive capital volatility. A number of Directors noted that policies in both source and recipient countries have a role in mitigating the multilateral risks associated with capital flows.

Directors supported the proposal on the use of measures that are both capital flow management measures and macroprudential policy measures (CFM/MPMs) on debt inflows in a preemptive manner (i.e., in the absence of a capital inflow surge) in some circumstances. They agreed that such measures may be warranted when systemic financial risks from stock vulnerabilities, notably currency mismatches, cannot be addressed effectively and efficiently with conventional policy instruments. Directors also generally concurred that, in narrow and exceptional circumstances, preemptive CFM/MPMs may also be warranted to address vulnerabilities from local currency-denominated external debt stocks. A few Directors emphasized that the appropriate conditions for use of preemptive CFM/MPMs should be sufficiently forward-looking to allow a timely and effective response to systemic risks.

Directors stressed that the appropriateness of preemptive CFM/MPMs should be subject to a comprehensive evaluation process and periodic reviews to ensure that they do not substitute for necessary macroeconomic adjustments, undermine market development, or

maintain or exacerbate external imbalances. Their adoption may also complement needed macroeconomic policy adjustments. CFM/MPMs should be targeted, temporary, and transparent. A number of Directors highlighted the importance of the Fund's capacity development assistance to address capacity constraints and underlying vulnerabilities. A number of Directors also emphasized the importance of staff judgment and flexibility in evaluating CFM/MPMs and to be mindful of the limitations of the Fund's external sector assessment frameworks. Directors noted that if preemptive CFM/MPMs produce adverse spillovers that may significantly influence the effective operation of the international monetary system, in line with the Integrated Surveillance Decision, staff should examine whether alternative policy actions could achieve the same domestic policy objectives while minimizing the negative outward spillovers. They encouraged staff to transparently assess when CFM/MPMs are no longer appropriate and to discuss alternative policies. Directors stressed the need for staff guidance to ensure even-handed and careful implementation of the evaluation process, as well as giving appropriate weight to the views of the authorities.

Directors broadly agreed with the proposal to accord a special treatment to certain categories of CFMs, including those introduced solely for national or international security reasons, adopted pursuant to certain internationally-agreed prudential frameworks (including reciprocity agreements), implemented in line with FATF standards to combat money laundering and the financing of terrorism, and CFMs arising from certain international cooperation standards against the avoidance or evasion of taxes. They concurred that the IV is not the right framework to assess the appropriateness of such measures, while noting that they should still be categorized as CFMs if those measures qualify as such under the definition of CFMs in the IV, and discussed in surveillance if they are macro-critical or may generate significant spillovers, consistently with the Integrated Surveillance Decision. Many Directors cautioned that measures introduced for national or international security reasons should be used sparingly and avoid misuse.

Directors noted that the IV's advice for managing capital inflow surges, responding to disruptive outflows, and undertaking capital flow liberalization remains unchanged. They welcomed the additional guidance provided to conduct assessments of macro-criticality and identify capital flow surges, imminent crises, and premature

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liberalization, noting that such assessments play an important role in formulating policy advice under the IV. Some Directors sought further clarification of some aspects. Directors called for a careful balance of staff judgment and evenhandedness, as well as transparency, when implementing the IV and assessing CFMs. Directors also welcomed the clarifications provided on certain operational issues, such as the treatment of measures that are both CFMs and exchange restrictions or multiple currency practices.

Directors noted that certain topics, including the use of CFMs for social or political objectives, the distributional effects of capital flow liberalization, the use of outflow CFMs outside of (imminent) crisis circumstances, and in particular the effects of digitalization and climate change on capital flows, need further research and could not be addressed in this review. Directors encouraged staff to continue research on these topics and consider their policy implications in a timely manner in a future review of the IV.

Directors urged careful and balanced external communication to stakeholders on the changes to the IV while emphasizing that the fundamental principles of the framework are preserved.

SU/22/45,
March 25, 2022

Article V, Section 2(b)

Technical and Financial Services

Technical Services

Observance of Standards and Code

*The Acting Chair's Summing Up—Tenth Review of the
International Monetary Fund's Data Standards Initiatives,
Executive Board Meeting 22/20, February 28, 2022*

Executive Directors welcomed the opportunity to review the recent experience under the IMF Data Standards Initiatives and to consider proposals for parsimoniously updating the framework through a principles-based addition of a few, new encouraged data categories, taking careful account of country capacity and the constraints imposed by the pandemic.

Directors underscored the important role that the Data Standards Initiatives has played since the mid-1990s in promoting data transparency as a global public good by encouraging countries to voluntarily publish key macroeconomic and financial data. They pointed to the heightened importance of disciplined data publication to inform the public, markets, and the international community in a timely manner, thereby facilitating early resolution of macroeconomic imbalances and market disequilibria, and agreed that the framework has served the membership well.

Directors emphasized that with nearly universal voluntary participation by Fund members, the Data Standards Initiatives continue to exemplify strong and fruitful multilateral action. They commended the transformational progress since the Ninth Review in 2015 and remarkable achievements by Fund members in implementing the standards.

Directors welcomed the impetus to data transparency imparted by the enhancements of the General Data Dissemination System (e-GDDS) introduced in the Ninth Review, which have led to publication of key data by about 70 countries. This expansion has been supported by demand-driven capacity development, which has remained focused on fragile and conflict-affected states, small states,

and low-income countries. Directors also stressed the role that strong country ownership has played in the progress thus far.

Directors supported the proposed enhancements to Fund engagement with the e-GDDS countries, including through informal annual consultations and biennial metadata certification. They stressed the importance of addressing key data gaps hindering advancement toward the Special Data Dissemination Standard (SDDS).

Directors acknowledged the significant progress made by a number of SDDS countries to adhere to the highest standard in data dissemination, the SDDS Plus, and encouraged more countries to make the transition. They supported the proposal to encourage SDDS subscribers to modernize the publication technology underpinning the National Summary Data Page by adopting SDMX technology. This would facilitate the eventual establishment of a network of official websites—using a common technology—to publish data under the three tiers of the Initiatives, as envisaged in the 2018 Overarching Strategy on Data and Statistics at the Fund in the Digital Age.

Directors agreed that the framework has worked well during the pandemic, with differential impact for the three country groups, reflecting preexisting differences in infrastructure and organization. They appreciated that the impact of the pandemic on data publication was contained, recognizing that the resilience of the framework to the pandemic shock demonstrated strong country ownership and the Fund's early intervention to help many countries ensure business continuity.

While a practical and flexible approach to help address publication delays during the pandemic had worked well, Directors agreed to introduce a “force majeure” clause in the SDDS and SDDS Plus frameworks. The modification would permit suspension of the activation of nonobservance procedures when deviations from requirements arise from unforeseen circumstances beyond the authorities' control, such as severe natural disasters or a pandemic. Any suspension of non-observance procedures should be carefully evaluated.

Directors supported the parsimonious and principles-based proposal for encouraging publication of new data categories broadly in line with new data needs for surveillance and policymaking at the national and global levels. They agreed to adding the proposed

encouraged data categories under each of the Initiatives to fit the needs of each of the groups, taking careful account of capacity. At the same time, some Directors encouraged staff to be ambitious in the next review by closely considering whether to transition the new encouraged data categories to be required.

Directors agreed that the new encouraged data categories covering aspects related to public debt, macro-financial analysis, foreign exchange intervention, climate change, and gender were broadly appropriate. Some Directors noted the potential market sensitivities in publishing foreign exchange intervention and called for extra caution and flexibility in terms of timeliness and granularity of the data being requested, and before changing it from encouraged to required. On the other hand, a few Directors thought that the proposed data on foreign exchange intervention and debt should have been required for SDDS Plus countries and encouraged for SDDS countries, for the credibility of the initiative and in line with best practices in transparency. Some Directors also suggested exploring in future reviews the addition of other climate indicators subject to the evolution of policy on mitigation and adaptation.

Directors emphasized the importance of continued outreach to members, including provision of tailored capacity development assistance to address challenges and constraints, particularly in e-GDDS subscribers. Adequate transition periods and flexibility will also be important. Directors also stressed the need for continued collaboration with other international organizations.

Directors agreed that the next review of the Fund's Data Standards Initiatives should take place in about five years broadly in line with the Review of Data Provision to the Fund for Surveillance Purposes or earlier if appropriate. Some Directors, however, urged staff to complete the next review in 2025 in line with the original five-year schedule.

SU/22/34,
March 4, 2022

*The Acting Chair's Summing Up—
Elements of Effective Policies for Crypto Assets,
Executive Board Meeting 23/11, February 8, 2023*

Executive Directors welcomed the opportunity to discuss the board paper on elements of effective policies for crypto assets. They

noted the timeliness and importance of the paper, as well as its relevance to the IMF's wide and diverse membership, and generally underscored the need for a comprehensive framework. They considered that the growing adoption of crypto assets in some countries, the extra-territorial nature of crypto assets and its providers, as well as the increasing interlinkages with the financial system, motivate the need for a comprehensive, consistent, and coordinated response.

Directors generally observed that while the supposed potential benefits from crypto assets have yet to materialize, significant risks have emerged. These include macroeconomic risks, which encompass risks to the effectiveness of monetary policy, capital flow volatility, and fiscal risks. They also noted serious concerns about financial stability, financial integrity, legal risks, consumer protection, and market integrity. Against this backdrop, Directors broadly welcomed the proposed framework and its elements.

Directors agreed that crypto assets have implications for policies that lie at the core of the Fund's mandate. In particular, the widespread adoption of crypto assets could undermine the effectiveness of monetary policy, circumvent capital flow management measures, and exacerbate fiscal risks. Widespread adoption could also have significant implications for the international monetary system in the longer term. Directors, therefore, emphasized that robust macroeconomic policies, including credible institutions and monetary policy frameworks are first-order requirements and that Fund advice in these areas will remain crucial. Directors generally agreed that crypto assets should not be granted official currency or legal tender status in order to safeguard monetary sovereignty and stability. Fiscal risks posed by crypto assets including contingent liabilities to the government should be fully disclosed as part of countries' fiscal risk statement, and the applicability of tax regimes should be clarified.

Directors broadly agreed on the need to develop and apply comprehensive regulations, including prudential and conduct regulation to crypto assets, and effective implementation of the FATF standards on AML/CFT. They noted that the Fund should work closely to support the regulatory work under the leadership and guidance of standard-setting bodies. In this context, Directors emphasized the importance of fully aligning the framework with the initiatives and

standards set by the standard-setters. Directors agreed that strict bans are not the first-best option, but that targeted restrictions could apply, depending on domestic policy objectives and where authorities face capacity constraints. A few Directors, however, thought that outright bans should not be ruled out. Directors noted that regulation should be mindful not to stifle innovation, and the public sector could leverage some of the underlying technologies of crypto assets for their public policy objectives.

Directors emphasized the importance of prioritizing elements of the framework where countries face implementation challenges, including weak regulatory institutions. They stressed that the pace and sequencing of implementation should be tailored to countries' respective circumstances. It will be important to underpin the regulatory treatment with clear and sound private and public law frameworks. Strong coordination between authorities, both at the domestic and international levels, is critical for consistent implementation and avoiding regulatory arbitrage. Directors also highlighted the importance of promoting the principle of "same activity, same risk, same regulation."

Directors agreed that the framework should be used to guide staff's policy dialogue with country authorities and capacity development activities, as well as participation in discussions with standard-setting organizations. They underscored the need to focus on the Fund's comparative advantage and on macrofinancial implications. They also saw a role for the Fund in serving as a bridge between the experience of its membership and the international standard- and rule-setting process, including disseminating best practices.

Directors underscored the importance of tailored advice and close dialogue with authorities, given the different stages of development of crypto assets and different capacities among member countries. Fund capacity development support will be crucial.

Directors stressed the importance of addressing the significant data gaps and emphasized the role of the Fund in monitoring risks and impacts on the international monetary system. They welcomed in this context the new G20 Data Gaps Initiative. Consistent recording of crypto assets in macroeconomic statistics across economies, underpinned by a reliable data framework, will be important.

Looking ahead, Directors emphasized that the Fund could serve as a thought leader in further analytical work on rapidly evolving developments in crypto assets. They underscored the importance of promoting ongoing knowledge sharing and lessons from practical implementation issues in the field. Fund work on crypto assets is expected to remain within the agreed budget augmentation framework.

SU/23/24,
February 16, 2023

Financial Services

Poverty Reduction and Growth Trust

*The Acting Chair's Summing—Up 2022 Review of Adequacy
of Poverty Reduction and Growth Trust Finances,
Executive Board Meeting 22/32, April 4, 2022*

Executive Directors welcomed the first Review of the Adequacy of Poverty Reduction and Growth Trust (PRGT) Finances since the comprehensive reforms were approved in July 2021. They agreed that the PRGT had provided unprecedented and critical support to low-income countries (LICs) during 2020–21, particularly to meet pandemic-related challenges. Looking ahead, Directors considered it essential for the PRGT to continue supporting LICs to facilitate sustainable post-pandemic recovery and to cope with adverse spillovers from the war in Ukraine.

Directors welcomed the robust shift from emergency financing in 2020 toward multi-year Fund engagement. While the immediacy of the health crisis and sudden drop-in global economic activity had necessitated an urgent response, they considered that close engagement under multi-year Fund-supported arrangements is better placed to lay the foundations for sustained recovery.

Directors expressed concerns that prospects for many LICs had been further disrupted by the war in Ukraine, with spillovers through pressures on food and fuel prices threatening social stability and food security, in addition to existing challenges. They considered that these adverse developments made it more likely that demand for concessional financing would remain elevated over the near and medium terms.

In that context, Directors were reassured by the expansion of LICs' concessional borrowing space from the 2021 PRGT reforms. They underscored that PRGT arrangements could support LICs in developing appropriate policy responses to recent challenges. Directors also noted that the unprecedented increase in PRGT credit outstanding reduced the reserve account coverage ratio below its historical average and called for close monitoring. Directors welcomed staff's assurances that the Board would be quickly alerted if the reserve coverage ratio is projected to drop below 20 percent. Moreover, they highlighted that risks from elevated lending levels should be mitigated by the Fund's multilayered risk management framework, continued reliance on multi-year program engagement, and full implementation of the enhanced safeguards on debt sustainability and capacity to repay introduced in 2021.

Directors endorsed the resilient design of the two-stage funding strategy for the PRGT. While the Baseline lending scenario already allows for historically elevated lending until 2024, they welcomed that the strategy is sufficiently robust to accommodate a High Case scenario. Directors concurred that, if such a scenario arose, additional subsidy needs would be addressed in the second stage of the funding strategy, as part of the next comprehensive review of the PRGT planned for 2024/25. The further use of IMF internal resources, including gold sales, would be carefully considered at that time to ensure the long-term sustainability of the PRGT. Many Directors, therefore, saw merit in commencing early analytical work on the potential use of internal Fund resources ahead of the second funding stage, while some other Directors emphasized the importance of waiting to undertake this work during the next review. A few Directors underscored that extending the suspension of the reimbursement of administrative expenditures to the GRA for a longer period would be a low hanging fruit to strengthen PRGT finances.

Directors welcomed the generous pledges for loan and subsidy resources made by many members. They expressed concerns, however, about the significant shortfall in the pledges compared to the loan and subsidy targets for the first stage of the funding package agreed in July 2021, especially in view of upside risks to PRGT demand and the potential risks to the PRGT's self-sustained lending capacity. In this regard, Directors encouraged economically stronger members to contribute to the agreed broad burden-shared funding campaign and redouble their efforts to make pledges in a timely manner, utilizing the

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flexibility available in timing and modalities as needed. Directors also urged strong continued engagement by staff and management.

Directors agreed that PRGT finances were evolving broadly in line with the 2021 assessment and that more time was needed for efforts to mobilize PRGT resources to meet the agreed first stage funding targets. They considered that, while contingent measures are not warranted at the current juncture, recent developments reinforced the importance of keeping the adequacy of PRGT resources under close review. If significant resource shortfalls were to emerge, Directors noted that corrective measures could be taken if deemed appropriate. They therefore looked forward to the next annual Review of the Adequacy of PRGT Finances, while calling for interim informal updates as needed.

Directors noted that the Catastrophe Containment and Relief Trust (CCRT) remains underfunded and emphasized the need for additional grant resources to replenish its cash buffer. They looked forward to the comprehensive CCRT review planned for FY2023.

SU/22/53,
April 7, 2022

Article V, Section 3(a), (b), And (c)

Use of Fund Resources

Conditionality

The Acting Chair's Summing Up— Safeguards Assessments—2022 Review of Experience, Executive Board Meeting 22/99, December 7, 2022

Executive Directors welcomed the opportunity to review the experience with the safeguards assessments policy since the last review in 2015. They noted that the policy remains an important and integral part of the Fund's overall risk management framework. Directors expressed their appreciation to the external panel of experts for their independent appraisal of the safeguards assessments policy and their conclusions and recommendations to enhance the safeguards framework.

Directors recognized the importance of the safeguards assessments policy to help mitigate the risks of misreporting and misuse of Fund resources. They welcomed the findings that the policy continues to play an important role to meet these objectives and to maintain the Fund's reputation as a prudent lender. Directors noted positively that in cases where central banks have been subject to more than one assessment, there has broadly been an improvement in the governance and control frameworks, notwithstanding challenges.

Directors agreed that the existing framework for the assessment and monitoring of central banks' governance and control mechanisms remains broadly appropriate. They welcomed the proposals for further enhancements to keep pace with evolving developments, including establishment of a separate pillar on governance in the safeguards assessments framework to facilitate broader coverage and discussion of the board oversight role and the division of responsibilities among key decision-making bodies to preserve accountability. Directors also recognized the continuing importance of integrated risk management in strengthening central banks' control frameworks and supported the broader coverage of financial risks in risk management functions, taking into account the technical capacity of each central bank.

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Directors noted the developments in issuance of central bank digital currencies in some member countries and broadly supported safeguards coverage of these activities in a systematic and consistent approach. This would help ensure that appropriate oversight and technical and operational aspects are in place to manage the specific risks arising from these activities. Directors also welcomed staff's plans to expand its outreach to central banks through regional governance events and by disseminating operational guidelines to central banks to help build awareness of the safeguards process and leading practices and international standards. Directors emphasized the importance of monitoring and capacity development in improving implementation of safeguards recommendations.

Directors noted staff's experience with the fiscal safeguards reviews (FSRs) conducted to date and welcomed the proposals to strengthen the modalities for the reviews, including in-person or hybrid engagement, review processes with management approvals, and a formal mechanism for staff to follow up on recommendations. Directors also welcomed the proposal to require FSRs for High Combined Credit Exposure (HCCE) cases with at least 25 percent of resources directed to budget financing. Given the scope and resource challenges, Directors broadly agreed that the existing threshold for FSRs remains appropriate and covered a significant proportion of Fund resources disbursed for budget financing during the review period. A number of Directors, however, felt that there is value to increasing the number of FSRs, and encouraged staff to explore alternative thresholds at the next review of the safeguards policy.

Directors generally agreed that the safeguards assessments policy would apply to new requests for Resilience and Sustainability Facility (RSF) arrangements by members that seek access to the Resilience and Sustainability Trust (RST) resources through a concurrent program supported by the Policy Coordination Instrument (PCI) or the Policy Support Instrument (PSI). It was noted that the safeguards framework is sufficiently flexible and would continue to take into account country-specific circumstances, including for small states that seek access to the RST and have limited capacity.

Many Directors were willing or open to support the staff's proposal to introduce an exceptional event clause in the safeguards

USE OF FUND RESOURCES

policy in the event of a future global crisis that leads to similar unprecedented demands for Fund financing (as during the pandemic, which resulted in a large pipeline of safeguards assessments), noting that in such an event, management approval, followed by a staff paper to the Board for a decision to activate the clause for a pre-defined period would be required. Many other Directors, however, expressed reservations or disagreed with the proposal and cautioned that delaying safeguards assessments is not to be undertaken lightly, given that timely assessments are crucial to identifying vulnerabilities, and that defining criteria for such a clause *ex ante* is difficult. Some Directors argued for a risk-based approach to the exceptional event clause, allowing the extended flexibility only for lower-risk cases. A few Directors also suggested that utilizing any such flexibility should be based on an assessment of the workload, and not on global economic developments. In the end, Directors underscored that allocating appropriate resources for safeguards assessments is crucial.

Directors urged staff to carefully monitor the resource needs for the work on safeguards assessments. They noted that structural resource requirements would need to be considered in the context of the budget discussions.

SU/22/167,
December 15, 2022

Credit Tranche Policies and Facilities

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 ...”

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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 twelvemonth 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-(22/37).”

- 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

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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. 17231-(22/37), or a repayment expectation to that Trust pursuant to the provisions of Appendix II

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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. 17231-(22/37), 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

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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)
April 13, 2022

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

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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

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(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 Standby 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 No. 17231-(22/37), April 13, 2022, 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 rephasing of disbursements where Reform Measures are delayed or modified.

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(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 Reforms 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.

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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

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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 administrating 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

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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);

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(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

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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

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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.

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(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

- a. A noncomplying disbursement under an RSF Arrangement occurs when (i) the Trustee completes a review under the RSF arrangement and makes a disbursement in accordance with this Instrument on the basis of a finding by the Trustee, supported by information provided by the member, that a Reform Measure has been implemented or that the deviation in the implementation of the Reform Measure was minor, and (ii) that finding later proves to be incorrect.
- b. A disbursement under an RSF arrangement will also be a non-complying disbursement when, subsequent to the disbursement, the Executive Board finds that a misreporting has occurred at the completion of a concurrent review under the accompanying UCT quality instrument and such misreporting is not assessed as de minimis or waived. A “concurrent review” for the purpose of this paragraph is a review under the accompanying UCT quality instrument completed at the same time as a review under the RSF arrangement. A misreporting at the concurrent review will taint the disbursement made under the RSF arrangement that was conditioned on the completion of them concurrent review where the misreporting occurred. A misreporting under an RSF arrangement solely because of this paragraph b is subject to the same limitation period that applies to the misreporting under the accompanying UCT-quality instrument.
- c. Whenever evidence comes to the attention of the staff of the Trustee indicating that a member may have received a noncomplying disbursement in accordance with paragraph a above, the Managing Director shall promptly inform the member concerned.
- d. If, after consultation with the member, the Managing Director determines that the member did receive a noncomplying disbursement in accordance with paragraph a above, the Managing Director shall promptly notify the member and submit a report to the Executive Board of the Trustee together with recommendations.
- e. If the noncomplying disbursement under paragraph a above was made no more than four years prior to the date on which the

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Managing Director informed the member, as provided for in paragraph c above, the Executive Board may decide either (i) that the member will be called upon to make an early repayment, or (ii) that no early repayment will be required if the Executive Board is satisfied that the objectives of the Reform Measure have been achieved notwithstanding the deviation because the deviation in policy implementation is minor.

f. If the decision of the Executive Board is to call upon the member to make an early repayment as provided for in paragraph e(i) above, the member will be expected to repay an amount equivalent to the noncomplying disbursement, together with any interest accrued thereon, normally within a period of 30 days from the date of the Executive Board decision.

g. If a member fails to meet a repayment expectation under this Appendix within the period established by the Executive Board, (i) the Managing Director shall promptly submit a report to the Executive Board together with a proposal on how to deal with the matter, and (ii) interest shall be charged on the amount subject to the repayment expectation at the rate applicable to overdue amounts under Section II, Paragraph 4 of this Instrument.

h. If a disbursement made under an RSF arrangement is non-complying solely because of a finding of misreporting under the accompanying UCT-quality instrument, as set forth in paragraph b above, the applicable misreporting procedures shall be those specified under the provisions governing a misreporting under the relevant UCT-quality instrument.

Appendix II.

Procedures For Addressing Overdue Financial Obligations Under the Resilience and Sustainability Trust

The following procedures aim at preventing the emergence or accumulation of overdue financial obligations to the Resilience and Sustainability Trust (the “Trust”). These procedures will be implemented whenever a member has failed to make a repayment of principal or payment of interest to the Trust (“financial obligation”).

1. Whenever a member fails to settle a financial obligation on time, 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 the Resilience and Sustainability Trust resources, the Poverty Reduction and Growth Trust and HIPC resources, is suspended.
2. When a financial obligation has been outstanding for two weeks, the Managing Director will send a communication to the Governor for that member stressing the seriousness of the failure to meet obligations to the Trust and urging full and prompt settlement.
3. The Managing Director will notify the Executive Board normally one month after a financial obligation has become overdue and will inform the Executive Board of the nature and level of the arrears and the steps being taken to secure payment.
4. When a member’s longest overdue financial obligation has been outstanding for six weeks, the Managing Director will inform the member concerned that, unless all overdue obligations are settled, a report concerning the arrears to the Trust will be issued to the Executive Board within two weeks. The Managing Director will in each case recommend to the Executive Board whether a written communication should be sent to a selected set of Fund Governors, or to all Fund Governors. If it were considered that it should be sent to a selected set of Fund Governors, an informal meeting of Executive Directors will be held to consider the thrust of the communication. Alternatively, if it were considered that the communication should be sent to all Fund Governors, a formal Board meeting will be held

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to consider a draft text and preferred timing.

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 the Resilience and Sustainability Trust resources, the Poverty Reduction and Growth Trust resources 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 Fund's 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.

6. The Annual Report and the financial statements will identify those members with overdue obligations to the Trust outstanding for more than six months.

Removal from the List of RST-Eligible Members

7. When a member's longest overdue financial obligation has been outstanding for six months, the Executive Board will review the situation of the member and may remove the member from the list of RST-eligible members. Any reinstatement of the member on the list of RST-eligible members will require a new decision of the Executive Board. The Fund shall issue a press release upon the decision

to remove a member from the list of RST-eligible members. A similar press release shall be issued upon reinstatement of the member on the list of RST-eligible members. The information contained in such press releases, where pertinent, shall be included in the Annual Report for the year concerned.

Declaration of Noncooperation with the Trust

8. A declaration of noncooperation with the Trust may be issued by the Executive Board whenever a member's longest overdue financial obligation has been outstanding for twelve months. The decision as to whether to issue such a declaration would be based on an assessment of the member's performance in the settlement of its arrears to the Trust (and to the Fund more generally, if applicable) and of its efforts, in consultation with the Fund, to follow appropriate policies for the settlement of its arrears. Three related tests would be germane to this decision regarding (i) the member's performance in meeting its financial obligations to the Fund, including to the GRA and PRGT where applicable, taking account of exogenous factors that may have affected the member's performance; (ii) whether the member had made payments to creditors other than the Fund while continuing to be in arrears to the Trust; and (iii) the preparedness of the member to adopt comprehensive adjustment policies. The Executive Board may at any time terminate the declaration of noncooperation in view of the member's progress in the implementation of adjustment policies and its cooperation with the Fund in the discharge of its financial obligations. Upon a declaration of noncooperation, the Fund could also decide to suspend the provision of technical assistance. The Managing Director may also limit technical assistance provided to a member, if in the Managing Director's judgment that assistance was not contributing adequately to the resolution of the problems associated with overdue obligations to the Trust. The Fund shall issue a press release upon the declaration of noncooperation and upon the termination of the declaration. The information contained in such press releases shall be included in the Annual Report(s) for the year(s) concerned.

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Appendix III. RST Country Groups for Purposes of Margin and Service Fees

Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Afghanistan	1	0	500	38,928
Albania	0	0	5,210	2,838
Algeria	0	0	3,550	43,851
Angola	0	0	2,230	32,866
Antigua and Barbuda	0	1	14,250	98
Argentina	0	0	8,930	45,377
Armenia	0	0	4,220	2,963
Azerbaijan	0	0	4,450	10,110
Bahamas, The	0	1	27,780	393
Bangladesh	1	0	2,010	164,689
Barbados	0	1	14,460	287
Belarus	0	0	6,330	9,399
Belize	0	1	3,970	398
Benin	1	0	1,280	12,123
Bhutan	1	1	2,860	772
Bolivia	0	0	3,200	11,673
Bosnia and Herzegovina	0	0	6,090	3,281
Botswana	0	0	6,640	2,352
Brazil	0	0	7,850	212,559
Bulgaria	0	0	9,540	6,927
Burkina Faso	1	0	790	20,903
Burundi	1	0	270	11,891
Cabo Verde	1	1	3,060	556
Cambodia	1	0	1,490	16,719
Cameroon	1	0	1,500	26,546
Central African Rep.	1	0	510	4,830
Chad	1	0	660	16,426

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Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
China	0	0	10,610	1,402,112
Colombia	0	0	5,780	50,883
Comoros	1	1	1,450	870
Costa Rica	0	0	11,460	5,094
Côte d'Ivoire	1	0	2,280	26,378
Cyprus	0	1	26,110	1,207
Dem. Rep. of Congo	1	0	550	89,561
Djibouti	1	1	3,320	988
Dominica	1	1	6,870	72
Dominican Republic	0	0	7,260	10,848
Ecuador	0	0	5,530	17,643
Egypt	0	0	3,000	102,334
El Salvador	0	0	3,650	6,486
Equatorial Guinea	0	1	5,810	1,403
Eritrea	1	0	-	3,214
Estonia	0	1	23,250	1,331
Eswatini	0	1	3,580	1,160
Ethiopia	1	0	890	114,964
Fiji	0	1	4,720	896
Gabon	0	0	6,970	2,226
Gambia, The	1	0	750	2,417
Georgia	0	0	4,290	3,714
Ghana	1	0	2,230	31,073
Grenada	1	1	8,740	113
Guatemala	0	0	4,490	16,858
Guinea	1	0	1,020	13,133
Guinea-Bissau	1	0	760	1,968
Guyana	0	1	6,600	787
Haiti	1	0	1,250	11,403
Honduras	1	0	2,200	9,905
India	0	0	1,900	1,380,004

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Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Indonesia	0	0	3,870	273,524
Iran	0	0	2,870	83,993
Iraq	0	0	4,660	40,223
Jamaica	0	0	4,620	2,961
Jordan	0	0	4,310	10,203
Kazakhstan	0	0	8,680	18,754
Kenya	1	0	1,760	53,771
Kiribati	1	1	3,010	119
Kosovo	0	0	4,440	1,775
Kyrgyz Republic	1	0	1,160	6,592
Lao P.D.R.	1	0	2,480	7,276
Lebanon	0	0	5,510	6,825
Lesotho	1	0	1,100	2,142
Liberia	1	0	530	5,058
Libya	0	0	4,850	6,871
Madagascar	1	0	480	27,691
Malawi	1	0	580	19,130
Malaysia	0	0	10,580	32,366
Maldives	1	1	6,830	541
Mali	1	0	830	20,251
Malta	0	1	25,370	525
Marshall Islands	1	1	5,010	59
Mauritania	1	0	1,640	4,650
Mauritius	0	1	10,230	1,266
Mexico	0	0	8,480	128,933
Micronesia	1	1	4,010	115
Moldova	1	0	4,570	2,618
Mongolia	0	0	3,670	3,278
Montenegro, Rep. of	0	1	7,900	622
Morocco	0	0	2,980	36,911
Mozambique	1	0	460	31,255

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Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Myanmar	1	0	1,260	54,410
Namibia	0	0	4,520	2,541
Nauru	0	1	16,630	11
Nepal	1	0	1,190	29,137
Nicaragua	1	0	1,850	6,625
Niger	1	0	540	24,207
Nigeria	0	0	2,000	206,140
North Macedonia	0	0	5,720	2,083
Pakistan	0	0	1,280	220,892
Palau	0	1	16,500	18
Panama	0	0	11,880	4,315
Papua New Guinea	1	0	2,660	8,947
Paraguay	0	0	5,140	7,133
Peru	0	0	6,010	32,972
Philippines	0	0	3,430	109,581
Republic of Congo	1	0	1,830	5,518
Russian Federation	0	0	10,690	144,104
Rwanda	1	0	780	12,952
Samoa	1	1	4,070	198
São Tomé and Príncipe	1	1	2,070	219
Senegal	1	0	1,430	16,744
Serbia	0	0	7,400	6,908
Seychelles	0	1	12,720	98
Sierra Leone	1	0	490	7,977
Solomon Islands	1	1	2,300	687
Somalia	1	0	310	15,893
South Africa	0	0	5,410	59,309
South Sudan	1	0	—	11,194
Sri Lanka	0	0	3,720	21,919
St. Kitts and Nevis	0	1	17,400	53

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Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
St. Lucia	1	1	8,790	184
St. Vincent and the Gren.	1	1	7,340	111
Sudan	1	0	650	43,849
Suriname	0	1	5,510	587
Syria (2019 GNI)	1	0	1,170	17,501
Tajikistan	1	0	1,060	9,538
Tanzania	1	0	1,080	59,734
Thailand	0	0	7,050	69,800
Timor-Leste	1	1	1,830	1,318
Togo	1	0	920	8,279
Tonga	1	1	5,000	106
Trinidad and Tobago	0	1	15,410	1,399
Tunisia	0	0	3,100	11,819
Turkey	0	0	9,050	84,339
Turkmenistan	0	0	7,220	6,031
Tuvalu	1	1	5,820	12
Uganda	1	0	800	45,741
Ukraine	0	0	3,540	44,135
Uzbekistan	1	0	1,670	34,232
Vanuatu	1	1	2,780	307
Vietnam	0	0	2,660	97,339
Yemen	1	0	940	29,826
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.

SELECTED DECISIONS AND SELECTED DOCUMENTS

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 17231-(22/37).

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

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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

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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),
April 13, 2022*

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Attachment B. RST-Eligible Members

Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Afghanistan	1	0	500	38,928
Albania	0	0	5,210	2,838
Algeria	0	0	3,550	43,851
Angola	0	0	2,230	32,866
Antigua and Barbuda	0	1	14,250	98
Argentina	0	0	8,930	45,377
Armenia	0	0	4,220	2,963
Azerbaijan	0	0	4,450	10,110
Bahamas, The	0	1	27,780	393
Bangladesh	1	0	2,010	164,689
Barbados	0	1	14,460	287
Belarus	0	0	6,330	9,399
Belize	0	1	3,970	398
Benin	1	0	1,280	12,123
Bhutan	1	1	2,860	772
Bolivia	0	0	3,200	11,673
Bosnia and Herzegovina	0	0	6,090	3,281
Botswana	0	0	6,640	2,352
Brazil	0	0	7,850	212,559
Bulgaria	0	0	9,540	6,927
Burkina Faso	1	0	790	20,903
Burundi	1	0	270	11,891
Cabo Verde	1	1	3,060	556
Cambodia	1	0	1,490	16,719
Cameroon	1	0	1,500	26,546
Central African Rep.	1	0	510	4,830
Chad	1	0	660	16,426
China	0	0	10,610	1,402,112
Colombia	0	0	5,780	50,883

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Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Comoros	1	1	1,450	870
Costa Rica	0	0	11,460	5,094
Côte d'Ivoire	1	0	2,280	26,378
Cyprus	0	1	26,110	1,207
Dem. Rep. of Congo	1	0	550	89,561
Djibouti	1	1	3,320	988
Dominica	1	1	6,870	72
Dominican Republic	0	0	7,260	10,848
Ecuador	0	0	5,530	17,643
Egypt	0	0	3,000	102,334
El Salvador	0	0	3,650	6,486
Equatorial Guinea	0	1	5,810	1,403
Eritrea	1	0	-	3,214
Estonia	0	1	23,250	1,331
Eswatini	0	1	3,580	1,160
Ethiopia	1	0	890	114,964
Fiji	0	1	4,720	896
Gabon	0	0	6,970	2,226
Gambia, The	1	0	750	2,417
Georgia	0	0	4,290	3,714
Ghana	1	0	2,230	31,073
Grenada	1	1	8,740	113
Guatemala	0	0	4,490	16,858
Guinea	1	0	1,020	13,133
Guinea-Bissau	1	0	760	1,968
Guyana	0	1	6,600	787
Haiti	1	0	1,250	11,403
Honduras	1	0	2,200	9,905
India	0	0	1,900	1,380,004
Indonesia	0	0	3,870	273,524
Iran	0	0	2,870	83,993

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Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Iraq	0	0	4,660	40,223
Jamaica	0	0	4,620	2,961
Jordan	0	0	4,310	10,203
Kazakhstan	0	0	8,680	18,754
Kenya	1	0	1,760	53,771
Kiribati	1	1	3,010	119
Kosovo	0	0	4,440	1,775
Kyrgyz Republic	1	0	1,160	6,592
Lao P.D.R.	1	0	2,480	7,276
Lebanon	0	0	5,510	6,825
Lesotho	1	0	1,100	2,142
Liberia	1	0	530	5,058
Libya	0	0	4,850	6,871
Madagascar	1	0	480	27,691
Malawi	1	0	580	19,130
Malaysia	0	0	10,580	32,366
Maldives	1	1	6,830	541
Mali	1	0	830	20,251
Malta	0	1	25,370	525
Marshall Islands	1	1	5,010	59
Mauritania	1	0	1,640	4,650
Mauritius	0	1	10,230	1,266
Mexico	0	0	8,480	128,933
Micronesia	1	1	4,010	115
Moldova	1	0	4,570	2,618
Mongolia	0	0	3,670	3,278
Montenegro, Rep. of	0	1	7,900	622
Morocco	0	0	2,980	36,911
Mozambique	1	0	460	31,255
Myanmar	1	0	1,260	54,410
Namibia	0	0	4,520	2,541

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Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Nauru	0	1	16,630	11
Nepal	1	0	1,190	29,137
Nicaragua	1	0	1,850	6,625
Niger	1	0	540	24,207
Nigeria	0	0	2,000	206,140
North Macedonia	0	0	5,720	2,083
Pakistan	0	0	1,280	220,892
Palau	0	1	16,500	18
Panama	0	0	11,880	4,315
Papua New Guinea	1	0	2,660	8,947
Paraguay	0	0	5,140	7,133
Peru	0	0	6,010	32,972
Philippines	0	0	3,430	109,581
Republic of Congo	1	0	1,830	5,518
Russian Federation	0	0	10,690	144,104
Rwanda	1	0	780	12,952
Samoa	1	1	4,070	198
São Tomé and Príncipe	1	1	2,070	219
Senegal	1	0	1,430	16,744
Serbia	0	0	7,400	6,908
Seychelles	0	1	12,720	98
Sierra Leone	1	0	490	7,977
Solomon Islands	1	1	2,300	687
Somalia	1	0	310	15,893
South Africa	0	0	5,410	59,309
South Sudan	1	0	—	11,194
Sri Lanka	0	0	3,720	21,919
St. Kitts and Nevis	0	1	17,400	53
St. Lucia	1	1	8,790	184
St. Vincent and the Gren.	1	1	7,340	111
Sudan	1	0	650	43,849

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Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Suriname	0	1	5,510	587
Syria (2019 GNI)	1	0	1,170	17,501
Tajikistan	1	0	1,060	9,538
Tanzania	1	0	1,080	59,734
Thailand	0	0	7,050	69,800
Timor-Leste	1	1	1,830	1,318
Togo	1	0	920	8,279
Tonga	1	1	5,000	106
Trinidad and Tobago	0	1	15,410	1,399
Tunisia	0	0	3,100	11,819
Turkey	0	0	9,050	84,339
Turkmenistan	0	0	7,220	6,031
Tuvalu	1	1	5,820	12
Uganda	1	0	800	45,741
Ukraine	0	0	3,540	44,135
Uzbekistan	1	0	1,670	34,232
Vanuatu	1	1	2,780	307
Vietnam	0	0	2,660	97,339
Yemen	1	0	940	29,826
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.

*The Chair's Summing Up—
Proposal for a New Food Shock Window Under the Rapid
Financing Instrument and Rapid Credit Facility; Proposal for a
Staff Monitored Program with Executive Board Involvement,
Executive Board Meeting 22/83, September 30, 2022*

Executive Directors welcomed the opportunity to discuss staff's proposals (i) to create a new temporary window under the Fund's emergency financing instruments to address the urgent balance of

payments (BOP) needs related to food shock that was exacerbated by Russia's war in Ukraine, and (ii) to amend the policy on Staff Monitored Programs (SMP) to introduce an SMP with Board involvement (PMB) that will allow the Executive Board to opine under narrowly tailored circumstances on a member's program approved by management. They broadly endorsed both proposals.

Directors shared the staff's assessment that the ongoing global food shock has caused hardship and amplified the acute food insecurity in many countries. While noting that the first-best option to address BOP pressures would generally involve an Upper Credit Tranche (UCT) quality program, they agreed that this may not be feasible in some cases or not necessary in others.

Against this background, Directors welcomed the proposal to establish a new temporary food shock window (FSW) under the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF) to provide additional, low access emergency financing to qualifying members experiencing urgent BOP needs related to the global food shock. Access under this window will be consistent with the member's actual BOP need, capped at 50 percent of a member's quota, and available during a 12-month period. This access will be fully additional to the current annual access limits under the RFI and RCF and will increase the cumulative access limit under the regular window of the RFI and the exogenous shocks window of the RCF to 175 percent of quota. Directors also looked forward to strengthening coordination with specialized international organizations to address food insecurity.

Directors broadly supported the proposed qualification criteria that circumscribe access to the FSW to countries experiencing an urgent BOP need associated with acute food insecurity, increased costs of cereal and fertilizer imports, or cereal exports shortfalls. At the same time, a few Directors considered that other spillovers from the war would have warranted extending the qualification criteria for the new window. Directors looked forward to continued staff work to ensure that the Fund's lending toolkit responds to members' needs under current challenging circumstances.

Directors noted that as is the case for all Fund lending, including emergency financing, access under the FSW will be subject to debt sustainability and adequate capacity to repay requirements. Given concern

that some countries may not be able to access the FSW, Directors encouraged staff to work with countries in need to help address the challenges they are facing in meeting those requirements. Member countries accessing the FSW would also be expected to commit to measures ensuring transparency and accountability in the spending of emergency resources, tailored to the specific circumstances of each country.

Directors noted that the FSW will raise PRGT lending in the short term—including through additional voluntary SDR channeling—and will also require further subsidy resources. They emphasized the urgent need for timely bilateral pledges of loan and subsidy resources under the ongoing first stage of the PRGT fundraising. Directors looked forward to the Annual Review of the Adequacy of PRGT Resources scheduled for Spring 2023 as an opportunity to consider contingency measures as needed, and possible steps to accelerate or expand fundraising, to accommodate the additional lending.

Directors underscored that members would be encouraged to transition to UCT-quality programs as soon as appropriate and feasible to support structural reforms to address underlying vulnerabilities and larger financing needs. In this context, they noted that concurrent use of the FSW with an SMP or, in certain cases, with a PMB, could be considered to build or re-build a track record towards a Fund arrangement that supports a UCT-quality program.

Directors also supported the proposal to amend the SMP policy to allow for limited Executive Board involvement to opine on whether the policies under the PMB are robust to meet the program's objectives and to monitor its implementation. Directors agreed that the use of the PMB would be only available to those members who (1) seek to build or rebuild a track record for a Fund arrangement that supports a UCT-quality program, and (2) would benefit from limited Executive Board involvement because of either (i) an ongoing concerted international effort by creditors or donors to provide substantial new financing or debt relief in support of the member's policy program, or (ii) significant outstanding Fund credit under emergency financing instruments at the time new emergency financing is received. While a PMB would be strongly encouraged for these members, as a form of technical assistance it would maintain a voluntary nature. As with the FSW, Directors underscored that members would be encouraged to transition to UCT-quality programs as soon as appropriate and feasible.

Directors emphasized that clear communication is critical to convey the nature of the PMB and the limited role of the Executive Board's involvement. The PMB is approved by management and monitored by staff. The Board's involvement will be limited to, in a summing up, (1) at the time of management approval, opining on the robustness of the member's policy program to meet the stated objectives of the PMB and achieve the purpose of building or rebuilding a track record toward a UCT-quality program, and (2) in the context of reviews, indicating whether it agrees with staff that the member is on track to achieve these objectives. Directors underscored that this does not amount to Executive Board endorsement of the program, which is done only if the program meets the UCT-quality standard.

Directors welcomed the proposal to review the impact of the FSW by end-June 2023, in parallel with the Board consideration of the exit strategy for temporary modifications to the Fund's access limits in response to the COVID-19 Pandemic. They also agreed with staff on a review of the PMB policy no later than end-September 2023.

SU/22/139,
October 5, 2022

Arrears to Creditors and Debt Strategy

*The Acting Chairman's Summing Up—
Reviews of the Fund's Sovereign Arrears Policies and Perimeter,
Executive Board Meeting 22/41, May 4, 2022*

Directors welcomed the comprehensive review of the Fund's policy on lending into arrears to private creditors (LIA policy), the Fund's policy on lending into sovereign arrears to official bilateral creditors (LIOA policy), and the Fund's non-toleration of sovereign arrears policy to official bilateral and multilateral creditors.

Directors agreed that, overall, the Fund's arrears policies have worked well in enabling the Fund to proceed with providing financing in cases of arrears. At the same time, they noted that practice in sovereign debt restructuring and the creditor landscape have evolved over the last 20 years and certain updates are in order. Directors agreed that the proposals endorsed today are accurately reflected in the Executive Board understandings in Supplement 2 of SM/22/47 to be issued shortly.

USE OF FUND RESOURCES

Directors agreed that the LIA policy remains broadly appropriate and agreed with staff's proposed updates to the principles guiding the Fund's assessment of good faith.

- First, Directors agreed that debtors would be expected to share “relevant” information, generally aligned with what the member would be required to share under the Debt Limits Policy. They noted that this expectation would replace the earlier two-track approach on confidential and non-confidential information. Directors emphasized, however, that decisions on an adequate macroeconomic framework and the design of the financing plan or the adjustment program that could form the basis for the Fund's lending into arrears will remain in the sole purview of the Fund.
- Second, Directors considered that any terms offered to the creditors by the member should be consistent with the parameters of the Fund-supported program.
- Third, Directors expected that the debtor should provide clarity on the perimeter of claims that would be subject to the private-sector debt restructuring at the outset of the debt restructuring process.
- Fourth, Directors decided to eliminate the expectation that debtors would engage with creditor committees under a “formal negotiating framework” and only “where warranted by the complexity of the case.” That said, Directors continued to expect that the debtor would engage with a representative creditor committee or committees.
- Fifth, Directors reiterated their support for the use of flexibility in applying the LIA policy in emergency financing cases, in line with the flexibility provided under the LIOA policy.

Directors agreed that the current practice in preemptive restructuring cases remains appropriate and should be codified such that in those cases, the Fund may provide financing only if it has adequate assurances that such a restructuring will be successful.

With respect to claims held by official bilateral creditors, Directors broadly agreed that the Fund's nontoleration of arrears policy in cases where no official sector involvement is required (non-OSI cases) and the LIOA policy in cases where official sector involvement is required (OSI cases) continues to be appropriate and no amendments are needed. A number

of Directors recalled the recent, novel application of the LIOA policy as a source of financing in the context of special circumstances, and emphasized that this approach could not be presumed to ensure debt sustainability outside these circumstances. Regarding the Fund's financing assurances policy, a number of Directors saw merit in conducting a review of the policy noting that it provides a critical safeguard for Fund lending. On the role of the Common Framework (CF), while a few Directors expressed a desire to recognize the CF as a representative standing forum now, most Directors agreed that more experience is needed and welcomed staff's plan to closely monitor the CF's evolution and revert to the Board on whether it emerges as a new representative standing forum.

Directors also concurred that new Fund-supported programs should continue to incorporate the assumption that old OSI-related claims would be restructured in line with the terms stipulated in the original Fund-supported program.

Directors agreed that application of the non-toleration of arrears policy with respect to multilaterals has worked well, but the policy needs to be updated to clarify how the policy applies to new international financial institutions (IFIs) and to ensure that the special treatment multilateral creditors receive under the Fund's arrears policy is not diluted. IFIs are defined as international financial institutions with at least two sovereign members (and no non-sovereign member). While many Directors expressed a preference for staff's original proposal on this issue, which would reduce scope for judgement in this area and provide for more clarity, a number of Directors could not support staff's original proposal. In the end, most Directors went along with the alternative approach set out in the Supplement in light of staff's expectation that implementation of the approach described in the Supplement would not fundamentally differ from that in the original proposal. Therefore, Directors endorsed the following:

- First, Fund financing in the face of arrears to the World Bank Group should continue to require an Agreed Plan between the debtor and the World Bank to clear the arrears over a defined period. Fund financing in the face of arrears to any other IFI should continue to require that a Credible Plan be in place in non-OSI cases.
- Second, in OSI cases:
 - o Where the member is in arrears to an IFI, the Fund should judge whether a Credible Plan to resolve such arrears is

required as a condition for lending. Factors informing the Fund's judgment in this regard will include: (i) global, rather than regional, membership of the institution; (ii) whether the institution is a regional financing arrangement or a reserve currency union central bank that forms part of the global financial safety net; (iii) the Paris Club's treatment of the institution, (iv) participation of the institution in the Heavily Indebted Poor Countries (HIPC) Initiative, and (v) whether the institution is being excluded from the scope of debt restructuring by official bilateral creditors through a creditor committee based on a representative standing forum recognized under the LIOA policy in the case at hand.

- o When arrears are owed to an IFI that is not captured under the above bullet, Directors agreed that the LIOA policy should be expanded to apply to these cases *mutatis mutandis*. In these cases, the Fund policy will also provide for the flexibility in extraordinary circumstances for emergency financing cases consistent with the LIOA policy.

Directors broadly agreed with staff's restatements of how a Direct Bilateral Claim is defined for purposes of the application of the Fund's arrears, financing assurances, and debt sustainability policies, with some Directors emphasizing that the Fund's definition should aim to align with the classifications of the World Bank and Paris Club. They also endorsed two amendments with respect to identifying official claims. First, to the extent that the IFI purchases securities in the secondary market as part of the global financial safety net, such claims can be treated as claims subject to the Fund's arrears policies as applicable to IFIs. However, the Fund would rely on the IFI's own representation in this regard. Second, any Direct Bilateral Claims or claims held by IFIs that are contractually part of a pooled voting mechanism with private creditors shall be subject to the LIA policy. Directors asked that staff reports include greater transparency on how staff assessed the perimeter of claims, including when the Fund's classifications differ from that of the Paris Club's. A few Directors called on the Fund to treat central bank swaps with utmost caution, considering its unique characteristics.

SELECTED DECISIONS AND SELECTED DOCUMENTS

The above amendments and restatements will enter into effect immediately and will apply to all future purchases and disbursements (including under existing arrangements), with respect to existing and future arrears.

Directors agreed that the Fund's arrears policies should be reviewed on an as needed basis.

SU/22/65,
May 11, 2022

*Consolidated Executive Board Understanding of the
Fund's Arrears Policies and Perimeter,
Executive Board Meeting, May 4, 2022*

Introduction

1. Directors welcomed the comprehensive review of the Fund's policy on lending into arrears to private creditors, the Fund's policy on lending into sovereign arrears to official bilateral creditors, and the Fund's non-tolerance of sovereign arrears policy to official bilateral and multilateral creditors.

2. Directors agreed that overall, the Fund's arrears policies have worked well in enabling the Fund to proceed with providing financing in cases of arrears. At the same time, they noted that practice in sovereign debt restructuring and the creditor landscape have evolved over the last 20 years and certain updates are in order.

Lending Into Arrears (LIA) Policy

3. Directors concurred that the Fund's policy on lending into arrears to private creditors continues to provide a useful tool enabling the Fund to support a member's adjustment efforts before the member has reached agreement with its private creditors on a debt restructuring. Specifically, Directors agreed that Fund lending into sovereign arrears to private creditors should continue to be on a case-by-case basis and only where:

- (i) prompt Fund support is considered essential for the successful implementation of the member's adjustment program; and
- (ii) the member is pursuing appropriate policies and is making a good faith effort to reach a collaborative agreement with its creditors.

USE OF FUND RESOURCES

4. Directors also agreed that Fund lending into non-sovereign arrears stemming from the imposition of exchange controls should continue to be on a case-by-case basis and only where:

- (i) prompt Fund support is considered essential for the successful implementation of the member's adjustment program; and
- (ii) the member is pursuing appropriate policies, the member is making a good faith effort to facilitate a collaborative agreement between private debtors and their creditors, and a good prospect exists for the removal of exchange controls.

5. With respect to lending into sovereign arrears to private creditors, Directors agreed that greater clarity about the good faith dialogue between a debtor and its creditors during the restructuring process and enhanced debt transparency could help provide better guidance about the application of the Fund's LIA policy and, more generally, promote a better framework for the engagement of debtors and creditors in the restructuring of sovereign debt. Greater clarity concerning the framework for possible debt restructuring would strengthen the capacity of investors to assess recovery values under alternative scenarios, thereby facilitating the pricing of risk and improving the functioning of the capital markets. At the same time, however, Directors stressed the need for continued flexibility in applying the "good faith" criterion to accommodate the characteristics of each specific case to avoid putting debtors at a disadvantage in the negotiations with creditors; and to avoid prolonged negotiations that could hamper the ability of the Fund to provide timely assistance. Indeed, any clarification of the "good faith" criterion should serve primarily to support the difficult judgments that will continue to have to be made in each case, and should be made operational in a manner that does not impair market discipline.

6. Directors considered that the following principles would strike an appropriate balance between clarity and flexibility in guiding the dialogue between debtors and their private external creditors.

First, when a member has reached a judgment that a restructuring of its debt is necessary, it should engage in an early dialogue with its creditors, which should continue until the restructuring is complete.

Second, the member should share relevant information with all creditors on a timely basis, which would generally be aligned with what the

member would be required to share under the Debt Limits Policy and normally include:

- an explanation of the economic problems and financial circumstances that justify a debt restructuring;
- a briefing on the broad outlines of a viable economic program to address the underlying problems and its implications on the broad financial parameters shaping the envelope of resources available for restructured claims; and
- the provision of a comprehensive picture of the outstanding debt stock and its terms, and the proposed treatment of all claims on the sovereign, including those of official bilateral creditors; the perimeter of claims subject to the envisaged debt restructuring; and the elaboration of the basis on which the debt restructuring would restore medium term debt sustainability, bearing in mind that not all categories of claims may need to be restructured.

Third, the member should provide creditors with an early opportunity to give input on the design of restructuring strategies and the design of individual instruments.

Fourth, any terms offered to the creditors by the member should be consistent with the parameters of the Fund-supported program.

7. Although, as a general premise, the form of the dialogue would continue to be left to the debtor and its creditors, under this approach a member in arrears would be expected to initiate a dialogue with its creditors consistent with the principles discussed above. In cases in which creditors have been able to form a representative committee on a timely basis, there would be an expectation that the member would enter into good faith negotiations with this committee, though the unique characteristics of each case would also be considered.

8. Directors stressed that, in going forward with the suggested approach, it would be crucial to strike the appropriate balance between the need to promote effective communication between a debtor and its creditors, and the need to retain flexibility to address the diversity of individual member circumstances.

9. Directors emphasized that in assessing whether the member is making good faith efforts to negotiate, judgments would continue to be required in a number of important areas. These include a consideration of the extent to which creditor committees are sufficiently representative, and whether a reasonable period has elapsed to allow for the formation of representative committees. In the absence of such creditor committees, the member would be expected to engage creditors through a less structured dialogue.

10. Directors viewed the considerations laid out in the staff paper as useful inputs for helping to make such judgments, which would need to be made flexibly. They also noted that to the extent that negotiations become stalled because creditors are requesting terms that are inconsistent with the adjustment and financing parameters that have been established under a Fund-supported program, the Fund should retain the flexibility to continue to support members notwithstanding the lack of progress in negotiations with creditors.

11. Directors recognized that there may be circumstances where, following a default, the debtor enters into good faith discussions with creditors prior to the approval of a Fund arrangement. In these circumstances, creditors are likely to express views as to the appropriate dimensions of the program's adjustment and financing parameters. While such input would be welcome, Directors emphasized that decisions on an adequate macroeconomic framework and the design of the financing plan or the adjustment program that could form the basis for the Fund's lending into arrears will remain in the sole purview of the Fund.

12. Directors recognized that there may be emergency situations, such as in the aftermath of a natural disaster, where the extraordinary demands on the affected government are such that there is insufficient time for the debtor to undertake good faith efforts to reach agreement with its creditors. When a judgment has been made that such exceptional circumstances exist, the Fund may provide financing under the Rapid Credit Facility (RCF) or the Rapid Financing Instrument (RFI) despite arrears owed to private creditors. However, it would be expected that the Fund's support provided to the debtor in such cases would help advance normalization of relations with private creditors and the resolution of arrears, so that the approval of any subsequent

Fund arrangement for the member would again be subject to the LIA policy on lending into sovereign arrears to private creditors.

13. All purchases and disbursements made while a member has outstanding arrears to private creditors will continue to be subject to financing reviews, which will provide an opportunity for the Fund to monitor relations between a debtor and its creditors, and for the Board to be kept informed about developments in this area at an early stage.

14. The policy outlined above supersedes all previous policies regarding lending into arrears to private creditors.

Codifying Existing Practice into a Policy in Preemptive Restructuring Cases

15. Directors agreed that the current practice in preemptive restructuring cases remains appropriate. To the extent that the Fund determines that a contribution from external private creditors in the form of a debt restructuring will be needed to restore debt sustainability, the restructuring should ideally be undertaken before the approval of the Fund arrangement. However, there may be circumstances under which more flexibility is warranted, so that the conclusion of the debt operation is contemplated at a later date, normally, by the first review under the arrangement. In such cases, the Fund may provide financing only if it has adequate assurances that such a restructuring will be successful. Such assurances are obtained by a judgment that a credible process for restructuring is underway and will result in sufficient creditor participation to restore debt sustainability and close financing gaps within the macroeconomic parameters of the program, taking into account official sector commitments. This judgment will depend on member-specific circumstances, but relevant considerations to inform such judgment may include the engagement of legal and financial advisors by the member, the launching of consultations with creditors, and the design of the debt restructuring strategy, including the terms of the new instruments and use of inducements for creditor participation. Directors welcomed the recommendation to add an expectation that the member would be expected to share relevant information as defined under the LIA policy with all private creditors on a timely basis.

Lending Into Arrears to Official Bilateral Creditors (LIOA) Policy

16. Directors broadly agreed that the Fund’s non-toleration of arrears policy in non-(Official Sector Involvement) OSI cases and the policy on lending into sovereign arrears to official bilateral creditors in OSI cases continues to be appropriate and no amendments are needed. Most Directors agreed that more experience is needed with the Common Framework (CF) and welcomed staff’s plan to closely monitor the CF’s evolution and revert to the Board on whether it emerges as a new representative standing forum.

17. The LIOA policy is as follows: If an agreement is reached through the Paris Club that is adequately representative, the Fund would rely on its current practices—i.e., arrears would be considered eliminated (for purposes of the application of this policy) for both participating and non-participating creditors when financing assurances are received from the Paris Club in anticipation of an Agreed Minute.

Should another representative standing forum emerge, the Fund would be open to engaging with such a forum. In circumstances where an adequately representative agreement has not been reached through the Paris Club, the Fund would consider lending into arrears owed to an official bilateral creditor only in circumscribed circumstances where all the following criteria are satisfied:

- Prompt financial support from the Fund is considered essential, and the member is pursuing appropriate policies;
- The debtor is making good faith efforts to reach agreement with the creditor on a contribution consistent with the parameters of the Fund-supported program—i.e., that the absence of an agreement is due to the unwillingness of the creditor to provide such a contribution; and
- The decision to provide financing despite the arrears would not have an undue negative effect on the Fund’s ability to mobilize official financing packages in future cases.

In applying the above criteria, the Fund will need to exercise judgment based on case-specific circumstances. In exercising this judgment, the Board will be guided by the following considerations:

First, an agreement will be considered “adequately representative” when it provides a majority of the total financing contributions required

from official bilateral creditors over the program period. “Contribution” here comprises, and is limited to, debt relief and new financing (e.g., loans, bond financing, guarantees, and grants).

Second, in assessing whether a debtor is acting in good faith, the Fund will consider, *inter alia*, whether the debtor has approached the creditor to which it owes arrears either bilaterally or through a relevant grouping of official bilateral creditors, recognizing that the latter may take several forms, including *ad hoc* creditor committees; has offered to engage in substantive dialogue with the creditor and has sought a collaborative process with the creditor to reach agreement; has provided the creditor relevant information on a timely basis consistent with the Fund’s policy on confidentiality of information; and has offered the creditor terms that are consistent with the parameters of the Fund-supported program. If the debtor requested terms from an official bilateral creditor that would result in financing contributions that exceeded the requirements of the program it would generally not indicate good faith. Finally, an assessment of the second criterion would also take into consideration the extent to which a creditor is being asked to make a contribution that is disproportionate relative to other official bilateral creditors.

Third, in assessing whether the Fund’s decision to lend into arrears owed to an official bilateral creditor would have an undue negative effect on the Fund’s ability to mobilize official financing packages in future cases, the Fund will consider the signal that such a decision would send to official bilateral creditors as a group, given the specific circumstances of the case. In particular, this criterion would normally not be satisfied where the creditor or group of creditors that has not reached agreement with the debtor accounts for an adequately representative share, *i.e.*, a majority, of total financing contributions required from official bilateral creditors over the program period, as defined above. Separately, an assessment of whether the third criterion is satisfied would take into consideration the creditor’s track record of providing contributions in past debt restructurings under Fund-supported programs, even if the creditor does not account for an adequately representative share of total financing contributions.

An official bilateral creditor may choose to consent to Fund financing notwithstanding arrears owed to it. In such cases, the Board would not

need to make a judgment as to whether the three criteria above are satisfied. The Fund would nevertheless continue to encourage the parties to come to an agreement during the program, since the regularization of arrears is an objective of any Fund-supported program and important for the functioning of the international financial system at large.

There may be emergency situations, such as in the aftermath of a natural disaster, where the extraordinary demands on the affected government are such that there is insufficient time for the debtor to undertake good faith efforts to reach agreement with its creditors. When a judgment has been made that such exceptional circumstances exist, the Fund may provide financing under the Rapid Credit Facility (RCF) or the Rapid Financing Instrument (RFI) despite arrears owed to official bilateral creditors and without assessing whether the three criteria above have been satisfied or obtaining the creditor's consent. However, it would be expected that the Fund's support provided to the debtor in such cases would help advance normalization of relations with official bilateral creditors and the resolution of arrears, so that the approval of any subsequent Fund arrangement for the member would again be subject to all three criteria set out above.

So long as unresolved arrears owed to official bilateral creditors are outstanding, every purchase or disbursement made available after the approval of the arrangement will be subject to a financing assurances review by the Board and verification that all three criteria are satisfied to determine whether this policy continues to be met for the further use of the Fund's resources in the member's circumstances.

18. Directors concurred that new Fund-supported programs should continue to incorporate the assumption that old OSI-related claims would be restructured in line with the terms stipulated in the original Fund-supported program.

International Financial Institutions

19. Directors agreed that application of the non-toleration of arrears policy with respect to multilaterals has worked well, but the policy needs to be updated to clarify how the policy applies to new International Financial Institutions (IFIs) and to ensure that the special treatment multilateral creditors receive under the Fund's arrears policy is

not diluted. IFIs are defined as international financial institutions with at least two sovereign members (and no non-sovereign member). While many Directors expressed a preference for staff's original proposal on this issue (in SM/22/47), which would reduce scope for judgement in this area and provide for more clarity, a number of Directors could not support staff's original proposal. In the end, most Directors went along with the alternative approach set out in Supplement 1 in light of staff's expectation that implementation of the approach described in Supplement 1 would not fundamentally differ from that in the original proposal. Therefore, Directors endorsed the following:

First, Fund financing in the face of arrears to the World Bank Group should continue to require an Agreed Plan between the debtor and the World Bank to clear the arrears over a defined period. Fund financing in the face of arrears to any other IFI should continue to require that a Credible Plan be in place in cases where a contribution from the official sector is not required in order to restore debt sustainability (non-OSI cases). In this context, a Credible Plan is a plan that is credible to the Fund, and the creditor's concurrence is not required.

Second, in cases where a contribution from the official sector is required in order to restore debt sustainability (OSI cases):

- Where the member is in arrears to an IFI, the Fund should judge whether a Credible Plan to resolve such arrears is required as a condition for lending. Factors informing the Fund's judgment in this regard will include: (i) global, rather than regional, membership of the institution; (ii) whether the institution is a regional financing arrangement or a reserve currency union central bank that forms part of the global financial safety net; (iii) the Paris Club's treatment of the institution, (iv) participation of the institution in the Heavily Indebted Poor Countries (HIPC) Initiative, and (v) whether the institution is being excluded from the scope of debt restructuring by official bilateral creditors through a creditor committee based on a representative standing forum recognized under the LIOA policy in the case at hand.
- When arrears are owed to an IFI that does not fall under the previous bullet above, Directors agreed that the LIOA policy should be expanded to apply to these cases *mutatis mutandis*. In

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these cases, the Fund policy will also provide for the flexibility in extraordinary circumstances for emergency financing cases consistent with the LIOA policy. In the latter cases, the Fund would consider lending into arrears owed to an IFI creditor only in circumscribed circumstances where all the following criteria are satisfied:

- Prompt financial support from the Fund is considered essential, and the member is pursuing appropriate policies;
- The debtor is making good faith efforts to reach agreement with the IFI creditor on a contribution consistent with the parameters of the Fund-supported program—i.e., that the absence of an agreement is due to the unwillingness of the creditor to provide such a contribution; and
- The decision to provide financing despite the arrears would not have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases.

20. In assessing whether a debtor is acting in good faith, the Fund will consider, *inter alia*, whether the debtor has approached the IFI creditor to which it owes arrears bilaterally; has offered to engage in substantive dialogue with the IFI creditor and has sought a collaborative process with the creditor to reach agreement; has provided the creditor relevant information on a timely basis consistent with the Fund's policy on confidentiality of information; and has offered the creditor terms that are consistent with the parameters of the Fund-supported program. If the debtor requested terms from an IFI creditor that would result in financing contributions that exceeded the requirements of the program it would generally not indicate good faith.

21. In assessing whether the Fund's decision to lend into arrears owed to an IFI creditor would have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases, the Fund will consider the signal that such a decision would send to IFI creditors, or to official creditors more generally, as a group, given the specific circumstances of the case.

22. An IFI creditor may choose to consent to Fund financing notwithstanding arrears owed to it. Such consent could be conveyed to the Fund either through an Executive Director designated by the IFI or

an authorized executive of the IFI to the Managing Director. In such cases, the Executive Board would not need to make a judgment as to whether the three criteria above are satisfied. The Fund would nevertheless continue to encourage the parties to come to an agreement during the program, since the regularization of arrears is an objective of any Fund-supported program and important for the functioning of the international financial system at large.

23. So long as arrears to IFI creditors remain outstanding, purchases or disbursements will be subject to a financing assurances review where the Executive Board will verify that all three criteria are satisfied and the policy continues to be met for the further use of the Fund's resources in the member's circumstances.

Perimeter

24. For the purpose of determining the application of the Fund's arrears, financing assurances and debt sustainability policies, Directors broadly agreed with the approach proposed by staff.

25. Specifically, Direct Bilateral Claims will continue to be defined as those claims that are (a) held by a government, or an agency acting on behalf of a government; and (b) originate from an underlying transaction where the creditor government, or an agency acting on behalf of the government, provided or guaranteed financing to the debtor member.

26. In operationalizing this definition, Directors supported using the creditor member's budgetary process to determine which entities form part of the creditor government. For entities that fall outside the government, a case-by-case analysis, taking into account the totality of the circumstances, would continue to be required to determine whether the entity is "acting on behalf of the government." Directors recognized that secondary market purchases of claims by official bilateral creditors would not qualify as Direct Bilateral Claims, as they would not directly extend financing to the debtor member.

27. Directors endorsed two amendments to the classification of official claims: First, to the extent that the IFI purchases securities in the secondary market as part of the global financial safety net,

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such claims can be treated as claims subject to the Fund's arrears policies as applicable to IFIs; however, the Fund would rely on the IFI's own representation in this regard. Second, any Direct Bilateral Claims or claims held by IFIs that are contractually part of a pooled voting mechanism with private creditors shall be subject to the LIA policy.

Effectiveness

28. The above amendments and new policies will enter into effect immediately and will apply to all future purchases and disbursements (including under existing arrangements), with respect to existing and future arrears.

Reviews of the Arrears Policies

29. Directors agreed that the Fund's arrears policies should be reviewed on an as needed basis

SM/22/47, Supplement 2, Annex I
May 13, 2022

Article VIII and Article XIV

Payments Policies

*The Acting Chair's Summing Up—
Review of the Fund's Policy on Multiple
Currency Practices—Proposals for Reform,
Executive Board Meeting 22/63, July 1, 2022*

Executive Directors welcomed the opportunity to complete the review of the Fund's Policy on Multiple Currency Practices (MCPs). They observed that MCPs can be distortionary, create unfair competitive advantage among countries, and hamper trade and investment, particularly over the medium and long term. They agreed that the MCP policy should remain a cornerstone of the Fund's legal and policy framework to ensure orderly exchange arrangements and a stable system of exchange rates. They welcomed the adjustments to the policy to reflect developments since the last review in the 1980s so that it does not discourage good practices in FX markets and is better aligned with the Fund's other policies (including the policy on exchange restrictions and the Institutional View on the Liberalization and Management of Capital Flows (IV)), while ensuring that it continues to address policy actions that are considered impermissible under the new policy.

Directors supported the reform proposals. They concurred that the main principle of the policy—that official action by members' governments or their fiscal agencies should not cause unreasonable deviations in exchange rate spreads compared to normal costs and risks of exchange transactions—remains valid, although a few Directors stressed that the Fund should continue to approach the policy from an economic rather than a legalistic perspective. Directors agreed to eliminate the practice of finding an MCP due to potential exchange rate spreads.

Directors agreed that the scope of official action by members' governments and fiscal agencies should be clarified to focus primarily on action that segments the FX markets and/or increases or decreases the cost of exchange transactions. Directors agreed that FX auctions that are in line with best practices would not give rise to an MCP, as they

do not segment the FX market. Directors also agreed that an official exchange rate calculated based on the preceding day's market rates would not give rise to an MCP.

Directors agreed that foreign exchange purchases and sales by the authorities (aside from auctions) that do not segment the FX market would be excluded from the scope of the revised policy. However, Directors noted that if such FX transactions make foreign currency available at a particular exchange rate only for specific purposes or to a subset of end-users or intermediaries, therefore segmenting the FX market, such transactions would be assessed under the policy.

Directors agreed that exchange rate spreads with illegal parallel markets would no longer be considered MCPs, but the underlying distortions would be captured under the Fund's policy on exchange restrictions, where relevant. However, Directors stressed that country authorities should make reasonable efforts to eliminate illegal parallel markets and that staff should continue to discuss them in staff reports. Directors also agreed that broken cross rates caused by official action would no longer be considered MCPs, as reliance on such practices has almost disappeared and thus they are no longer economically relevant.

Directors agreed that since NDFs are not exchange transactions, they would only be considered under the MCP policy if they are closely related to acquiring or selling foreign exchange. Directors agreed to retain the current treatment of agreements between central banks under the MCP policy.

Directors welcomed the proposal to replace the current fixed two-percent rule for spot FX transactions with a country-specific market-based norm (the High/Low range) and tolerance margin (+/- 2 percent), whichever is wider, which will be used also for non-spot FX transactions. Directors broadly agreed that the Fund may find an MCP whenever there is a single deviation outside this range due to official action, but a few Directors called on staff to consider possible refinements to this approach in the next review. Directors agreed that additional costs or subsidies that are sufficiently closely related to an exchange transaction should be considered part of the effective exchange rate to be used in the assessment. As a continuation of the current policy, exchange taxes not exceeding 2 percent applied on market exchange rates will not give rise to an MCP.

Directors noted that the new policy does not introduce new data provision requirements. The relevant market exchange rate data is collected from reputable third-party providers, but staff can use data that are representative of the FX market from alternative sources, if needed. Directors noted that members will be expected to continue to provide data necessary for MCP assessments beyond that required under Article VIII, Section 5.

Directors agreed that an MCP will be considered eliminated if the authorities cease the official action that gave rise to the MCP, take credible measures to bring the spread back within the permissible range, or the impermissible spread does not reoccur following an observation period of 12 months.

Directors agreed that the use of the FX system for purposes unrelated to the balance of payments should generally be discouraged. They also agreed to strengthen the criteria for temporary approval of MCPs maintained primarily for non-BOP circumstances by additionally requiring that the member commits to a credible strategy for removal and that the MCP does not constitute an exchange restriction. A few Directors saw the benefits of a review of the Fund's policy on exchange restrictions.

Directors broadly agreed with the proposals to enhance the current cooperative approach to noncompliance by increasing transparency and accountability. They generally supported more prominent and extensive coverage of MCPs in staff reports, including more consistently reporting the existence of measures, discussion of their economic impact, staff's advice on removal, and the authorities' plans. A few Directors, however, cautioned that this could cause reputational risks to the authorities and preferred maintaining the current level of coverage. Directors welcomed annual reporting to the Board of a list of all approved and unapproved MCPs. Directors highlighted the role of Fund advice and technical assistance in promoting the elimination of MCPs and the reform of FX markets. Directors noted that the Board will revisit the issue of a remedial framework for unapproved MCPs in future reviews of the new MCP policy, taking into consideration the experience with the enhanced cooperative approach. A few Directors suggested similarly revisiting the issue of extending the MCP policy to capital transactions.

In line with the recently endorsed provisions of the IV, Directors agreed that MCPs and exchange restrictions that are also considered CFMs as

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they are also designed to limit capital flows would be assessed only under the respective Article VIII policy. Directors agreed that MCPs that apply solely to capital transactions are not subject to Fund approval but will continue to be identified as MCPs in Article IV reports and will be assessed only under the IV.

Directors welcomed the transitional arrangements to ensure the smooth implementation of the new MCP policy, which will become effective nine months following the Board approval of the decision with a few exceptions. Effective immediately, no MCPs will be found due to official exchange rates computed with a one-day lag, foreign exchange auctions consistent with best practices, spreads arising from illegal parallel markets, and broken cross rates caused by official action. Directors welcomed staff's plan to conduct outreach to the membership on the new policy during the transitional period. They noted that only limited additional resources will be required once the policy is well-established. Directors agreed that the new MCP policy will be reviewed within five years, or on an as needed basis.

SU/22/104,
July 8, 2022

Article XII, Section 6

Reserves, Distribution of Net Income, and Investment

REVIEW OF THE INVESTMENT ACCOUNT AND TRUST ASSETS INVESTMENT STRATEGY—AMENDMENT TO THE RULES AND REGULATIONS FOR THE INVESTMENT ACCOUNT

The Rules and Regulations for the Investment Account, adopted under Decision No. 15314-(13/16), January 23, 2013, as amended, are further amended as set forth in the Annex I of SM/21/206. (SM/21/206, 12/10/21)

*Decision No. 17199-(22/3),
January 12, 2022*

*Annex I of SM/21/206
Rules and Regulations for the Investment Account*

I. GENERAL PROVISIONS

Objective of the Investment Account

1. The objective of the Investment Account (IA) is to provide a vehicle for the investment of a part of the Fund's assets so as to generate income that may be used to meet the expenses of conducting the business of the Fund. Achieving this objective would help diversify the sources and increase the level of the Fund's income, thereby strengthening its finances over time.

Sources of Investment Account Assets

2. The IA may be funded with: (a) currencies transferred from the General Resources Account (GRA) in accordance with Article XII, Section 6(f)(ii) of the Articles; (b) the placement of profits from the sale of pre-Second Amendment gold in accordance with Article V, Section 12(g) of the Articles, in amounts up to the total amount of the Fund's general and special reserves at the time of any decision authorizing

such transfers; (c) the transfer of profits from the sale of post-Second Amendment gold in accordance with Article V, Section 12(k) of the Articles; and (d) income from the IA investment that is not transferred to the General Resources Account to meet the expenses of the Fund (Article XII, Section 6(f)(iv)).

Investment Account Subaccounts

3. The IA shall have a Fixed-Income Subaccount and an Endowment Subaccount, each of which has its own investment objective and shall be managed in accordance with Sections I and II, and I and III, respectively, of these Rules and Regulations (Rules).

4. Transfers of assets between subaccounts may be made with the approval of the Executive Board.

Responsibilities of The Managing Director

5. The Managing Director is responsible for implementing the investment policies set out in these Rules.

6. 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 to incorporate environmental, social, and governance (ESG) considerations into the investment process to support the investment objectives of the IA 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.

7. The Managing Director shall consult with the Executive Board regarding the key conflict of interest policies and arrangements, and responsible investment principles and arrangements, in the Managing Director's responsibility referred to in paragraph 6.

8. The Managing Director shall provide annual reports to the Executive Board on the investment activities of the IA. Ad hoc reports shall be prepared as warranted by market or other developments.

External Asset Managers

9. All assets of the IA shall be managed by external asset 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 assets on an interim basis following the termination of an external asset manager and pending the transfer of the assets to another external asset manager.

10. 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 Rules.

Custody Arrangements

11. The Managing Director shall establish adequate measures for the safekeeping and custody of the assets of the IA.

Use of Investment Account Income

12. The income from investment shall be invested, retained in the IA or used to meet the expenses of conducting the business of the Fund. The Fund shall decide on the use of the IA's income for each financial year, including whether any portion of such income will be transferred to the GRA for use in meeting the expenses of conducting the business of the Fund.

Termination or Reduction of The Investment Account

13. The IA shall be terminated in the event of a liquidation of the Fund and may be terminated, or the amount of the investment may be reduced, prior to the liquidation of the Fund, by a 70 percent majority of the total voting power. The procedures specified in Article XII, Sections 6(f)(vii), (viii) and (ix) of the Articles will apply in the event of the termination of the IA or a reduction in its assets. The Fund's decision to reduce investments in the IA shall specify the subaccount from which assets shall be used to fund a reduction in investments.

Audit

14. The assets of the IA shall be audited by the Fund's external auditors and included in the Fund's annual financial statements.

Review of The Rules and Conflict of Interest Policies

15. The Executive Board is expected to review these Rules and the Fund's relevant conflict of interest policies every five years.

II. FIXED-INCOME SUBACCOUNT

Investment Objective

16. With a view of generating income while protecting the Fund's balance sheet, the investment objective of the Fixed-Income Subaccount 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.

Asset Allocation and Tranches

17. (a) The Fixed-Income Subaccount 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.

(b) 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 18 below.

(c) 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 18 below.

(d) 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 Fixed-Income Subaccount shall be determined by the Managing Director.

Eligible Investments

18. (a) “Group 1 asset classes” shall be limited to:

- i. debt obligations issued by national governments of members or their central banks;
- ii. debt obligations issued by national agencies of members;
- iii. debt obligations issued by supranational institutions; and
- iv. 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.

(b) “Group 2 asset classes” shall be limited to:

- i. 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;
- ii. debt obligations denominated in SDR or the currencies included in the SDR basket, comprising: (A) securities issued by subnational governments; (B) mortgage-backed and other asset-backed securities; (C) covered bonds; and (D) short-dated unsecured corporate bonds; and
- iii. cash-equivalent investments with maturities of one year or less, that are denominated in SDR or the currencies included in the SDR basket.

(c) The Managing Director shall establish the parameters for determining the eligible investments within the categories of the asset classes specified in this paragraph.

19. Up to the maximum 40 percent of the total value of the Fixed-Income Subaccount assets may be invested in Group 2 asset classes, and the breach of this limit shall require prompt action to bring the Fixed-Income Subaccount back within the established limit.

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20. In addition to investing in Groups 1 and 2 asset classes, the Fixed-Income Subaccount may temporarily hold residual cash balances uninvested, or in short-term instruments sponsored by the custodian(s) or an affiliate.

Minimum Credit Rating

21. Except for obligations of the BIS, central bank deposits, and cash balances invested in short term instruments under paragraph 20, all assets in which the Fixed-Income Subaccount invests shall be subject to the following minimum credit ratings by a major credit rating agency at the time of acquisition (based on Standard & Poor's long-term rating scale): (a) BBB- for corporate bonds; and (b) BBB+ for remaining assets. The Managing Director may establish higher credit ratings for eligible individual asset classes.

22. 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

23. Any eligible investment that ceases to meet the rating threshold under paragraph 21 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 21 after acquisition may be divested or continue to be retained in accordance with modalities established by the Managing Director.

Limits on Investment Activities

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

25. The exchange rate risk for eligible investments denominated in non-SDR currencies shall be hedged back into SDR basket currencies with the objective to preserve the Fixed-Income Subaccount's SDR basket composition. Currency hedging may be used for SDR basket replication or for achieving overall currency exposure in line with SDR basket.

26. 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.

III. ENDOWMENT SUBACCOUNT INVESTMENT OBJECTIVE

27. The investment objective of the Endowment Subaccount is to achieve a long-term real return target of 3 percent in U.S. dollar terms. This is consistent with the objective of generating investment returns to contribute to the Fund's income, while preserving the long-term real value of these resources. The subaccount's real return shall be calculated by using the deflator that is used for purposes of the Fund's administrative budget, the Global External Deflator (GED), provided that the U.S. consumer price index (U.S. CPI) component of the GED shall be adjusted to use the actual U.S. CPI instead of the projected U.S. CPI.

Strategic Asset Allocation and Investment Strategy

28. The Endowment Subaccount shall be invested pursuant to the following strategic asset allocation (SAA) benchmark: 15 percent in global sovereign bonds; 10 percent in U.S. Treasury Inflation-Protected Securities (US TIPS); 15 percent in global corporate bonds; 25 percent in developed market equities; 10 percent in emerging market equities; 5 percent in infrastructure debt; 10 percent in infrastructure equities; and 10 percent in real estate investment trusts (REITs).

29. Except for the allocation to emerging market equities, which may be managed actively, all Endowment Subaccount assets shall be managed passively.

30. Infrastructure debt investments may be made in private markets.

31. The Managing Director shall establish all parameters for determining eligible investments for the asset classes of the SAA and the modalities for appropriate investment approaches not otherwise specified herein.

32. The asset allocation benchmark shall not apply to residual cash balances temporarily held uninvested, or in short-term instruments sponsored by the custodian(s) or an affiliate.

Rebalancing

33. Based on modalities established by the Managing Director, assets of the Endowment Subaccount shall be rebalanced at least annually to minimize deviation from the SAA benchmark specified in paragraph 28 above, or more frequently in the event of significant deviation.

Minimum Credit Ratings

34. Except for uninvested cash balances invested in short-term instruments under paragraph 32, fixed-income assets in which the Endowment Subaccount invests are subject to the following minimum credit ratings by a major credit rating agency at the time of acquisition (based on Standard & Poor's long-term rating scale): (a) BBB- for corporate bonds and infrastructure debt, provided that the Managing Director may establish modalities for allowing limited investment in infrastructure debt that is rated below BBB- at time of acquisition; and (b) BBB+ for remaining assets.

35. 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

36. Any eligible investment that ceases to meet the rating threshold under paragraph 34 or otherwise becomes ineligible after acquisition shall be divested within three months, except that corporate bonds and infrastructure debt which fail to meet the rating threshold under paragraph 34 after acquisition may be divested or continue to be retained in accordance with modalities established by the Managing Director.

Limits on Investment Activities

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

38. The exchange rate risk for fixed-income securities denominated in (a) developed market currencies vis-à-vis the U.S. dollar shall be

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hedged; and (b) emerging market currencies vis-à-vis the U.S. dollar may be hedged. Currency hedging is not permitted for other passively managed assets.

39. Derivatives may be used for managing interest rate risk, currency hedging operations required or permitted under paragraph 38, or reducing costs in the context of portfolio balancing, benchmark replication, and market access.

Article XV, Section 2

Valuation of the Special Drawing Right

*The Acting Chair's Summing Up—
Review of the Method of Valuation of the SDR,
Executive Board Meeting 22/44, May 11, 2022*

Executive Directors concluded the quinquennial review of the method of valuation of the Special Drawing Rights (SDR). They supported maintaining the current method of valuation of the SDR, including the selection criteria for inclusion in the basket and the methodologies for determining the currency weights and currency amounts in the basket, while formalizing the current practice and accepted statistical method of dealing with data gaps. Directors agreed to maintain the current composition of the SDR currency and interest rate baskets and approved their updated weights in the baskets.

Directors concurred that the export criterion and the freely usable criterion should continue to guide decisions on inclusion of currencies in the basket. They also agreed to maintain the methodology introduced in the 2015 review for determining currency weights and amounts in the SDR basket. Directors encouraged future reviews to include further analysis of the weights used in the formula to ensure that it continues to adequately capture the role of currencies in global trade and financial markets. They agreed that data gaps for indicators used in the SDR valuation review should be addressed by using available data within the relevant five-year period consistent with past practice, while continuing to explore availability of alternative variables to minimize data gaps.

Directors noted that based on developments in trade and financial markets over the period 2017-2021, the updated weights in the SDR basket maintain the same ranking of the initial weights set in the 2015 review, with slightly higher weights for the U.S. dollar and the Chinese renminbi and, accordingly, somewhat lower weights for the British pound, the euro, and the Japanese yen. Directors concurred that neither the COVID-19 pandemic nor advances in Fintech have had any major

impact on the relative role of currencies in the SDR basket so far. They called for continuous monitoring of implications for the SDR valuation framework from fintech and other developments, including potential economic and financial fragmentation and high inflation. A few Directors also called for monitoring implications of economic sanctions on the valuation framework.

Directors welcomed the update on operational issues raised in previous reviews through a survey of SDR users and the finding that most users do not experience significant operational challenges using SDRs or operating in the five SDR basket currencies' markets. They noted however that the survey identified some remaining operational challenges for the currencies in the basket. In this context, Directors broadly acknowledged the progress made on financial market reforms in China, while calling for additional efforts to further open and deepen the on-shore renminbi market, with some Directors also stressing the need to further enhance data transparency.

Directors agreed with the Managing Director's proposal for the next SDR review to take place on a five-year basis, to be concluded before end-July 2027.

SU/22/68,
May 14, 2022

REVIEW OF THE METHOD OF VALUATION OF THE SDR

1. Decision No. 15891-(15/109), adopted November 30, 2015, as amended, on the method of valuation of the Special Drawing Right (the "Decision"), shall be further amended as follows:

a. Paragraphs 3, 4 and 5 of the Decision shall be renumbered 4, 5 and 6, respectively, and the references to paragraphs 3 and 4 in the Decision shall be amended to refer to paragraphs 4 and 5, respectively.

b. The following paragraph 3 shall be added to the Decision:

"3. In the event that the data needed to assess the variables set out in Paragraphs 2(a) to 2(d) is not readily available for one or several of the currencies for the period under consideration, the data gaps shall be addressed consistent with accepted statistical methods as follows:

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(a) in cases where year-end data for a calendar year of the relevant five-year period is not available, the latest available data for a currency for that same year would be used; and

(b) in cases where data for a currency for one or more calendar years of the relevant five-year period is not available, the data available in that five-year period would be used for that currency.”

c. References in the new paragraph 5 of the Decision to “October 1, 2021, and thereafter on the first day of each subsequent period of five years” shall be revised to read “August 1, 2027 and thereafter on the first day of each subsequent period of five years.”

2. The Executive Board, having reviewed the list and the weights of the currencies that determine the value of the special drawing right (SDR) in accordance with Decision No. 15891-(15/109), adopted November 30, 2015 as amended, decides that, with effect from August 01, 2022, the list of the currencies in the SDR valuation basket shall remain the same, and the weight of each of these currencies to be used to calculate the amount of each of these currencies in the basket will be as follows:

Currency Weight (in percent)

U.S. dollar 43.38

Euro 29.31

Chinese RMB 12.28

Japanese yen 7.59

Pound sterling 7.44

(EBS/22/27, Sup. 1, 05/09/22)

*Decision No. 17247-(22/44),
May 11, 2022*

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REVIEW OF THE METHOD OF VALUATION OF THE SDR—AMENDMENT TO RULE O-1

Effective August 1, 2022, Rule O-1, which specifies the amounts of the currencies in the SDR valuation basket, shall be amended to read as follows:

“Rule O-1. The value of the SDR shall be the sum of the values of the following amounts of the following currencies:

U.S. dollar 0.57813

Euro 0.37379

Chinese yuan 1.0993

Japanese yen 13.452

Pound sterling 0.080870”. (EBS/22/27, Sup. 4, 07/29/22)

*Decision No. 17312-(22/73),
July 29, 2022*



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