

INTERNATIONAL MONETARY FUND

**Update on the Financing of PRGF and HIPC Operations
and the Subsidization of Post-Conflict Emergency Assistance**

Prepared by the Finance Department

(In consultation with the Legal and Policy Development and Review Departments)

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I. INTRODUCTION AND SUMMARY

1. **This paper provides the semi-annual update on the financing of PRGF and HIPC operations and the subsidization of post-conflict emergency assistance.** The previous update was issued in March 2003 (SM/03/100, 3/21/03). The key features of the PRGF and PRGF-HIPC Trusts—the framework under which PRGF and HIPC operations are conducted—are summarized in Box 1. As required under an earlier Board decision,¹ the paper also reviews the adequacy of the Reserve Account of the PRGF Trust. A draft decision on the adequacy is proposed for adoption by the Executive Board in Section VI.

2. **The main points of the paper are as follows:**

- **PRGF loan resources** available to the PRGF Trust stood at SDR 2.6 billion as of end-July 2003, which would allow new lending at an annual average of SDR 1.1 billion through end-2005, broadly in line with earlier estimates.
- **Resources accumulating in the Reserve Account** of the PRGF Trust amounted to SDR 3.1 billion at end-July, more than sufficient to meet forthcoming repayment obligations to PRGF Trust lenders during the next six months.
- Under current projections, **PRGF subsidy and HIPC grant resources** are estimated to be sufficient to cover the cost of subsidizing PRGF lending through end-2005 and of the Fund's participation in the enhanced HIPC Initiative.
- Projections also indicate that available resources could accommodate **the Fund's share of potential HIPC Initiative topping-up assistance** of about SDR 44 million (in NPV terms) estimated under the current methodology, but not the higher cost implied under Alternative Methodology I.²
- **Beyond 2005**, the projected lending capacity of about SDR 660 million per year under the so-called self-sustained PRGF would be low relative to the recent trend in annual commitments and might, therefore, not adequately provide for the continuing role of the Fund in low-income countries. Staff has begun to examine other financing options that would allow a PRGF lending capacity at close to historical levels (about

¹ The Executive Board is required to review the adequacy of the Reserve Account of the PRGF Trust every six months as long as PRGF loans related to the encashment of rights under rights accumulation programs remain outstanding (Decision No. 10286-(93/23) ESAF, February 22, 1993, as amended). Such loans remain outstanding to Sierra Leone and Zambia.

² Alternative methodologies on topping-up assistance estimates are discussed in detail in *Enhanced HIPC Initiative—Considerations Regarding the Calculation of Additional Debt Relief at the Completion Point* (SM/03/295, 8/18/03).

SDR 1 billion per year) after 2005. A Board paper on financing issues is planned for later this year.

- Substantial PRGF loan and subsidy resources, as well as grants required for HIPC assistance, would need to be mobilized to address **the protracted arrears and debt problems** facing Liberia, Somalia, and Sudan. In particular, urgent efforts are required to mobilize the necessary financing in the case of Sudan.
- **On subsidization of post-conflict emergency assistance**, since the last update, additional subsidies have been provided to four member countries. Available grant contributions are estimated to be adequate to subsidize charges on such assistance through at least end-2004.

3. **Staff proposes that this paper be made public on the Fund's external website**, as was done with previous reports.

Box 1. Overview of the PRGF and PRGF-HIPC Trusts

PRGF Trust

- The PRGF Trust was commenced in 1988 and enlarged in 1994 and 2002. Loan resources in the Trust have been provided by 17 lenders and subsidy contributions by a larger number of member countries. As of end-July 2003, total loan resources amounted to SDR 15.8 billion, of which SDR 2.6 billion has not yet been committed to PRGF borrowers.
- Loans to the PRGF Trust have been secured by a Reserve Account, which has been financed through a recycling of profits from gold sales in late 1970s (i.e., reflows of SAF and Trust Fund repayments) and investment returns on balances held in the account.

PRGF-HIPC Trust

- The framework for the HIPC Initiative and for interim PRGF subsidy operations during 2002–05 (the so-called interim period) was established in early 1997. Agreement was reached in late 1999 on the financing of the subsidy requirement for the interim PRGF and the Fund's participation in the HIPC Initiative. Contributions have been provided by the Fund itself and 93 member countries.
- The PRGF and PRGF-HIPC Trusts were amended in September 2001 to permit interim lending to be conducted through the PRGF Trust and to allow transfers of resources in the Trust Account of the PRGF-HIPC Trust not earmarked for HIPC operations to the Subsidy Account of the PRGF Trust if resources in the latter are insufficient for subsidizing interim lending.

PRGF beyond 2005

- It has been envisaged that PRGF operations after 2005 would be financed through a revolving use of the resources accumulating in the PRGF Reserve Account (the so-called self-sustained PRGF). Other modalities of financing will also be considered.

II. FINANCING OF CURRENT PRGF AND HIPC OPERATIONS

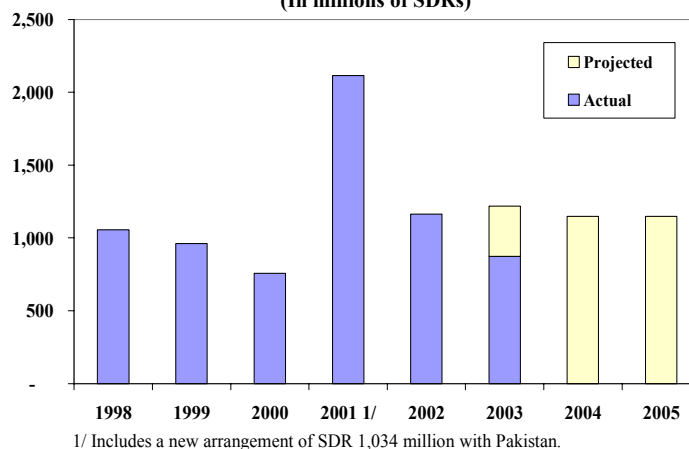
PRGF Loan Resources

4. **Loan resources remaining under the PRGF Trust are estimated to be sufficient to finance PRGF lending at an annual average level of SDR 1.1 billion through end-2005, as broadly envisaged in previous reports (Figure 1).** As of end-July 2003, total loan resources provided by lenders to finance PRGF operations had amounted to

SDR 15.8 billion. With SDR 13.1 billion having been already committed to PRGF-eligible member countries, a remaining balance of SDR 2.6 billion can be used through 2005. During the first seven months in 2003, the Executive Board approved seven new PRGF arrangements, totaling SDR 0.9 billion, including the large quota cases of Bangladesh and Sri Lanka. Based on information provided by area departments, additional new PRGF commitments could

amount to SDR 0.4 billion during the remainder of 2003. Thus far, the conflict in the Middle East, higher oil prices, and the prolonged slowdown in export market growth have not led to higher commitments of PRGF loans in 2003.

Figure 1. New PRGF Commitments, 1998-2005
(In millions of SDRs)



PRGF Reserve Account

5. **The Reserve Account of the PRGF Trust is designed primarily to provide security to the lenders of the PRGF Trust in the event of a delay or nonpayment by PRGF Borrowers.**³ The Reserve Account has been financed by reflows of SAF and Trust Fund repayments and investment returns on balances held in the Account. In September 2001, both the PRGF and PRGF-HIPC Trusts were amended to allow PRGF loans to be provided through the PRGF Trust during 2002–05 and thus extend the coverage of the Reserve Account to interim PRGF loans.

³ Under the PRGF Trust, loans for the encashment of rights accumulation programs are also protected by a gold pledge of up to 3 million ounces when resources in the Reserve Account are exhausted. The Reserve Account also serves to meet temporary mismatches between repayments from borrowers and repayments to lenders and to cover the Fund's costs of administering PRGF operations.

6. **At end-July 2003, the balance in the Reserve Account amounted to SDR 3.1 billion, up only marginally from the previous report, reflecting both investment returns in a low interest rate environment and the adverse impact of Zimbabwe's arrears to the PRGF Trust.**⁴ Zimbabwe's arrears have necessitated repayments from the Reserve Account of about SDR 65 million to PRGF Trust lenders. The Reserve Account will be replenished when Zimbabwe settles its arrears to the PRGF Trust.

7. **Resources available in the Reserve Account of the PRGF Trust are estimated to provide sufficient protection to PRGF Trust lenders.** The balance in the Reserve Account is consistent with the historical level, which has averaged 40–45 percent of outstanding claims on the PRGF Trust, and is estimated to exceed by a factor of about six the projected repayment obligations (of about SDR 0.5 billion) falling due to PRGF Trust lenders through March 2004. A draft decision confirming the adequacy of Reserve Account balances is proposed for adoption by the Executive Board below.

PRGF Subsidies and HIPC Initiative Grants

8. **The total cost of subsidizing PRGF lending and financing the Fund's share of HIPC Initiative assistance is currently projected at SDR 7.2 billion on a cash basis** (Table 1). The cost of subsidizing PRGF operations is estimated at SDR 5 billion, or about SDR 0.1 billion lower than previously estimated, owing to lower-than-expected interest paid to PRGF Trust lenders in the intervening period. The estimated cost of the Fund's share of HIPC Initiative assistance, excluding potential topping-up at completion points, is about SDR 2.2 billion, or SDR 50 million higher than before. This increase mainly reflects a change in the estimated cost of the Fund's HIPC Initiative assistance to the Democratic Republic of the Congo as a result of an upward revision of the debt stock in an updated debt sustainability analysis.

9. **The combined subsidy and grant resources available to the PRGF and PRGF-HIPC Trusts are projected to amount to SDR 7.6 billion, up slightly from the previous estimate.**⁵ This projection is based on an assumed interest rate of 5 percent per annum for investment returns and on interest obligations due to the PRGF Trust lenders over the remaining life of the Trusts.⁶ As of end-August 2003, all pledged subsidy contributions to the PRGF Trust, as well as 98 percent of those pledged to the PRGF-HIPC Trust, had been made effective. Since the last update, Fiji and Tonga have made effective their contributions to the PRGF-HIPC Trust. Pledges from 10 countries amounting to SDR 32.2 million have still not been made effective (Table 2).

⁴ Zimbabwe has been in continuous arrears to the PRGF Trust since mid-February 2001.

⁵ The sources of subsidy and grant contributions to the PRGF and PRGF-HIPC Trusts were described in an earlier update paper (SM/02/96, 3/26/02).

⁶ Both the PRGF and PRGF-HIPC Trusts are expected to operate through 2019.

Table 1. PRGF Subsidies and HIPC Initiative Grants
(In billions of SDRs on a cash basis)

	Actual (as of June 2003)	Projected (July 2003–2019) 1/	Total
Sources	5.3	2.3	7.6
PRGF Trust	3.6	0.5	4.1
Bilateral contributions	2.4	0.2	2.6
Fund contributions	0.4	-	0.4
Interest income on balances	0.8	0.3	1.1
PRGF-HIPC Trust	1.7	1.8	3.4
Bilateral contributions	0.8	0.4	1.1
Fund contributions	0.8	1.4	2.2
Investment income from gold proceeds	0.4	1.4	1.8
Other contributions	0.4	0.0	0.4
Interest income on balances	0.1	0.0	0.1
Uses	2.9	4.3	7.2
PRGF Trust subsidies	1.8	1.6	3.4
PRGF-HIPC Trust	1.1	2.6	3.7
Fund's cost of HIPC assistance 2/	1.1	1.1	2.2
Interim PRGF subsidies	0.0	1.5	1.5

1/ Projections are based on the assumed annual interest rate of 5 percent, unchanged from the assumption used in the March 2003 update.

2/ Equivalent to US\$2.9 billion in 2002 NPV terms. Based on current projections, HIPC assistance will be fully disbursed by 2007.

Table 2. Pending Subsidy Contributions to
the PRGF-HIPC Trust
(In millions of SDRs "as needed"; as of end-August 2003) 1/

Venezuela	20.4	Dominican Republic	0.5
Argentina 2/	6.4	Lebanon	0.4
Gabon 2/	1.9	Grenada	0.1
Trinidad & Tobago	1.6	Vanuatu	0.1
Bahrain	0.9	Maldives	0.01
		Total	32.2

1/ "As needed" is defined in Appendix Table 6, footnote 3.

2/ This is the remaining balance for Argentina and Gabon, which have already contributed SDR 16.2 million and SDR 2.5 million "as needed", respectively, to the PRGF-HIPC Trust.

10. Overall, PRGF subsidy and HIPC Initiative grant resources in both Trusts are currently projected to exceed the cost of PRGF subsidies and the Fund's share of HIPC Initiative assistance (excluding any potential topping-up) by about SDR 0.4 billion on a cash basis (or SDR 0.2 billion in NPV terms). However, it is important to note that this projected surplus is not necessarily readily available for near-term financing purposes and is subject to significant uncertainties:

- **First**, the projected net surplus of the PRGF and PRGF-HIPC Trusts, as discussed above, indicates possible resources available *through 2019 on an undiscounted cash basis*. There is, therefore, a time dimension to the projection, implying that this amount is not all currently available and that the use of this projected surplus cannot be heavily frontloaded in the early years.
- **Second**, the resources in the two Trusts are not fully interchangeable. In particular, while subsidy resources available to the PRGF Trust can be used to subsidize PRGF operations during the so-called interim period (2002–05), they cannot be used for HIPC Initiative operations, including topping-up assistance. Indeed, most of the currently projected surplus is in the PRGF Trust and is earmarked for PRGF subsidies. In contrast, the available resources for HIPC Initiative assistance from the PRGF-HIPC Trust have almost been fully exhausted, and the investment income from gold proceeds will, therefore, likely need to be used in support of HIPC Initiative assistance starting in late 2003.⁷
- **Third**, projected resource availability is highly sensitive to changes in the level of PRGF lending, the Fund's cost of participating in the enhanced HIPC Initiative, and interest rates. In particular, as noted above, the projected surplus is based on an assumed interest rate of 5 percent per year. This surplus would be eliminated if the annual average interest rate were to exceed 5½ percent, as financing needs are more sensitive to interest rate changes than available resources.⁸ The analysis of the sensitivity of resource availability to various interest rate assumptions is provided in Table 3.

⁷ Based on Decision No. 12230-(00/115), up to SDR 1.76 billion of the amount of the investment earnings on the proceeds from gold sales held in the Special Disbursement Account can be used on an “as needed” basis to meet the cost of the HIPC Initiative.

⁸ The *resources required* consist of PRGF subsidies, which are a function of interest rates, and HIPC Initiative grants, which are largely invariant to interest rates. The *resources available* comprise grants and investment income earned on grants and deposits, with only the latter dependent on interest rates. The interest-sensitive component of the *resources required* is thus considerably larger than the corresponding component of the *resources available*.

Table 3. Interest Rate Sensitivity of PRGF Subsidies and HIPC Grant Resources (In billions of SDRs on a cash basis)					
	(Interest rate in percent per annum)				
	4.0	4.5	5.0	5.5	6.0
Resources in the PRGF and PRGF-HIPC Trusts	1.1	0.7	0.4	0.1	-0.3
Resources required	6.5	6.8	7.2	7.5	7.9
Resources available	7.5	7.6	7.6	7.6	7.6
Annual Commitment Capacity under the self-sustained PRGF 1/	0.60	0.63	0.66	0.69	0.71

1/ The projection is based on the assumption that no administrative expenses associated with PRGF operations will be reimbursed by the Reserve Account to the GRA beyond 2004 and that the reserve coverage ratio of about 40 percent will be maintained through the life of the PRGF Trust.

HIPC Initiative Topping-Up Assistance

11. **The staff's revised projections of potential topping-up costs at completion points remain broadly unchanged from the earlier estimates under the current methodology,⁹ and the projected additional cost to the Fund could be accommodated with available resources.** As described in *Enhanced HIPC Initiative—Considerations Regarding the Calculation of Additional Debt Relief at the Completion Point* (SM/03/295, 8/18/03), under this methodology, total topping-up assistance by all creditors (including for post-completion point countries) would amount to US\$877 million in 2002 NPV terms, of which the additional cost to the Fund would amount to US\$61 million (equivalent to SDR 44 million).¹⁰ These are tentative estimates, which are highly sensitive to discount and exchange rate changes, and subject to revision as countries approach their completion points.¹¹

12. **The projected available resources would, however, not be able to accommodate the estimated cost under the alternative methodology of excluding additional bilateral assistance from topping-up calculations (Alternative Methodology I in the above**

⁹ See *HIPC Initiative—Information Note on the Calculation of Completion Point Topping Up* (SM/02/333, 10/29/02).

¹⁰ For interim countries alone, the additional topping-up cost under the current methodology is estimated at US\$729 million, of which the Fund's share would be about US\$48 million.

¹¹ Topping-up assistance is provided only in exceptional cases when there has been a fundamental change in the member's economic circumstances due to exogenous factors, adversely affecting its debt sustainability.

mentioned topping-up paper) without risk to the financing of PRGF and HIPC operations. Using the baseline assumptions on the CIRR and interest rate in the topping-up paper, the overall additional cost under this methodology would more than double to US\$2.3 billion in 2002 NPV terms, with the Fund's share rising sharply to US\$249 million (about SDR 179 million) (Table 4). The markedly higher cost associated with this alternative methodology could pose the following problems with respect to projected available resources:

	Current methodology	Alternative Methodology I
Baseline		
In millions of U.S. dollars	61	249
In millions of SDRs	44	179
Updating to current parameters 1/		
In millions of U.S. dollars	106	346
In millions of SDRs	76	249

1/ Exchange rates and 6-month average CIRR rates as of June 30, 2003.

- **First**, the current low interest rate environment, while benefiting the PRGF and PRGF-HIPC Trusts as a whole, could pose constraints on the availability of resources *earmarked for the HIPC Initiative* in the short term. This is because: (i) the demand for such resources would be particularly high as HIPC Initiative assistance is heavily frontloaded; and (ii) as described earlier, any additional subsidy resources arising from lower interest rates in the PRGF Trust cannot be used for HIPC Initiative operations, including topping-up assistance. Thus, as the investment income on gold proceeds earmarked for HIPC Initiative assistance accumulates more slowly than is needed, a temporary transfer of resources from the Reserve Account may be required to provide liquidity support.¹² As this transfer from the Reserve Account would only be repaid in later years, it could adversely affect the lending capacity of the self-sustained PRGF, particularly in the early years of its operation.
- **Second**, committing to additional topping up would severely limit the ability of the Fund to meet any unanticipated frontloading of PRGF disbursements or additional HIPC debt relief for those countries which have not yet reached their decision points. As noted earlier, in the case of the Democratic Republic of the Congo, the Fund's

¹² As specified in Decision No. 8759-(87/176) ESAF, the PRGF-HIPC Trust can make use of up to SDR 250 million in transfers from the Reserve Account to cover temporary cash shortfalls in the Trust. As of end-July 2003, SDR 43 million had been used for this purpose.

share of additional debt relief, owing to a delay in the decision point and an updated debt sustainability analysis, amounted to some SDR 50 million more than previously estimated.

- **Third**, and most importantly, there is a high degree of uncertainty regarding the estimated cost to the Fund associated with Alternative Methodology I. Using updated parameters for the topping-up calculations,¹³ the overall additional cost would increase to US\$3.4 billion in NPV terms, with the Fund's share rising to US\$346 million (about SDR 249 million). This higher cost to the Fund could not be accommodated within the current operating framework. Thus, should this alternative methodology be adopted, the Fund would commit resources to topping-up assistance of a highly uncertain and potentially large magnitude.

13. **In the staff's view, therefore, adopting Alternative Methodology I for calculating topping-up assistance would be a high risk endeavor.** The much more costly topping-up approach would not only place at risk the currently projected small safety margin which allows the Fund to implement PRGF and HIPC operations as envisaged and respond to unanticipated developments with such operations, but—under plausible assumptions—the commitments could simply not be financed from available resources as currently projected.

III. FINANCING OF PRGF LENDING BEYOND 2005

14. **It has been envisaged that, once currently available PRGF loan resources have been fully committed, the continuation of the Fund's PRGF lending would be financed on a revolving basis from the resources accumulated in the Reserve Account of the PRGF Trust—the so called self-sustained PRGF.** It is estimated that the accumulated balance in the Reserve Account could sustain annual PRGF loan commitments of about SDR 660 million in perpetuity, while maintaining Reserve Account coverage for claims on the PRGF Trust at the historical level of 40 percent. The projected level of self-sustained PRGF lending is dependent on the timing of the initiation of such operations and the assumed rate of return on the Reserve Account balance.

15. **An annual commitment capacity of SDR 660 million under the self-sustained PRGF is low relative to the recent past, and, in light of the intensified global effort towards the achievement of the Millennium Development Goals, might be viewed as inadequate in the period after 2005.** Staff has begun to examine options for maintaining the annual commitment capacity of the PRGF at around the historical average of SDR 1 billion in the context of the broader review of the role of the Fund in low-income countries over the medium to long term. A staff paper on this issue is currently planned for consideration by the Executive Board later this year.

¹³ The updated parameters are exchange rates and a six-month average of CIRRR as of end-June 2003.

IV. RESOURCES NEEDED FOR PROTRACTED ARREARS CASES

16. **With prospects for an end to the civil conflict in Sudan better than at any time in the past twenty years, the mobilization of resources for arrears clearance and HIPC Initiative assistance for Sudan becomes a matter of urgency.** In the funding of the PRGF and PRGF-HIPC Trusts, no allowance was made for the loan, subsidy, and HIPC grant resources that would be needed for Liberia, Somalia, and Sudan, which have been in arrears to the Fund since the mid-1980s. However, for Sudan, arrears clearance and debt relief would be a high priority in the immediate aftermath of the signing of a peace agreement that could take place in the coming months.

17. **Based on an updated debt sustainability analysis, the estimated cost to the Fund in terms of subsidy and grant resources for clearing Sudan's arrears and providing HIPC Initiative assistance would amount to about SDR 0.9 billion.** In addition, PRGF loan resources would also need to be raised for financing a successor financial arrangement from the Fund following arrears clearance. The clearance of arrears to the Fund would need to be part of a comprehensive effort by the international community to restore Sudan's external viability. Exceptionally deep debt relief from bilateral creditors, both in and outside the Paris Club, would be at the core of this effort along with the normalization of relations with the Fund. Before committing to a schedule for arrears clearance and debt relief under the HIPC Initiative, the Fund would need to receive firm pledges from bilateral contributors of the resources needed, as well as financing assurances from creditors and donors to participate in arrears clearance and the HIPC Initiative.

18. **At some stage, eventual arrears clearance and debt relief under the HIPC Initiative for Liberia and Somalia would also require substantial resource mobilization.** Preliminary estimates suggest that subsidy and grant resources of about SDR 400 million would need to be mobilized for Liberia and another SDR 200 million for Somalia. Staff will return to these issues as developments warrant.

V. SUBSIDIZATION OF POST-CONFLICT EMERGENCY ASSISTANCE

19. **Contributions to the subsidization of post-conflict emergency assistance are estimated to be adequate through at least end-2004.** In May 2001, an administered account was established to subsidize the rate of charge on post-conflict emergency assistance to PRGF-eligible countries to 0.5 percent per year. At end-July 2003, total pledged contributions to this account from seven countries stood at SDR 11.6 million, compared to an estimated need for subsidies of SDR 7–12 million through 2004, unchanged from the last update (Table 5). Subsidy grants of SDR 0.1 million have been disbursed to Burundi, the Republic of Congo, Guinea-Bissau, and Tajikistan since the last update. Thus far, of the total

contributions pledged, SDR 7.9 million has been received from bilateral donors, and subsidy grants of SDR 1.5 million have been disbursed to seven members.¹⁴

Contributor	Contribution pledged	SDR equivalent	Contribution received	Subsidy disbursed
Belgium	SDR 1.0	1.0	0.6	0.1
Canada	Can\$ 3.25	1.6	0.4	--
Netherlands	US\$ 2.0	1.5	1.5	--
Norway	SDR 3.0	3.0	1.0	--
Sweden	SDR 0.8	0.8	0.8	0.8
Switzerland	US\$ 1.0	0.8	0.8	--
United Kingdom	£ 2.5	2.9	2.9	0.7
Total		11.6	7.9	1.5

VI. PROPOSED DECISION

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

Pursuant to Decision No. 10286-(93/23) ESAF, adopted on February 22, 1993, as amended, the Fund has reviewed the adequacy of balances in the Reserve Account of the PRGF Trust, and determines that they are sufficient to meet all obligations that could give rise to payments from the Account to lenders to the Loan Account of the PRGF Trust in the six months from October 1, 2003 to March 31, 2004.

¹⁴ These countries are Albania, Burundi, the Republic of Congo, Guinea-Bissau, Rwanda, Sierra Leone, and Tajikistan. Albania, Rwanda, Sierra Leone, and Tajikistan no longer have outstanding balances on emergency assistance.

Table 6. Summary of Bilateral Contributions to
the PRGF and PRGF-HIPC Trusts

(In millions of SDRs; as of end-June 2003)

	PRGF Trust		PRGF-HIPC Trust	
	Subsidy contributions "as needed" 1/	Loan commitments 2/	Subsidies and HIPC grant contributions "as needed" 3/	Of which: Pending "as needed" 3/
TOTAL	3,511.2	15,722.7	1,561.6	32.2
Major industrial countries	2,311.9	12,864.8	880.5	--
Canada	205.7	700.0	48.8	--
France	475.1	2,900.0	82.2	--
Germany	198.8	2,750.0	127.2	--
Italy	157.3	1,380.0	63.6	--
Japan	725.7	5,134.8	144.0	--
United Kingdom	370.4	--	82.2	--
United States	178.8	--	332.6	--
Other advanced countries	983.7	2,452.8	299.7	--
Australia	15.8	--	24.8	--
Austria	62.7	--	14.3	--
Belgium	120.0	350.0	35.3	--
Denmark	67.2	100.0	18.5	--
Finland	42.3	--	8.0	--
Greece	39.6	--	6.3	--
Iceland	4.6	--	0.9	--
Ireland	8.3	--	5.9	--
Israel	--	--	1.8	--
Korea	60.2	92.7	15.9	--
Luxembourg	14.2	--	0.7	--
Netherlands	143.0	450.0	45.4	--
New Zealand	--	--	1.7	--
Norway	45.7	150.0	18.5	--
Portugal	5.2	--	6.6	--
San Marino	--	--	0.05	--
Singapore	32.3	--	16.5	--
Spain	25.2	708.4	23.3	--
Sweden	187.2	--	18.3	--
Switzerland	110.0	601.7	37.0	--
Fuel exporting countries	16.9	49.5	114.3	23.2
Algeria	--	--	5.5	--
Bahrain	--	--	0.9	0.9
Brunei Darussalam	--	--	0.1	--
Gabon	--	--	2.5	1.9
Iran, Islamic Republic of	2.0	--	2.2	--
Kuwait	--	--	3.1	--
Libya	--	--	7.3	--
Nigeria	--	--	13.9	--
Oman	--	--	0.8	--
Qatar	--	--	0.5	--
Saudi Arabia	15.0	49.5	53.5	--
United Arab Emirates	--	--	3.8	--
República Bolivariana de Venezuela	--	--	20.4	20.4

Table 6. Summary of Bilateral Contributions to
the PRGF and PRGF-HIPC Trusts

(In millions of SDRs; as of end-June 2003)

	PRGF Trust		PRGF-HIPC Trust	
	Subsidy contributions "as needed" 1/	Loan commitments 2/	Subsidies and HIPC grant contributions "as needed" 3/	Of which: Pending "as needed" 3/
Other developing countries	185.2	355.6	224.1	9.1
Argentina	35.4	--	16.2	6.4
Bangladesh	0.9	--	1.7	--
Barbados	--	--	0.4	--
Belize	--	--	0.3	--
Botswana	2.2	--	5.7	--
Brazil	--	--	15.0	--
Cambodia	--	--	0.04	--
Chile	4.1	--	4.4	--
China	15.1	200.0	19.7	--
Colombia	--	--	0.9	--
Cyprus	--	--	0.8	--
Dominican Republic	--	--	0.5	0.5
Egypt	13.5	155.6	1.3	--
Fiji 4/	--	--	0.1	--
Ghana	--	--	0.5	--
Grenada	--	--	0.1	0.1
India	13.3	--	22.9	--
Indonesia	6.0	--	8.2	--
Jamaica	--	--	2.7	--
Lebanon	--	--	0.4	0.4
Malaysia	45.6	--	12.7	--
Maldives	--	--	0.01	0.01
Malta	2.1	--	1.1	--
Mauritius	--	--	0.1	--
Mexico	--	--	54.5	--
Micronesia, F. S.	--	--	0.00*	--
Morocco	9.8	--	1.6	--
Pakistan	3.9	--	3.4	--
Paraguay	--	--	0.1	--
Peru	--	--	2.5	--
Philippines	--	--	6.7	--
Samoa	--	--	0.00*	--
South Africa	--	--	28.6	--
Sri Lanka	--	--	0.6	--
St. Lucia	--	--	0.1	--
St. Vincent and the Grenadines	--	--	0.1	--
Swaziland	--	--	0.01	--
Thailand	17.3	--	4.5	--
Tonga 4/	--	--	0.02	--
Trinidad and Tobago	--	--	1.6	1.6
Tunisia	1.8	--	1.5	--
Turkey	11.7	--	--	--
Uruguay	2.6	--	2.2	--
Vanuatu	--	--	0.1	0.1
Vietnam	--	--	0.4	--

Table 6. Summary of Bilateral Contributions to
the PRGF and PRGF-HIPC Trusts

(In millions of SDRs; as of end-June 2003)

	PRGF Trust		PRGF-HIPC Trust	
	Subsidy contributions "as needed" 1/	Loan commitments 2/	Subsidies and HIPC grant contributions "as needed" 3/	Of which: Pending "as needed" 3/
Countries in transition	13.5	--	42.9	--
Croatia	--	--	0.4	--
Czech Republic	13.5	--	4.1	--
Estonia	--	--	0.5	--
Hungary	--	--	6.0	--
Latvia	--	--	1.0	--
Poland	--	--	12.0	--
Russian Federation	--	--	14.6	--
Slovak Republic	--	--	4.0	--
Slovenia	--	--	0.4	--

* Less than SDR 5,000.

1/ The calculations are based on actual interest rates through end-June 2003 and an assumed SDR interest rate of 5 percent per annum thereafter.

2/ Excludes a loan commitment from the OPEC Fund for International Development of US\$50 million (equivalent to SDR 37 million).

3/ The term "as needed" refers to the nominal undiscounted sum of the projected delivery of HIPC assistance plus the profile of projected subsidy needs associated with PRGF lending during 2002–05.

4/ Data as of end-August 2003.

Table 7. PRGF Trust—Subsidy Agreements 1/
(In millions of SDRs, unless otherwise noted; as of end-June 2003)

	Effective date of agreement	Vehicle	Deposit/Investment Amount			Interest Rate (percent)	Maturity (years)
			Approved	Received	Outstanding		
Austria							
Austrian National Bank	Jun. 8, 1988	Admin. Account	60.0	60.0	--	0.5	5½–10
Austrian National Bank	Apr. 19, 1994	Admin. Account	50.0	50.0	25.0	0.5	5½–10
Belgium							
National Bank of Belgium	Jun. 30, 1989	Admin. Account	100.0	100.0	--	0.5	10
National Bank of Belgium	Apr. 21, 1994	Admin. Account	80.0	80.0	80.0	0.5	10
Botswana							
Bank of Botswana 2/	Jun. 30, 1994	Admin. Account	6.9	6.9	6.9	2.0	10
Chile							
Banco Central de Chile	Aug. 24, 1994	Admin. Account	15.0	15.0	--	0.5	5
Greece							
Bank of Greece	Nov. 30, 1988	Admin. Account	35.0	35.0	--	0.5	5½–10
Bank of Greece	Apr. 22, 1994	Admin. Account	35.0	35.0	7.0	0.5	5½–10
Indonesia							
Bank Indonesia 3/	Jun. 23, 1994	Admin. Account	25.0	25.0	25.0	--	10
Iran, Islamic Republic of							
Central Bank of Iran 4/	May 24, 1994	Admin. Account	5.0	5.0	5.0	0.5	10
Malaysia							
Bank Negara Malaysia	May 17, 1988	Subsidy Account	40.0	40.0	--	0.5	10
Bank Negara Malaysia	Jun. 30, 1994	Subsidy Account	40.0	40.0	40.0	2.0	10
Malta							
Central Bank of Malta	Dec. 13, 1989	Subsidy Account	1.4	1.4	--	0.5	13
Central Bank of Malta	May 27, 1994	Subsidy Account	1.4	1.4	1.4	0.5	13
Pakistan							
State Bank of Pakistan 5/	Apr. 21, 1994	Subsidy Account	10.0	6.0	6.7	0.5	16
Portugal							
Banco do Portugal	May 5, 1994	Admin. Account	13.1	13.1	8.8	0.5	6–10
Singapore							
Monetary Authority of Singapore	Nov. 4, 1988	Subsidy Account	40.0	40.0	--	2.0	10
Monetary Authority of Singapore	May 20, 1994	Subsidy Account	40.0	40.0	40.0	2.0	10
Thailand							
Bank of Thailand 6/	Jun. 14, 1988	Subsidy Account	20.0	20.0	--	2.0	10
Bank of Thailand 6/	Apr. 22, 1994	Subsidy Account	40.0	40.0	--	2.0	10
Tunisia							
Banque Centrale de Tunisie 7/	May 4, 1994	Subsidy Account	3.6	3.6	3.6	0.5	10
Uruguay							
Banco Central del Uruguay 8/	Jul. 7, 1994	Subsidy Account	7.2	7.2	7.2	--	10
Total			668.5	664.5	256.4		

1/ Subsidy contributions to the PRGF Trust result from the difference between the investment income on contributions and the below market rate of interest paid to contributors. Excludes contribution by Spain that will coincide with the repayment installments of the PRGF Trust loan from the Government of Spain.

2/ Equivalent of US\$10 million (at the exchange rate of June 29, 1994).

3/ Interest rate paid is equivalent to the return on investment by the Fund on this deposit (net of any costs), less 2.0 percent per annum. If the interest rate obtained is less than 2.0 per annum, the deposit shall bear zero interest.

4/ All the deposits will be repaid together at the end of ten years after the date of the first deposit.

5/ All the deposits will be repaid together at the end of sixteen years after the date of the first deposit.

6/ In January 1998, the Bank of Thailand requested and obtained the immediate encashment of the two investments totaling SDR 60 million.

7/ Equivalent of US\$5 million (at the exchange rate of May 11, 1994).

8/ Interest rate paid is equivalent to the return on this investment by the Fund (net of any costs), less 2.6 percent per annum. If the interest rate obtained by the Fund is 2.6 percent per annum or less, the investment shall bear zero interest.

Table 8. PRGF Trust—Loan Agreements
(In millions of SDRs; as of end-June 2003)

	Effective date of agreement	Expiration date for drawings	Loan commitment	Amount Disbursed		Amount outstanding
				Amount	In percent of commitment	
Belgium						
National Bank of Belgium 1/	Jul. 2, 1999	Dec. 31, 2009	350.0	212.0	60.6	212.0
Canada						
Government of Canada	Feb. 22, 1989	Dec. 31, 1997	300.0	300.0	100.0	105.1
Government of Canada	May 9, 1995	Dec. 31, 2005	400.0	328.8	82.2	321.4
China						
Government of China 1/	Jul. 05, 1994	Dec. 31, 2009	200.0	143.5	71.8	140.9
Denmark						
National Bank of Denmark	May 3, 2000	Dec. 31, 2003	100.0	100.0	100.0	100.0
Egypt						
Central Bank of Egypt 1/	Jun. 13, 1994	Dec. 31, 2009	155.6	100.0	64.3	97.2
France						
Agence Française de Développement 2/	Apr. 05, 1988	Dec. 31, 1997	800.0	800.0	100.0	181.6
Agence Française de Développement 2/	Jan. 03, 1995	Dec. 31, 2005	750.0	750.0	100.0	737.2
Agence Française de Développement 1/ 2/	Dec. 17, 1999	Dec. 31, 2009	1,350.0	17.7	1.3	17.7
Germany						
Kreditanstalt für Wiederaufbau	Mar. 31, 1989	Dec. 31, 1997	700.0	700.0	100.0	211.7
Kreditanstalt für Wiederaufbau	May 17, 1995	Dec. 31, 2005	700.0	700.0	100.0	697.0
Kreditanstalt für Wiederaufbau 1/	Jun. 19, 2000	Dec. 31, 2009	1,350.0	133.6	9.9	133.6
Italy						
Bank of Italy 3/	Oct. 04, 1990	Dec. 31, 1997	370.0	370.0	100.0	121.4
Bank of Italy 3/	May. 29, 1998	Dec. 31, 2005	210.0	210.0	100.0	210.0
Bank of Italy 1/	Mar. 1, 2000	Dec. 31, 2009	800.0	319.9	40.0	319.9
Japan						
Japan Bank for International Cooperation 4/	Apr. 12, 1988	Dec. 31, 1997	2,200.0	2,200.0	100.0	753.1
Japan Bank for International Cooperation 1/ 4/	Oct. 05, 1994	Dec. 31, 2009	2,934.8	1,747.7	59.5	1,726.0
Korea						
Bank of Korea	Apr. 20, 1989	Dec. 31, 1997	65.0	65.0	100.0	12.3
Bank of Korea	Jun. 20, 1994	Dec. 31, 2005	27.7	27.7	100.0	26.8
Netherlands						
Bank of the Netherlands 1/	Sep. 29, 1999	Dec. 31, 2009	450.0	118.0	26.2	118.0
Norway						
Bank of Norway	Apr. 14, 1988	Dec. 31, 1997	90.0	90.0	100.0	21.8
Bank of Norway	Jun. 16, 1994	Dec. 31, 2005	60.0	60.0	100.0	58.7
OPEC Fund for International Development 5/	Dec. 20, 1994	Dec. 31, 2005	37.0	37.0	100.0	37.0
Spain						
Bank of Spain 6/	Jun. 20, 1988	Jun. 30, 1993	216.4	216.4	100.0	--
Government of Spain	Feb. 08, 1995	Dec. 31, 2005	67.0	67.0	100.0	65.5
Bank of Spain 1/	Feb. 14, 2000	Dec. 31, 2009	425.0	41.4	9.7	42.9
Switzerland						
Swiss Confederation 7/	Dec. 23, 1988	Dec. 31, 1997	200.0	200.0	100.0	--
Swiss National Bank 1/	Jun. 22, 1995	Dec. 31, 2009	401.7	169.3	42.2	159.4
Subtotal			15,710.2	10,225.1	65.1	6,628.3
Associated Agreement -						
Saudi Fund for Development (SFD)	Feb. 27, 1989	--- 8/	49.5	49.5	100.0	9.0
Total Loan and Associated Loan Agreements 9/			15,759.7	10,274.6	65.2	6,637.3

1/ Including additional loan commitments for interim PRGF operations.

2/ Before April 17, 1998, known as Caisse Française de Développement.

3/ In late 1999, the Bank of Italy replaced the Ufficio Italiano dei Cambi as lender to the PRGF Trust.

4/ On October 1, 1999 the Export-Import Bank of Japan merged with the Overseas Economic Cooperation Fund and became the Japan Bank for International Cooperation.

5/ The loan commitment is for the SDR equivalent of US\$50 million.

6/ The original loan commitment of the Bank of Spain was SDR 220 million; however, only SDR 216.4 million was drawn and disbursed by the expiration date for drawings.

7/ The full loan commitment of SDR 200 million was drawn in January 1989; this amount was fully disbursed to borrowers by March 1994.

8/ On August 26, 1998, the SFD indicated that it did not intend to make further loans in association with the PRGF.

9/ Any mismatch of outstanding resources between the amount owed by PRGF borrowers and the amount owed to PRGF lenders arises because of mismatches in timing between drawdowns from lenders to the Trust and disbursements of PRGF loans to borrowers.

Table 9. PRGF Trust—Reserve Account Coverage 1/

(In millions of SDRs)

	Reserve Account cumulative balance (end of period)	PRGF Trust obligations 2/ (end of period)	Annual loan repayments to lenders 2/
1. Actual			
1988	169	103	--
1989	272	510	--
1990	395	795	--
1991	513	1,320	--
1992	630	1,786	--
1993	793	2,005	--
1994	1,009	2,786	33
1995	1,336	3,919	114
1996	1,716	4,446	181
1997	2,093	4,892	285
1998	2,345	5,421	366
1999	2,548	5,820	412
2000	2,714	5,773	475
2001	2,917	5,971	665
2002	3,079	6,636	696
2. Projected			
2003	3,152	7,110	781
2004	3,433	7,566	877
2005	3,733	8,302	853
2006	3,922	8,379	710
2007	4,120	8,118	818
2008	4,329	7,478	901
2009	4,548	6,574	969
2010	4,778	5,447	1,128
2011	5,020	4,154	1,293
2012	5,274	2,955	1,199
2013	5,541	1,912	1,042
2014	5,822	1,067	845
2015	6,117	495	572
2016	6,426	202	293
2017	6,752	59	143
2018	7,093	7	52
2019	7,452	0	7
2020	7,830	0	0
Total (including interim PRGF)			15,710
<i>Memorandum items:</i>			
Associated Loan Agreement with the Saudi Fund for Development (SFD)			49.5
Total, including SFD			15,759

Note: Totals may not add due to rounding.

1/ Projections exclude the impact of the projected initiation of self-sustained PRGF operations in 2006.

2/ Excludes associated loans from the Saudi Fund for Development (SFD), the risk of which is borne by the SFD. Current overdue Trust Fund obligations (SDR 117 million), overdue SAF obligations (SDR 10 million), and overdue PRGF obligations (SDR 68 million) are assumed to be paid in 2005.

Table 10. Information on Pending Bilateral Contributions to the PRGF-HIPC Trust Status as of end-August 2003¹

Argentina:	The remaining balance of SDR 6.4 million (as needed) of its pledged contribution to be financed from its Post-SCA-2 balance of SDR 5.5 million.
Bahrain:	Contribution of income on an interest-free deposit through 2018.
Dominican Republic:	Contribution of net income on a deposit through 2018 to be financed from its Post-SCA-2 balance of SDR 1.0 million at 1 percent per annum.
Gabon:	The remaining balance of SDR 1.9 million (as needed) of its pledged contribution to be financed by grants.
Grenada:	Contribution of net income on a deposit for 10 years of SDR 0.20 million at 0.5 percent per annum.
Lebanon:	Contribution of income on an interest-free deposit through 2018.
Maldives:	Contribution of income on an interest-free deposit through 2018.
Mauritius:	The authorities are considering an additional contribution.
Trinidad and Tobago:	Contribution of income on an interest-free deposit of its Post-SCA-2 balance of SDR 2.5 million.
Vanuatu:	Grant contribution of its Post-SCA-2 balance of SDR 0.05 million.
República Bolivariana de Venezuela:	Prepared to contribute based on its quota-based share. Contribution could be partially financed through use of its Post-SCA-2 balance of SDR 30.0 million.

¹ Reflects pledged contributions which are not yet effective. Post-SCA-2 amounts shown include refunds of SCA-2 resources and accumulated interest income.