

INTERNATIONAL MONETARY FUND

**Review of Financing of the Fund's Concessional Assistance and  
Debt Relief to Low-Income Member Countries**

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## Executive Summary

- Immediately following the effectiveness of the decisions on the Multilateral Debt Relief Initiative (MDRI) and the Exogenous Shocks Facility (ESF), **debt relief totaling SDR 2.3 billion was delivered to 19 qualifying members**, including 17 countries under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative and two non-HIPCs, on January 6, 2006, with financing from the HIPC Umbrella sub-accounts and the newly established MDRI Trusts.
- Staff's updated projections indicate that the costs to the Fund of providing HIPC and MDRI debt relief to **the remaining HIPCs** that were earlier identified would amount to about SDR 1.1 billion, broadly unchanged from the previous estimates. These costs will continue to be revised as these countries move closer to their HIPC decision and completion points.
- The Fund's costs for providing HIPC and MDRI debt relief to the **three protracted arrears cases** (Liberia, Somalia, and Sudan) and **four new cases** identified by staff as meeting the HIPC Initiative's income and indebtedness criteria at end-2004 would be about SDR 1.9 billion. To help these countries benefit from the Fund's debt relief in a timely manner, the financial resources needed to meet these costs will need to be mobilized.
- As of end-2005, uncommitted **loan resources under the PRGF-ESF Trust** stood at about SDR 2.7 billion and are projected to be sufficient to meet the demand for new commitments over the next three years, barring the potential needs for the three protracted arrears cases. Under current assumptions, additional **subsidy resources** of somewhat less than SDR 0.1 billion would be needed to ensure full subsidization of existing and future interim PRGF loans.
- The Fund has launched efforts to mobilize **resources for the ESF**. As of mid-March 2006, seven members had provided firm pledges of subsidy contributions of about SDR 0.2 billion. However, progress to date has been short of the target for subsidy resources of SDR 0.5 billion in end-2005 NPV terms. It is, therefore, important that further contributions be forthcoming to enable the Fund to stand ready to provide timely concessional shock financing.
- To allow the Fund to access the additional resources committed for the ESF, it is proposed that the **borrowing limit under the PRGF-ESF Trust Loan Account be raised**, and the loan commitment and drawdown periods be extended.
- Resources available for the **subsidization of emergency assistance** are estimated to be sufficient to cover the costs for the current cases. However, new contributions will be needed in the event of new large requests for emergency assistance.

## I. INTRODUCTION

1. **Since the last semi-annual update on the Fund's concessional financing, there have been several significant developments with regard to the Fund's financial assistance to low-income members.**<sup>1</sup> These include: (i) the adoption of the MDRI to provide debt relief to qualifying low-income members; (ii) the establishment of the ESF within the PRGF Trust (now the PRGF-ESF Trust); and (iii) the identification by Fund and World Bank staff of additional countries that meet the HIPC Initiative's income and indebtedness criteria using end-2004 data.

2. **This paper reviews the financing of the MDRI Trusts and the HIPC Initiative and provides an update on the availability of PRGF-ESF loan and subsidy resources and the subsidization of emergency assistance.**<sup>2</sup> The paper also provides an update on the adequacy of the Reserve Account of the PRGF-ESF Trust.<sup>3</sup> To facilitate the mobilization of additional loan resources for the ESF, the paper also proposes that preliminary consideration be given to modifications that would (i) raise the maximum borrowing limit that the Managing Director intends to propose to the Executive Board for the Loan Account of the PRGF-ESF Trust; and (ii) extend the commitment and drawdown periods for loans under the Loan Account of the Trust.

## II. FINANCING ARRANGEMENTS FOR CONCESSIONAL LENDING AND DEBT RELIEF

### Financing Arrangements Prior to the MDRI and ESF

3. **Prior to the establishment of the MDRI and the ESF, the Fund's concessional financing was extended through the PRGF and PRGF-HIPC Trusts.**<sup>4</sup> Debt relief under

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<sup>1</sup> See *Review of PRGF-HIPC Financing, the Adequacy of the Reserve Account of the PRGF Trust, and Subsidization of Emergency Assistance* (SM/05/346, 9/8/05).

<sup>2</sup> The MDRI decision requires the Fund to conduct semi-annual reviews of the financing of the MDRI Trusts. See Decision No. 13588-(05/99) MDRI, adopted November 23, 2005, effective January 5, 2006 (paragraphs 1 and 2).

<sup>3</sup> Under existing decisions, the Executive Board was required to review the adequacy of the Reserve Account of the PRGF-ESF Trust every six months as long as PRGF loans related to the financing of "rights" under rights accumulation program following arrears clearance remain outstanding (Decision No. 10286-(93/23), adopted February 22, 1993, as amended). The last such loan to Zambia was repaid in December 2005, and thus the formal requirement for six-monthly review has lapsed.

<sup>4</sup> The Fund also provides subsidized emergency assistance to its low-income members (see Section V for details).

the HIPC Initiative, financed in part by the investment income generated from the proceeds of the 1999–2000 off-market gold transactions held in the Special Disbursement Account (SDA), was channeled through a separate umbrella sub-account established for each HIPC recipient. The key features of these accounts were described in detail in SM/05/353 (11/1/05), Supplement 2,<sup>5</sup> and their balances outstanding at end-2005 are reported in Table 1.

Table 1. Balances in the Financial Accounts Prior to MDRI Transfers  
(In billions of SDRs; as of end-2005)

	Projected in SM/05/353	Actual
PRGF Trust Subsidy Account	1.65	1.68
PRGF-HIPC Trust	0.07	0.07
Special Disbursement Account	2.50	2.50
HIPC Umbrella Account	0.32	0.32
<b>Total</b>	<b>4.54</b>	<b>4.57</b>
<i>Memorandum items:</i>		
Projected additional inflows 1/	0.12	0.11
<b>Total</b>	<b>4.66</b>	<b>4.69</b>

1/ Mainly reflects projected interest income on bilateral deposit agreements with the PRGF-HIPC Trust.

### Establishment of the MDRI Trusts and the ESF

4. **On November 23, 2005, the Executive Board adopted the decisions to implement the MDRI.**<sup>6</sup> The Board decided that all countries (both HIPCs and non-HIPCs) with per capita incomes of US\$380 a year or less (on the basis of 2004 gross national income) would receive MDRI debt relief financed from the Fund’s own resources held in the SDA, subject to applicable requirements including on eligibility, qualification, and availability of resources. Those HIPCs with per capita incomes above US\$380 a year would receive MDRI relief financed from bilateral contributions in the PRGF Trust Subsidy Account, subject to the consent of contributors and other applicable requirements. It was further decided that two new trusts—the MDRI-I Trust and MDRI-II Trust—be established for holding resources for the MDRI, with the MDRI-I Trust receiving the resources transferred from the SDA for countries with per capita incomes at or below US\$380 and the MDRI-II Trust receiving the

<sup>5</sup> *The Multilateral Debt Relief Initiative (G-8 Proposal) and Its Implications for the Fund—Further Considerations—Supplement on Financing Arrangements* (SM/05/353, 11/1/05), Supplement 2.

<sup>6</sup> See *The Acting Chair’s Summing Up—Multilateral Debt Relief Initiative and Exogenous Shocks Facility—Proposed Decisions*.

bilateral resources transferred from the PRGF Trust Subsidy Account for those HIPC's with per capita incomes above the threshold. The remainder of the debt relief would be met through resources earmarked under the HIPC Initiative. The estimates made at the time of the costs of debt relief, under both the HIPC Initiative and the MDRI, and possible sources of financing are summarized in Table 2.

5. **At the same time, the Executive Board adopted decisions to establish an ESF within the PRGF Trust to provide financial assistance to low-income countries facing sudden and exogenous shocks.**<sup>7</sup> To implement the ESF, the Board decided to: (i) rename the original PRGF Trust as the PRGF-ESF Trust (and the original Subsidy Account as the PRGF-ESF Subsidy Account to receive and provide resources for subsidizing both PRGF and ESF loans); and (ii) establish two new subsidy accounts under the Trust—the ESF Subsidy Account and the PRGF Subsidy Account—to receive and provide subsidy resources earmarked for ESF loans and PRGF loans, respectively.

Table 2. Cost and Financing of Debt Relief 1/  
(In billions of SDRs; in end-2005 NPV terms)

<b>Estimated costs</b>	<b>3.46</b>
Fund credit outstanding 2/	3.37
HIPC assistance	0.09
<b>Sources of financing</b>	<b>3.46</b>
Earmarked HIPC resources	0.84
MDRI-I Trust	1.50
MDRI-II Trust	1.12

1/ Consistent with the estimates in SM/05/353 and its supplements; excludes the three protracted arrears cases and new sunset clause cases.

2/ Associated with disbursements made prior to end-2004; at the assumed country-specific debt relief or completion point dates.

6. **Following implementation of the MDRI and ESF decisions, the Fund's financial structure for providing concessional assistance to low-income members comprises the following elements:**

- The renamed **PRGF-ESF Trust**, which comprises the Loan Account, the Reserve Account, and the three Subsidy Accounts as described above. Under this structure, the Loan Account receives and provides the principal for both the PRGF and ESF, while the Reserve Account provides the security for both types of loans.
- The two newly established **MDRI Trusts**, which receive and provide resources for MDRI debt relief.
- The **PRGF-HIPC Trust**, which continues to receive and provide resources for financing HIPC Initiative assistance and the subsidization of the interim PRGF. In addition, **HIPC Umbrella sub-accounts** have been maintained for channeling HIPC assistance to qualifying members.

<sup>7</sup> See Decision No. 13590-(05/99 ESF), adopted November 23, 2005, effective January 5, 2006.

## Transfers Prior to the Provision of MDRI Debt Relief

7. **The decisions to implement the MDRI and establish the ESF became effective on January 5, 2006, when the necessary consents from bilateral contributors were received.**<sup>8</sup> Table 3 summarizes the resulting transfers of resources in the original PRGF Trust Subsidy Account. In particular:

- Of the total balance of SDR 1.68 billion in the Subsidy Account, the share of bilateral contributions amounted to SDR 1.44 billion (Column 1);
- Thirty seven of the 43 contributors, representing total contributions of SDR 1.34 billion, agreed to the transfer of their contributions to the MDRI-II Trust (Column 2);
- Six contributors (Austria, Czech Republic, India, Luxembourg, the Netherlands, and Turkey) opted not to transfer their contributions to the MDRI-II Trust (Column 3);<sup>9</sup>
- Actual transfers to the MDRI-II Trust were calculated on a pro rata basis consistent with the agreed total amount of SDR 1.12 billion (Column 4);<sup>10</sup> and
- The remaining bilateral contributions in the Subsidy Account after MDRI transfers totaled SDR 0.32 billion (Column 5).<sup>11</sup>

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<sup>8</sup> The transfer to the MDRI-II Trust of bilateral contributions in the PRGF Trust Subsidy Account required the consent of all 43 contributors to this Account. The amendment to the PRGF Trust to establish the ESF required the consent of the same contributors, as well as all 16 lenders to the PRGF Trust Loan Account.

<sup>9</sup> Among these countries, Czech Republic, India, Luxembourg, and the Netherlands also requested that their contributions be transferred to the new PRGF Subsidy Account for subsidizing PRGF loans only.

<sup>10</sup> SDR 1.12 billion was the estimated financing need of providing MDRI relief that would be covered by the MDRI-II Trust. See Decision No. 13588-(05/99) on MDRI, adopted November 23, 2005, effective January 5, 2006.

<sup>11</sup> Five countries (Bangladesh, Belgium, Saudi Arabia, Sweden and Thailand) requested that their remaining contributions after MDRI transfers be allocated to PRGF subsidies only, and one contributor (Tunisia) requested that its contribution be transferred to both the PRGF and ESF Subsidy Accounts.

Table 3. Summary of Consents by Bilateral Contributors to the MDRI Decision  
(In millions of SDRs; as of January 6, 2006)

Contributors to the Subsidy Account	Remaining balances prior to MDRI transfers (1)	Consented to transfers to MDRI-II Trust (2)	Opted to retain in the Subsidy Account (3)	Transfers to MDRI-II Trust 1/ (4)	Remaining balances after MDRI transfers (5)
1 Argentina	13.7	13.7	-	11.5	2.2
2 Australia	4.4	4.4	-	3.7	0.7
3 Austria	24.9	-	24.9	-	24.9
4 Bangladesh	0.3	0.3	-	0.2	0.0 2/
5 Belgium	47.2	47.2	-	39.5	7.7
6 Botswana	0.7	0.7	-	0.6	0.1
7 Canada	101.4	101.4	-	84.8	16.6
8 Chile	1.6	1.6	-	1.3	0.3
9 China	5.1	5.1	-	4.2	0.8
10 Czech Republic	5.2	-	5.2	-	5.2
11 Denmark	28.2	28.2	-	23.6	4.6
12 Egypt	5.2	5.2	-	4.3	0.8
13 Finland	18.1	18.1	-	15.1	3.0
14 France	139.1	139.1	-	116.4	22.7
15 Germany	79.0	79.0	-	66.1	12.9
16 Greece	15.9	15.9	-	13.3	2.6
17 Iceland	1.8	1.8	-	1.5	0.3
18 India	4.3	-	4.3	-	4.3
19 Indonesia	2.6	2.6	-	2.1	0.4
20 Iran, Islamic Republic of	0.7	0.7	-	0.6	0.1
21 Ireland	2.8	2.8	-	2.4	0.5
22 Italy	100.9	100.9	-	84.4	16.5
23 Japan	302.9	302.9	-	253.4	49.5
24 Korea	25.1	25.1	-	21.0	4.1
25 Luxembourg	5.4	-	5.4	-	5.4
26 Malaysia	13.4	13.4	-	11.2	2.2
27 Malta	0.5	0.5	-	0.5	0.1
28 Morocco	3.8	3.8	-	3.2	0.6
29 Netherlands	56.8	-	56.8	-	56.8
30 Norway	18.7	18.7	-	15.7	3.1
31 Pakistan	0.4	0.4	-	0.3	0.1
32 Portugal	1.7	1.7	-	1.4	0.3
33 Saudi Arabia	6.6	6.6	-	5.5	1.1
34 Singapore	7.7	7.7	-	6.5	1.3
35 Spain	3.8	3.8	-	3.1	0.6
36 Sweden	77.8	77.8	-	65.0	12.7
37 Switzerland	46.0	46.0	-	38.5	7.5
38 Thailand	5.3	5.3	-	4.4	0.9
39 Tunisia	0.4	0.4	-	0.3	0.1
40 Turkey	3.8	-	3.8	-	3.8
41 United Kingdom	185.8	185.8	-	155.4	30.4
42 United States	69.7	69.7	-	58.3	11.4
43 Uruguay	0.6	0.6	-	0.5	0.1
<b>Total</b>	<b>1,439.3</b>	<b>1,338.9</b>	<b>100.4</b>	<b>1,120.0</b>	<b>319.3</b>
<i>Memorandum items:</i>					
PRGF Trust Subsidy Account balance prior to MDRI transfers			1,681.0		
of which: share of bilateral contributors			1,439.3		
IMF's SDA resources			241.7		

1/ Transfers were calculated on a pro rata basis for the contributors that had consented to MDRI transfers.

2/ Less than SDR 50,000.



8. The financing framework for MDRI debt relief is illustrated in Figure 1 and the resulting balances in the financial accounts before the provision of MDRI debt relief are summarized in Table 4. Specifically,

- Total subsidy resources available in the renamed PRGF-ESF Trust were reduced from SDR 1.68 billion to SDR 1.03 billion, reflecting an outflow of SDR 1.12 billion to the MDRI-II Trust and an inflow of SDR 0.47 billion from the SDA;
- The balance of the PRGF-HIPC Trust increased from SDR 0.07 billion to SDR 0.60 billion, reflecting an inflow of SDR 0.53 billion from the SDA;
- The balance in the SDA was fully depleted; and
- The MDRI-I Trust had a balance of SDR 1.50 billion, reflecting the transfer from the SDA, while the MDRI-II Trust received a transfer of SDR 1.12 billion from the original PRGF Trust Subsidy Account.

**Figure 1. Financing Framework for HIPC and MDRI Debt Relief**  
(In billions of SDRs)

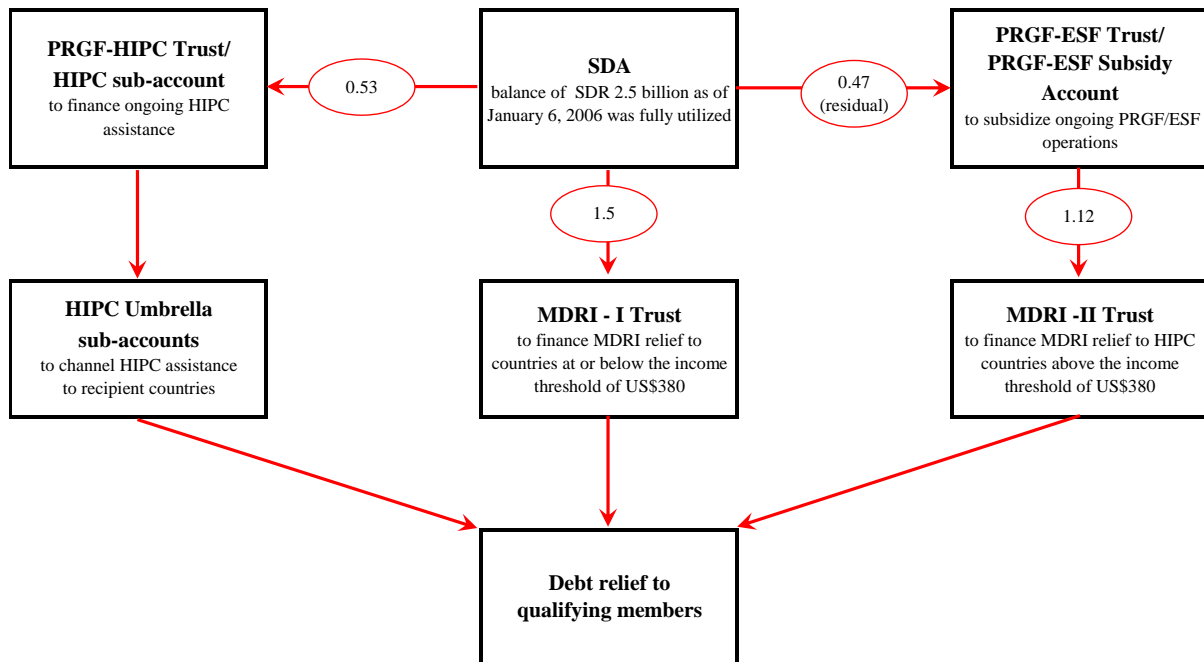


Table 4. Balances in New Financial Accounts  
(In billions of SDRs; as of January 6, 2006)

PRGF-ESF Trust Subsidy Accounts	1.03	
PRGF-HIPC Trust	0.60	
of which: HIPC sub-account	0.53	
Special Disbursement Account	-	
HIPC Umbrella Account	0.32	1/
MDRI-I Trust	1.50	1/
MDRI-II Trust	1.12	1/
<b>Total</b>	<b>4.57</b>	
<i>Memorandum items:</i>		
Projected additional inflows 2/	0.11	
<b>Total</b>	<b>4.69</b>	

1/ Prior to the delivery of MDRI debt relief to 19 qualifying countries.

2/ See footnote 1 of Table 1.

### Financing of MDRI Debt Relief to 19 Qualifying Members

9. **On December 21, 2005, the Executive Board determined that 19 members qualified for MDRI debt relief.**<sup>12</sup> The MDRI debt relief was delivered on January 6, 2006 and applied to Fund credit arising from disbursements made prior to end-2004—amounting to SDR 2.33 billion. The debt relief was financed by resources available in the relevant HIPC Umbrella sub-accounts and the MDRI-I and MDRI-II Trusts (Table 5). As a result, the balances of the MDRI-I and MDRI-II Trusts were reduced to SDR 0.38 billion and SDR 0.22 billion, respectively.

10. **The provision of debt relief resulted in transfers being made to the PRGF-ESF Trust Loan Account before the obligations to the Trust lenders fell due.** In most cases, the proceeds were used to make early repayments to the Trust lenders with their consents, as provided for in the relevant borrowing agreements. In one case, as foreseen in the relevant borrowing agreement, it was agreed that no early repayment would be made. In another case, also consistent with the existing borrowing agreement, the loan prepayments were retained in order to generate subsidies for the PRGF-ESF Trust.

<sup>12</sup> See *Summing Up by the Chairman—Multilateral Debt Relief Initiative—A First Assessment of Eligible Countries*. The Board determined that Mauritania could qualify after certain remedial actions are taken.

Table 5. Delivery of MDRI Debt Relief to 19 Qualifying Members  
(In millions of SDRs; January 6, 2006)

Recipient country	Fund credit outstanding resulting from disbursements made prior to January 1, 2005	Sources of financing		
		Balance in the HIPC Umbrella sub-accounts	MDRI-I Trust	MDRI-II Trust
<b>Completion point countries (17)</b>	<b>2,203</b>	<b>306</b>	<b>994</b>	<b>904</b>
1 Benin	36	2	-	34
2 Bolivia	161	6	-	155
3 Burkina Faso	62	5	57	-
4 Ethiopia	112	32	80	-
5 Ghana	265	45	220	-
6 Guyana	45	13	-	32
7 Honduras	107	9	-	98
8 Madagascar	137	9	128	-
9 Mali	75	13	62	-
10 Mozambique	107	24	83	-
11 Nicaragua	140	49	-	92
12 Niger	78	18	60	-
13 Rwanda	53	33	20	-
14 Senegal	100	6	-	95
15 Tanzania	234	27	207	-
16 Uganda	88	12	76	-
17 Zambia	403	4	-	398
<b>Non-HIPCs (2)</b>	<b>126</b>	<b>-</b>	<b>126</b>	<b>-</b>
18 Cambodia	57	-	57	-
19 Tajikistan, Rep. of	69	-	69	-
<b>Total 1/</b>	<b>2,330</b>	<b>306</b>	<b>1,120</b>	<b>904</b>

1/ Totals do not add due to rounding.

### III. FUTURE COST OF FINANCING MDRI AND HIPC DEBT RELIEF<sup>13</sup>

#### Remaining Cases Identified Earlier

11. The latest estimates of cost to the Fund of providing debt relief to the remaining HIPCs are broadly unchanged from those provided previously. The total cost for these HIPCs, including Mauritania, the 11 HIPC decision point, and the four pre-decision point countries that were earlier identified as potentially HIPC eligible, is estimated at about

<sup>13</sup> Financial estimates in this section are in end-2005 NPV terms.

SDR 1.1 billion (Table 6).<sup>14</sup> Of this amount, SDR 0.98 billion is for the 11 countries that have already reached decision point and SDR 0.09 billion is for the four pre-decision point cases. As noted previously, these estimates are tentative and subject to change, as they are based on assumptions with respect to specific HIPC cost estimates, and the decision and completion point dates for each country. Therefore, the precise amount of debt relief can only be determined as these countries approach their decision and completion points.

Table 6. Cost and Financing of Full Debt Relief to the Remaining HIPCs 1/  
(In billions of SDRs; in end-2005 NPV terms)

	Estimates	
	Previous 2/	Updated
<b>Estimated costs</b>	<b>1.12</b>	<b>1.10</b>
<b>Financing needed from</b>	<b>1.12</b>	<b>1.10</b>
Earmarked HIPC resources	0.52	0.46
MDRI-I Trust	0.40	0.42
MDRI-II Trust	0.20	0.22
<b>Available resources</b>	<b>1.13</b>	<b>1.13</b>
Earmarked HIPC resources	0.53	0.53
MDRI-I Trust	0.38	0.38
MDRI-II Trust	0.22	0.22
<b>Financing gap (-)</b>	<b>0.01</b>	<b>0.03</b>
Earmarked HIPC resources	0.01	0.07
MDRI-I Trust	(0.02) 3/	(0.04)
MDRI-II Trust	0.01	(0.00)

1/ Excluding Lao PDR, which has indicated that it does not wish to avail itself of the HIPC Initiative.

2/ Consistent with the underlying estimates in SM/05/353 and its supplements.

3/ The actual cost of the MDRI relief to Cambodia and Tajikistan was higher than projected by SDR 18 million, as the debt relief was provided on January 6, 2006 rather than at end-2006 as assumed in SM/05/353.

12. **While latest estimates of the overall cost remain broadly unchanged, the projected mix of financing needs now differs slightly.** In particular, the latest estimates suggest a small projected surplus in the earmarked HIPC resources and a small shortfall in the MDRI Trusts. This reflects the following factors:

- First, staff's latest estimate of the total cost of HIPC assistance for the remaining countries is now somewhat lower than estimated previously, down from SDR 0.52 billion to about SDR 0.46 billion, implying a lower financing need to be

<sup>14</sup> See Table 2 of SM/05/353 for the list of the remaining HIPCs. The Republic of Congo reached the decision point in March 2006. The authorities of Lao PDR have indicated that they do not wish to avail themselves of the HIPC Initiative.

covered by resources in the HIPC Umbrella sub-accounts. However, the overall estimated cost of debt relief is broadly unchanged, implying a larger residual financing need to be met by the MDRI Trusts.

- Second, for the MDRI-I Trust, part of the shortfall arises from the fact that the actual cost of debt relief to Cambodia and Tajikistan was higher than projected by SDR 18 million, as the debt relief was delivered on January 6, 2006 rather than at end-2006 as assumed in SM/05/353.<sup>15</sup>

13. **These cost estimates will continue to be revised as the remaining HIPC-eligible countries move closer to the decision and completion points.** In 2006, five countries are currently expected to benefit from the MDRI, with an estimated cost to the Fund of about SDR 0.36 billion. This cost would be financed by the HIPC Umbrella sub-accounts (SDR 0.08 billion), the MDRI-I Trust (SDR 0.11 billion), and the MDRI-II Trust (SDR 0.18 billion).

14. **As noted at the time of the MDRI and ESF decisions, topping-up assistance for eligible HIPCs will be calculated so as to ensure that MDRI debt relief is additional.** Under the HIPC Initiative framework, discretionary topping-up assistance is determined to reduce a qualifying HIPC's eligible debt at the completion point to a targeted level, after taking full account of debt relief, including additional bilateral debt relief.<sup>16</sup> The Commentary on the Fund's MDRI legal framework explained that the policy of providing HIPC topping-up assistance at the completion point will be continued, with HIPC topping-up assistance to be calculated on the basis of the debt stock prior to the delivery of MDRI relief from the Fund.<sup>17</sup> This approach will ensure that MDRI relief from the Fund does not substitute for topping-up assistance.

15. **Debt relief to be covered by the Fund's MDRI Trusts might be delivered before topping-up assistance at the completion point.** Pre-completion point HIPCs are to receive MDRI relief from the Fund when they reach the completion point. However, in line with existing policies, the Fund will only deliver topping-up assistance to a HIPC once satisfactory financing assurances have been received from other creditors.<sup>18</sup> Therefore, in those cases where topping-up assistance cannot be disbursed at the completion point because satisfactory assurances regarding the participation of other creditors are not yet in place, debt relief financed from the MDRI Trusts would be delivered before topping-up assistance.

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<sup>15</sup> See *The Multilateral Debt Relief Initiative—A First Assessment of Eligible Countries* (EBS/05/174, 11/8/05).

<sup>16</sup> See *Enhanced HIPC Initiative—Completion Point Considerations*.

<sup>17</sup> See *Multilateral Debt Relief Initiative and Exogenous Shocks Facility—Proposed Decision* (EBS/05/158, 11/16/05), Section 7(d).

<sup>18</sup> See *HIPC Initiative—Proposed Modifications to the HIPC Trust Instrument*.

## **Newly Identified HIPC and Protracted Arrears Cases**

16. **Fund and World Bank staffs have identified a list of 11 countries that meet the relevant income and indebtedness criteria at end-2004, which might wish to be considered for debt relief under the HIPC Initiative.**<sup>19</sup> The assessment identified four new such countries (Eritrea, Haiti, Kyrgyz Republic, and Nepal),<sup>20</sup> while confirming that four other countries previously identified as pre-decision point countries (Central African Republic, Comoros, Côte d'Ivoire, and Togo) might also wish to be considered for debt relief under the HIPC Initiative. It was also confirmed that the three protracted arrears cases (Liberia, Somalia, and Sudan) meet the HIPC Initiative's income and indebtedness criteria at end-2004 and might seek to avail themselves of HIPC assistance.

17. **Latest staff estimates put the cost to the Fund of providing debt relief to the three protracted arrears cases and the four newly identified cases at about SDR 1.9 billion.** Of this, the estimated cost for the four new HIPCs is SDR 0.1 billion, based on end-2004 debt statistics and assumed decision and completion point dates (this estimate covers both HIPC and MDRI relief). For the three protracted arrears cases, for illustrative purposes, the cost of debt relief is estimated to be equivalent to the stock of their arrears to the Fund at end-2005 (SDR 1.8 billion).

18. **As discussed in SM/05/353, the costs of providing debt relief to the three protracted arrears cases and any new potentially HIPC eligible countries identified in the context of the "ring-fencing" exercise were not included in the cost estimates for the MDRI and the HIPC Initiative.** Therefore, to help these countries benefit from the Fund's debt relief in a timely manner, the financial resources needed to meet these costs will need to be mobilized. In this context, as noted in the previous Board papers, the G-8 has committed to cover, on a fair burden-sharing basis, the cost of debt relief for countries that may become eligible for the HIPC Initiative under the extended sunset clause, and that donors would provide the extra resources necessary for full debt relief at completion point for the three protracted arrears cases.

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<sup>19</sup> See *Heavily Indebted Poor Countries (HIPC) Initiative—List of Ring-Fenced Countries that Meet the Income and Indebtedness Criteria at End-2004* (4/11/06).

<sup>20</sup> Among these countries, the Fund has no credit outstanding to Eritrea. In addition, it has been proposed that provision be made to include Afghanistan in the list of potential HIPCs, contingent on meeting the indebtedness criterion after the resolution of disputes and the verification of claims by external creditors (Afghanistan also has no credit outstanding to the Fund). Two countries identified to meet the income and indebtedness criteria at end-2004 (Bhutan and Sri Lanka) have indicated that they do not wish to avail themselves of the Initiative.

#### IV. FINANCING OF PRGF AND ESF LENDING OPERATIONS

##### Resources for the Interim PRGF

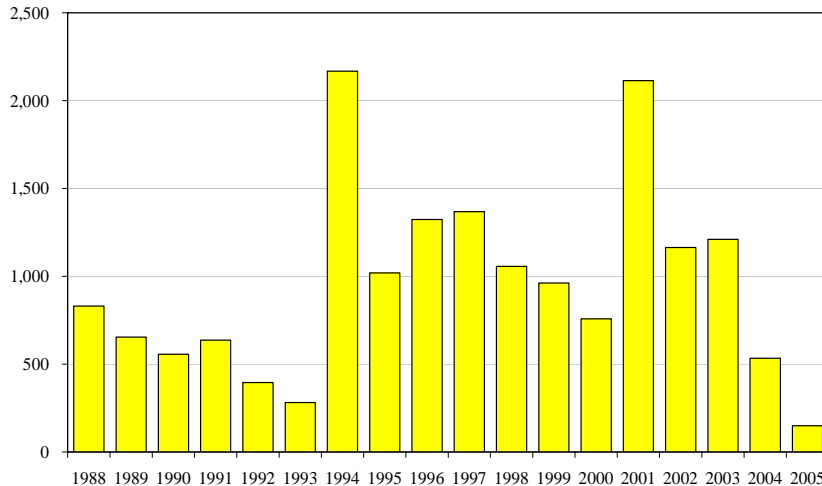
19. **As of end-2005, resources available in the Loan Account of the PRGF-ESF Trust amounted to SDR 2.65 billion.** In 2005, total commitments under new PRGF arrangements (including one augmentation) amounted to SDR 149 million, sharply below the historical annual average of about SDR 1 billion and also below the estimate of SDR 0.4 billion provided in the previous update. The lower-than expected level of new commitments largely reflected delays in the approval of new PRGF arrangements for several countries. While this represents the lowest level of new PRGF commitments for some time, year-to-year fluctuations in commitments have been substantial in the past (Figure 2).

20. **Staff's updated estimates indicate that new PRGF commitments (excluding potential PRGF augmentations) could amount to about SDR 0.5 billion in 2006.** The

expected increase in demand reflects area departments' country-by-country projections based on: (i) the access norms for successor PRGF arrangements approved by the Board;<sup>21</sup> (ii) the expectation that several members that have experienced delays in approval of successor PRGF arrangements will obtain PRGF assistance in 2006; and (iii) possible requests for arrangements by

members that have not previously used PRGF resources.<sup>22</sup> Beyond 2006, new commitments are currently projected to average of about SDR 0.7 billion per year in 2007–08, depending on the timing of requests for arrangements by a few large quota countries.

Figure 2. Annual Commitments under PRGF Arrangements, 1988-2005  
(In millions of SDRs)



<sup>21</sup> The agreed access norms are 90, 65, 55, 45, 35, and 25 percent of quota, respectively, for first, second, third, fourth, fifth, and subsequent PRGF arrangements. See *The Fund's Support of Low-Income Member Countries—Considerations on Instruments and Financing* (SM/04/53, 2/24/04).

<sup>22</sup> For example, Afghanistan and Comoros are expected to request a PRGF arrangement in 2006.

21. **Based on these projections, available loan resources could be sufficient to finance new PRGF commitments for the next 3 years.** However, these estimates do not take account of: (i) potential augmentations under existing PRGF arrangements; (ii) possible loan demand under the ESF (see below); and (iii) the potential need for PRGF loan resources by the three protracted arrears cases following arrears clearance. Available loan resources could be exhausted more rapidly should these countries be in a position to clear their arrears and enter PRGF arrangements with the Fund (Table 7).

Table 7. Loan Resources of the PRGF-ESF Trust  
(In billions of SDRs)

<b>The maximum borrowing limit</b>	<b>16.00</b>
Existing loan resources	15.76
Commitments to borrowers	13.11
<b>Uncommitted resources (as of end-2005)</b>	<b>2.65</b>
Projected demand for PRGF loans in 2006	0.53
Possible need by 1/	0.97
Liberia	0.24
Somalia	0.15
Sudan	0.58

1/ Assuming access to the PRGF of 185 percent of quota under the 12th Review.

22. **Current estimated subsidy resources available for the interim PRGF amount to SDR 1.32 billion in end-2005 NPV terms.** This figure takes into account the G-8 commitment to provide an additional subsidy contribution of SDR 100 million in end-2005 NPV terms to maintain the Fund's concessional lending capacity in the wake of the MDRI. Staff is currently in the process of finalizing agreements on disbursement schedules with several G-8 contributors. Table 8 provides a breakdown of estimated subsidy resources for interim PRGF lending.

Table 8. Estimated PRGF Subsidy Resources  
(In billions of SDRs; as of January 6, 2006)

<b>Total</b>	<b>1.32</b>
PRGF-ESF Trust Subsidy Accounts	1.03
PRGF-HIPC Trust 1/	0.07
Projected additional inflows 2/	0.11
G-8 contribution	0.10

1/ Excludes the HIPC sub-account balance which is earmarked for HIPC assistance only.

2/ See footnote 1 of Table 1.



23. **Total subsidy resources available for interim PRGF lending still fall short of the estimated amount needed to fully utilize available interim loan resources.** The latter is currently estimated at about SDR 1.39 billion in end-2005 NPV terms, broadly unchanged from the previous estimate.<sup>23</sup> This exceeds the estimated subsidy resources by about SDR 75 million.<sup>24</sup> Staff will continue to update these estimates on a regular basis, taking account of changes in the expected profile of PRGF loan disbursements and current and prospective interest rates.

24. **Since the last update, no new pledges of bilateral subsidy contributions to the PRGF-HIPC Trust have become effective.** All bilateral subsidy contributions to the PRGF-ESF Trust and 98 percent of contributions to the PRGF-HIPC Trust had been made effective as of end-February 2006. Pledged contributions by ten countries to the PRGF-HIPC Trust, amounting to SDR 32.2 million, remain pending (Table 9). It is important that these pledges be made effective as soon as possible so as to ensure full funding of PRGF-HIPC operations. Staff continues to follow up with these contributors to ensure that their pending contributions become effective as soon as possible.

Table 9. Pending Contributions to the PRGF-HIPC Trust  
(In millions of SDRs "as needed"; as of end-February, 2006) 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	0.0
		<b>Total</b>	<b>32.2</b>

1/ "As needed" is defined in Appendix Table 14, footnote 1.

2/ These are the remaining balances 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.

### Resources for the ESF

25. **The above projections do not take explicit account of potential loan and subsidy demand under the ESF.** Staff previously estimated that the demand for shocks-related concessional loans could amount to SDR 400 million per year over the medium term.<sup>25</sup> To implement the ESF, and given the unpredictable nature of shocks, it was considered appropriate to initially secure financing sufficient to cover the projected demand for a five

<sup>23</sup> As mentioned in SM/05/353, this includes a small amount of resources needed from the PRGF-HIPC Trust for repaying the Reserve Account associated with early transfers of SDR 43.5 million.

<sup>24</sup> This is the estimated additional subsidy need after receipt of the SDR 100 million in contribution already committed by the G-8, and takes account of the cost of providing MDRI debt relief to Cambodia and Tajikistan.

<sup>25</sup> See Annex I of SM/05/353.

year period.<sup>26</sup> To this end, it was proposed that the Fund would seek to mobilize subsidy resources of SDR 0.5 billion in end-2005 NPV terms and loan resources of SDR 2 billion. To enable early activation of the ESF, it was agreed that resources in the PRGF-ESF Subsidy Account could be used flexibly to subsidize either PRGF or ESF loans if there are not sufficient resources in the ESF Subsidy Account and that resources in the Loan Account of the PRGF-ESF Trust could be used to finance the principal for both the PRGF and ESF.

26. **In November 2005, the Fund launched efforts to seek the needed contributions for the ESF, with an initial focus on mobilizing subsidy resources.** The Managing Director approached a broad spectrum of members, including OECD countries, oil exporters, and countries that have built up substantial foreign exchange reserves. These requests took account of members' quotas in the Fund, with adjustments to reflect: (i) the impact of higher oil prices on export receipts for the major oil exporters; and (ii) recent rapid reserve growth by some other countries.<sup>27</sup> The requests were calibrated so as to seek about 10 percent of the total contributions from members with high reserves and to ensure broad burden sharing between industrial countries and oil exporters.

27. **As of mid-March 2006, the Fund had received firm pledges of subsidy contributions totaling SDR 210 million from seven member countries** (Table 10). The precise modalities for providing these contributions still need to be agreed and, hence, the total value of the contributions in NPV terms cannot yet be determined. One member (France) has also pledged new loan resources of US\$1 billion at a concessional rate so as to generate its implicit subsidy contribution. Several other members have indicated that they are considering subsidy contributions to the ESF but cannot yet specify an amount. Progress to date is still well short of the target of SDR 0.5 billion in end-2005 NPV terms and, thus, it is important that additional subsidy contributions to the ESF be forthcoming as soon as possible to enable the Fund to provide timely ESF assistance to its low-income members.

Table 10. Subsidy Contributions for the ESF  
(As of mid-March 2006; in millions)

Contributors	Contribution pledged	Date of pledge	SDR equivalent 1/
Canada	SDR 14.3	11/28/05	14.3
France	US\$ 30 2/	12/16/05	20.9
Japan	SDR 20	11/28/05	20.0
Norway	NOK 240	2/22/06	24.8
Russian Federation	SDR 30	1/30/06	30.0
Saudi Arabia	SDR 40 3/	3/7/06	40.0
United Kingdom	£50	11/23/05	60.9
<b>Total</b>			<b>210.8</b>

1/ Calculated using the end-February 2006 exchange rate.

2/ To be generated as implicit subsidy through new loan resources of US\$1 billion at a concessional rate.

3/ In end-2005 NPV terms.

<sup>26</sup> See *Establishment of an Exogenous Shocks Facility Under the Poverty Reduction and Growth Facility Trust* (SM/05/365, 10/4/05).

<sup>27</sup> The latter adjustment is intended to reflect, in part, the increased prominence of these members in the global economy.

### **Possible Modifications to the Loan Account**

28. **To enable mobilization of additional loan resources for the Loan Account of the PRGF-ESF Trust, the decision on the borrowing limit for the Loan Account and related provisions of the Trust Instrument will need to be amended.** Under the current decision, the borrowing limit for the Loan Account of the PRGF-ESF Trust is set at SDR 16 billion.<sup>28</sup> As shown in Table 7, PRGF lenders have thus far committed SDR 15.8 billion in loan resources, leaving little room for additional borrowing by the Trust. Given that some members wish to contribute resources to the ESF through additional loan resources at a concessional rate, an increase in the borrowing limit is needed to allow the Fund to access these resources. The PRGF-ESF Trust Instrument also specifies the current loan commitment period as ending on December 31, 2006, with an associated drawdown period under the loan agreements ending on December 31, 2009.<sup>29</sup>

29. **Given the above, it is proposed that the borrowing limit under the Loan Account be raised and the loan commitment and drawdown periods be extended.** Staff proposes that the borrowing limit of the Loan Account be increased to SDR 20 billion and that the loan commitment and drawdown periods be extended by five years, to end-2011 and end-2014, respectively. These proposed amendments would help avoid unnecessary frequent changes to the Loan Account of the Trust. The PRGF-ESF Trust Instrument requires that, to implement the above proposals, the Managing Director will need to consult with the current 16 lenders to the Loan Account and seek their consents to the proposed changes. Following such consultations, staff will prepare draft decisions to this effect for consideration by the Executive Board.

### **The Reserve Account of the PRGF-ESF Trust**

30. **The Reserve Account of the PRGF-ESF Trust is designed primarily to provide security to the lenders of the Trust in the event of a delay or nonpayment by PRGF/ESF lenders.** After the delivery of the first phase of MDRI relief on January 6, 2006, the Reserve Account coverage ratio increased sharply, from 53 percent to about 85 percent, as PRGF credit outstanding to the 19 qualifying members arising from disbursements made prior to end-2004 was repaid through the MDRI debt relief (Table 11). As of end-January 2006, the balance in the Reserve Account amounted to SDR 3.32 billion, a substantial multiple of projected repayment obligations falling due to the Trust lenders in the coming months. In the context of the discussions on the MDRI, most Directors agreed that it would be appropriate to maintain the current lending framework beyond the period of the interim PRGF, implying

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<sup>28</sup> See Decision No. 12559-(01/85) PRGF, adopted August 23, 2001, effective September 23, 2001.

<sup>29</sup> See PRGF-ESF Trust Instrument, Decision No. 8759-(87/176), as amended (Sections II and III).

that Reserve Account resources would be used to subsidize PRGF/ESF loans, with the principal being provided by bilateral contributors.

Table 11. PRGF-ESF Trust—Reserve Account Coverage  
(In millions of SDRs)

	Reserve Account balance (end of period)	PRGF-ESF Trust obligations 1/ (end of period)	Annual loan repayments to lenders 1/
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
2003	3,115	6,703	781
2004	3,174	6,632	862
2005	3,285	6,185	861
Jan-06	3,320	3,896 2/	193 2/ 3/

1/ Excludes associated loans of SDR 49.5 million from the Saudi Fund for Development (SFD), the risk of which is borne by the SFD, overdue Trust Fund obligations (SDR 118 million), and overdue SAF obligations (SDR 10 million).

2/ The sharp drop from 2005 reflects early repayments arising from the MDRI debt relief.

3/ For the six months from February to July.

## V. SUBSIDIZATION OF EMERGENCY ASSISTANCE

31. **In January 2005, the Executive Board decided to extend subsidization of emergency post-conflict assistance (EPCA) to emergency assistance for natural disasters (ENDA) for PRGF-eligible member countries.**<sup>30</sup> For this purpose, three sub-accounts were set up to mobilize contributions from members wishing to contribute to the subsidization of: (i) EPCA only; (ii) ENDA only; and (iii) both types of emergency

<sup>30</sup> See *Subsidization of the Fund's Emergency Assistance for Natural Disasters to PRGF-Eligible Members* (EBS/05/4, 1/10/05).

assistance.<sup>31</sup> Unless a member specified otherwise, earlier contributions for the subsidization of EPCA were retained in the first sub-account. To make this initiative effective, it was estimated that subsidy resources on the order of SDR 45–65 million would need to be mobilized for the next five years.

32. **The Fund has since received firm pledges of subsidy contributions of SDR 29 million from 16 member countries** (Appendix Table 13). Of this amount, SDR 19 million has already been received. The new contributions from 11 member countries were made available for subsidization of ENDA only, while the other five contributions were made available for subsidization of both EPCA and ENDA. Taking account of existing contributions and the new pledges received since January 2005, total available resources for subsidization of both types of emergency assistance amount to SDR 33 million (total contributions minus the amount already used). Of this amount, SDR 7 million is available for subsidization of EPCA only, SDR 14 million for subsidization of ENDA only, and SDR 13 million for subsidization of both types of emergency assistance.

33. **As of mid-March 2006, total ENDA and EPCA credit outstanding amounted to SDR 126 million and SDR 33 million, respectively** (Table 12). Since the last update, the Central African Republic made a new EPCA purchase of about SDR 7 million on January 31, 2006. The Republic of Congo made the last EPCA repurchase in November 2005.

Table 12. ENDA and EPCA Credit Outstanding 1/  
(In millions of SDRs; as of mid-March 2006)

<b>ENDA:</b>	<b>126</b>
Grenada	6
Malawi	13
Maldives	4
Sri Lanka	103
<b>EPCA:</b>	<b>33</b>
Central African Republic	13
Haiti	20
<b>Total</b>	<b>159</b>

1/ Excluding credit outstanding that is not subject to subsidization.

34. **It is estimated that subsidy resources currently available are sufficient to subsidize existing Fund credit outstanding to the current EPCA/ENDA users.** However, new contributions will be needed in the event of new large requests for emergency assistance. As subsidization of emergency assistance is subject to the availability of resources, it would be important that further contributions be forthcoming to enable the Fund to continue to provide such assistance on concessional terms in a timely manner.

<sup>31</sup> Loan resources for ENDA and EPCA lending are provided from the GRA.

Table 13. Subsidy Contributions for Emergency Assistance  
(In millions; as of March 8, 2006)

Contributor	Contribution pledge	Date of pledge	SDR equivalent 1/	Contribution received	Subsidy disbursed 6/
<b>Sub-Account 1: EPCA subsidization only</b>					
Belgium	SDR 0.63	Mar. 2002	0.6 2/	0.6	0.3
Canada	Can\$ 3.25	Oct. 2002	1.7	1.7	--
Norway	SDR 3.0	Jun. 2002	3.0	3.0	--
Sweden	SDR 0.8	Jan. 2002	0.8	0.8	0.8
Switzerland	US\$ 1.0	Mar. 2002	0.8	0.8	--
United Kingdom	£ 2.5	Oct. 2001	2.9	2.9	1.8
<b>Sub Total</b>			<b>9.7</b>	<b>9.7</b>	<b>2.9</b>
<b>Sub-Account 2: ENDA subsidization only</b>					
Australia	Aus\$ 2.0	Jun. 2005	1.0	0.4	--
Austria 3/	SDR 1.2	Apr. 2005	1.2	--	--
Canada	Can\$ 5.0	Feb. 2005	3.1	0.5	0.5
China	US\$ 2.0	May 2005	1.4	1.4	--
Germany 4/	Euro 1.65	Nov. 2005	1.4	1.4	--
India	SDR 1.5	Feb. 2005	1.5	--	--
Japan	US\$ 2.5	Apr. 2005	1.7	1.7	1.5
Luxembourg	Euro 1.25	Feb. 2005	1.0	0.2	0.2
Russia	US\$ 1.5	Feb. 2005	1.0	0.2	0.2
Saudi Arabia	US\$ 4.0	Apr. 2005	2.8	--	--
Switzerland	US\$ 2.0	Feb. 2005	1.4	1.4	1.4
<b>Sub Total</b>			<b>17.6</b>	<b>7.2</b>	<b>3.8</b>
<b>Sub-Account 3: Subsidization of EPCA and ENDA</b>					
France	Euro 1.5	Jan. 2005	1.2	1.2	--
Netherlands 5/	US\$ 2.0	Mar. 2002	1.5	1.5	--
Netherlands	US\$ 2.0	Mar. 2005	1.4	1.4	--
Norway	NKr 10.0	Feb. 2005	1.1	1.1	--
Sweden	US\$ 10.0	Feb. 2005	6.6	6.6	--
United Kingdom	£ 1.0	Feb. 2005	1.2	1.2	0.2
<b>Sub Total</b>			<b>13.0</b>	<b>13.0</b>	<b>0.2</b>
<b>Total</b>			<b>40.3</b>	<b>29.9</b>	<b>6.9</b>
<i>Memorandum item:</i>					
Pledges made since 2005			<b>29.1</b>	<b>18.7</b>	<b>4.0</b>

1/ For contributions which have been fully received, the SDR equivalent is the actual SDR amount received using the exchange rate on the value date. For contributions that are not yet disbursed, the SDR equivalent is calculated using the exchange rate at end-February 2006.

2/ Belgium has fulfilled its pledge to subsidize Burundi's emergency post-conflict assistance in full, as Burundi made early repurchase in February 2004.

3/ Reflecting investment income to be generated on a deposit agreement.

4/ To subsidize the rate of charge on purchases by Sri Lanka and Maldives under ENDA following the 2004 Tsunami.

5/ Existing contribution, previously earmarked for EPCA.

6/ Donors can earmark their subsidy contributions for specific ENDA/EPCA users.

Table 14. Summary of Bilateral Contributions to the PRGF-ESF and PRGF-HIPC Trusts  
(In millions of SDRs; as of January 6, 2006)

	PRGF-ESF Trust			PRGF-HIPC Trust	
	Subsidy contributions "as needed" 1/		Loan commitments	Subsidies and HIPC grant contributions "as needed" 1/	Of which: Pending "as needed" 1/
	Committed	Of which, used for MDRI debt relief			
<b>TOTAL</b>	<b>3,352.9</b>	<b>1,120.0</b>	<b>15,759.7</b>	<b>1,561.6</b>	<b>32.2</b>
<b>Major industrial countries</b>	<b>2,238.5</b>	<b>818.8</b>	<b>12,864.8</b>	<b>880.5</b>	<b>--</b>
Canada	237.4	84.8	700.0	48.8	--
France	378.2	116.4	2,900.0	82.2	--
Germany	186.8	66.1	2,750.0	127.2	--
Italy	148.7	84.4	1,380.0	63.6	--
Japan	683.6	253.4	5,134.8	144.0	--
United Kingdom	439.1	155.4	--	82.2	--
United States	164.6	58.3	--	332.6	--
<b>Other advanced countries</b>	<b>931.1</b>	<b>250.4</b>	<b>2,452.8</b>	<b>299.7</b>	<b>--</b>
Australia	16.0	3.7	--	24.8	--
Austria	58.7	--	--	14.3	--
Belgium	111.6	39.5	350.0	35.3	--
Denmark	66.7	23.6	100.0	18.5	--
Finland	42.8	15.1	--	8.0	--
Greece	37.7	13.3	--	6.3	--
Iceland	4.3	1.5	--	0.9	--
Ireland	7.9	2.4	--	5.9	--
Israel	--	--	--	1.8	--
Korea	61.8	21.0	92.7	15.9	--
Luxembourg	13.6	--	--	0.7	--
Netherlands	134.3	--	450.0	45.4	--
New Zealand	--	--	--	1.7	--
Norway	44.2	15.7	150.0	18.5	--
Portugal	4.2	1.4	--	6.6	--
San Marino	--	--	--	0.05	--
Singapore	18.3	6.5	--	16.5	--
Spain	16.6	3.1	708.4	23.3	--
Sweden	183.8	65.0	--	18.3	--
Switzerland	108.7	38.5	601.7	37.0	--
<b>Fuel exporting countries</b>	<b>17.2</b>	<b>6.1</b>	<b>49.5</b>	<b>114.3</b>	<b>23.2</b>
Algeria	--	--	--	5.5	--
Bahrain	--	--	--	0.9	0.9
Brunei Darussalam	--	--	--	0.1	--
Gabon	--	--	--	2.5	1.9
Iran, Islamic Republic of	1.6	0.6	--	2.2	--
Kuwait	--	--	--	3.1	--
Libya	--	--	--	7.3	--
Nigeria	--	--	--	13.9	--
Oman	--	--	--	0.8	--
Qatar	--	--	--	0.5	--
Saudi Arabia	15.6	5.5	49.5	53.5	--
United Arab Emirates	--	--	--	3.8	--
Venezuela	--	--	--	20.4	20.4

Table 14. Summary of Bilateral Contributions to the PRGF-ESF and PRGF-HIPC Trusts  
(In millions of SDRs; as of January 6, 2006)

	PRGF-ESF Trust			PRGF-HIPC Trust	
	Subsidy contributions "as needed" 1/		Loan commitments	Subsidies and HIPC grant contributions "as needed" 1/	Of which: Pending "as needed" 1/
	Committed	Of which, used for MDRI debt relief			
<b>Other developing countries</b>	<b>153.9</b>	<b>44.8</b>	<b>355.6</b>	<b>224.1</b>	<b>9.1</b>
Argentina	32.5	11.5	--	16.2	6.4
Bangladesh	0.8	0.2	--	1.7	--
Barbados	--	--	--	0.4	--
Belize	--	--	--	0.3	--
Botswana	1.7	0.6	--	5.7	--
Brazil	--	--	--	15.0	--
Cambodia	--	--	--	0.04	--
Chile	3.7	1.3	--	4.4	--
China	14.2	4.2	200.0	19.7	--
Colombia	--	--	--	0.9	--
Cyprus	--	--	--	0.8	--
Dominican Republic	--	--	--	0.5	0.5
Egypt	12.3	4.3	155.6	1.3	--
Fiji	--	--	--	0.1	--
Ghana	--	--	--	0.5	--
Grenada	--	--	--	0.1	0.1
India	12.4	--	--	22.9	--
Indonesia	6.0	2.1	--	8.2	--
Jamaica	--	--	--	2.7	--
Lebanon	--	--	--	0.4	0.4
Malaysia	31.6	11.2	--	12.7	--
Maldives	--	--	--	0.01	0.01
Malta	1.4	0.5	--	1.1	--
Mauritius	--	--	--	0.1	--
Mexico	--	--	--	54.5	--
Micronesia, F. S.	--	--	--	0.00*	--
Morocco	8.9	3.2	--	1.6	--
Pakistan	2.3	0.3	--	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	12.6	4.4	--	4.5	--
Tonga	--	--	--	0.02	--
Trinidad and Tobago	--	--	--	1.6	1.6
Tunisia	1.0	0.3	--	1.5	--
Turkey	11.2	--	--	--	--
Uruguay	1.3	0.5	--	2.2	--
Vanuatu	--	--	--	0.1	0.1
Vietnam	--	--	--	0.4	--



Table 14. Summary of Bilateral Contributions to the PRGF-ESF and PRGF-HIPC Trusts  
(In millions of SDRs; as of January 6, 2006)

	PRGF-ESF Trust			PRGF-HIPC Trust	
	Subsidy contributions "as needed" 1/		Loan commitments	Subsidies and HIPC grant contributions "as needed" 1/	Of which: Pending "as needed" 1/
	Committed	Of which, used for MDRI debt relief			
<b>Countries in transition</b>	<b>12.3</b>	--	--	<b>42.9</b>	--
Croatia	--	--	--	0.4	--
Czech Republic	12.3	--	--	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	--
<i>Memorandum Item:</i>					
OPEC Fund for International Development	--	--	37.0	--	--

\* Less than SDR 5,000.

1/ Estimated values of total contributions include forthcoming contributions that are not yet received. The term "as needed" refers to the nominal sum of concessional assistance taking into account the profile of subsidy needs associated with PRGF lending and the provision of HIPC assistance, respectively.

Table 15. PRGF-ESF Trust—Subsidy Agreements 1/  
(In millions of SDRs, unless otherwise noted; as of end-January 2006)

	Effective date of agreement	Vehicle	Deposit/Investment Amount			Interest Rate (percent)	Maturity (years)
			Approved	Received	Outstanding		
<b>Austria</b>							
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	--	0.5	5½–10
<b>Belgium</b>							
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	--	0.5	10
<b>Botswana</b>							
Bank of Botswana 2/ 3/	Jun. 30, 1994	Admin. Account	6.9	6.9	--	2.0	10
<b>Chile</b>							
Banco Central de Chile	Aug. 24, 1994	Admin. Account	15.0	15.0	--	0.5	5
<b>Greece</b>							
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	--	0.5	5½–10
<b>Indonesia</b>							
Bank Indonesia 4/	Jun. 23, 1994	Admin. Account	25.0	25.0	--	--	10
<b>Iran, Islamic Republic of</b>							
Central Bank of Iran	May 24, 1994	Admin. Account	5.0	5.0	--	0.5	10
<b>Malaysia</b>							
Bank Negara Malaysia	May 17, 1988	Subsidy Account	40.0	40.0	--	0.5	10
Bank Negara Malaysia 3/	Jun. 30, 1994	Subsidy Account	40.0	40.0	--	2.0	10
<b>Malta</b>							
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
<b>Pakistan</b>							
State Bank of Pakistan 5/	Apr. 21, 1994	Subsidy Account	10.0	8.0	8.0	0.5	16
<b>Portugal</b>							
Banco do Portugal	May 5, 1994	Admin. Account	13.1	13.1	4.4	0.5	6–10
<b>Singapore</b>							
Monetary Authority of Singapore	Nov. 4, 1988	Subsidy Account	40.0	40.0	--	2.0	10
Monetary Authority of Singapore 3/	May 20, 1994	Subsidy Account	40.0	40.0	--	2.0	10
<b>Spain</b>							
Government of Spain 6/	Feb. 8, 1995	Subsidy Account	60.3	18.5	18.5	0.5	10
<b>Thailand</b>							
Bank of Thailand	Jun. 14, 1988	Subsidy Account	20.0	20.0	--	2.0	10
Bank of Thailand	Apr. 22, 1994	Subsidy Account	40.0	40.0	--	2.0	10
<b>Tunisia</b>							
Banque Centrale de Tunisie 7/	May 4, 1994	Subsidy Account	3.6	3.6	--	0.5	10
<b>Uruguay</b>							
Banco Central del Uruguay 8/	Jul. 7, 1994	Subsidy Account	7.2	7.2	--	--	10
<b>Total</b>			728.8	685.0	32.3		

1/ Subsidy contributions to the PRGF-ESF Trust result from the difference between the investment income on contributions and the below market rate of interest paid to contributors.

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

3/ The Fund made early repayments to Botswana, Malaysia, and Singapore on March 1, 2004.

4/ 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.

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

6/ The investment coincides with the repayment of each of the first nine (out of ten) semiannual installments of a drawing of the PRGF Trust loan of SDR 67 million from the Government of Spain (the Instituto de Crédito Oficial).

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 16. PRGF-ESF Trust—Loan Agreements  
(In millions of SDRs; as of end-January 2006)

	Effective date of agreement	Expiration date for drawings	Loan commitments	Amount Disbursed		Early repayment related to the MDRI	Amount outstanding
				Amount	In percent of commitment		
<b>Belgium</b>							
National Bank of Belgium 1/	Jul. 2, 1999	Dec. 31, 2009	350.0	242.3	69.2	87.9	152.2
<b>Canada</b>							
Government of Canada	Feb. 22, 1989	Dec. 31, 1997	300.0	300.0	100.0	16.1	--
Government of Canada	May 9, 1995	Dec. 31, 2005	400.0	400.0	100.0	110.1	219.7
<b>China</b>							
Government of China 1/	Jul. 05, 1994	Dec. 31, 2009	200.0	153.5	76.7	37.7	74.7
<b>Denmark</b>							
National Bank of Denmark	May 3, 2000	Dec. 31, 2003	100.0	100.0	100.0	31.9	68.1
<b>Egypt</b>							
Central Bank of Egypt 1/	Jun. 13, 1994	Dec. 31, 2009	155.6	100.0	64.3	21.9	41.8
<b>France</b>							
Agence Française de Développement 2/	Apr. 05, 1988	Dec. 31, 1997	800.0	800.0	100.0	--	15.9
Agence Française de Développement 2/	Jan. 03, 1995	Dec. 31, 2005	750.0	750.0	100.0	--	541.7
Agence Française de Développement 1/ 2/	Dec. 17, 1999	Dec. 31, 2009	1,350.0	431.0	31.9	376.1	54.9
<b>Germany</b>							
Kreditanstalt für Wiederaufbau	Mar. 31, 1989	Dec. 31, 1997	700.0	700.0	100.0	10.9 10/	23.8
Kreditanstalt für Wiederaufbau	May 17, 1995	Dec. 31, 2005	700.0	700.0	100.0	47.1 10/	523.3
Kreditanstalt für Wiederaufbau 1/	Jun. 19, 2000	Dec. 31, 2009	1,350.0	332.7	24.6	134.5 10/	198.2
<b>Italy</b>							
Bank of Italy 3/	Oct. 04, 1990	Dec. 31, 1997	370.0	370.0	100.0	11.7	--
Bank of Italy 3/	May. 29, 1998	Dec. 31, 2005	210.0	210.0	100.0	170.9	--
Bank of Italy 1/	Mar. 1, 2000	Dec. 31, 2009	800.0	497.9	62.2	63.5	434.5
<b>Japan</b>							
Japan Bank for International Cooperation 4/	Apr. 12, 1988	Dec. 31, 1997	2,200.0	2,200.0	100.0	--	73.0
Japan Bank for International Cooperation 1/ 4/	Oct. 05, 1994	Dec. 31, 2009	2,934.8	2,382.4	81.2	--	2,046.4
<b>Korea</b>							
Bank of Korea	Apr. 20 1989	Dec. 31, 1997	65.0	65.0	100.0	0.3	--
Bank of Korea	Jun. 20, 1994	Dec. 31, 2005	27.7	27.7	100.0	6.5	15.0
<b>Netherlands</b>							
Bank of the Netherlands 1/	Sep. 29, 1999	Dec. 31, 2009	450.0	150.0	33.3	55.2	94.8
<b>Norway</b>							
Bank of Norway	Apr. 14, 1988	Dec. 31, 1997	90.0	90.0	100.0	2.7	--
Bank of Norway	Jun. 16, 1994	Dec. 31, 2005	60.0	60.0	100.0	10.7	28.3
<b>OPEC Fund for International Development 5/</b>	Dec. 20, 1994	Dec. 31, 2005	37.0	37.0	100.0	7.9	20.2
<b>Spain</b>							
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	--	48.5
Bank of Spain 1/	Feb. 14, 2000	Dec. 31, 2009	425.0	123.9	29.2	41.4	82.5
<b>Switzerland</b>							
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	194.2	48.3	44.7	84.3
Subtotal			15,710.2	11,901.2	75.8	1,289.7	4,841.6
<b>Associated Agreement -</b>							
<b>Saudi Fund for Development (SFD)</b>	Feb. 27, 1989	-- 8/	49.5	49.5	100.0	--	--
Total Loan and Associated Loan Agreements 9/			15,759.7	11,950.7	75.8	1,289.7	4,841.6

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.

10/ In addition, early repayments to KfW related to MDRI are expected to total SDR 149 million during February - April 2006.

**Table 17. Information on Pending Bilateral Contributions to the PRGF-HIPC Trust Status as of end-February 2006<sup>1</sup>**

<b>Argentina:</b>	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 5.7 million.
<b>Bahrain:</b>	Contribution of investment income from an interest-free deposit through 2018.
<b>Dominican Republic:</b>	Contribution of net investment income from a deposit through 2018 to be financed from its Post-SCA-2 balance of SDR 1.1 million at 1 percent per annum.
<b>Gabon:</b>	The remaining balance of SDR 1.9 million (as needed) of its pledged contribution to be financed by grants.
<b>Grenada:</b>	Contribution of net investment income from a deposit for 10 years of SDR 0.20 million at 0.5 percent per annum.
<b>Lebanon:</b>	Contribution of investment income from an interest-free deposit through 2018.
<b>Maldives:</b>	Contribution of investment income from an interest-free deposit through 2018.
<b>Trinidad and Tobago:</b>	Contribution of investment income from an interest-free deposit of its Post-SCA-2 balance of SDR 2.6 million.
<b>Vanuatu:</b>	Grant contribution of its Post-SCA-2 balance of SDR 0.05 million.
<b>República Bolivariana de Venezuela:</b>	Prepared to contribute based on its quota-based share. Contribution could be financed through use of its Post-SCA-2 balance of SDR 31.4 million.

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<sup>1</sup> Reflects pledged contributions which are not yet effective (see also text Table 9). Post-SCA-2 amounts shown include refunds of SCA-2 resources and accumulated interest income. The authorities of Mauritius are also considering an additional contribution.