Update on the Financing of The Poverty Reduction and Growth Facility (PRGF) and the Heavily Indebted Poor Countries (HIPC) Operations and the Subsidization of Post-Conflict Emergency Assistance

INTERNATIONAL MONETARY FUND

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

Prepared by the Treasurer's Department

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

Approved by Eduard Brau

March 25, 2002

Contents	Page
Executive Summary	3
I. Introduction and Background	4
II. Financing of PRGF-HIPC Operations.....	5
A. PRGF Loan Resources	5
B. PRGF Subsidies and HIPC Initiative Grants.....	6
C. Reserve Account Coverage	9
D. Adequacy of Concessional Resources	11
III. Subsidizing Post-Conflict Emergency Assistance	13
IV. Issues for Discussion and Proposed Decision	14

Text Tables

1. New Loan Resources Committed by Lenders	5
2. Availability of PRGF Loan Resources	5
3. Financing of PRGF Subsidies and HIPC Initiative Grants	6
4. Interest Rate Sensitivity of PRGF Subsidy and HIPC Grant Resources	8
5. Commitments and Disbursements of the Fund's HIPC Initiative Assistance	9
6. Subsidy Disbursements for Post-Conflict Emergency Assistance.....	14

Figures

1. Reserve Account Coverage.....	10
2. PRGF Loan Commitments.....	12

Appendix Tables

7.	Summary of Bilateral Subsidy and Loan Contributions to the PRGF and PRGF-HIPC Trusts	16
8.	PRGF Trust—Subsidy Agreements	19
9.	PRGF Trust—Loan Agreements	20
10.	PRGF Trust—Reserve Account Coverage	21
11.	Status of Bilateral Contributions to the PRGF-HIPC Trust	22
12.	Information on Pending Bilateral Contributions to the PRGF-HIPC Trust	25

Annex I

PRGF-HIPC Subsidy and Grant Resources—Presentation on “As Needed” Versus Cash Basis	27
--	--------------------

Executive Summary

PRGF Loan Resources

- New PRGF loan resources of SDR 4.4 billion have become available since September 2001.
- Balances in the PRGF Trust Reserve Account far exceed repayments falling due to Trust lenders during the next six-month period ending September 30, 2002.

Subsidy and Grant Resources

- The cost of financing PRGF and HIPC operations has increased by SDR 0.3 billion on a cash basis since the last review, reflecting higher projected HIPC Initiative assistance and financing needed to subsidize a higher level of interim PRGF loan resources of SDR 4.4 billion (previously SDR 4 billion).
- Notwithstanding this increase, available subsidy and grant resources are projected to be sufficient, provided that pending bilateral contributions are made effective soon.

Adequacy of Concessional Resources

- PRGF loan commitments are likely to remain high in 2002, following a record level of commitments in 2001, highlighting the need to monitor resource adequacy closely.
 - PRGF commitments could reach SDR 1½ billion in 2002.
 - Assuming that self-sustained operations begin in 2006, amounts accumulating in the Reserve Account are projected to be sufficient to support self-sustained PRGF commitments of SDR 660 million per year.
- To the extent that the recent high demand for PRGF resources continues, consideration might need to be given to mobilizing additional loan and subsidy resources. Alternatively, the interim period could be shortened and the self-sustained PRGF could be started earlier than currently envisaged, which would reduce the level of self-sustained PRGF operations. Over the longer term, the adequacy of the level of self-sustained PRGF operations would also need to be assessed.

Subsidizing Post-Conflict Emergency Assistance

- The United Kingdom and Sweden have provided grants to subsidize post-conflict emergency assistance for PRGF-eligible countries and Belgium, the Netherlands, and Switzerland have pledged resources for this purpose. The available and pledged resources are estimated to be sufficient to subsidize interest charges falling due in 2002. Additional resources are needed to fully subsidize interest charges beyond 2002.

I. INTRODUCTION AND BACKGROUND

1. **This paper provides a semi-annual review of the financing of PRGF and HIPC operations, including the status of new loan resources to support the continuation of PRGF lending and the adequacy of the Reserve Account of the PRGF Trust.**¹ The paper differs from past reviews in three main aspects:

- First, **the scope of the paper has been broadened.** In addition to the review of PRGF-HIPC financing, the paper discusses the high level of PRGF commitments experienced in 2001 and expected in 2002 as a result of new arrangements with a few large borrowers. It also provides an update on the mobilization of resources for subsidizing post-conflict emergency assistance.
- Second, consistent with the decisions adopted by the Executive Board in the context of amendments to the PRGF and PRGF-HIPC Trusts, which became effective in September 2001,² **the paper discusses the adequacy of PRGF subsidies and HIPC grants by considering resources available in both Trusts.**³
- Third, **the paper uses a cash flow analysis to assess the adequacy of subsidy and grant resources available in the PRGF and PRGF-HIPC Trusts.** So far, the adequacy of these resources was assessed on an “as needed” basis when contributions were mobilized, because of the uncertainty concerning the timing of the effectiveness and use of contributions. Since most pledged contributions are now effective and the timing of the financing needs of interim PRGF subsidies and HIPC Initiative assistance has become clearer, it is appropriate to adopt a cash flow method to assess resource adequacy. The difference between the two approaches is described in Annex I.⁴

¹ For a detailed description of the origins and financial structures of the PRGF and PRGF-HIPC Trusts, see Section IV on Financial Assistance for Low-Income Members in *Financial Organization and Operations of the IMF*, Pamphlet No. 45, Sixth Edition, 2001.

² “*Interim PRGF Operations—Modifications to the Instruments Establishing the PRGF Trust and PRGF-HIPC Trust*” (EBS/01/132, 8/8/01).

³ Past reviews discussed the adequacy of subsidy and grant resources of the PRGF Trust and PRGF-HIPC Trust separately. The most recent semi-annual review was provided in “*Update on the Financing of the Fund’s Participation in the PRGF and HIPC Initiatives*” (SM/01/277, 8/29/01).

⁴ Subsidy contributions on an “as needed” basis are reported in Appendix Tables 7, 11, and 12.

2. The last review of the financing for the Fund's participation in the PRGF and HIPC initiatives was published on the Fund's website, and staff propose that this report be made available in the same way.

II. FINANCING OF PRGF-HIPC OPERATIONS

A. PRGF Loan Resources

3. **Since the last review in September 2001, ten lenders have made SDR 4.4 billion in new loan resources available to finance PRGF operations during the four-year period 2002–05 (the interim period) (Table 1).** The legal framework for conducting interim PRGF lending through the existing Loan Account of the PRGF Trust and for using the Reserve Account to back interim loan resources was established through amendments to the PRGF and PRGF-HIPC Trust Instruments that became effective in September 2001.⁵ In addition, the maximum borrowing limit of the PRGF Trust was increased from SDR 11.5 billion to SDR 16 billion. New PRGF loan resources of SDR 4.4 billion will permit new commitments to PRGF-eligible countries at an average pace of about SDR 1.1 billion a year through 2005 (Table 2).

Table 1. New Loan Resources
Committed by Lenders
(In millions of SDRs)

Total	4,390
Belgium	150
China	100
Egypt	56
France	1,000
Germany	1,000
Italy	550
Japan	785
Netherlands	200
Spain	300
Switzerland	250

Table 2. Availability of PRGF Loan Resources
(In billions of SDRs; as of end-March 2002)

PRGF Trust borrowing limit	16.0
Total loan resources available	15.8
Cumulative PRGF commitments	11.4
Loan resources available for interim PRGF	4.4

⁵ Specifically, the amendments provide for: (i) an extension of the commitment period for PRGF Trust loans to December 31, 2006; (ii) an extension of the commitment period for drawings under new agreements to the Loan Account to end-December 2009; (iii) the establishment of the sequence of drawings on the commitments of individual lenders to the Loan Account; and (iv) the transfer of subsidy resources from the PRGF-HIPC Trust to the Subsidy Account of the PRGF Trust to subsidize interim PRGF lending after resources currently available in the Subsidy Account of the PRGF Trust are fully utilized.

B. PRGF Subsidies and HIPC Initiative Grants

4. Following the amendments to the PRGF Trust and PRGF-HIPC Trust in September 2001, resources currently available in the Subsidy Account of the PRGF Trust can be used to subsidize interim PRGF lending and subsidy resources of the PRGF-HIPC Trust can be transferred to the PRGF Trust to subsidize interim lending from that Trust.⁶ Based on this phasing, the following analysis integrates the subsidy resources of both Trusts. **The analysis suggests that projected cash flows of subsidy and grant resources are sufficient to finance PRGF and HIPC operations in each year and throughout the life of both Trusts.**⁷

5. The financing required for subsidizing PRGF lending and to meet the Fund's cost of the HIPC Initiative is estimated at SDR 7.5 billion on a cash basis (Table 3).⁸ The cost of

Table 3. Financing of PRGF Subsidies and HIPC Initiative Grants
(In billions of SDRs on a cash basis)

	Actual receipts and uses (as of end-2001)	Projected receipts and uses (2002–2019) 1/	Total
Uses of subsidy and grant resources	2.3	5.2	7.5
PRGF subsidies	1.7	3.6	5.3
<i>Of which:</i> Interim PRGF	-	1.5	1.5
Fund's cost of the HIPC Initiative 2/	0.6	1.6	2.2
Sources of subsidy and grant resources	4.6	3.0	7.6
Bilateral contributions	3.0	0.8	3.8
PRGF Trust	2.3	0.3	2.6
PRGF-HIPC Trust	0.7	0.5	1.2
Fund contributions	0.7	1.8	2.6
PRGF Trust	0.4	-	0.4
PRGF-HIPC Trust	0.3	1.8	2.2
Investment income from gold proceeds	-	1.8	1.8
Other contributions	0.3	0.1	0.4
Interest income on balances in the PRGF and PRGF-HIPC Trusts	0.9	0.4	1.2

1/ Projections are based on the assumed annual interest rate of 5 percent, unchanged from the interest rate assumption used in the September 2001 review.

2/ Equivalent to US\$2.7 billion in 2001 NPV terms. Based on current projections, the HIPC Initiative grants will be fully disbursed through 2006.

⁶ See EBS/01/132, 8/8/01.

⁷ Both PRGF and PRGF-HIPC Trusts are expected to operate through 2019.

⁸ These estimates do not take account of possible use of PRGF resources and HIPC Initiative assistance by Liberia, Somalia, and Sudan.

subsidies for PRGF lending, including the interim PRGF, is estimated to amount to SDR 5.3 billion. Since the last review, interim PRGF subsidies are estimated to have risen by about SDR 0.2 billion to SDR 1.5 billion, owing to an increase in the amount of projected interim PRGF loan resources from SDR 4 billion to SDR 4.4 billion. The estimated cost of the Fund's HIPC Initiative assistance has increased by SDR 0.1 billion to SDR 2.2 billion, mainly reflecting higher projected assistance to the Democratic Republic of the Congo (DRC).

6. Resources required to subsidize PRGF lending and finance the Fund's share of HIPC Initiative assistance are expected to be fully met by bilateral contributions and those of the Fund. Total bilateral contributions are estimated at SDR 3.8 billion, of which contributions for the PRGF-HIPC Trust amount to SDR 1.2 billion. Since the last review, six countries—Brunei Darussalam, Colombia, Estonia, Paraguay, Sweden, and Uruguay—have made their contributions effective.⁹

- Contributions from all G-7 countries and other advanced countries to subsidize interim PRGF lending and finance HIPC Initiative assistance are effective.
- Contributions from 16 countries (amounting to about SDR 60 million, or 4 percent of total bilateral contributions to the PRGF-HIPC Trust) have not yet been made effective. Of this amount, pending contributions by Brazil and Venezuela account for 60 percent. In addition, contributions from the following other countries need to be made effective soon to ensure full funding of PRGF-HIPC operations: Argentina, Bahrain, Dominican Republic, Fiji, Gabon, Grenada, Indonesia, Lebanon, Libya, Maldives, Mauritius, Tonga, Trinidad and Tobago, and Vanuatu (Appendix Tables 11 and 12).

7. **The value of the Fund's contributions for financing PRGF subsidies and HIPC Initiative grants is estimated at SDR 2.6 billion.** The Fund's contribution to the PRGF Trust derived from a one-time transfer of SDR 0.4 billion from the Special Disbursement Account (SDA) to the Subsidy Account of the PRGF Trust in 1994, while its contributions to the PRGF-HIPC Trust consist of: (i) investment income on net proceeds from off-market transactions in gold (up to SDR 1.76 billion);¹⁰ (ii) transfers from the Reserve Account of the PRGF Trust to the PRGF-HIPC Trust equivalent to the cost of administering the PRGF Trust during FY 1998–2004 (SDR 0.4 billion); and (iii) transfers of part of the interest surcharge

⁹ A contribution is considered effective if the member has disbursed its contribution or if the member has begun to disburse contributions on the basis of an agreed schedule.

¹⁰ As of end-2001, investment income amounting to SDR 0.3 billion had been accumulated on net gold proceeds held in the Special Disbursement Account (SDA). Thus far, no resources in this account have been drawn upon to finance HIPC Initiative assistance.

on certain purchases under the Supplemental Reserve Facility financed through the New Arrangements to Borrow (SDR 0.1 billion).

8. **The projection of subsidy requirements and availability is sensitive to interest rates and the level of PRGF lending.** Based on an assumed interest rate of 5 percent on investments and loans to the PRGF Trust, effective subsidy resources are projected to exceed the financing requirements only by a small margin. A sensitivity analysis using alternative interest rate assumptions indicates that the available subsidy resources would be exhausted if the interest rate were to exceed 5.1 percent per year, as an increase in investment income arising from the higher interest rate would not be sufficient to offset larger subsidy needs (Table 4).¹¹ By the same token, a higher level of interim PRGF lending, or the frontloading of PRGF disbursements, would entail additional subsidy resources.

	(Interest rate in percent per annum)				
	4.0	4.5	5.0	5.1	5.5
Financing required	6.7	7.1	7.5	7.6	8.0
Available financing	7.4	7.5	7.6	7.6	7.7
Balance	0.8	0.4	0.1	0.0	-0.3

9. **Thus far, subsidy and grant resources available in the PRGF-HIPC Trust have been used exclusively for HIPC Initiative assistance.** By mid-March 2002, the Fund had committed HIPC Initiative assistance of SDR 1.6 billion to 26 member countries that had reached decision points under the enhanced framework. Of these commitments, SDR 0.7 billion had been disbursed (Table 5). Since the last review, Ethiopia, Ghana, and Sierra Leone have reached decision points, while Mozambique and Tanzania have reached completion points. The use of subsidy resources available in the PRGF Trust for interim PRGF lending is expected to begin in the second half of 2002.

¹¹ Different interest rates directly affect subsidy requirements, but have a smaller impact on subsidy availability because most subsidy contributions consist of grants whose principal is not affected by interest rate changes. As a result, the positive impact on subsidy availability from higher interest income is largely offset by the more rapid use of available principal.

Table 5. Commitments and Disbursements of the Fund's HIPC Initiative Assistance
(In millions of SDRs; as of March 22, 2002)

Member	Amount		Member	Amount	
	Committed	Disbursed		Committed	Disbursed
Benin	18.4	7.4	Malawi	23.1	2.3
Bolivia 1/	65.5	65.5	Mali 1/	44.4	17.2
Burkina Faso 1/	31.3	20.5	Mauritania	34.8	16.9
Cameroon	28.5	2.5	Mozambique 1/	108.0	108.0
Chad	14.3	2.9	Nicaragua	63.0	-
Côte d'Ivoire 2/	16.7	-	Niger	21.6	1.5
Ethiopia	26.9	4.0	Rwanda	33.8	9.1
Gambia	1.8	0.1	São Tomé & Príncipe 3/	-	-
Ghana	90.1	9.9	Senegal	33.8	4.8
Guinea	24.2	2.4	Sierra Leone	98.5	23.6
Guinea Bissau	9.2	0.5	Tanzania	96.4	96.4
Guyana 1/	56.2	31.7	Uganda 1/	121.7	121.7
Honduras	22.7	4.5	Zambia	468.8	117.2
Madagascar	16.6	2.1			
27 Members, of which 26 under the enhanced HIPC framework				1,570.2	672.8

1/ Under the original and enhanced HIPC framework.

2/ Under the original HIPC framework.

3/ At the time of the decision point, there was no debt to the Fund eligible for HIPC Initiative assistance.

C. Reserve Account Coverage

10. **The Reserve Account of the PRGF Trust is designed primarily to provide security to the lenders to the Loan Account of the PRGF Trust in the event of a delay or nonpayment by PRGF borrowers.**¹² The Reserve Account has been financed by reflows to the SDA of SAF and Trust Fund repayments and investment returns on balances held in the Account. The amendments to the PRGF and PRGF-HIPC Trusts were made effective in September 2001, extending the coverage of the Reserve Account to interim PRGF loans by requiring that interim PRGF loans be provided through the Loan Account of the PRGF Trust.

¹² Under the PRGF Trust, loans for the encashment of rights under 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. See Decision No. 10286-(93/20) ESAF, adopted February 22, 1993, on the gold pledge, *Selected Decisions, Twenty Fifth Issue*, December 31, 2000, pp. 359–61, and Decision No. 8760-(87/176), adopted December 18, 1987, *ibid*, pp. 357–58.

11. **Resources in the Reserve Account of the PRGF Trust are projected to be sufficient to meet all obligations falling due to PRGF Trust lenders in the six-month period ending September 2002.** Balances in the account totaled SDR 2.9 billion at end-February 2002, an increase of about SDR 0.1 billion since August 2001, exceeding, by a factor of eight, projected repayments (SDR 0.4 billion) falling due to PRGF Trust lenders during April–September 2002. A decision on the adequacy of Reserve Account coverage is proposed for Board consideration.¹³

12. **Moreover, balances accumulating in the Reserve Account are projected to provide adequate protection for both current and new PRGF loans, even with the initiation of self-sustained PRGF operations projected to begin around 2006 (Figure 1).**

Figure 1. Reserve Account Coverage
(In percent of Outstanding Obligations)

1/ Based on current projections, outstanding PRGF Trust obligations will decline sharply starting in 2017, resulting in an increase in the Reserve Account coverage.

Factors that affect the pace of further accumulation of balances in the Reserve Account are: (i) the investment return on resources in the account; (ii) the level of transfers from the Reserve Account to meet the cost of administering PRGF operations; and (iii) repayments of SAF and Trust Fund loans, including by countries with protracted arrears to the Fund.¹⁴

¹³ The Executive Board is required to review the adequacy of the PRGF Trust Reserve Account 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.

¹⁴ At end-February 2002, SAF and Trust Fund obligations in arrears amounted to SDR 159 million and SDR 116 million, respectively.

- Without the initiation of self-sustained PRGF operations, the Reserve Account would cover all current and interim PRGF obligations by around 2011.
- Assuming that self-sustained PRGF operations begin in 2006, amounts accumulating in the Reserve Account are projected to be sufficient to support annual PRGF commitments of about SDR 660 million, while maintaining Reserve Account coverage at about 45 percent of outstanding PRGF obligations, in line with the level of reserve account coverage since 1988. A lower level of self-sustained PRGF operations would increase the Reserve Account coverage and *vice versa*; an investment rate of return above 5 percent per annum would also boost reserve coverage.¹⁵

13. **Zimbabwe, which has been in continuous arrears to the PRGF Trust since mid-February 2001, is the only case of protracted arrears to the PRGF Trust.** As of end-February 2002, Zimbabwe's arrears to the PRGF Trust totaled SDR 37 million, necessitating repayments to PRGF Trust lenders from the Reserve Account. The Reserve Account will be replenished as Zimbabwe makes payments to settle its arrears to the PRGF Trust.

D. Adequacy of Concessional Resources

14. **Available loan and subsidy resources in the PRGF and PRGF-HIPC Trusts would be sufficient to fully subsidize interim PRGF lending and finance HIPC Initiative assistance** on the assumption that average annual PRGF commitments continue at their past average pace of about SDR 1 billion (Figure 2) and that there is no substantial change in the projected level of debt relief provided under the HIPC Initiative. In addition to the impact of interest rate changes on the availability of subsidy and grant resources, there are three main sources of uncertainty that could change this assessment: the actual level of new PRGF commitments, the magnitude of topping up of HIPC Initiative assistance at completion points, and the substantial financing needs to resolve the external debt problems of the protracted arrears cases.

¹⁵ A detailed sensitivity analysis of the Reserve Account coverage to the level of self-sustained PRGF operations and the rate of investment returns was provided in the September 2001 review. See "*Update on the Financing of the Fund's Participation in the PRGF and HIPC Initiatives*" (SM/01/277, 8/29/01), pp. 9–10.

Figure 2. PRGF Loan Commitments
(In billions of SDRs)

- Interim PRGF lending.** The PRGF Trust has sufficient loan and subsidy resources to meet an average annual commitment level of SDR 1.1 billion during 2002–05, roughly the same average level of commitments experienced over the past dozen years. However, new PRGF commitments last year reached SDR 2.1 billion, a record level, reflecting in part the commitment of about SDR 1 billion to Pakistan. Based on present projections, commitments in 2002 could reach SDR 1 ½ billion, given prospective arrangements with several large borrowers (Côte d’Ivoire, the DRC, and Sri Lanka). Indeed, past experience shows that sharp increases in annual commitment levels are typically associated with commitments to a few large borrowers.
- Self-sustained PRGF.** Looking beyond the next four years, starting around 2006, the available loan resources for self-sustained PRGF commitments are projected to be about SDR 660 million a year, or about two thirds of the historical average for such commitments. In real terms, the anticipated decline in commitment capacity would be more pronounced.
- HIPC Initiative.** Based on current projections, the resources available in the PRGF-HIPC Trust are adequate to cover the Fund’s HIPC Initiative assistance under the enhanced framework. However, any expansion of the list of eligible HIPCs or significantly higher topping up at completion points would increase the cost of the Fund’s share of the Initiative, necessitating the mobilization of additional resources.
- Protracted arrears cases.** The PRGF-HIPC Trust does not include resources for the three large protracted arrears cases—Liberia, Somalia, and Sudan. Progress in these cases has so far been stymied by a variety of factors,

including political difficulties and lack of broad-based donor support. Moreover, the magnitude of the financing (both for PRGF and HIPC Initiative assistance) that would be needed following arrears clearance also poses a formidable challenge. Staff is currently working on a paper examining the fundamental issues raised by the large arrears and external debt problems faced by Sudan, which will be presented to the Board for consideration later this year.

15. In light of the uncertainty surrounding demand projections for PRGF and HIPC financing, **staff will continue to keep the adequacy of the Fund's concessional resources under close review and update the Board on resource adequacy through the semi-annual reports on PRGF and HIPC financing.** To the extent that the recent high demand for concessional resources is sustained beyond 2002, consideration would need to be given on whether to mobilize additional loan and subsidy resources, or to shorten the interim period and initiate self-sustained PRGF operations earlier than presently envisaged, which would reduce the level of self-sustained PRGF operations. At a later stage, the adequacy of the level of the self-sustained PRGF operations would need to be assessed.¹⁶

III. SUBSIDIZING POST-CONFLICT EMERGENCY ASSISTANCE

16. **An administered account (the "Account") was established on May 4, 2001 to subsidize to 0.5 percent per annum the rate of charge on post-conflict emergency assistance to PRGF-eligible members.**¹⁷ If in any quarter the assets of the Account are insufficient to subsidize the charge of all subsidy beneficiaries to 0.5 percent on an annual basis, the subsidy to each beneficiary will be prorated to bring the effective rate of charge paid after subsidization to the closest common percentage to 0.5 percent.

17. Thus far, **the United Kingdom and Sweden** have provided grants to the Account, and **Belgium, the Netherlands, and Switzerland** have pledged resources. Total pledges to this Account amount to about SDR 7.0 million, including SDR 1.4 million which have been paid in.

¹⁶ The staff will prepare for Board consideration before the end of 2002 a review of the Fund's concessional assistance to low-income countries.

¹⁷ See "*Establishment of an Administered Account to Subsidize the Fund's Post-Conflict Emergency Assistance to Poverty Reduction and Growth Facility-Eligible Members*" (EBS/01/63, 4/27/01).

As of end-January 2002, disbursements from the Account had totaled SDR 0.8 million to subsidize post-conflict emergency assistance to six countries (Table 6).

18. **Pledged resources are estimated to be sufficient to subsidize all interest charges falling due in 2002 but additional contributions are needed to continue such subsidization beyond 2002.** The total financing need to subsidize the Fund's post-conflict emergency assistance over the next few years is now estimated at about SDR 7–12 million. Staff are contacting potential contributors to the Account and will report periodically to the Executive Board on progress in securing the requisite financing.

Table 6. Subsidy Disbursements for Post-Conflict Emergency Assistance
(In SDRs)

	Aug. 2001- Oct. 2001	Nov. 2001- Jan. 2002	Total
Albania	43,660	24,882	68,542
Republic of Congo	137,487	92,990	230,477
Guinea-Bissau	27,398	19,434	46,832
Rwanda	57,061	29,945	87,006
Sierra Leone 1/	197,861	-	197,861
Tajikistan	89,742	52,834	142,576
Total	553,209	220,085	773,294

1/ Sierra Leone made an early repurchase of its outstanding emergency assistance in September 2001.

IV. ISSUES FOR DISCUSSION AND PROPOSED DECISION

Issues for discussion

- Directors may wish to indicate the status of pending subsidy contributions to the PRGF-HIPC Trust by members in their constituency (Appendix Tables 11 and 12).
- Directors may wish to report on any new pledge of contributions to subsidize post-conflict emergency assistance.
- Do Directors agree that the projected level of security provided by the Reserve Account of the PRGF Trust would be sufficient to cover both existing and new loans for the current and interim PRGF?

Proposed Decision

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

Pursuant to Decision No. 10286-(93/23) ESAF, the Fund has reviewed the adequacy of the Reserve Account of the PRGF Trust, and determines that amounts held in the account are sufficient to meet all obligations which could give rise to a payment from the Reserve Account to lenders to the Loan Account of the PRGF Trust in the six months from April 1, 2002 to September 30, 2002.

Table 7. Summary of Bilateral Contributions to
the PRGF and PRGF-HIPC Trusts
(In millions of SDRs; as of mid-March 2002)

	PRGF Trust		PRGF-HIPC Trust
	Subsidy contributions "as needed" 1/	Loan commitments 2/	Subsidies and HIPC grant contributions "as needed" 3/
TOTAL	3,496.1	15,722.7	1,559.1
Major industrial countries	2,304.9	12,864.8	880.5
Canada	204.1	700.0	48.8
France	479.9	2,900.0	82.2
Germany	197.9	2,750.0	127.2
Italy	162.1	1,380.0	63.6
Japan	723.8	5,134.8	144.0
United Kingdom	359.1	--	82.2
United States	178.0	--	332.6
Other advanced countries	984.7	2,452.8	299.7
Australia	14.1	--	24.8
Austria	63.6	--	14.3
Belgium	123.1	350.0	35.3
Denmark	67.0	100.0	18.5
Finland	42.1	--	8.0
Greece	40.0	--	6.3
Iceland	4.6	--	0.9
Ireland	7.7	--	5.9
Israel	--	--	1.8
Korea	60.0	92.7	15.9
Luxembourg	14.4	--	0.7
Netherlands	140.0	450.0	45.4
New Zealand	--	--	1.7
Norway	45.5	150.0	18.5
Portugal	5.6	--	6.6
San Marino	--	--	0.0
Singapore	33.9	--	16.5
Spain	27.0	708.4	23.3
Sweden	186.6	--	18.3
Switzerland	109.3	601.7	37.0
Fuel exporting countries	17.9	49.5	108.7
Algeria	--	--	5.5
Bahrain	--	--	0.9
Brunei Darussalam	--	--	0.1
Gabon	--	--	2.5
Iran, Islamic Republic of	2.1	--	2.2
Kuwait	--	--	3.1
Nigeria	--	--	13.9
Oman	--	--	0.8
Qatar	--	--	0.5
Saudi Arabia	15.7	49.5	53.5
Trinidad and Tobago	--	--	1.6
United Arab Emirates	--	--	3.8
República Bolivariana de Venezuela	--	--	20.4

Table 7. Summary of Bilateral Contributions to
the PRGF and PRGF-HIPC Trusts
(In millions of SDRs; as of mid-March 2002)

	PRGF Trust		PRGF-HIPC Trust
	Subsidy contributions "as needed" 1/	Loan commitments 2/	Subsidies and HIPC grant contributions "as needed" 3/
Other developing countries	175.4	355.6	227.1
Argentina	35.0	--	16.2
Bangladesh	0.9	--	1.7
Barbados	--	--	0.4
Belize	--	--	0.3
Botswana	2.4	--	3.1
Brazil	--	--	15.0
Cambodia	--	--	0.0
Chile	4.0	--	4.4
China	14.8	200.0	19.7
Colombia	--	--	0.9
Cyprus	--	--	0.8
Dominican Republic	--	--	0.5
Egypt	13.3	155.6	1.3
Fiji	--	--	0.1
Ghana	--	--	0.5
Grenada	--	--	0.1
India	13.6	--	22.9
Indonesia	6.2	--	8.2
Jamaica	--	--	2.7
Lebanon	--	--	0.4
Libya	--	--	7.3
Malaysia	47.1	--	12.7
Maldives	--	--	0.0
Malta	2.2	--	1.1
Mauritius	--	--	0.1
Mexico	--	--	54.5
Micronesia, F. S.	--	--	0.0
Morocco	9.8	--	1.6
Pakistan	4.1	--	3.4
Paraguay	--	--	0.1
Peru	--	--	2.5
Philippines	--	--	6.7
Samoa	--	--	0.0
South Africa	--	--	28.6
Sri Lanka	--	--	0.6
St. Lucia	--	--	0.1
St. Vincent and the Grenadines	--	--	0.1
Swaziland	--	--	0.0
Thailand	17.3	--	4.5
Tonga	--	--	0.0
Tunisia	1.9	--	1.5
Turkey	11.4	--	--
Uruguay	2.6	--	2.2
Vanuatu	--	--	0.1
Vietnam	--	--	0.4

Table 7. Summary of Bilateral Contributions to
the PRGF and PRGF-HIPC Trusts
(In millions of SDRs; as of mid-March 2002)

	PRGF Trust		PRGF-HIPC Trust
	Subsidy contributions "as needed" 1/	Loan commitments 2/	Subsidies and HIPC grant contributions "as needed" 3/
Countries in transition	13.3	--	42.9
Croatia	--	--	0.4
Czech Republic	13.3	--	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

1/ The calculations are based on actual interest rates through end-2001 and an assumed SDR interest rate of 5 percent per annum thereafter.

2/ Excludes a loan commitment from the OPEC 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 for interim PRGF lending. All calculations are based on an SDR interest rate assumption of 5 percent per annum.

Table 8. PRGF Trust—Subsidy Agreements 1/
As of end-February 2002
(In millions of SDRs, unless otherwise noted)

	Effective date of agreement	Vehicle	Deposit/Investment Amount			Interest Rate (percent)	Maturity
			Approved	Received	Outstanding		
Austria							
Austrian National Bank	Jun. 8, 1988	Admin. Account	60.0	60.0	--	0.5	5½ -10 years
Austrian National Bank	Apr. 19, 1994	Admin. Account	50.0	50.0	35.0	0.5	5½ -10 years
Belgium							
National Bank of Belgium	Jun. 30, 1989	Admin. Account	100.0	100.0	--	0.5	10 years
National Bank of Belgium	Apr. 21, 1994	Admin. Account	80.0	80.0	80.0	0.5	10 years
Botswana							
Bank of Botswana 2/	Jun. 30, 1994	Admin. Account	6.9	6.9	6.9	2.0	10 years
Chile							
Banco Central de Chile	Aug. 24, 1994	Admin. Account	15.0	15.0	--	0.5	5 years
Greece							
Bank of Greece	Nov. 30, 1988	Admin. Account	35.0	35.0	--	0.5	5½ -10 years
Bank of Greece	Apr. 22, 1994	Admin. Account	35.0	35.0	17.5	0.5	5½ -10 years
Indonesia							
Bank Indonesia 3/	Jun. 23, 1994	Admin. Account	25.0	25.0	25.0		10 years
Iran							
Central Bank of the Islamic Rep. of Iran 4/	May 24, 1994	Admin. Account	5.0	5.0	5.0	0.5	10 years
Malaysia							
Bank Negara Malaysia	May 17, 1988	Subsidy Account	40.0	40.0	--	0.5	10 years
Bank Negara Malaysia	Jun. 30, 1994	Subsidy Account	40.0	40.0	40.0	2.0	10 years
Malta							
Central Bank of Malta	Dec. 13, 1989	Subsidy Account	1.4	1.4	1.4	0.5	13 years
Central Bank of Malta	May 27, 1994	Subsidy Account	1.4	1.4	1.4	0.5	13 years
Pakistan							
State Bank of Pakistan 5/	Apr. 21, 1994	Subsidy Account	10.0	5.3	5.3	0.5	16 years
Portugal							
Banco do Portugal	May 5, 1994	Admin. Account	13.1	13.1	11.8	0.5	6-10 years
Singapore							
Monetary Authority of Singapore	Nov. 4, 1988	Subsidy Account	40.0	40.0	--	2.0	10 years
Monetary Authority of Singapore	May 20, 1994	Subsidy Account	40.0	40.0	40.0	2.0	10 years
Thailand							
Bank of Thailand 6/	Jun. 14, 1988	Subsidy Account	20.0	20.0	--	2.0	10 years
Bank of Thailand 6/	Apr. 22, 1994	Subsidy Account	40.0	40.0	--	2.0	10 years
Tunisia							
Banque Centrale de Tunisie 7/	May 4, 1994	Subsidy Account	3.6	3.6	3.6	0.5	10 years
Uruguay							
Banco Central del Uruguay 8/	Jul. 7, 1994	Subsidy Account	7.2	7.2	7.2		10 years
Total			668.5	663.9	280.0		

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 9. PRGF Trust—Loan Agreements
(In millions of SDRs; as of end-January 2002)

	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	198.0	56.6	198.0
Canada						
Government of Canada	Feb. 22, 1989	Dec. 31, 1997	300.0	300.0	100.0	174.2
Government of Canada	May 9, 1995	Dec. 31, 2005	400.0	249.1	62.3	249.1
China						
Government of China 1/	Jul. 05, 1994	Dec. 31, 2009	200.0	100.0	50.0	100.0
Denmark						
National Bank of Denmark	May 3, 2000	Dec. 31, 2003	100.0	21.2	21.2	21.2
Egypt						
Central Bank of Egypt 1/	Jun. 13, 1994	Dec. 31, 2009	155.6	100.0	64.3	100.0
France						
Agence Française de Développement 2/	Apr. 05, 1988	Dec. 31, 1997	800.0	800.0	100.0	322.6
Agence Française de Développement 2/	Jan. 03, 1995	Dec. 31, 2005	750.0	626.1	83.5	626.1
Agence Française de Développement 1/ 2/	Dec. 17, 1999	Dec. 31, 2009	1,350.0	--	--	--
Germany						
Kreditanstalt für Wiederaufbau	Mar. 31, 1989	Dec. 31, 1997	700.0	700.0	100.0	340.3
Kreditanstalt für Wiederaufbau	May 17, 1995	Dec. 31, 2005	700.0	517.9	74.0	517.9
Kreditanstalt für Wiederaufbau 1/	Jun. 19, 2000	Dec. 31, 2009	1,350.0	--	--	--
Italy						
Bank of Italy 3/	Oct. 04, 1990	Dec. 31, 1997	370.0	370.0	100.0	201.4
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	23.0	2.9	23.0
Japan						
Japan Bank for International Cooperation 4/	Apr. 12, 1988	Dec. 31, 1997	2,200.0	2,200.0	100.0	1,242.5
Japan Bank for International Cooperation 1/ 4/	Oct. 05, 1994	Dec. 31, 2009	2,934.8	1,175.6	40.1	1,175.6
Korea						
Bank of Korea	Apr. 20 1989	Dec. 31, 1997	65.0	65.0	100.0	26.9
Bank of Korea	Jun. 20, 1994	Dec. 31, 2005	27.7	27.7	100.0	27.7
Netherlands						
Bank of the Netherlands 1/	Sep. 29, 1999	Dec. 31, 2009	450.0	29.9	6.7	29.9
Norway						
Bank of Norway	Apr. 14, 1988	Dec. 31, 1997	90.0	90.0	100.0	42.1
Bank of Norway	Jun. 16, 1994	Dec. 31, 2005	60.0	60.0	100.0	60.0
OPEC Fund for International Development 5/	Dec. 20, 1994	Dec. 31, 2005	37.0	36.7	99.2	36.7
Spain						
Bank of Spain 6/	Jun. 20, 1988	Jun. 30, 1993	216.4	216.4	100.0	39.5
Government of Spain	Feb. 08, 1995	Dec. 31, 2005	67.0	48.7	72.6	48.7
Bank of Spain 7/	Feb. 14, 2000	Dec. 31, 2005	125.0	--	--	--
Switzerland						
Swiss Confederation 8/	Dec. 23, 1988	Dec. 31, 1997	200.0	200.0	100.0	--
Swiss National Bank 1/	Jun. 22, 1995	Dec. 31, 2009	401.7	151.7	37.8	151.7
Subtotal			15,410.2	8,517.1	55.3	5,965.2
Associated Agreement - Saudi Fund for Development (SFD)	Feb. 27, 1989	--- 9/	49.5	49.5	100.0	18.2
Total Loan and Associated Loan Agreements 10/			15,459.7	8,566.6	55.4	5,983.4

1/ Includes additional loan commitment 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/ Amendments to the loan agreement for an additional SDR 300 million in new loan resources are being finalized.

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

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

10/ 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 10. 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
2. Projected			
2002	3,233	6,868	696
2003	3,428	7,346	781
2004	3,746	7,550	877
2005	3,911	8,056	853
2006	4,047	8,172	710
2007	4,236	8,001	812
2008	4,435	7,443	925
2009	4,644	6,525	1,008
2010	4,864	5,411	1,113
2011	5,094	4,163	1,247
2012	5,337	2,996	1,166
2013	5,591	1,997	997
2014	5,859	1,192	803
2015	6,140	605	586
2016	6,435	266	338
2017	6,745	83	183
2018	7,071	9	73
2019	7,429	0	9
2020	7,805	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 repayments of SFD associated loans			15,759

Note: Totals may not add due to rounding.

1/ Projections include initiation of interim PRGF lending at the level of SDR 4.4 billion during 2002-05 and exclude the impact of 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 116 million) and overdue SAF obligations (SDR 159 million) are assumed to be paid in 2002–2004.

Table 11. Status of Bilateral Contributions to the PRGF-HIPC Trust

(In millions of SDRs "as needed"; as of mid-March 2002) 1/

	Total effective and pending contributions	Effective contributions 2/			Pending contributions 3/	
	Total	Total	Grants	Deposits	Total	of which: Post SCA-2 Adm. Acct.
TOTAL (93 contributors)	1,559.1	1,499.8	1,176.9	323.0	59.2	44.0
(percent of total pledges)		96%	75%	21%	4%	3%
Major industrial countries						
(7 contributors)	880.5	880.5	753.3	127.2	--	--
Canada	48.8	48.8	48.8	--	--	--
France	82.2	82.2	82.2	--	--	--
Germany	127.2	127.2	--	127.2	--	--
Italy	63.6	63.6	63.6	--	--	--
Japan	144.0	144.0	144.0	--	--	--
United Kingdom	82.2	82.2	82.2	--	--	--
United States	332.6	332.6	332.6	--	--	--
Other advanced countries						
(20 contributors)	299.7	299.7	265.0	34.7	--	--
Australia	24.8	24.8	24.8	--	--	--
Austria	14.3	14.3	14.3	--	--	--
Belgium	35.3	35.3	35.3	--	--	--
Denmark	18.5	18.5	18.5	--	--	--
Finland	8.0	8.0	3.8	4.2	--	--
Greece	6.3	6.3	3.3	3.0	--	--
Iceland	0.9	0.9	0.9	--	--	--
Ireland	5.9	5.9	5.9	--	--	--
Israel	1.8	1.8	1.8	--	--	--
Korea	15.9	15.9	15.9	--	--	--
Luxembourg	0.7	0.7	0.7	--	--	--
Netherlands	45.4	45.4	45.4	--	--	--
New Zealand	1.7	1.7	1.7	--	--	--
Norway	18.5	18.5	18.5	--	--	--
Portugal	6.6	6.6	6.6	--	--	--
San Marino	0.0	0.0	0.0	--	--	--
Singapore	16.5	16.5	--	16.5	--	--
Spain	23.3	23.3	23.3	--	--	--
Sweden	18.3	18.3	7.3	11.0	--	--
Switzerland	37.0	37.0	37.0	--	--	--
Fuel exporting countries						
(13 contributors)	108.7	84.0	14.5	69.5	24.7	22.0
Algeria	5.5	5.5	--	5.5	--	--
Bahrain	0.9	--	--	--	0.9	--
Brunei Darussalam	0.1	0.1	--	0.1	--	--
Gabon	2.5	0.6	0.6	--	1.9	--
Iran, Islamic Republic of	2.2	2.2	--	2.2	--	--
Kuwait	3.1	3.1	--	3.1	--	--
Nigeria	13.9	13.9	13.9	--	--	--
Oman	0.8	0.8	--	0.8	--	--
Qatar	0.5	0.5	--	0.5	--	--
Saudi Arabia	53.5	53.5	--	53.5	--	--
Trinidad and Tobago	1.6	--	--	--	1.6	1.6
United Arab Emirates	3.8	3.8	--	3.8	--	--
República Bolivariana de Venezuela	20.4	--	--	--	20.4	20.4

Table 11. Status of Bilateral Contributions to the PRGF-HIPC Trust

(In millions of SDRs "as needed"; as of mid-March 2002) 1/

	Total effective and pending contributions	Effective contributions 2/			Pending contributions 3/	
	Total	Total	Grants	Deposits	Total	of which: Post SCA-2 Adm. Acct.
Other developing countries						
(44 contributors)	227.1	192.6	116.7	75.9	34.5	22.1
Argentina	16.2	9.8	--	9.8	6.4	6.4
Bangladesh	1.7	1.7	1.7	--	--	--
Barbados	0.4	0.4	0.4	--	--	--
Belize	0.3	0.3	0.3	--	--	--
Botswana	3.1	3.1	--	3.1	--	--
Brazil	15.0	--	--	--	15.0	15.0
Cambodia	0.0	0.0	0.0	--	--	--
Chile	4.4	4.4	--	4.4	--	--
China	19.7	19.7	19.7	--	--	--
Colombia	0.9	0.9	--	0.9	--	--
Cyprus	0.8	0.8	0.8	--	--	--
Dominican Republic	0.5	--	--	--	0.5	0.5
Egypt	1.3	1.3	--	1.3	--	--
Fiji	0.1	--	--	--	0.1	0.1
Ghana	0.5	0.5	--	0.5	--	--
Grenada	0.1	--	--	--	0.1	--
India	22.9	22.9	--	22.9	--	--
Indonesia	8.2	3.5	--	3.5	4.6	--
Jamaica	2.7	2.7	2.7	--	--	--
Lebanon	0.4	--	--	--	0.4	--
Libya	7.3	--	--	--	7.3	--
Malaysia	12.7	12.7	--	12.7	--	--
Maldives	0.0	--	--	--	0.0	--
Malta	1.1	1.1	1.1	--	--	--
Mauritius	0.1	0.1	0.1	--	--	--
Mexico	54.5	54.5	54.5	--	--	--
Micronesia, F. S.	0.0	0.0	0.0	--	--	--
Morocco	1.6	1.6	--	1.6	--	--
Pakistan	3.4	3.4	--	3.4	--	--
Paraguay	0.1	0.1	--	0.1	--	--
Peru	2.5	2.5	--	2.5	--	--
Philippines	6.7	6.7	6.7	--	--	--
Samoa	0.0	0.0	0.0	--	--	--
South Africa	28.6	28.6	28.6	--	--	--
Sri Lanka	0.6	0.6	--	0.6	--	--
St. Lucia	0.1	0.1	--	0.1	--	--
St. Vincent and the Grenadines	0.1	0.1	0.1	--	--	--
Swaziland	0.0	0.0	0.0	--	--	--
Thailand	4.5	4.5	--	4.5	--	--
Tonga	0.0	--	--	--	0.0	0.0
Tunisia	1.5	1.5	--	1.5	--	--
Uruguay	2.2	2.2	--	2.2	--	--
Vanuatu	0.1	--	--	--	0.1	0.1
Vietnam	0.4	0.4	--	0.4	--	--

Table 11. Status of Bilateral Contributions to the PRGF-HIPC Trust
(In millions of SDRs "as needed"; as of mid-March 2002) 1/

	Total effective and pending contributions	Effective contributions 2/			Pending contributions 3/	
	Total	Total	Grants	Deposits	Total	of which: Post SCA-2 Adm. Acct.
Countries in transition (9 contributors)	42.9	42.9	27.3	15.7	--	--
Croatia	0.4	0.4	--	0.4	--	--
Czech Republic	4.1	4.1	--	4.1	--	--
Estonia	0.5	0.5	0.5	--	--	--
Hungary	6.0	6.0	--	6.0	--	--
Latvia	1.0	1.0	1.0	--	--	--
Poland	12.0	12.0	6.8	5.2	--	--
Russian Federation	14.6	14.6	14.6	--	--	--
Slovak Republic	4.0	4.0	4.0	--	--	--
Slovenia	0.4	0.4	0.4	--	--	--

0.5 - reflects changes in effective and pending contributions since August 2001 (SM/01/277, August 29, 2001).

1/ The term "as needed" refers to the nominal undiscounted sum of the projected delivery of HIPC assistance plus the profile of projected subsidy needs for interim PRGF lending. All calculations are based on an SDR interest rate assumption of 5 percent per annum.

2/ A contribution is considered effective if the member has made its contribution or if the member has begun to make contributions on the basis of an agreed schedule. Although some members have elected to contribute as a grant the interest income earned on their balances held in the Post-SCA-2 (pending completion of administrative procedures), the "as needed" value of these contributions is not reflected separately. The "as needed" value of these grants of interest income is already reflected in members' pledged contributions.

3/ Represents the "as needed" value of pledged contributions that are not yet effective. In order to maintain values broadly consistent with the burden-sharing financing mechanism agreed in September 1999, amounts indicated are based on the assumption that contributions were made in December 1999.

**Table 12. Information on Pending Bilateral Contributions to the PRGF-HIPC Trust
Status as of mid-March 2002¹**

Argentina:	An additional contribution in the form of a grant to be financed from its remaining Post-SCA-2 balance of SDR 5.3 million.
Bahrain:	Contribution of income on an interest-free deposit through 2018.
Brazil:	Grant contribution to be financed from its Post-SCA-2 balance of SDR 10.9 million.
Dominican Republic:	Contribution of net income on a deposit through 2018 to be financed from its Post-SCA-2 balance of SDR 0.98 million at 1 percent per annum.
Fiji:	Contribution of income on an interest-free deposit through 2018 to be financed from its Post-SCA-2 balance of SDR 0.21 million.
Gabon:	An additional contribution in the form of a grant of SDR 1.85 million “as needed” in annual installments.
Grenada:	Contribution of net income on a deposit for 10 years of SDR 0.20 million at 0.5 percent per annum.
Indonesia:	An additional contribution consisting of a rollover of current deposits of SDR 25 million starting in 2004 for 10 years (up to 2 percent interest as subsidy contribution and the balance of interest earnings accruing to the member) has been confirmed by the authorities.
Lebanon:	Contribution of income on an interest-free deposit through 2018.
Libya:	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 unpledged contribution (subject to legislative approval).

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

Tonga:	Contribution of income on a deposit of its Post-SCA-2 balance of SDR 0.03 million; terms to be specified.
Trinidad and Tobago:	Contribution of income on an interest-free deposit of its Post-SCA-2 balance of SDR 2.4 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 29.2 million.

PRGF-HIPC Subsidy and Grant Resources— Presentation on “As Needed” Versus Cash Basis

1. **At the time of mobilizing resources for the PRGF and PRGF-HIPC Trusts, the valuation of contributions and the measurement of the need for such resources to subsidize PRGF lending and finance HIPC Initiative assistance was undertaken on an “as needed” basis.** The “as needed” approach measures the nominal undiscounted sum of required subsidy payments that could be financed from the resources generated from contributions, taking into account the timing of resource availability in relation to the timing of subsidy needs. The use of this approach facilitated the comparison of the projected value of contributions in the form of grants and deposits, on a common basis, from which usable resources are realized on different time horizons.
2. **Based on the “as needed” approach, the value of each type of contribution to the PRGF Trust Subsidy Account and PRGF-HIPC Trust was calculated depending upon when it could be used.** While contributions in the form of grants were available for immediate use, contributions in the form of deposits could only be used over a longer period since available resources would only accrue over time through the accumulation of investment income. The “as needed” approach provided for appropriate adjustments on the value of contributions whose effectiveness was delayed: the longer the delay in effectiveness, the lower the “as needed” value, since the contribution would earn interest income over a shorter period.
3. Since the pledged contributions to the PRGF Subsidy Account and the PRGF-HIPC Trust are now mostly effective and the timing of the financing needs of interim PRGF subsidies and HIPC Initiative assistance has become clearer, **it is appropriate to adopt a cash flow approach of the sources and uses of subsidy resources to assess whether adequate cash will be available over the life of the PRGF and PRGF-HIPC Trusts**, as well as in each and every year of their operation. In addition to its usefulness operationally, a cash flow approach permits a ready comparison of the opening cash position of the PRGF Trust and the PRGF-HIPC Trust with the financial accounts of the Fund.
4. **As a transition to the two approaches, the attached table provides a comparison of the “as needed” and cash valuation of the projected sources and uses of resources in the PRGF and PRGF-HIPC Trusts.** The upper panel of the table focuses on the PRGF-HIPC Trust and compares current “as needed” projections with the estimates reported at the time of the previous review and with projected cash flows. The lower panel provides an integrated analysis of both Trusts on an “as needed” and cash basis.
5. **Projections of both resource need and availability measured on a cash flow basis are lower than “as needed” measurements in the attached table.** This difference primarily reflects the fact that, at the time of resource mobilization in 1998, the “as needed” calculation assumed the same time profile for subsidy needs of interim PRGF lending and financing of HIPC Initiative assistance. This assumption was made because of the

uncertainty surrounding when the needs for financing HIPC Initiative assistance would arise. In the event, however, HIPC Initiative assistance has been delivered much earlier than originally assumed and is now projected to be fully disbursed through 2006, while subsidies for interim PRGF operations will be needed through 2019. Since the available resources will have been used to finance the earlier-than-expected HIPC Initiative assistance, the assumed interest income on contributions using the “as needed” method is overstated.¹

6. **Since the last review in September 2001, on an “as needed” basis, the financing required for interim PRGF subsidies and to meet the Fund’s cost of the HIPC Initiative is estimated to have increased from SDR 4 billion to SDR 4.2 billion, as a result of two main factors.** First, the Fund’s cost of HIPC Initiative assistance is estimated to have increased by about SDR 0.1 billion to SDR 2.6 billion “as needed” on account of higher projected assistance to the Democratic Republic of the Congo. Second, the subsidy resources needed to finance interim PRGF lending are estimated to have risen by SDR 0.1 billion “as needed” reflecting an increase in the projected amount of interim PRGF loan resources from SDR 4 billion to SDR 4.4 billion.

¹ Except for the investment income from the net proceeds of gold sales, whose use is capped at a cash ceiling amount of SDR 1.76 billion.

Financing of PRGF Subsidies and HIPC Initiative Grants 1/

(In billions of SDRs; as of end-2001)

	On an "as needed" basis 2/		On a cash basis
	September 2001 estimate	Current estimate	Current estimate
PRGF-HIPC Trust			
Uses of subsidy and grant resources	4.0	4.2	3.8
PRGF subsidies	1.4	1.5	1.5
Fund's cost of the HIPC Initiative 3/	2.6	2.6	2.2
Sources of subsidy and grant resources	4.0	4.0	3.8
Bilateral contributions	1.6	1.6	1.2
<i>Of which: contributions not yet effective</i>	0.1	0.1	0.1
Fund contributions	2.4	2.4	2.2
Investment income from gold proceeds	1.8	1.8	1.8
Other contributions	0.6	0.6	0.4
Interest income on balance in the PRGF-HIPC Trust	...	...	0.1
Projected surplus from the PRGF Trust 4/	...	...	0.4
Combined PRGF and PRGF-HIPC Trusts			
Uses of subsidy and grant resources	7.8	7.9	7.5
PRGF subsidies	5.2	5.3	5.3
<i>Of which: Interim PRGF</i>	1.4	1.5	1.5
Fund's cost of the HIPC Initiative 3/	2.6	2.6	2.2
Sources of subsidy and grant resources	8.0	8.1	7.6
Bilateral contributions	5.0	5.0	3.8
PRGF Trust	3.5	3.5	2.6
PRGF-HIPC Trust	1.6	1.6	1.2
<i>Of which: contributions not yet effective</i>	0.1	0.1	0.1
Fund contributions	3.0	3.0	2.6
PRGF Trust 5/	0.6	0.6	0.4
PRGF-HIPC Trust	2.4	2.4	2.2
Investment income from gold proceeds	1.8	1.8	1.8
Other contributions	0.6	0.6	0.4
Interest income on balances in both Trusts	...	...	1.2

1/ The projection of the requirements and available subsidy and grant resources is based on an interest rate of 5 percent per annum.

2/ Under the "as needed" approach, actual and projected interest income on balances held in the PRGF and PRGF-HIPC Trusts are part of the estimated value of Fund and bilateral contributions.

3/ The September 2001 estimate was equivalent to US\$2.5 billion in 2000 NPV terms and current estimate is equivalent to US\$2.7 billion in 2001 NPV terms.

4/ In the September 2001 review, subsidy resources available in the PRGF Trust were projected to exceed subsidy needs by about SDR 0.3 billion "as needed". Subsidy resources in the PRGF Trust are currently projected to exceed the needs by about SDR 0.4 billion "as needed".

5/ A one-time transfer of SDR 400 million from the SDA to the Subsidy Account of the PRGF Trust in 1994.