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POVERTY REDUCTION AND GROWTH TRUST—2022 BORROWING AGREEMENTS WITH THE GOVERNMENT OF CANADA AS REPRESENTED BY THE MINISTER OF FINANCE, THE BANK OF ITALY, THE GOVERNMENT OF JAPAN, AND THE BANK OF SPAIN

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Approved By
**Craig Beaumont and
Bernhard Steinki**

Prepared by the Finance and Legal departments. The staff team was led by Charleen Gust (FIN) and Ioana Luca (LEG) and comprised Mariel Acosta, Elena Budras, Egbiri Egbiri, Stephanie Fontana-Raina, Eva Kabundu, Vendula Kurcova, Jonathan Pampolina, Izabela Rutkowska, Audrey Mensah Yiadom; production assistance by Vera Lochan (FIN).

INTRODUCTION

1. This paper presents to the Executive Board for information two new borrowing agreements and two augmentations of existing borrowing agreements¹ for the General Loan Account of the Poverty Reduction and Growth Trust (PRGT). All four agreements use SDRs in the context of SDR channeling pledges and have been finalized as part of the loan mobilization round launched in July 2021 under the package of PRGT reforms to facilitate the Fund's support of low-income countries. Pursuant to Section III, paragraph 2 of the Instrument to establish the PRGT, the Managing Director is authorized to enter into borrowing agreements and agree to their terms and conditions with PRGT lenders. On July 14, 2021, the Executive Board approved a two-stage funding strategy to cover the cost of pandemic-related lending and support the PRGT's self-sustainability. The first stage aims to secure SDR 12.6 billion in PRGT loan resources and SDR 2.8 billion in new subsidy resources, with SDR 2.3 billion sought from the Fund's economically strongest members, and SDR 0.5 billion in internal resources coming from the suspension of the PRGT's reimbursement to the General Resources Account (GRA) through FY2026 (which will also strengthen PRGT reserve coverage).²

¹ For ease of reference, this paper refers to both loan agreements and note purchase agreements (NPAs) as "borrowing agreements" or "agreements".

² The SDR 12.6 billion for PRGT loan resources are in addition to the SDR 16.9 billion in effective loan agreements that have been secured through a fast-track loan mobilization campaign launched in April 2020. In July 2021, the Executive Board also approved an increase in the PRGT cumulative borrowing limit to accommodate new loan agreements under the first stage.