AN INITIAL STOCKTAKE OF THE IMF'S RESILIENCE AND SUSTAINABILITY TRUST AS A CHANNEL FOR USING SPECIAL DRAWING RIGHTS

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Abstract

This document provides a preliminary assessment of the Resilience and Sustainability Trust (RST) based on the experience gained since its launch in October 2022 until the end of September 2023. Among other aspects, the paper analyses the main characteristics of the RST, its resources and the importance that both the 2021 general allocation of special drawing rights (SDR) and the reserve asset status of some contributions played in its establishment. It also examines the main features of the programmes approved so far and discusses some considerations on the possibility of the IMF modifying its regulatory framework as an alternative to the creation of trust funds of this kind. As the RST itself evolves, more data will be stylised and additional lessons will be drawn for the next comprehensive review, scheduled three years after its launch.

Keywords: climate change, special drawing rights, IMF, multilateral financing.

JEL classification: F30, F33, F34, Q50.

Resumen

En este documento se realiza un balance preliminar del *Resilience and Sustainability Trust* (RST) a partir de la experiencia adquirida desde su puesta en funcionamiento en octubre de 2022 hasta el final de septiembre de 2023. En él se analizan, entre otras cuestiones, las principales características del RST, sus recursos y la importancia que han tenido en su constitución tanto la asignación general de derechos especiales de giro (DEG) de 2021 como la consideración de activos de reserva de buena parte de las aportaciones al mismo. Se examinan también los principales rasgos de los programas aprobados hasta la fecha y se introducen algunas consideraciones sobre la posibilidad de que el FMI modifique su marco normativo como alternativa a la creación de fondos fiduciarios de esta naturaleza. La propia evolución del RST permitirá ir afinando más datos y extraer lecciones adicionales de cara a su próxima revisión integral, prevista a los tres años de su lanzamiento.

Palabras clave: cambio climático, derechos especiales de giro, FMI, financiación multilateral.

Códigos JEL: F30, F33, F34, Q50.

Contents

1 Introduction

In October 2022 the International Monetary Fund (IMF) launched a new lending tool, called the Resilience and Sustainability Trust (RST), to channel voluntary contributions from IMF members to fund long-term reforms related to the climate change and pandemic preparedness. Financing is potentially available to over 140 low and middle-income economies that could implement such reforms in conjunction with traditional IMF programmes. The loans have long maturities, with a cost adapted to the level of the potential borrowers' vulnerability.

The amount of financial resources needed to meet expected loan demand in the medium term exceeds 30 billion Special Drawing Rights (SDR), equivalent to around $45 billion at the current exchange rate. The resources pledged so far (most of them in SDR) are close to the initial fundraising target, thanks to the active participation of the national treasuries and central banks of the pledging countries.

Since the RST became operational, 11 programmes with environmental goals have been approved for an amount exceeding 10% of the size of the Trust. Most of these programmes benefit from the maximum level of access and together account for around 35% of the total amount of resources earmarked for the traditional IMF programmes with which they are linked.

The establishment of the RST was prompted by the general SDR allocation in August 2021, one of the measures taken by the IMF in response to the COVID-19 crisis. SDR issues are allocated in proportion to the relative size and weight of member countries, proxied by their respective quotas in the IMF. As a result, only a small portion (around 3% in the last general allocation) goes to lower-income countries, which are more likely to use them.[1]

The constraint inherent to the method of allocating SDRs led to an initiative to enable economies that are either reserve asset issuers or have a strong reserve position to channel part of their SDR holdings – on a voluntary basis – to countries that are in a situation of greater vulnerability in the current context. Three non-mutually exclusive options were considered: funding the Poverty Reduction and Growth Trust (PRGT), through which the IMF's concessional loans are provided; creating a new Trust for low and middle-income countries, called the Resilience and Sustainability Trust, so as to fund the long-term structural reforms that are essential to their macroeconomic and financial stabilisation; and, lastly, fostering the channelling of SDRs to multilateral development banks and other SDR prescribed holders.

In April 2022 the Executive Board of the IMF formally agreed on the second option and approved the establishment of the RST, which became effective in May.[2] Six months later,

1 For information on the general SDR allocation in 2021, see Garrido, Serra and Solera (2021) and Pérez Álvarez (2022).

2 For information on the approval of the RST and Spain's initial role in its establishment, see Crespo, Mateo and Vidal (2022).

the Managing Director announced that the resources were available for the first loans, after adequate (but below-target) funds had been raised. The European Union's (EU) contribution amounts to 40% of the total, while Spain has contributed 4.4%, or SDR 1.4 billion, equivalent to around €1.8 billion. Since then, a first review of the RST was completed in May 2023. An interim review is scheduled for April 2024, and another more comprehensive review expected around October 2025.

The RST is a novel complement to traditional IMF funding, as it provides loans with longer maturities than any other facility in the institution's history, on highly advantageous terms, to middle-income countries as well as to the poorest countries. Moreover, use of the RST could, over time, result in greater recognition of the IMF's role in funding action on climate change and possibly open up other areas of financing compatible with the financial assistance the institution provides.

Given the short period of time that has elapsed and the limited experience gained since the RST was established, it is still premature to draw lessons on its functioning and efficacy. This paper provides an initial analysis, which is organised into three sections. The first looks at the main features of the RST, its potential beneficiaries and the financial terms of its credit facility. The second section examines the size of the Trust, the status of the pledges made to the IMF for the fundraising target set and the key elements of the RST-supported programmes since it became operational up to September 2023. The last section includes, by way of preliminary stocktake, the main conclusions.

2 Organisation of RST accounts and contributions, potential beneficiaries and main features of its credit facility

2.1 Structure of the RST

RST financing is an innovative complement to the IMF's traditional funding, which represents the bulk of loans provided by the institution. The Trust has a similar structure and functioning to the PRGT, which channels concessional financing to low-income countries. However, there are some differences.

The RST is based on three accounts: a Loan Account (LA), a Reserve Account (RA) and a Deposit Account (DA) (see Table 1). The LA is used to channel disbursements and reimbursements of RST loans and, where appropriate, the early repayment of contributions claimed by lenders representing an external imbalance. The RA covers the risk inherent to lending operations as well as the operational costs of the RST, while the DA builds reserves and backstops the RA balance.

In line with this organisation, RST pledges are broken down into three separate but related contributions. The principal contribution, intended to fund the LA, is made as disbursements are made from the Trust to the borrower countries, and covers repayments of contributions to other lenders that represent balance of payment strains. A second contribution, equivalent to a minimum of 2% of the amount pledged to the LA, is allocated to the RA, preferably with a full and prompt payment. The third contribution, equivalent to a minimum of 20% of the amount pledged to the LA, is allocated to the DA in the same way as in the RA, to generate investment income so as to backstop reserves in the event of severe adverse scenarios.

In order to strengthen the financial coverage of the RST, the IMF also envisages the possibility of "standalone" contributions to the RA and DA, unrelated to LA contributions. The opposite situation, however, is not envisaged, so as to prevent more resources being allocated to loans without having adequate financial support.

LA and DA contributions have the characteristics of a reserve asset and are remunerated. These two aspects, together with the fact that the IMF is the Trustee of the RST, make it possible for some central banks[3] to participate in the Trust, by allocating some of the SDR holdings on the asset side of their balance sheet, without breaching the monetary financing prohibition envisaged, for example, in the European legislative framework.

The encashment regime (i.e. cash conversion or encashability) ensures the liquidity of the LA and DA contributions and, along with the high level of quality achieved in terms of credit and investment, preserves the reserve asset status of these contributions (see Box 1). For voluntary participants, this regime provides for the early repayment of the amounts paid

3 Specifically, institutions forming part of the European System of Central Banks (ESCB).

Table 1
MAIN FEATURES OF RST ACCOUNTS

	Loans	Reserves	Deposits
Purpose	Disbursements and reimbursements of loans and early repayment of contributions requested by contributors representing an external imbalance	Coverage of maturity mismatches, temporary arrears, write-offs and the costs of administering the RST	Generation of additional reserves and, in the event of severe adverse scenarios, backstop to the RA
Amount	Decided by each contributor. Amounts repaid are not subject to subsequent disbursement	Minimum of 2% of the LA contribution	Minimum of 20% of the LA contribution
Denomination		SDR	
Media of payment		SDR or freely usable currencies	
Drawdown period	From signing of loan agreement until 30 November 2030		
Drawings	Disbursements and reimbursements as per the loan schedule (pass-through basis)		
Maturity	20 years from date of first disbursement		
Reimbursements	20 equal semi-annual repayments, starting 10.5 years after first disbursement		
Remuneration	SDR interest rate, settled quarterly	None	SDR interest rate, settled quarterly
Investment strategy		Generation of returns in excess of the SDR interest rate by 45 basis points (bp), over an investment horizon of 3-4 years, through high-quality investment grade fixed-income instruments	
Credit risk	Covered through a combination of safeguards, financial buffers and multilateral coordination		
Encashment	Justified by a balance of payments need or a weakening reserve position	Not encashable. Assets not counted as international reserves	Request for disinvestment justified by a balance of payments need or a weakening reserve position
Transferability		To other RST contributors, IMF members and SDR prescribed holders	
Reserve asset status	Contributions counted as international reserves		Contributions counted as international reserves

SOURCE: IMF (2022b).

into the LA, or the divestment of DA contributions, if the contributor represents that such repayment is justified by strains in the balance of payments of its country or a weakening of its reserve position.

Requests for early repayment from the LA through the encashment regime are funded by calling for new disbursements to that account from other contributors. The encashment regime thus locks 20% of each individual contribution, to address such contingencies without jeopardising the adequacy of RST loan resources.

Conversely, contributions to the RST's RA do not have reserve asset status nor are they remunerated, so it is usually national treasuries that fulfil this commitment, mainly through the transfer of budgetary resources.

As a result, a member country's contribution to the RST is organised on the basis of a package which encompasses participation in the three foregoing accounts based on the minimum proportions established. However, participating institutions (such as national treasuries, central banks and official credit institutions) may make pledges under the same or a different agreement, depending on the regulatory constraints in the relevant legislation and contributor preferences.

As can be seen, only a maximum of two-thirds of the total contributions made to the RST is actually allocated to loans: for every SDR 100 pledged to loans, at least SDR 2 more must be contributed to reserves, and a further SDR 20 to deposits, while SDR 20 are deducted (from the SDR 100 pledged) for encashment. In sum, in order for the RST to provide SDR 80 in financing, it must have pledges and actual contributions of at least SDR 122.[4] All of this means that the leverage of this financial instrument is very low.

As with other IMF funding, the RST benefits from the institution's preferred creditor status, recognised in this case in the IMF's International Monetary and Financial Committee (IMFC) Chair's Statement in April 2022 (IMF, 2022c).[5] This status, which reflects the broad intention of the community of creditors to exclude the IMF from sovereign debt restructurings, supports the institution's role as a global lender of last resort. It is also a major, albeit not decisive, factor in ensuring the credit quality of loans.

2.2 Potential RST beneficiaries

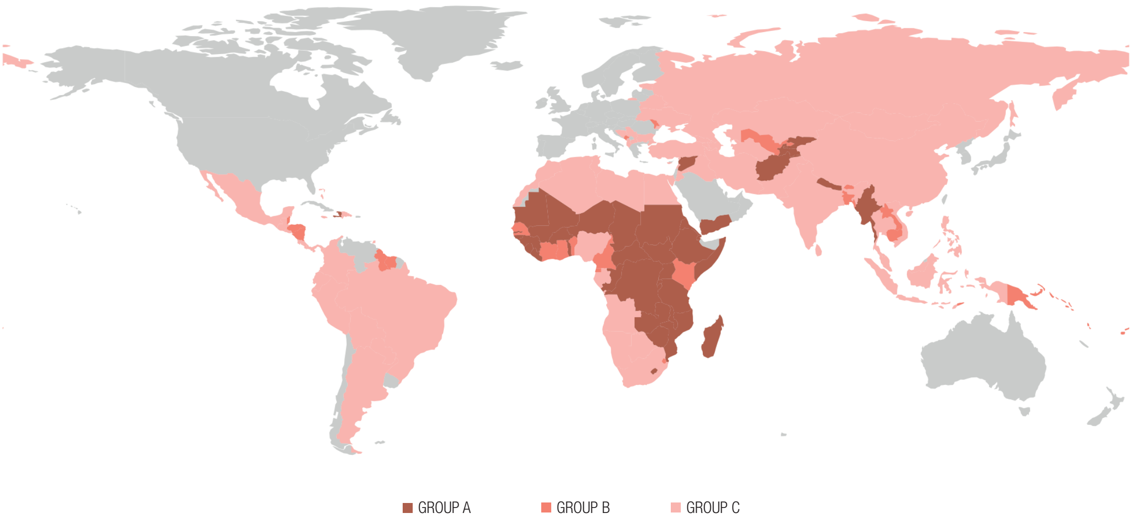
RST financing is available to a group of 143 low and middle-income countries. This group is equivalent (in number) to 75% of the IMF's membership, but only represents 32% of its total quotas. The eligibility criteria are income and population. In order to be eligible for the RST, the requesting country's per capita income may not exceed ten times the operational cut-off determining which countries with low per capita income qualify at any given time for financing from the International Development Association (IDA) of the World Bank Group. In the case of small states with a population of less than 1.5 million, this limit is 25 times the IDA cut-off.

Potential beneficiaries are organised into three different groups according to their degree of vulnerability: Group A, comprising 51 low-income countries that rely on IMF concessional financing; Group B, composed of 27 low-income countries that are in a better position than Group A countries and are able to blend concessional and ordinary IMF financing; and Group C, which comprises 65 middle-income countries. Group C includes

4 At aggregate level, this proportion may be even lower, considering the standalone contributions to the RST's RA and DA, i.e. those not accompanied by pledges to contribute to the LA.

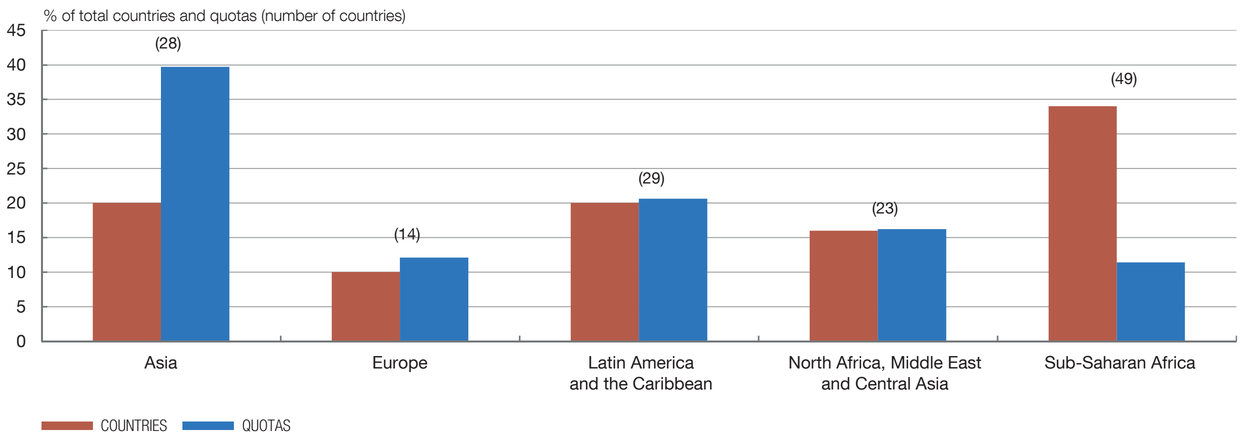
5 The IMF's preferred creditor status is based on a de facto (not de jure) acknowledgement by the international financial community, which takes into account the limits posed by the Fund's Articles of Agreement as regards the restructuring of debt incurred by its members. For more on the legal aspects of this status, see Martha (1990).

Chart 1
GEOGRAPHICAL DISTRIBUTION OF THE POTENTIAL BENEFICIARIES OF THE RST



SOURCE: IMF.

Chart 2
REGIONAL DISTRIBUTION OF POTENTIAL RST BORROWERS

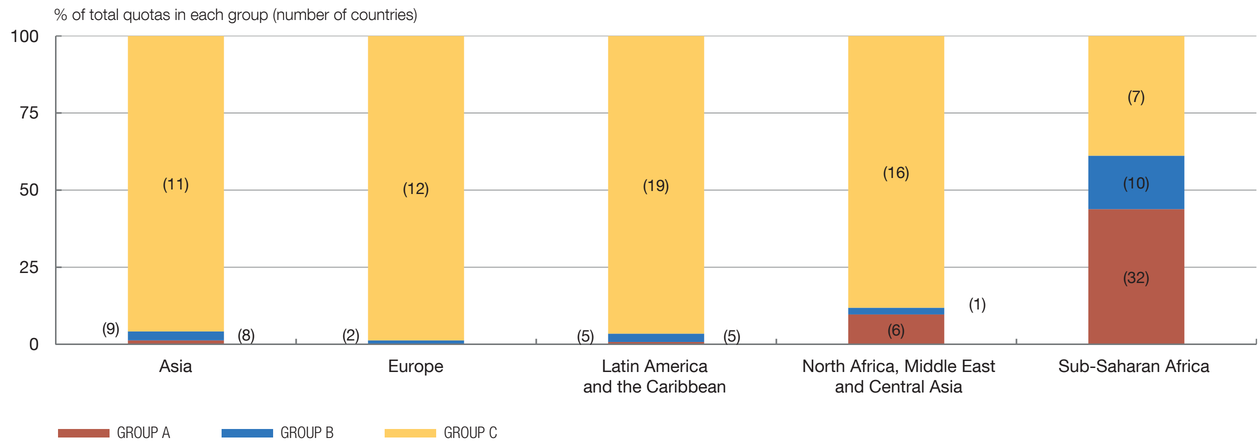


SOURCE: IMF.

some emerging economies, such as the BRICs, which contribute, or could potentially be contributors, to the RST. Chart 1 shows the geographical location of the countries in these three groups.

Sub-Saharan Africa concentrates the highest number of potential RST borrowers, followed by Latin America and the Caribbean and then Asia, although this last region accounts

Chart 3
REGIONAL COMPOSITION OF THE RST BY COUNTRY GROUP



SOURCE: IMF.

for the largest share of total IMF quotas, followed by Latin America and the Caribbean and then North Africa, Middle East and Central Asia (see Chart 2). Group C is the main group in quota terms in all regions,[6] except in Sub-Saharan Africa, where Group A is predominant (see Chart 3), consistent with the level of economic development of the different regions.

In order for a country to gain actual access to RST loans, it must have the following: (i) a high-quality reforms plan addressing qualifying longer-term structural challenges; (ii) a new or pre-existing associated traditional IMF programme (in the case of pre-existing programmes, they must have at least 18 months remaining until expiry); and (iii) sustainable debt and adequate capacity to repay the IMF. Failure to meet the third requirement, in particular, is of great concern, as it could hamper or even prevent the granting of loans to a significant number of countries in the future.[7] However, any easing of this criterion for entry could lead to a deterioration in the credit quality of the loans granted.

In country risk terms, the RST has in principle a lower overall risk profile than the PRGT owing to the greater diversification of potential beneficiaries, as it is available to both low-income (Groups A and B) and middle-income countries (Group C), whereas the PRGT is only available to the former. Conversely, countries with lower income can be expected to be more inclined than others to request Trust loans, on account of their greater vulnerability. The trend of RST loans to date shows that Group A and B borrowers represent around 45% of the total amount approved (see Section 3.3).

6 Of the large emerging economies, China, India, Indonesia, Malaysia and Thailand are among the potential borrowers in Asia. In reality, however, China, which has the third highest IMF quota, is the leading contributor to the RST to date. Elsewhere, Russia is a potential borrower in Europe; Argentina, Brazil and Mexico in Latin America and the Caribbean; Türkiye and Iran in North Africa, Middle East and Central Asia; and South Africa in Sub-Saharan Africa.

7 Based on the estimates in IMF (2022h) of the debt sustainability of low-income countries, nearly 60% of such countries presented a risk of becoming heavily indebted, or were already heavily indebted, at end-2021, compared with 30% in 2015.

2.3 Main features of the Resilience and Sustainability Facility

The Trust loans are arranged under the Resilience and Sustainability Facility (RSF), with an access norm equivalent to 75% of the borrower's quota, no annual limit, and a cap set at the lower of 150% of quota and SDR 1 billion. Compared with the average in conventional IMF programmes, these loans are for a relatively moderate amount.

The RSF-supported measures are always implemented together with a standard programme funded by IMF credit lines, which may be of practically any type:[8] for ordinary and/or concessional facilities; for precautionary or corrective purposes; with or without financing; with ex ante or ex post conditionality; and either new or pre-existing (in this latter case, with at least 18 months remaining until expiry of the standard programme[9]).

Disbursements from the credit line (in principle for equal amounts and without exceeding 50% of quota per disbursement) are conditional on the fulfilment of the

Table 2
IMF CREDIT FACILITIES: TERMS, MATURITIES, GRACE PERIODS AND REPAYMENTS

(in years)

	Duration		Maturity	Grace period	Repayments	
	Minimum	Maximum			Number	Frequency
Resilience and Sustainability Facility (RSF)	1.5	5	20	10.5	20	Semi-annual
Ordinary loans						
Stand-by Arrangement (SBA)	1	3	5	3.25	8	Quarterly
Extended Fund Facility (EFF)	3	4	10	4.5	12	Semi-annual
Rapid Financing Instrument (RFI) (a)	Single disbursement		5	3.25	8	Quarterly
Concessional loans						
Stand-by Credit Facility (SCF)	1	3	8	4.0	9	Semi-annual
Extended Credit Facility (ECF)	3	5	10	5.5	10	Semi-annual
Rapid Credit Facility (RCF) (a)	Single disbursement		10	5.5	10	Semi-annual
Insurance facilities						
Flexible Credit Line (FCL)	1	2	5	3.25	8	Quarterly
Precautionary and Liquidity Line (PLL)	0.5-1	2	5	3.25	8	Quarterly
Short-term Liquidity Line (SLL) (a)	1		1	Single repayment upon maturity		
Non-financing programmes						
Policy Coordination Instrument (PCI) (b)	2	4				
Policy Support Instrument (PSI) (c)	1	5				

SOURCE: IMF.

a Not compatible with the RSF.
b Available to all IMF members.
c Only available to low-income countries eligible for the PRGT. Non-financing programme being replaced by the PCI.

8 With the sole exceptions of emergency financial assistance (which is unconditional) and short-term insurance for liquidity reasons (owing to its short duration of one year, albeit with the possibility of indefinite renewals).

9 A minimum duration of one year was permitted extraordinarily during the first six months of operation of the RST. However, none of the programmes approved by the Trust during this period had such a short term.

Table 3
COST OF IMF FINANCING THAT IS COMPATIBLE WITH THE RSF

Data in annual bp

	Interest rate	Margin	Service charge	Surcharge	Commitment fee
Resilience and Sustainability Facility (RSF)					
Group A	SDR (a)	55			
Group B		75	25		
Group C		95	50		
Ordinary loans					
Stand-by Arrangement (SBA)	SDR	100 (b)	50	200 if the credit outstanding exceeds 187.5% of quota	15-30-60 according to the percentage of quota committed; refundable if amounts are drawn
Extended Fund Facility (EFF)				A further 100 if credit remains above 187.5% of quota after 3 years	
Concessional loans					
Stand-by Credit Facility (SCF)	0% (c)				15 on the undrawn amount during each six-month period
Extended Credit Facility (ECF)					
Insurance facilities					
Flexible Credit Line (FCL)	SDR	100	50	200 if the credit outstanding exceeds 187.5% of quota	15-30-60 according to percentage of quota committed; refundable if amounts are drawn
Precautionary and Liquidity Line (PLL)				A further 100 if credit remains above 187.5% of quota after 3 years	
Non-financing programmes					
Policy Coordination Instrument (PCI)	Administrative cost for the technical assistance provided, charged solely in the case of advanced economies				
Policy Support Instrument (PSI)					

SOURCE: IMF.

a Subject to a 5 bp floor since 24 October 2014.
b Reviewable every year.
c Reviewable every two years.

measures envisaged by the RSF and the conditions included in the associated standard programme, and they may not be made upon approval of the RSF or when there is deviation from the objectives of the complementary programme.[10] However, satisfactory compliance with the conditionality of pre-existing traditional programmes would run counter to the hypothetical stigmatisation of the country when requesting additional funding through the RST.

10 Conversely, Hicklin (2023a) advocates allowing limited access to RSF-supported measures (up to 25% of the country's quota) without a standard IMF programme. Above this limit, approval of the conventional programme would only be justified for financing structural reforms not envisaged in the RST objectives.

The RSF has a 20-year maturity – twice as long as the IMF's longest facility (see Table 2) – with a grace period of 10.5 years from the first drawdown, and 20 equal semi-annual instalments. The difference between the RSF's maturity and that of the other associated facilities poses a credit risk mismatch, which is addressed, among other ways, through closer surveillance of the debtor's capacity to repay after the RSF-supported reforms are completed (see Box 1).

The cost of RSF loans is the SDR interest rate – the same rate at which the RST's LA and DA are remunerated (see Table 1) – plus tiered margins for the three groups of borrowers, depending on their degree of vulnerability (see Table 3). As can be seen, the nominal cost of the RSF for Group C countries (which have higher income) is very close to that of the IMF's ordinary lending and insurance facilities, with the main difference being that in the RSF surcharges are not levied for volume or duration, as the maximum access limit for this credit line never exceeds 150% of the country's quota.

The combination of low interest rates, as have been prevalent until recently, and protracted maturities, such as those of the RSF, has meant that the levels of concessionality have been even higher than those of PRGT financing (see Box 2). In response to the recent interest rate hike, in May 2023 the IMF agreed to set a cap of 2.25% (margin included) on the interest rate for Group A (the lowest-income countries), to ensure a grant element, equivalent to that of PRGT loans, of around 30% of the nominal value of the loan. This measure – which was envisaged from the initial design phase of the RST – is only feasible if the Trust's long-term objective of reserve build-up is not jeopardised.

Box 1

THE LIQUIDITY AND CREDIT QUALITY OF CONTRIBUTIONS TO THE RST'S LOAN AND DEPOSIT ACCOUNTS

The design of the RST brings together several elements that ensure the liquidity and credit quality of LA and DA contributions, to allow their consideration as reserve assets for all purposes, such that they will be available to meet the financing needs of balance of payments.[1]

Loan Account

The liquidity of contributions to this account is guaranteed by the encashment regime. This voluntary regime, which is also available in other IMF financing sources,[2] allows early repayment of the disbursed amounts in the event that the contributor justifies that its balance of payments or reserve position require such repayment, with a commitment to restore those amounts upon correction of this situation.

The RST differs from other IMF financing sources in that all LA contributors (whether under the encashment regime or not) commit to funding early repayment requests made by other contributors, with 20% of contributions being allocated for this purpose. This reinforces the expectation that contributions can be redeemed if needed and, therefore, the reserve asset status of contributions to the account.

This approach, which is more demanding than the traditional approach, does not follow the reciprocity principle of the encashment regime of other IMF financing sources, where rights and obligations only affect lenders who fall under such a regime. In the case of the RST, this difference provides incentives to contributors to join the encashment regime and ensures that the 20% buffer to cover such contingencies can be maintained.

Operationally, the encashment regime determines the RST's lending capacity at any given time. This capacity is defined as the difference between total uncommitted loan resources and the minimum liquidity balance (where this balance is the greater between 20% of all LA contributions or the largest individual contribution to that same account – in the event that the overall 20% is not enough to satisfy the early repayment of the largest contribution).

As can be seen, this is a limited regime in actuarial terms that relies on the largest individual contributor not requesting the repayment of its contribution in order to ensure the liquidity of the contributions.[3] Nonetheless, it should be noted that, given the relatively low amount of the contributions to the Trust, the probability of a contributor opting for early redemption of its contribution on the grounds allowed under the regime is not very high.

In addition, the credit quality of the loans granted is guaranteed by multiple factors, including: compliance with the conditionality of the associated standard programme and the reforms envisaged under the RST's credit line; an assessment of the borrower's long-term debt sustainability and capacity to repay the IMF; monitoring of the borrower (once the programme has finished and as long as the outstanding credit is above specified thresholds) by means of an ad hoc surveillance process; a formal strategy for the prevention and mitigation of protracted arrears similar to that of the PRGT; recognition of preferred creditor status under the RST;[4] and the Trust's accumulated RA and DA balances.

Of particular importance against this background is the post-programme monitoring. Bolstering surveillance from the end of the programme to the loan's maturity is one of the central elements in credit risk control and is, from the point of view of the European System of Central Banks, crucial to enabling central bank participation in the RST's LA. This monitoring takes place over the aforementioned time span for as long as the outstanding credit exceeds 200% of quota, including any amount due for repayment, or SDR 0.38 billion.[5]

Deposit Account

This account also supports the encashment regime, although in this case it consists of a request to disinvest the amounts contributed, on the same grounds and with the same commitment to reconstitute the deposit when the contributor no longer has a balance of payments need. The risk that an amount less than the principal will be redeemed cannot be ruled out (nor can the risk of recognition of impairment upon maturity), although this is unlikely owing to the characteristics of the portfolio in which contributions are invested.

This account entails investment risk, but it is mitigated by a conservative investment strategy that aims to generate a minimum return of around 50 basis points (bp) above the interest rate of the SDR, while minimising the scope and frequency of below-target (or even negative) returns over an investment horizon of three to four years.

This strategy, which involves investing in high-quality investment-grade debt instruments (among others, bonds issued by

1 According to the definition in the sixth edition of the IMF's Balance of Payment Manual (2009), reserve assets are considered to be "those external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets to affect the currency exchange rate, and for other related purposes (such as maintaining confidence in the currency and the economy, and serving as a basis for foreign borrowing)."

2 Specifically, it is available in the IMF's multilateral and bilateral lending that supplements financing by means of the member countries' quotas, as well as in the financing of PRGT loans

3 China's commitment not to withdraw its LA contributions, in particular, was key to paving the way for the implementation of the RST..

4 However, it should be noted that, in the case of arrears, the IMF's intention is to prioritise repayments originated by ordinary and concessionary loans over repayments that may be owed by the same borrower on RST loans, creating an internal borrowing hierarchy in favour of shorter-term loans.

5 This threshold is in line with that applied in the post-financing assessment of programmes financed with PRGT loans.

governments, government agencies and international financial institutions, such as the Bank for International Settlements) aligns with one of the IMF's reserve management strategies, has a proven investment track record in the medium term and enables the risk of permanent capital loss to be mitigated, even in the event of encashment.

Box 2

CONCESSIONALITY OF THE RST AND THE INTEREST RATE CAP FOR THE MOST VULNERABLE BORROWERS

RST and PRGT resources offer concessional financing, although under different terms. This box compares the concessionality of the RSF with that of the Extended Credit Facility (ECF), which, by purpose and duration, is the most similar credit line to that of the RST and has the highest grant element of the facilities under the PRGT, based on its financial terms. In addition, it gives a concise overview of the main implications of imposing an interest rate cap for the most vulnerable borrowers under the RST – in order to shield them from market rate hikes – and the options available to finance such a cap.

A loan's concessionality captures its grant element and is calculated as the difference between the loan's nominal value and its net present value, calculated by applying a fixed discount rate, and expressed as a percentage of the nominal value.[1] The loan's concessionality is greater when the grace period and maturity are longer, the discount rate is higher and the interest rate is lower.

The ECF and RSF have different financial terms (see Table 1). The ECF offers ten-year maturity, with ten equal semi-annual repayments after a 5.5-year grace period, and all PRGT borrowers pay a fixed interest rate that is reviewed every two years with reference to the three-month interest rate of the SDR (SDRi).[2]

The RSF follows a different pattern – the maturity is 20 years, with 20 equal semi-annual repayments after a 10.5-year grace period, with a tiered interest rate structure based on the SDRi and tiered margins and service charges inversely related to the vulnerability level of the RST's three country groups. While contributors to the Trust's LA are remunerated at the SDRi, the margin and service charges cover the RST's operational costs and provide additional funds to the Trust's RA.

Chart 1 compares the theoretical concessionality of both credit facilities. As can be seen, the grant element of the ECF has three different values depending on the SDRi: 32.2% for interest rates below 2%, 30.6% for interest rates between 2% and 5% and 29% for interest rates above 5%. These figures remain unchanged throughout the reviews of the PRGT interest rate structure carried out by the IMF every two years.

In a low-rate environment (that is, low SDRi, to which the relevant margins and service charges are added), the grant element for the RSF's three country groups (A, B and C) is always higher than that of the ECF and even exceeds the traditional 35% threshold that is seen as a benchmark. As the SDRi rises, the RSF's concessionality falls, until the interest rate equals the discount rate used to calculate the loan's net present value.[3]

In response to the recent rise in market rates, the IMF has, as envisaged in the RST's design phase, opted to protect the most vulnerable country groups by setting an interest rate cap for Group

Table 1
ECF and RSF financial terms

	ECF			RSF	
Duration	3-4 years extendable to 5 years			Linked to the extension of the concurrent agreement	
Grace period	5.5 years			10.5 years	
Maturity	Up to 10 years			Up to 20 years	
Reimbursements	10 equal semi-annual instalments			20 equal semi-annual instalments	
Interest rate	0%	If SDRi (a)	< 2%	All RST countries	SDRi
	0.25%		≥ 2% and ≤ 5%		
	0.5%		> 5%		
Margin and service charge				Group A	55 bp
				Group B	75 bp + 25 bp/disbursement
				Group C	95 bp + 50 bp/disbursement

SOURCE: IMF.

a Level of the SDRi at the time of the biannual review of the PRGT interest rate structure.

1 A loan is normally considered to be concessional if the grant element exceeds at least 35% of its nominal value. The Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD DAC), however, sets out different thresholds for concessionality (45%, 15% and 10%), calculated using different discount rates (9%, 7% and 5%), depending on the loan type and the lender. The grant element of loans to multilateral organisations (multilateral Official Development Aid) is calculated using a discount rate of 5%, with the minimum threshold for concessionality set at 10% in these cases.

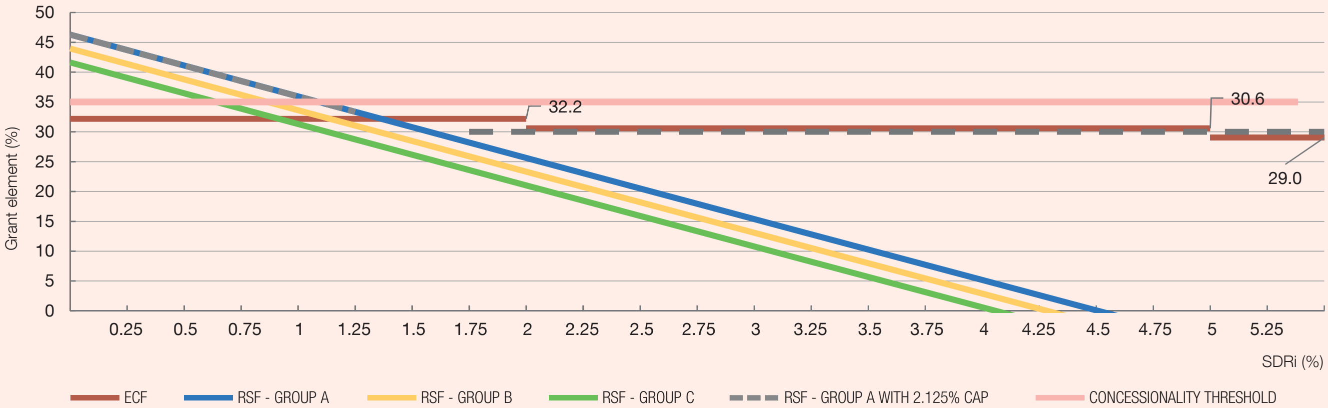
2 This interest rate, composed of a basket of three-month financial instruments in the five currencies comprising the special drawing rights (US dollar, euro, renminbi, yen and pound sterling), currently stands at around 4%, with a floor of 5 bp since 24 October 2014.

3 A discount rate of 5%, in line with OECD DAC methodology in this case. To calculate the per-disbursement service charge it is assumed that, unlike as envisaged under the RSF, the entire loan amount is frontloaded, instead of being distributed in instalments over time or backloaded.

Box 2

CONCESSIONALITY OF THE RST AND THE INTEREST RATE CAP FOR THE MOST VULNERABLE BORROWERS (cont'd)

Chart 1
ECF and RSF concessionality



SOURCES: IMF and Banco de España calculations.

A that guarantees a fixed grant element similar to that of the ECF. Chart 1 shows a 2.125% cap, including the 55 bp margin, that ensures a fixed concessionality of around 30%, equal to that of the ECF when the SDRi exceeds 2%.

Imposing such a cap cuts into RST income and, more specifically, reduces the funds available to cover part of the remuneration agreed with the Trust's lenders. The IMF is confident that the cap of 2.25% (margin included) on the financing cost for Group A introduced in May will not compromise the degree of reserve coverage during the loans' repayment period[4] and that compensatory solutions, such as cross-subsidisation and/or direct subsidisation, will not be necessary.

Cross-subsidisation

This solution, which involves only RST borrowers, consists of increasing the margins applied to Group B and C countries by an amount sufficient to compensate for the loss of income represented by the cap on the interest rate applied to Group A.[5] Cross-subsidisation raises a number of issues regarding equity and burden-sharing across borrowers: how to justify other low-income countries and forgotten middle-income countries shouldering the cost of an interest rate cap; how to share the financial burdens borne by both groups of borrowers (uniformly, proportionally, etc.); and how to manage scenarios in which the pool of borrowers falling under the cap outgrows other borrowers.

Direct subsidisation

This solution, which is compatible with the previous one, involves RST contributors and, by extension, the IMF itself. It consists of replicating the interest rate subsidy mechanism already established for the PRGT, based on bilateral contributions in the form of grants, loans with implicit subsidies[6] and deposits and investments generating a surplus return on investment for this purpose. This financing mechanism can be complemented by the use of the IMF's own financial resources, such as profits from the partial sale of its gold holdings or the use of a portion of its reserves. Direct subsidisation appears to be at something of a dead end in the current environment, both because of the scarcity of bilateral resources with which to meet a wide range of financial commitments (both inside and outside the IMF) and the reluctance of certain IMF members to commit part of the institution's resources to this purpose.

In summary, the RSF's initial design foresees a significant grant element at low interest rates for countries of all kinds, including middle-income countries, which may pose problems for internal consistency across the IMF's various credit facilities (as the financing of reforms envisaged by the RST can benefit from higher concessionality levels than the financing of prolonged balance of payments needs under the PRGT) and also for impartiality among borrowers at different levels of vulnerability.

An interest rate cap applied to the most vulnerable group of borrowers in response to rising market rates can ensure a degree of concessionality similar to that of the concurrent PRGT loans. The cap, however, represents a financing gap for the RST the worsening of which could lead to the implementation of some type of subsidisation based on raising the borrowing costs for supposedly better-positioned borrowers and/or making new bilateral contributions or from the IMF itself.

4 The IMF takes as reference a reserve coverage-to-credit outstanding ratio no lower than 10%. A high percentage of Group A borrowers and/or negative returns on investments made in the DA could deflect the ratio away from this target figure.

5 Graphically, a shift to the left in the linear functions of Groups B and C.

6 In this setting, the implicit subsidisation entails accepting remuneration for contributions below the SDRi appearing in RST loan agreements.

Box 2

CONCESSIONALITY OF THE RST AND THE INTEREST RATE CAP FOR THE MOST VULNERABLE BORROWERS (cont'd)

Regardless of the cap, it is crucial that the RST's interest rate structure be periodically reviewed, above all whenever there are significant changes in market rates in a relatively short lapse of time. These reviews must address the sustainability of both the debt and the borrowers' repayment capacity and the sustainability of the Trust as a whole.

3 Size of the RST, initial contributions and first RSF-supported programmes

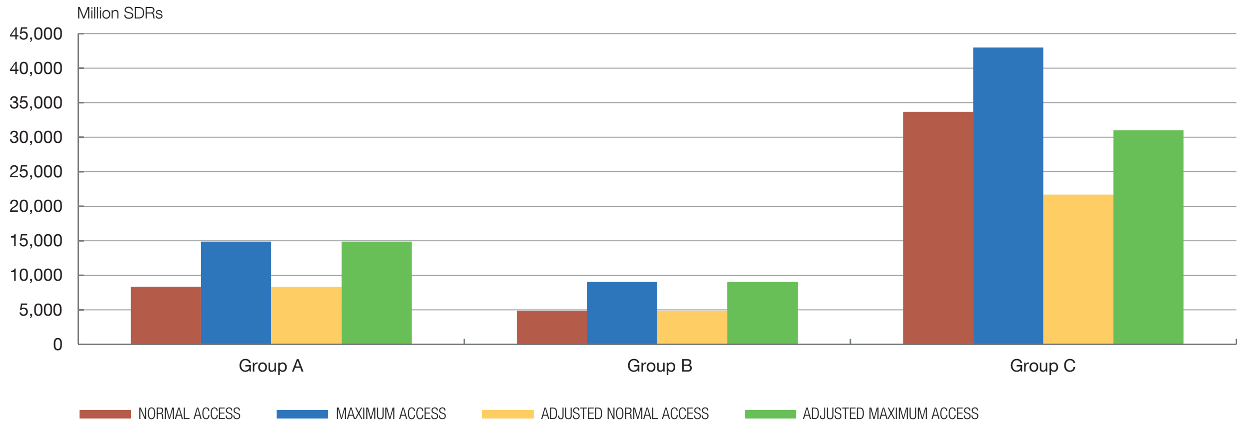
3.1 The theoretical and actual size of the RST

Although the size of the RST is closely related to demand for loans, theoretical demand, which considers the resources needed to meet all potential Trust beneficiaries, is very far from the demand expected in the coming years. Theoretical demand is estimated at SDR 47 billion, if the 143 eligible countries requested a loan with normal access of 75% of quota (up to a limit of SDR 1 billion), and SDR 67 billion when a maximum access of 150% of quota is considered (again, up to a limit of SDR 1 billion, where appropriate).

If those emerging economies with a relatively high quota (relative to the maximum access available through the RST) that contribute to funding the Trust, or would be in a position to do so,[11] were excluded from the potential borrowers, adjusted total demand would fall to SDR 35 billion with normal access and SDR 55 billion with maximum access. The entire decrease triggered by this adjustment in the final potential borrowers would be concentrated in Group C, which includes all the middle-income countries (see Chart 4).

At regional level, the adjustment would affect demand for loans in all regions (see Chart 5), but it would do so primarily in Asia, followed by Latin America and the Caribbean. North Africa, the Middle East and Central Asia, and Sub-Saharan Africa together account for over half of the total and adjusted demand that would have to be covered by the RST, considering both normal access and maximum access.

Chart 4
TOTAL AND ADJUSTED DEMAND FOR RST LOANS BY COUNTRY GROUP (a)

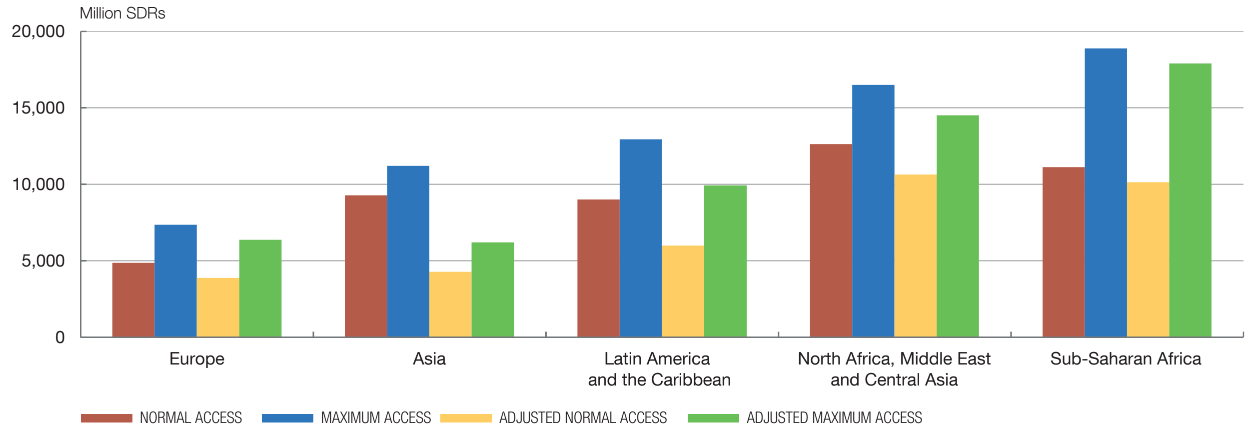


SOURCE: IMF.

a The adjustment excludes potential beneficiaries with a very low borrower profile from access to RST financing.

11 Specifically, the 12 economies with a quota of more than SDR 3 billion (China, India, Russia, Brazil, Mexico, Türkiye, Indonesia, Malaysia, Iran, Thailand, Argentina and South Africa), of which three (China, Brazil and Mexico) were among the member countries included in the initial fundraising campaign for the RST.

Chart 5
TOTAL AND ADJUSTED DEMAND FOR RST LOANS BY REGION (a)



SOURCE: IMF.

a The adjustment excludes potential beneficiaries with a very low borrowing profile from access to RST financing.

Based on the foregoing analysis, total loan demand would be in the range of SDR 35 billion and SDR 67 billion, depending on the assumptions applied. The size of the RST to meet such demand, however, also depends on the structure of the Trust itself and its contribution requirements. As described in Section 2.1, in reality only two-thirds of the total RST contributions are allocated to loans, as the remaining third covers reserve and deposit requirements and those under the encashment regime to ensure the liquidity of the contributions.

According to this proportion, total loan demand would translate into a significantly higher theoretical size of the RST, in the range of SDR 52.5 billion and SDR 100.5 billion. This analysis, however, overestimates the needs for RST financing, as it does not consider the timing of potential requests for financing or the adequacy of the ordinary and concessional resources for funding the traditional programmes linked with RSF-supported reforms.

In practical terms, the size of the RST depends on the expected demand for loans. IMF (2022b) estimates demand for RST financing in the range of SDR 17 billion and SDR 28 billion, depending on the scenarios considered, over the next five years. The baseline scenario, under which such demand amounts to SDR 22 billion, envisages a total of 70 requesting countries that have had IMF programmes over the last 10 years and average access at the lower of 100% of the corresponding quota and SDR 1 billion.

Under this approach, the resources to be raised in practice amount to SDR 33 billion, equivalent to 3% of the IMF's ordinary resources and 60% of its concessional resources. This amount is considered sufficient to meet projected baseline demand plus the associated encashment requirements (SDR 26.4 billion), the initial allocation of reserves required (SDR 0.528 billion) and the deposits to backstop the RA (SDR 5.28 billion).[12]

12 The IMF does not rule out soon increasing the estimate of loan demand and raising the target of the current fundraising round, to around $60 billion.

3.2 Status of the financial contributions to the RST

Following the approval of the RST in April 2022, the IMF launched a fundraising campaign involving a total of 35 member countries with a strong external position,[13] in which it requested contributions to the RST of between 15% and 20% of the SDRs individually allocated in the August 2021 general allocation, with a minimum target of SDR 33 billion.

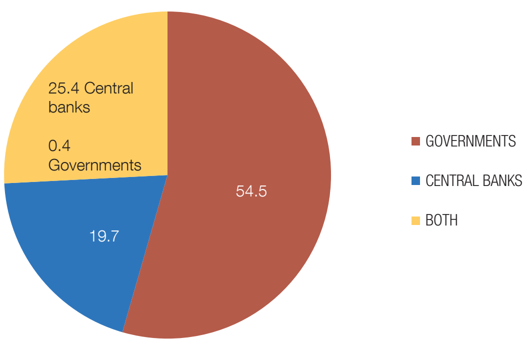
More than a year after the campaign was launched, the IMF has received pledges from 18 member countries amounting to SDR 32 billion, equivalent to 98% of the target (see Table 4). Current contribution agreements in place, reached with 15 countries in three successive rounds of agreements, amount to SDR 31 billion and account for 93% of the target. The participation of the eight EU Member States with agreements in place exceeds 40% of the total pledged.

There is significant heterogeneity in the materialisation of contributions by institution, even in the euro area as a whole. Treasuries and central banks participate in funding the RST, either individually or jointly (see Table 4 and Chart 6), with treasuries mostly pledging DA and RA contributions, and central banks making greater contributions to the LA (see Chart 7.a). With the exception of two contributions not allocated to the LA,[14] the other pledges cover the three RST accounts.

As indicated above, owing to the design of the RST itself, the LA is the largest of the three accounts and practically all disbursements are made in SDR, as might be expected given the Trust's objective of channelling SDRs. This, together with the SDR contributions

Chart 6
INSTITUTIONAL PARTICIPATION IN FUNDING THE RST

As a % of the total committed



SOURCE: IMF.

13 This position is mainly determined by the country's inclusion in the Financial Transactions Plan (FTP), which is the six-monthly forecast of loan disbursements and reimbursements, and includes a list of members with the capacity to finance the IMF's regular loans, i.e. those granted through the General Resources Account through the use of the respective quotas.

14 The German government has made budgetary contributions to the DA and RA, and Estonia's central bank has made a contribution to the DA.

Table 4
CURRENT STATUS OF RST CONTRIBUTIONS

Data in SDR millions at 15 September 2023

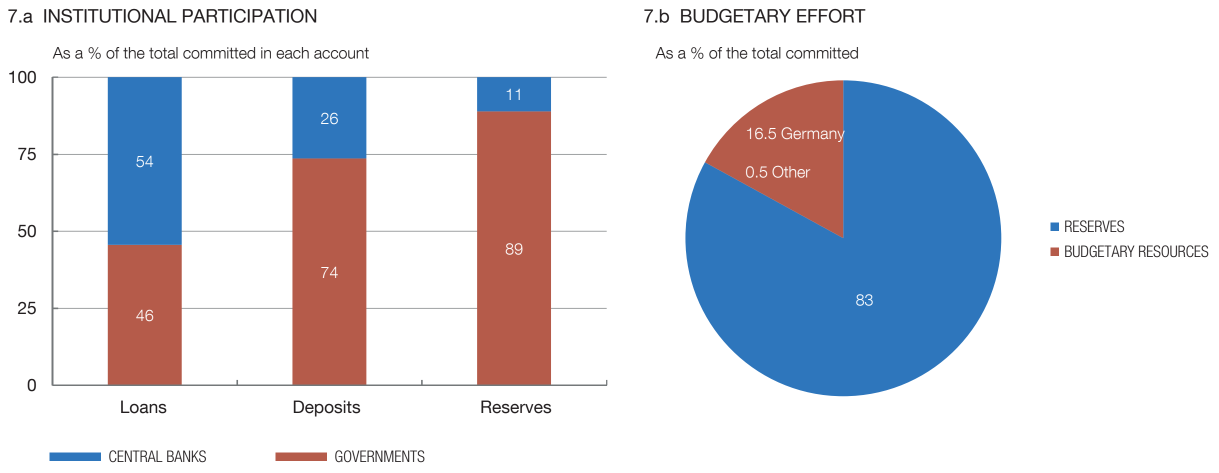
<table>
<tr><th rowspan="2">Contributor</th><th rowspan="2"></th><th rowspan="2">Loans
(a)</th><th rowspan="2">Deposits
(b)</th><th rowspan="2">Reserves
(c)</th><th rowspan="2">Total</th><th rowspan="2">%</th><th colspan="3">Effectiveness date</th><th rowspan="2">2021 general
SDR allocation</th><th rowspan="2">% of 2021
allocation</th></tr>
<tr><th>Loans</th><th>Deposits</th><th>Reserves</th></tr>
<tr><td>China</td><td>Central bank</td><td>4,900</td><td>1,000</td><td>100</td><td>6,000</td><td>18.6</td><td>12/10/2022</td><td colspan="2">27/9/2022</td><td>29,216.5</td><td>21</td></tr>
<tr><td>Japan (1)</td><td>Government</td><td>4,900</td><td>980</td><td>98</td><td>5,978</td><td>18.6</td><td>22/3/2023</td><td colspan="2">15/3/2023</td><td>29,540.1</td><td>20</td></tr>
<tr><td>Germany (2)</td><td>Government</td><td>—</td><td>4,577.2</td><td>481.8</td><td>5,059</td><td>15.7</td><td></td><td colspan="2">12/10/2022</td><td>25,527.9</td><td>20</td></tr>
<tr><td>France (3)</td><td>Central bank (a, b) and Government (c)</td><td>2,500</td><td>500</td><td>50</td><td>3,050</td><td>9.5</td><td colspan="3">2/1/2023</td><td>19,317.8</td><td>16</td></tr>
<tr><td>United Kingdom (4)</td><td>Government</td><td>2,049.2</td><td>409.8</td><td>41</td><td>2,500</td><td>7.8</td><td>19/5/2023</td><td colspan="2">11/4/2023</td><td>19,317.8</td><td>13</td></tr>
<tr><td>Italy (3)</td><td>Central bank (a, b) and Government (c)</td><td>1,575</td><td>315</td><td>31.5</td><td>1,921.5</td><td>6.0</td><td>15/9/2023</td><td colspan="2">28/7/2023</td><td>14,443.9</td><td>13</td></tr>
<tr><td>Spain (3)</td><td>Central bank (a, b) and Government (c)</td><td>1,161.6</td><td>232.3</td><td>23.2</td><td>1,417.1</td><td>4.4</td><td>12/12/2022</td><td colspan="2">8/9/2022</td><td>9,139.3</td><td>16</td></tr>
<tr><td>Canada</td><td>Government</td><td>1,137.4</td><td>227.5</td><td>22.8</td><td>1,387.7</td><td>4.3</td><td>12/10/2022</td><td colspan="2">27/9/2022</td><td>10,565.9</td><td>13</td></tr>
<tr><td>Netherlands (3, 5)</td><td>Central bank (a, b) and Government (c)</td><td>1,000</td><td>200</td><td>20</td><td>1,220</td><td>3.8</td><td colspan="2">9/2/2023</td><td>14/12/2022</td><td>8,373.5</td><td>15</td></tr>
<tr><td>Australia</td><td>Government</td><td>760</td><td>152</td><td>15.2</td><td>927.2</td><td>2.9</td><td>12/10/2022</td><td colspan="2">11/10/2022</td><td>6,299.3</td><td>15</td></tr>
<tr><td>Korea</td><td>Government</td><td>737.6</td><td>147.5</td><td>14.8</td><td>899.9</td><td>2.8</td><td colspan="3">8/12/2022</td><td>8,226.1</td><td>11</td></tr>
<tr><td>Luxembourg (3)</td><td>Central bank (a, b) and Government (c)</td><td>207.4</td><td>41.5</td><td>4.1</td><td>253</td><td>0.8</td><td>23/8/2023</td><td colspan="2">28/7/2023</td><td>1,266.9</td><td>20</td></tr>
<tr><td>Lithuania (3)</td><td>Central bank (a, b) and Government (c)</td><td>69.4</td><td>13.9</td><td>1.4</td><td>84.7</td><td>0.3</td><td colspan="2">20/1/2023</td><td>14/12/2022</td><td>423.3</td><td>20</td></tr>
<tr><td>Oman</td><td>Central bank</td><td>32</td><td>6.4</td><td>0.6</td><td>39</td><td>0.1</td><td colspan="3">20/4/2023</td><td>521.8</td><td>7</td></tr>
<tr><td>Estonia</td><td>Central bank</td><td>—</td><td>25</td><td>—</td><td>25</td><td>0.1</td><td>—</td><td>21/3/2023</td><td>—</td><td>233.5</td><td>11</td></tr>
<tr><td>Total effective</td><td></td><td>21,029.6</td><td>8,828.1</td><td>904.4</td><td>30,762.1</td><td>95.6</td><td></td><td></td><td></td><td>182,413.6</td><td>17</td></tr>
<tr><td>Not yet effective</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Belgium</td><td></td><td>573.8</td><td>114.8</td><td>11.5</td><td>700</td><td>2.2</td><td></td><td></td><td></td><td>6,144.4</td><td>11</td></tr>
<tr><td>Singapore</td><td></td><td>573.8</td><td>114.8</td><td>11.5</td><td>700</td><td>2.2</td><td></td><td></td><td></td><td>3,730.2</td><td>19</td></tr>
<tr><td>Malta</td><td></td><td>18.9</td><td>3.8</td><td>0.4</td><td>23</td><td>0.1</td><td></td><td></td><td></td><td>161.3</td><td>14</td></tr>
<tr><td>Total not yet effective</td><td></td><td>1,166.5</td><td>233.4</td><td>23.4</td><td>1,423</td><td>4.4</td><td></td><td></td><td></td><td>10,035.9</td><td>14</td></tr>
<tr><td>Total</td><td></td><td>22,196.1</td><td>9,061.5</td><td>927.8</td><td>32,185.1</td><td>100</td><td></td><td></td><td></td><td>186,305.1</td><td>17</td></tr>
</table>

1 Initial contribution of 800 million, including 654.1 million to the Loan Account (on 12/12/2022) and 130.8 million to the Deposit Account and 13.1 million to the Reserve Account (both on 6/10/2022). Contribution to the Reserve Account made in US dollar.
2 Contributions to the Deposit and Reserve Accounts made in euro.
3 Contributions to the Reserve Account made in euro.
4 Contribution to the Reserve Account made in pound sterling.
5 Contributions to the Loan Account made in SDR or euro.

SOURCE: IMF (2023c, 2023e, 2023p).

Chart 7

INSTITUTIONAL PARTICIPATION IN THE RST ACCOUNTS AND BUDGETARY EFFORT



SOURCE: IMF.

to the other two accounts, results in a considerable reduction in the budgetary effort of the participating countries (see Chart 7.b).

With the exception of the disbursements made in currencies other than SDR to the RA and DA,[15] the total amount pledged to date represents around 17% of the total SDRs allocated in 2021 to the 18 contributors that have made pledges so far, in line with the IMF's request in the fundraising campaign. After deducting 20% for encashment requests, the amount available for lending totals SDR 17.8 billion, equivalent to 55% of the resources raised so far.[16]

3.3 First programmes approved

Since the launch of the RST, the IMF has approved 11 programmes – all of them relating to the climate change objective – worth SDR 4.35 billion (see Table 5). More than half of the programmes belong to Group C (middle-income countries), which concentrates around 54% of the total approved volume, with Latin America and the Caribbean accounting for a large proportion of this percentage (although in terms of the number of countries, Africa is the most represented region). According to the IMF, only one borrower (Kenya) presents a high risk of overindebtedness.

Seven of the 11 programmes (Costa Rica, Barbados, Rwanda, Bangladesh, Jamaica, Seychelles and Morocco) have received the maximum amount foreseen, i.e. the

15 Eight disbursements made in euro: seven to the RA (Germany, Spain, France, Italy, Lithuania, Luxembourg and Netherlands) and one to the DA (Germany).

16 That is to say, less than two-thirds of the total amount pledged, as a result of the standalone contributions made to the RST's RA and DA.

Table 5

RSF CREDIT LINES APPROVED SINCE THE RST BECAME OPERATIONAL

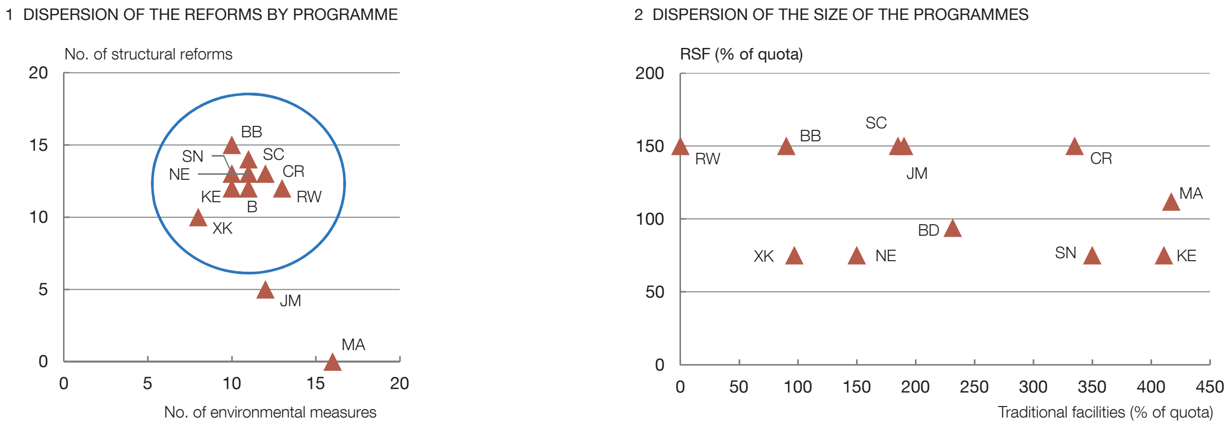
Million SDRs at 30 September 2023

Borrower	Region	Group	Risk of becoming heavily indebted	Volume				Duration		GRA/ PRGT facility (a)	Volume				Duration		RSF/ facility %
				Approved		Drawn					Approved		Drawn				
				Amount	% quota	Amount	% approved	Approval	End		Amount	% quota	Amount	% approved	Approval	End	
Costa Rica	Latin America & Caribbean	C	Moderate	554.1	150	184.7	33.3	14/11/2022	31/7/2024	EFF (b)	1,237.5	335	825	66.7	1/3/2021	31/7/2024	44.8
Barbados	Latin America & Caribbean	C	Moderate	141.8	150	14.2	10	7/12/2022	6/12/2025	EFF	85.1	90	28.4	33.3	7/12/2022	6/12/2025	166.7
Rwanda	Sub-Saharan Africa	A	Moderate	240.3	150	74	30.8	12/12/2022	11/12/2025	PCI (c)	Non-financing programme				12/12/2022	11/12/2025	
Bangladesh	Asia	B	Low	1,000	94	—	—	30/1/2023	29/7/2026	ECF (d)	822.8	77.1	117.5	14.3	30/1/2023	29/7/2026	40.5
										EFF	1,645.6	154.3	234.9	14.3			
Jamaica	Latin America & Caribbean	C	Moderate	574.4	150	191.5	33.3	1/3/2023	28/2/2025	PLL (e)	727.5	190	Precautionary		1/3/2023	28/2/2025	78.9
Kosovo	Europe	C	Low	62	75	—	—	25/5/2023	24/5/2025	SBA (f)	80.1	97	Precautionary		25/5/2023	24/5/2025	77.4
Seychelles	Sub-Saharan Africa	C	Moderate	34.4	150	—	—	31/5/2023	30/5/2026	EFF	42.4	185	6.1	14.3	31/5/2023	30/5/2026	81.1
Senegal	Sub-Saharan Africa	B	Moderate	242.7	75	—	—	26/6/2023	25/6/2026	ECF	377.5	117	54.0	14.3	26/6/2023	25/6/2026	22.8
										EFF	755.1	233	107.9	14.3			
Niger	Sub-Saharan Africa	A	Moderate	98.7	75	—	—	5/7/2023	7/7/2025	ECF	197.4	150	138.2	70.0	8/12/2021	7/7/2025	50
Kenya	Sub-Saharan Africa	B	High	407.1	75	—	—	17/7/2023	31/3/2025	ECF	740.9	137	528.2	71.3	2/4/2021	1/4/2025	18.3
										EFF	1,484.6	274	980.8	66.1			
Morocco	North Africa	C	Moderate	1,000	112	—	—	28/9/2023	2/4/2025	FCL (g)	3,726.2	417	Precautionary		3/4/2023	02/4/205	26.8
Total				4,355.5		464.4	10.7				11,922.7		3,021	25.3			36.5

SOURCE: IMF (2022d, 2022g, 2022h, 2023b, 2023d, 2023f, 2023h, 2023i, 2023l, 2023m, 2023ñ)

a General Resources Account (GRA)/Poverty Reduction and Growth Trust (PRGT).
b Extended Fund Facility (EFF).
c Policy Coordination Instrument (PCI). Non-financing programme aimed at signalling commitment to reforms and catalysing financing.
d Extended Credit Facility (ECF). Blended with an EFF (Bangladesh, Senegal and Kenya), in a ratio of 1/3-2/3.
e Precautionary and Liquidity Line (PLL). Precautionary credit facility for countries with sound fundamentals.
f Stand-by Arrangement (SBA). In this case, an arrangement with a (non-binding) commitment that the country's authorities will not request a disbursement during the term of the arrangement.
g Flexible Credit Line (FCL). Precautionary credit facility for countries with better fundamentals than those that qualify for the PLL.

Chart 8
DISPERSION MAPS (a)



SOURCE: IMF.

a Barbados (BB), Bangladesh (BD), Costa Rica (CR), Jamaica (JM), Kenya (KE), Morocco (MA), Niger (NE), Rwanda (RW), Seychelles (SC), Senegal (SN) and Kosovo (XK).

lower of 150% of quota and SDR 1 billion. Access for the other programmes (Kosovo, Senegal, Niger and Kenya), which are among the latest approved, has been set at the norm of 75% of quota.

There is a certain correspondence between the level of access and debt sustainability risk. While maximum access has been approved for the five pilot programmes (Costa Rica, Barbados, Rwanda, Bangladesh and Jamaica), which present low or moderate risk, in the only country where debt sustainability risk is considered high the amount granted has been limited to the access norm, despite there being a solid reform agenda.

The RSF lines financing these programmes (see Section 2.3) operate in conjunction with ordinary credit lines (Costa Rica, Barbados, Kosovo and Seychelles), concessional lending (Niger), blended financing (Bangladesh, Senegal and Kenya) and precautionary arrangements or insurance facilities (Jamaica, Morocco and, again, Kosovo), totalling SDR 12 billion. In just one case (Rwanda), the RSF coexists with a non-financing instrument.

Four of the 11 programmes (Costa Rica, Niger, Kenya and Morocco) are linked to previously approved traditional IMF programmes and have a duration of around 1.5 years, including extensions (until the end of the pre-existing programme). The other programmes have durations of two years (Jamaica and Kosovo), three years (Barbados, Rwanda, Seychelles[17] and Senegal) and more than three years (Bangladesh).

The RSF amounts approved for these 11 countries represent around 35% of the total amount granted through the concurrent credit lines. This percentage is close to

17 In this case, the new associated programme replaces another pre-existing programme that had not yet ended.

60% if the amounts of the associated standard programmes for precautionary purposes (Jamaica, Kosovo and Morocco), which, in principle, do not envisage any disbursements, are excluded.

The first disbursements (Costa Rica, Rwanda and Jamaica) were to implement the environmental measures[18] included in the first review of the programme following its approval. The 2.25% interest rate cap applied since May 2023 to ensure the concessionality of the financing granted to the most vulnerable borrowers affects two Group A countries (Rwanda and Niger), although only one of them (Rwanda) has so far made any drawings on the RSF.

As regards programme conditionality, the relative speed at which the RSF has been rolled out and the lack of a common methodology explain why the programmes were designed on the basis of existing diagnostics. However, the available evidence suggests a gradual improvement in the IMF's coordination with other institutional partners (not only the World Bank, but also other multilateral development banks and different development agencies in other countries) and in the catalytic role of this instrument, at least as far as official financing is concerned (see Box 3).

The schedule of disbursements is adapted to the specific review schedule of the standard programme associated with the RSF. The RSF's environmental measures are grouped, in variable number, by area, pillar or priority, based on criteria relating to both climate change adaptation, mitigation and financing, and public investment and financing management. In very specific cases, environmental measures may be considered what the IMF calls "dual-purpose reforms", i.e. they match one of the structural reforms of the traditional programme, as they are considered critical to achieving the latter's objectives.

The RSF-supported programmes are generally very uniform as regards the proportion between the amount of financing granted and the number of environmental measures envisaged, as well as in terms of the distribution of disbursements according to the reform effort made over time (see Annex). The depth of the measures, i.e. their scope for effecting permanent institutional changes, is another important qualitative element, and preliminary evidence suggests that this depth is low.[19]

The number of environmental measures financed by the RSF and the number of structural reforms in the associated standard programmes are very similar, around 10 to 15 in both cases (see Chart 8.1). In two programmes (Jamaica and Morocco), there are significantly more environmental measures than structural reforms as these are insurance facilities (see Table 5), which are based more on eligibility conditions than on the ex post conditionality applied (Jamaica) or which only require compliance with ex ante conditionality (Morocco).

18 The environmental measures introduced in the programmes are very diverse, but generally relate to incorporating climate risks into budgetary policies, planning more resilient infrastructures, decarbonising the economy and promoting a greener financial system, as detailed in Box 3 and the Annex.

19 See the analysis in Gupta and Brown (2023) of the five RST pilot programmes.

The similarity in the number of measures and reforms does not necessarily extend to the size of the programmes, measured in terms of the total amount approved. The range of access for traditional financing programmes varies between 90% and 350% of the country's quota, while that of the RSF-supported programmes is between 75% and 150% of quota (see Chart 8.2). In one notable case (Barbados), the volume of RSF financing exceeds the amount available through the traditional line, despite the greater number of reforms under the conventional programme.[20]

Therefore, when comparing the programmes of a single borrower, the expected proportionality between the number of reforms and the size of the programmes is not evident. This mismatch is mainly due to the large dispersion of traditional programmes' access volumes (from 0 to more than 400% of quota), despite the fact that the number of structural reforms is very uniform, as is the number of environmental measures under the RSF-supported programmes.

Mauritania – a country straddling Groups A and B that presents a moderate risk of becoming heavily indebted – will be the next economy to be granted an RSF line for 150% of quota, equivalent to around SDR 190 million. The RSF will be implemented alongside a combination of pre-existing concessional and ordinary credit lines with a duration of 3.5 years, amounting to 50% of its quota, from which Mauritania has made a first drawing. The RSF line, due to be approved by end-2023, will be used to strengthen the country's resilience to climate shocks, enhance its capacity to manage natural disasters and expedite the transition towards cleaner energy sources.

Overall, the programmes implemented so far represent less than 20% of those envisaged by the IMF in the medium term. Looking ahead, the IMF is aware of the existence of over 40 requests or expressions of interest related to climate objectives, although the possibility of a request relating to pandemic preparedness being made cannot be ruled out (see Box 4).

20 It should be noted that the analysis compares the environmental measures of the RSF with the structural reforms of the traditional programme, whose conditionality also requires compliance with macroeconomic conditions expressed as quantitative variables which are not included here.

Box 3

CONDITIONALITY OF RST PROGRAMMES

This box reviews the broad outlines of the conditionality applied to the first ten countries that have applied for financing under the RST since its creation in late 2022. Similarly, it offers a preliminary assessment of cooperation with the World Bank (considered key for the proper functioning of the RSF, given the lesser experience of the IMF in designing long-term reform programmes) and the catalytic role of further financing, which is also essential in the light of the scale of financing needs resulting from climate change[1] and the RST's limited resources.

As noted above, the conditionality applied to the ten countries that have applied for RST financing (the five pilot programmes[2] plus Kosovo, Seychelles, Senegal, Niger and Kenya) is environmental in nature. These ten countries vary widely in terms of income, geography and vulnerability to climate change,[3] but they all have in common a modest or negligible contribution to global warming as measured by CO_2 emissions. This partly explains the type of reforms proposed. In fact, although the programmes concern climate change adaptation and mitigation measures, most of them relate to adaptation.[4]

The main areas for reform could come under the following umbrellas: incorporating climate risks into budgetary policies; planning infrastructure that is more resistant to climate effects; bolstering governance in government investment; decarbonising the economy; and fostering a greener financial system (see the annex for a per-country breakdown of the reforms). Given the relatively fast roll-out of the RSF, the reform programmes had to be designed on the basis of available assessments, carried out without an overarching methodology or common bilateral supervision for all countries. The conditionality of some programmes (Costa Rica, Barbados and Kenya, for example) has, then, been mainly defined on the basis of the climate reform agenda of their respective governments, which means that it comes as no surprise that the measures under these programmes continue initiatives that were already underway.[5] In cases such as Bangladesh or Rwanda, the prior involvement of the World Bank in identifying climate change risks meant that the conditionality was structured on the basis of the World Bank's Country Climate and Development Reports (CCDR). In 2022, the IMF selected Madagascar and Samoa for pilot programmes under the Climate Macroeconomic Assessment Programs (CMAP),[6] which were very costly in terms of resources and have not been followed up by a request for RST financing. The Climate Public Investment Management Assessment (C-PIMA)[7] has proven useful in identifying climate vulnerability and designing conditionality. This is one tool in the IMF's toolbox of technical assistance and capacity-building programmes, which are available to all countries that have applied for RSF financing (with the exception of Barbados).[8]

On the basis of these cases, the cross-cutting task remains of reviewing the programmes' consistency and bolstering the reasoning for selecting and prioritising different measures (although, for example, the cases of Jamaica or Seychelles include prioritising the measures in terms of urgency and feasibility or relevance to the country). In this regard, the review of the CMAP[9] in June 2023 may be a step in the right direction, as it concludes that new CMAPs will be less comprehensive and more targeted at areas in which the IMF enjoys a comparative advantage: mitigation, fiscal management and the macro-fiscal impact of climate change policies, and providing further technical assistance to countries under the RSF. This could help to reinforce consistency across programmes and also to address criticisms regarding the reforms' lack of depth.

Furthermore, designing climate conditionality constituted a novel task for the IMF, differing somewhat from the macroeconomic scope that characterises conventional programmes. Coordination with the World Bank was, therefore, considered key from the moment the RST launched. In this regard, the evidence available for the first ten countries suggests a gradual improvement in the degree of coordination between the two institutions: institutional interaction and avoidance of possible overlaps are much better reflected in recent programmes and ultimately in the quarterly reviews of the initial programmes. As new programmes have rolled out, coordination with other multilateral development banks or (sometimes very many) development agencies in different countries has also become increasingly sharply defined, highlighting the complexity of such cooperation in the field of climate reforms. The division of responsibilities between the IMF and the World Bank has generally been somewhat imprecise, since RST reforms often overlap in scope or form part of follow-up measures already proposed by the World Bank.

The other feature of interest in the expectations surrounding this instrument is its catalytic role with regard to other sources of

1 Adaptation costs for developing countries are estimated at around $70 billion and are expected to increase to between $140 and $300 billion by 2030 (Behsudi, 2021).

2 Costa Rica, Barbados, Rwanda, Bangladesh and Jamaica.

3 Bangladesh and Niger are among the countries most vulnerable to climate change, occupying the 163rd and 169th positions, respectively, in the Country Index compiled under the Notre Dame Global Adaptation Initiative, which measures countries' vulnerability to climate change and their capacity to adapt, with Barbados standing at 45th. For reference, Spain appears at 26th.

4 Somewhat more emphasis is placed on mitigation measures in Kosovo, Seychelles and Senegal.

5 Wainer (2023).

6 IMF (2022a and 2022e).

7 *IMF Infrastructure and Governance.*

8 The 2019 Article IV Consultation with Barbados addressed climate issues in great detail.

9 IMF (2023k).

Box 3

CONDITIONALITY OF RST PROGRAMMES (cont'd)

financing. The RST appears to have played a catalytic role, at least in terms of official financing, paving the way for the assessment of new loans from the World Bank and other multilateral organisations and development agencies. In the cases of Barbados or Rwanda, the RST has partly taken on the role of coordinating the programmes of other institutions.[10] By contrast, Kosovo received RST financing in parallel with other pre-existing official and multilateral sources of financing.[11] In more recent programmes, the IMF is bringing this catalytic role vis-à-vis the private sector to the fore, highlighting the streamlining of bureaucracy and the creation of a regulatory environment that is more conducive to green investment. However, it is too early to say whether the RST can foster inflows from the private sector.

Lastly, as was expected, some countries value the RST because it expands their fiscal space, since it constitutes a cheaper and longer-term source of financing – especially welcome where market access is lacking (as a result of recent debt restructuring, for example) – when compared with the cost of domestic financing. Such considerations underline the importance of well-designed programme conditionality and the need for the instrument's use to be rigorously assessed.

10 See the IMF press releases regarding Barbados and Rwanda.

11 Some of them linked to the Sofia Declaration on the Green Agenda for the Western Balkans.

Box 4

PROGRAMMES ON THE LAUNCH PAD

Of the 43 requests or expressions of interest recognised by the IMF to carry out RST-supported climate programmes, 74% come from low-income countries (Groups A and B) and 60% from Sub-Saharan Africa. The IMF Managing Director states that around seven of the countries on that list could undertake new RSF-backed programmes in 2024. This box provides a purely indicative list of several possible applications on 30 September 2023, based on a public statement of some nature. As with the programmes that are already underway, this is a list of heterogeneous economies in terms of group allocation, geographical area and, where appropriate, pre-existing credit lines.

Table 1
Potential RSF borrowers at 30 September 2023

Member country	Region	Group	Volume % of quota 75%	100%	150%	GRA/PRGT facility	Volume million SDRs	Duration Approval	End
Benin	Sub-Saharan Africa	B	92.9	123.8	185.7	ECF/EFF	484.1	8/7/2022	7/1/2026
Bhutan	Asia	B	15.3	20.4	30.6				
Cape Verde	Sub-Saharan Africa	A	17.8	23.7	35.6	ECF	45.0	15/6/2022	14/6/2025
Chad	Sub-Saharan Africa	A	105.2	140.2	210.3	ECF	392.6	10/12/2021	9/12/2024
D. R. of the Congo	Sub-Saharan Africa	A	799.5	1000.0	1000.0	ECF	1066.0	15/7/2021	14/7/2024
Dominican Rep.	Latin America & Caribbean	C	358.1	477.4	716.1				
Egypt	North Africa	C	1000.0	1000.0	1000.0	EFF	2350.2	16/12/2022	15/10/2026
North Macedonia	Europe	C	105.2	140.3	210.5	PLL	406.9	21/11/2022	20/11/2024
Moldova	Europe	B	129.4	172.5	258.8	ECF/EFF	594.3	20/12/2021	19/4/2025
Paraguay	Latin America & Caribbean	C	151.1	201.4	302.1	PCI		21/11/2022	20/11/2024
Tanzania	Sub-Saharan Africa	A	298.4	397.8	596.7	ECF	795.6	8/7/2022	17/11/2025

SOURCE: IMF.

4 Preliminary stocktake of the RST

The RST represents a pragmatic response to the multilateral commitment to voluntarily channel part of the SDRs allocated in 2021 from economically stronger economies to more vulnerable ones, and provides an alternative to using SDRs to fund IMF concessional loans.

The RST was designed and implemented over a short period of time (between the SDR general allocation in August 2021 and the launch of the Trust in October 2022) under highly adverse global economic and geostrategic circumstances. The outcome demonstrates a remarkable joint and coordinated effort by IMF management and its members to establish a brand new financing mechanism.

Among other objectives, the RST aims to facilitate the channelling of surplus SDRs from a heterogeneous set of pledging countries, provide financial assistance compatible with the IMF mandate, cover a broad and representative base of potential users, provide a sufficiently attractive lending facility and gather the guarantees needed to ensure the Trust's financial viability over time.

In this regard, RST financing complements the IMF's other financing, which has traditionally focused on financial crisis prevention and resolution, as well as on poverty reduction and the promotion of growth. The long-term challenges of the RST are the implementation of structural reforms, whether preventive or corrective, related to the effects of climate change and the outbreak of pandemics on the macroeconomic and financial stability of the country concerned.

All ongoing programmes, however, relate to environmental goals rather than to pandemic preparedness. Among the factors behind this disparity is the fact that the IMF's cooperation with other multilateral institutions involved in funding action on climate change – such as the World Bank and sundry regional development banks – is much more advanced and generates greater synergies than cooperation on health matters with the World Health Organisation (WHO), which is still developing.

During the design phase of the RST, consideration was initially given to a broader set of objectives than was ultimately approved, which would envisage from the outset other purposes that have a global public good nature such as the correction of inequality or the digital transition of potential beneficiaries. The comprehensive review of the RST, scheduled to take place in about 18 months' time, will provide an opportunity to consider a possible extension of the Trust's objectives consistent with the IMF mandate and underpinned by the necessary cooperation with other international financial institutions involved in these objectives.

The structure of the RST has many similarities with that of the PRGT, which channels the IMF's concessional financing, with the important difference that the RST was established without any prior reserve endowment, unlike the PRGT, for which the reserves derived from the profits on a partial sale of the IMF's gold holdings in the 1970s. It is precisely this difference that determines how RST contributions are organised and limits the leverage of its loans.

The need to build reserves from the very creation of the RST and to increase them before the first loan repayments occur, explains why contributions to the Trust are organised as packages in which loan contribution commitments are inextricably linked to contributions to reserves and deposits (rather than vice versa).

The above link, together with the requirements ensuring the liquidity of loan and deposit contributions, also determines that no more than two-thirds of the financial resources raised by the RST can ultimately be allocated to loans. This is certainly a constraint that could be alleviated if part of the IMF's own financial resources, built up as a safeguard for IMF finances, were used to top up the RST reserves. However, there are a number of problems with this option, such as the alternative use of these resources to ensure the concessionality of PRGT loans, the lack of institutional consensus to adopt this solution for either of the trusts at the present juncture and, most importantly, the weakening it would entail for the IMF's finances.

The liquidity of the contributions is essential to facilitate the participation of member countries' central banks in the funding of the RST's Loan and Deposit Accounts. Although stronger than the regime in place for other sources of IMF financing, the encashment regime for loans is limited, as it largely depends on there being a broad base of creditworthy participants or on some of them individually committing not to request repayments. Similarly, the encashment regime for deposits relies on divestments to meet refund requests being carried out without incurring any losses.

The credit quality of the loans is also a key factor for securing the participation of central banks in the RST. The maturity of these loans (the longest of all IMF credit lines) entails a higher credit risk, which warrants closer surveillance of the debtor after the programme's expiry and for as long as the total outstanding debt (i.e. from all concurrent credit lines) exceeds certain thresholds. The upcoming revision of the RST provides an opportunity to consider enhancing this bilateral monitoring with specific and stricter relative and absolute thresholds.

The RST eligibility criteria, which are based on the income and population of the member countries, give rise to a large number of potential beneficiaries, some of which may be potential lenders or are even actual lenders to the Trust. There are some parallels here with the creation of the original PRGT, when some candidate countries (China and India, in particular) opted not to apply for concessional financing from the Trust because of their high quota compared to that of the other candidate countries.

The main problem in this area is actual access to RST financing, as it requires, inter alia, that the requesting country have sustainable debt and an adequate capacity to repay the IMF. This requirement implies a hypothetical barrier to entry to RST financing. However, any potential easing of debt sustainability analyses to boost the number of borrowers could lead to a deterioration in the credit quality of the financing granted.

An important aspect to consider in the RSF design is whether, in a general context of low interest rates such as those that have prevailed until recently, the concessionality of the loans calls into question the consistency across facilities and the fairness among borrowers. The current higher interest rates have diluted these issues, but they have also given rise to an appropriate initiative to cap the costs borne by the most vulnerable borrowers.

However, this initiative (for which different funding options have been put forward, such as cross-subsidisation, explicit and implicit subsidisation or the use of the IMF's resources) affects the degree of coverage of the RST reserves, and underscores the need to review the interest rate structure on a regular basis or whenever there is a significant change in the SDR interest rate benchmark within a short period of time.

As regards the supply of funds, since the fundraising campaign was launched in April 2022, a sufficient number of countries have now made pledges to meet the demand for financing initially estimated by the IMF. Some contributions to the RST that were announced at the G20 have yet to be made. Turning to demand, the IMF reported a significant number of financing requests up to the end of the decade and, in this context, it does not rule out raising additional resources, mainly by channelling SDRs, observing the minimum ratio of 100/2/20 between the different Trust accounts.

The lending capacity of the RST depends not only on its own resources, but also, on an even larger scale, on the size of the IMF and the PRGT – delimited by the member's quotas plus multilateral and bilateral lending, and by voluntary contributions from some of its members, respectively –, insofar as any financing through the RSF is backed by an underlying programme, even if such programme does not necessarily involve financing.

All the available evidence on the operation of the RST is so far concentrated in a heterogeneous set of 11 programmes currently under way – granted to countries in different regions belonging to one of the three groups of potential borrowers – approved together with different IMF credit lines and non-financing instruments and with a duration of between 1.5 and 3.5 years.

Most of the programmes, especially the five pilot programmes approved between November 2022 and March 2023, were granted with maximum access, while the subsequent programmes, with the exception of two, were granted for the access norm. In all cases there is a lack of cross-cutting analysis justifying the size of the amounts granted by linking them to the agenda of environmental measures envisaged and each borrower's commitment and institutional capacity to implement them.

Access to the RSF should be weighted by both the level of ambition and depth of the reform agenda and the willingness of the recipients to implement this agenda, and always take into account additionality. One aspect to be considered in the next review of the RST, which was already envisaged in a preliminary manner in the design phase of the Trust, is the possibility of tiering access limits by country group, so that those with the lowest income would have the highest access as a percentage of quota, owing to their lower institutional capacity to undertake the same type of measures as other borrowers. This relative progressivity should in no way conflict with access being conditional on the development of the reform agenda.

The relationship between the volume of financing granted and the number of environmental measures envisaged in the programmes under way is generally very uniform, and the schedule of disbursements is in line with the number of measures envisaged in each review. The number of environmental measures and the number of structural reforms of the associated programmes are similar. However, these programmes, with a higher dispersion in terms of access levels, also include quantitative variables in their conditionality.

On the available experience, it is premature to gauge the design and depth of the conditionality of RSF-supported programmes, although there are indications that more ambitious reform measures should be taken, always adapted to the capacity of the country concerned to undertake reforms. The degree of compliance with the measures envisaged by the programmes will provide a validation test of conditionality in the medium term, subject also to compliance with the conditions of the associated programmes.

In the same vein, the experience gained will make it possible to validate and, where appropriate, select those credit lines and non-financing programmes more aligned with the RSF's objectives. At least in principle, the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF), both individually or blended, have the longest maturities, to accommodate the type of structural reforms more closely aligned with the measures contained in the RSF-supported programmes and those that minimise credit risk mismatches. Conversely, insurance facilities with shorter maturities and mainly based on ex ante conditionality compliance could be mentioned.

As indicated above, the RST was created to re-channel part of the SDRs from the general allocation carried out in 2021. Special allocations to a specific group of member countries in order to increase their reserves in special circumstances are not envisaged in the IMF's Articles of Agreement, since they go against the principle of uniformity of treatment that governs the institution. Any amendment to the Articles of Agreement requires a three-fifths majority of member countries, representing 85% of the total votes, after approval by the Board of Governors.

In short, instead of amending the IMF's Articles of Agreement to allow specific SDR allocations to the members most affected by the pandemic crisis, by establishing the RST the institution has chosen to preserve its multilateral character, trust in its members' capacity to pool their efforts to mobilise SDRs and give priority to conditional loans over the unconditional provision of liquidity at a lower cost, implicit in any SDR allocation.

Lastly, RST financing is similar to that provided by institutions such as the World Bank and other multilateral development banks and goes beyond the IMF's traditional objectives of correcting external imbalances and upholding macroeconomic and financial stabilisation. It is precisely this similarity that explains why the RST, like the PRGT, is implemented through the creation of a trust funded through voluntary contributions from some of its members, rather than through universal quota-based funding. However, it is important to keep in mind that, in terms of governance, RSF-supported measures are approved on the basis of consensus-based decisions by the Executive Board, which represents the entire membership of the IMF and not just the participants funding the Trust.

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Annex

Environmental objectives, disbursement schedule and agenda of measures under the first RSF-supported programmes

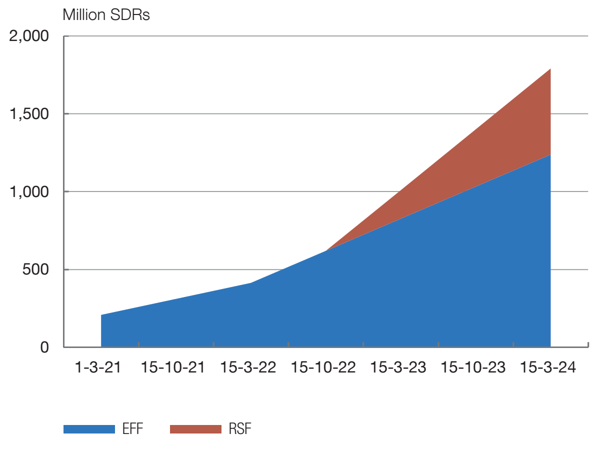
The objectives of the programmes approved as of the date of writing revolve around environmental reform measures grouped by areas, pillars and priorities, which are distributed over the course of reviews that take place following the approval of the RSF-backed programme. The disbursements (conditional on the fulfilment of these measures) follow the review schedule of the underlying traditional programme, the conditions of which also have to be satisfied. The relationship between RSF financing and the number of environmental measures is relatively straightforward in general, as are the disbursement amounts and their distribution over the course of the programme, when seen in comparison with the intensity of the reforms envisaged in each review.

Costa Rica

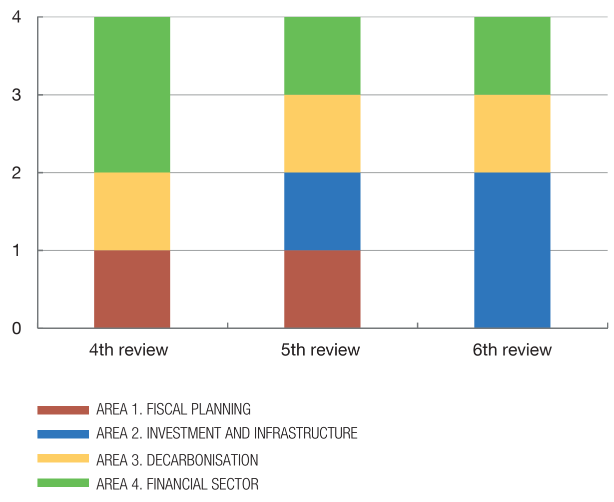
Costa Rica's programme, a pioneer of the RST pilot programmes, targets climate resilience and the transition to a zero-carbon economy. The climate agenda is organised into four key areas, focusing on incorporating climate risks into fiscal planning, strengthening public investment in infrastructure, supporting the decarbonisation process and facilitating the build-up of green foreign exchange reserves and strengthening the financial sector in this area. The RSF envisages three equal disbursements of 50% of quota, starting from the fourth review of the pre-existing programme with which it is associated (see Chart A.1.1). All the reviews cover the same number of measures, most of which belong to the last of the targeted areas, which appears in every review (see Chart A.1.2).

Chart A.1
COSTA RICA

1 SCHEDULE OF DISBURSEMENTS

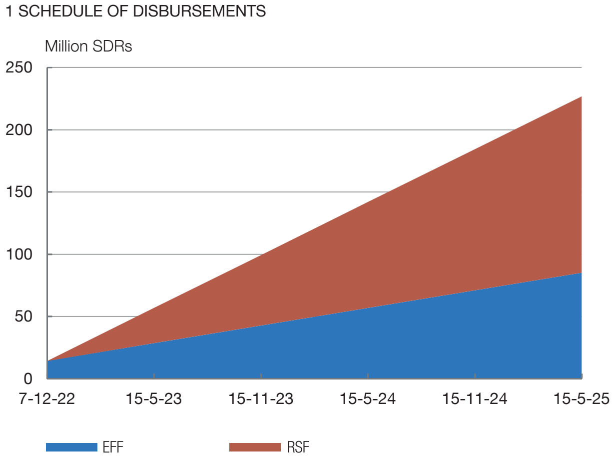


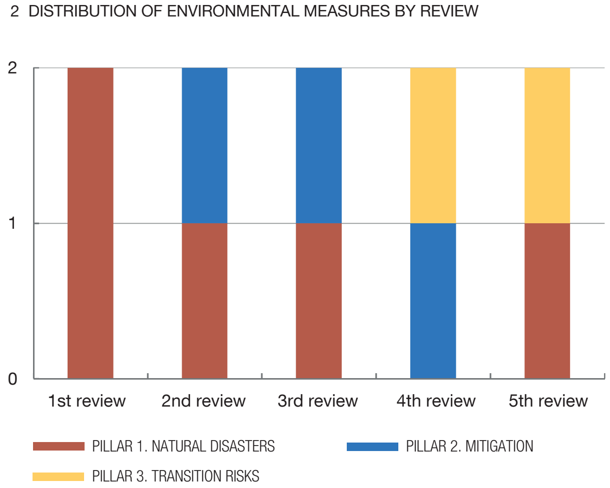
2 DISTRIBUTION OF ENVIRONMENTAL MEASURES BY REVIEW



SOURCE: IMF.

Chart A.2
BARBADOS





SOURCE: IMF.

Barbados

In Barbados, a country that is highly dependent on tourism receipts and acutely vulnerable to climate change-related natural disasters, the programme is intended to foster the transition to a fully renewable economy by 2030. The programme is underpinned by three pillars: attention to the most urgent demands of adaptation, reduction of greenhouse gas emissions and mitigation of transition risks. The RSF envisages five equal disbursements of 30% of quota, starting from the programme's first review (see Chart A.2.1). All reviews have an equal number of measures. The first pillar, which is mainly fiscal, includes the largest number of reforms (see Chart A.2.2).

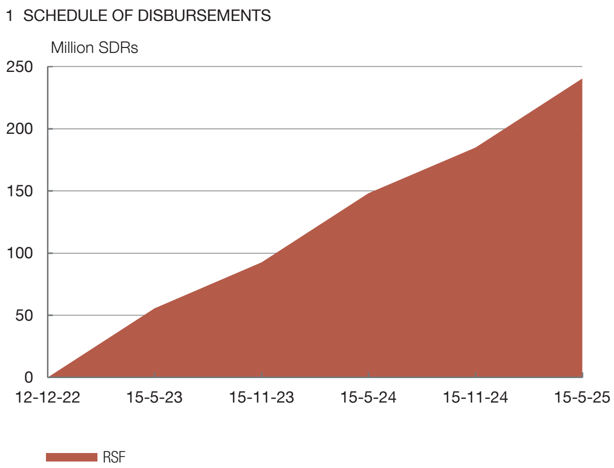
Rwanda

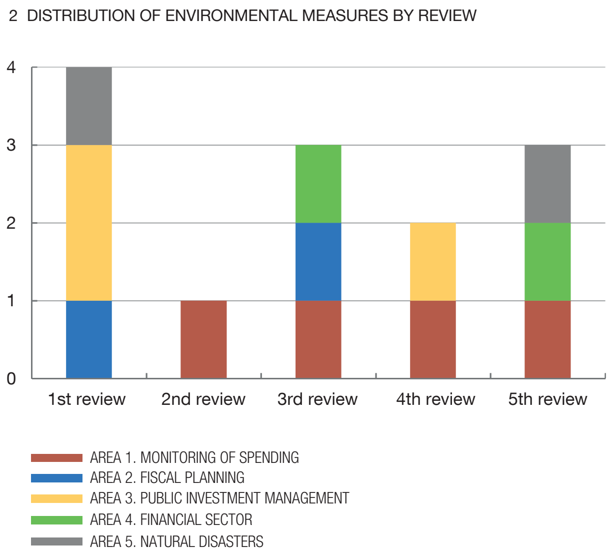
Rwanda's programme incorporates environmental measures into the country's macroeconomic policy-making, in line with five reform areas: institutionalising the monitoring of climate-related spending, integrating climate risks into fiscal planning, redirecting public investment towards environmental projects, developing a green finance market and managing natural disaster risks. From the beginning, the RSF alternates disbursements of 35% and 23% of quota, depending on the review, without the backing of traditional IMF financing (see Chart A.3.1). The first review covers the largest number of measures, although the bulk of the reforms are implemented from the third review onwards. The first area includes the largest number of measures (see Chart A.3.2).

Bangladesh

In Bangladesh, one of the countries most vulnerable to climate change and with very limited scope for fiscal and monetary easing, the programme seeks to improve the investment potential in climate matters by prioritising three types of reforms: investment in green infrastructure, climate change fiscal management and reinforcement of the financial sector's ability to attract private finance. RSF disbursements line up with those of two credit facilities

Chart A.3
RWANDA

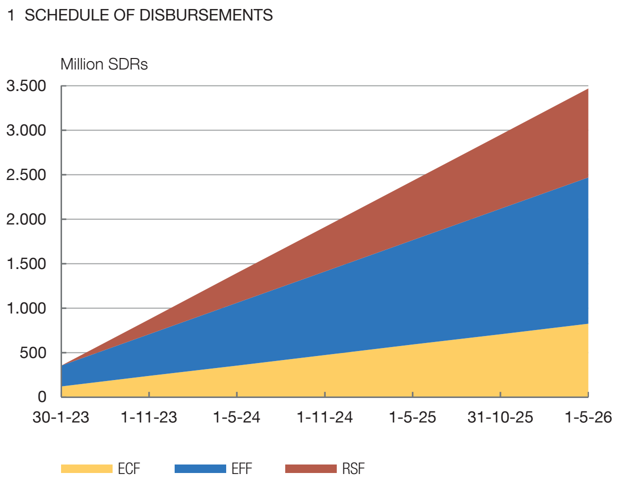


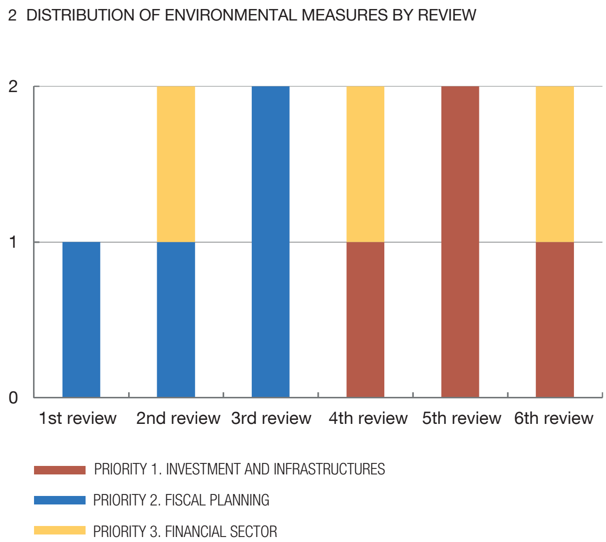


SOURCE: IMF.

(one concessional and one ordinary, with the latter being twice as large), with which it is integrated (see Chart A.4.1) The programme's first half is highly focused on reforms of the second type, while the latter half is dominated by reforms of the first type. The third type of reforms are more evenly spread over the course of the programme, alternating between reviews (see Chart A.4.2).

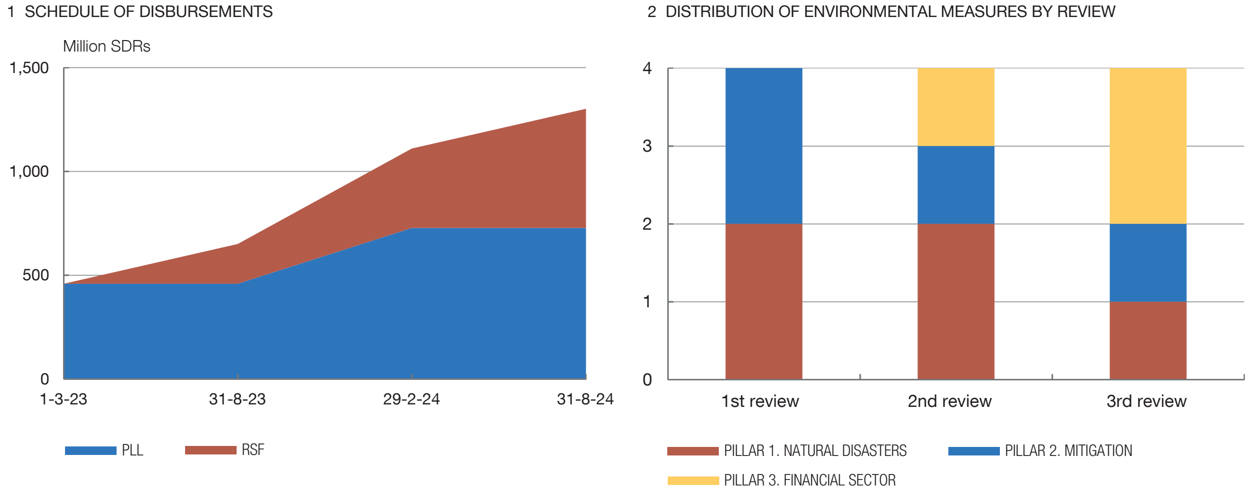
Chart A.4
BANGLADESH





SOURCE: IMF.

Chart A.5
JAMAICA



SOURCE: IMF.

Jamaica

Jamaica's programme is underpinned by three pillars intended to strengthen real and fiscal resilience to natural disasters and climate change, advance the process of decarbonising the economy and enhance the role of the financial sector in climate-related issues. The RSF envisages three equal disbursements of 50% of country's quota, while the associated insurance facility increases its access limit from 120% to 190% of quota one year after its approval (see Chart A.5.1). All the reviews cover the same number of measures. The reforms envisaged in the first two pillars are somewhat concentrated in

Chart A.5
JAMAICA

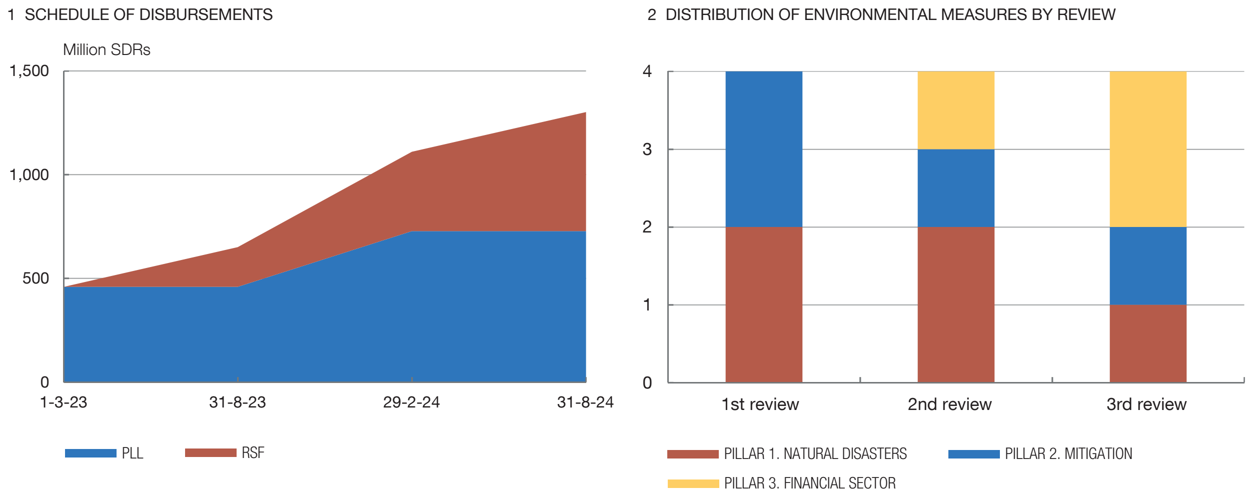
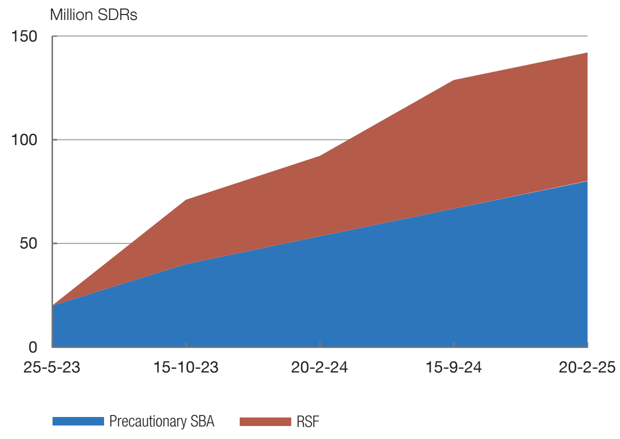
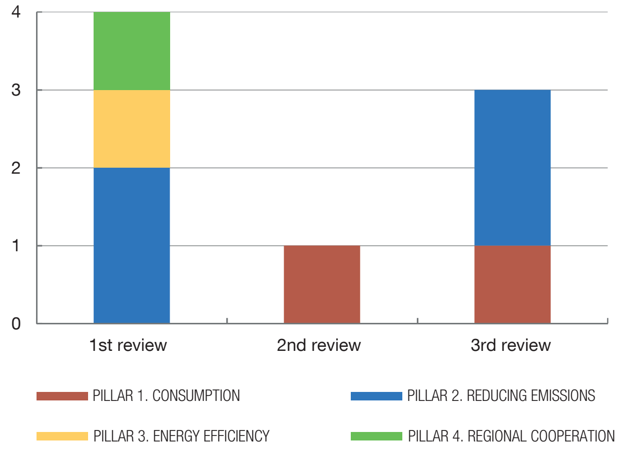

SOURCE: IMF.

Chart A.6
KOSOVO

1 SCHEDULE OF DISBURSEMENTS



2 DISTRIBUTION OF ENVIRONMENTAL MEASURES BY REVIEW



SOURCE: IMF.

the first half of the programme, while those of the third pillar appear in the second half (see Chart A.5.2).

Kosovo

In Kosovo, where the economy is highly dependent on lignite consumption for electricity production, the programme is underpinned by four pillars aimed at reducing pollution and protecting the most vulnerable energy consumers, expanding the network of renewables, increasing energy efficiency and enhancing regional cooperation and the functioning of the electricity market. The RSF disbursements, of differing amounts, are split across three of the four reviews of the associated traditional programme, which is precautionary in nature (see Chart A.6.1). The environmental measures, which mostly relate to the second pillar, are concentrated in the first and third review (see Chart A.6.2), when the facility makes larger disbursements.

Seychelles

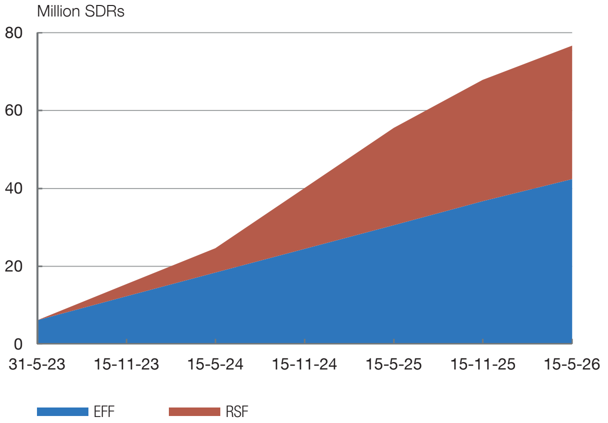
In Seychelles, which, like Barbados, is highly dependent on tourist receipts and is particularly vulnerable to natural disasters, the programme revolves around three areas of reform: investment in green infrastructures, the channelling of financial resources for climate change and climate-related mitigation and adaptation. The RSF envisages the bulk of disbursements being made between the third and fifth reviews, which is where most of the climate-related reform measures are concentrated (by number of measures) (see Charts A.7.1 and A.7.2).

Senegal

Senegal's programme is underpinned by three pillars: mitigating climate change, accelerating adaptation to climate change and integrating environmental priorities into the budgetary

Chart A.7
SEYCHELLES

1 SCHEDULE OF DISBURSEMENTS



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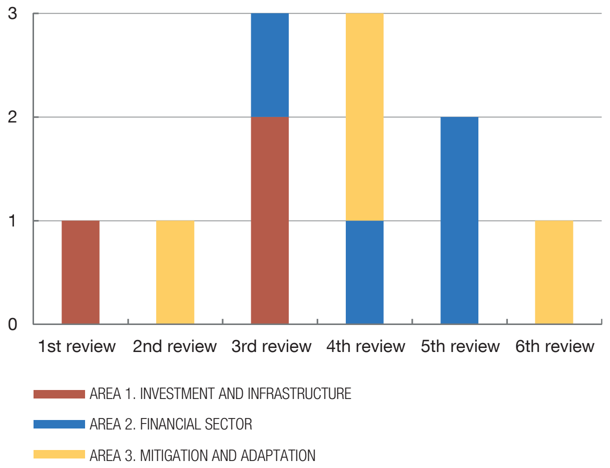
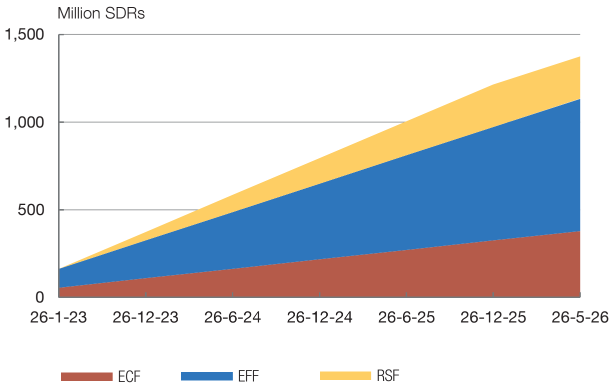


SOURCE: IMF.

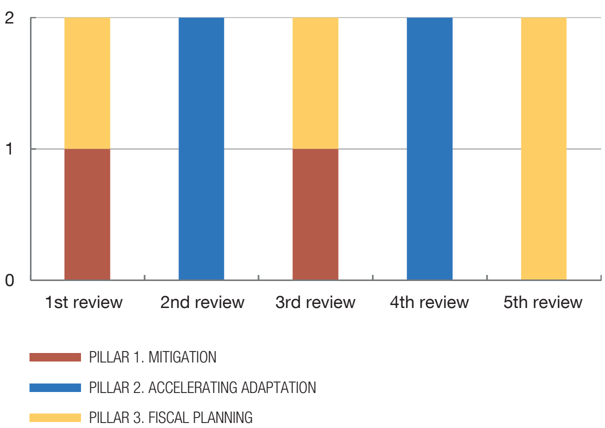
process. As in Bangladesh, the RSF comes in addition to a combination of concessional and ordinary financing at a 1:2 ratio and envisages five equal disbursements of 15% of quota, beginning at the programme's first review and ending at the fifth (see Chart A.8.1). All the reviews cover the same number of measures. 80% of the reforms are evenly split between the second and third pillars (see Chart A.8.2).

Chart A.8
SENEGAL

1 SCHEDULE OF DISBURSEMENTS



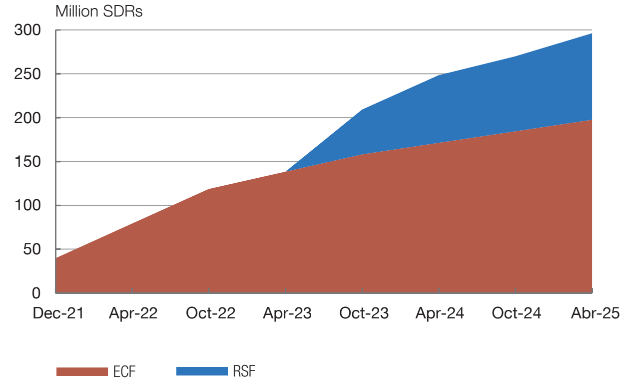
2 DISTRIBUTION OF ENVIRONMENTAL MEASURES BY REVIEW



SOURCE: IMF.

Chart A.9
NIGER

1 SCHEDULE OF DISBURSEMENTS



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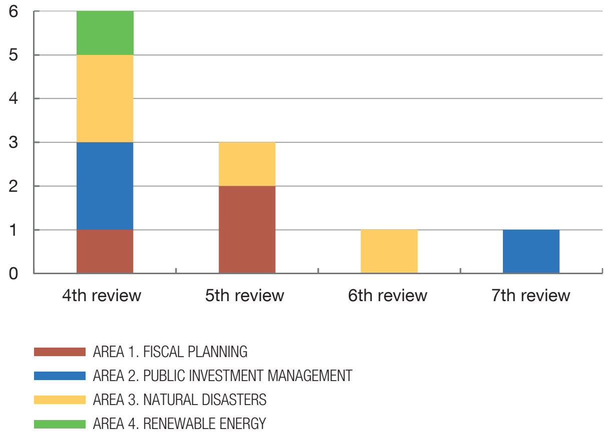


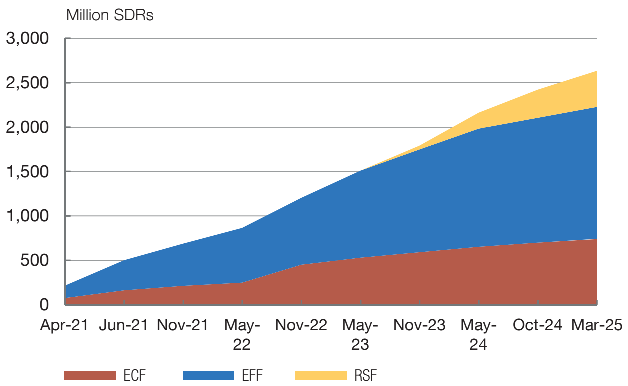
SOURCE: IMF.

Niger

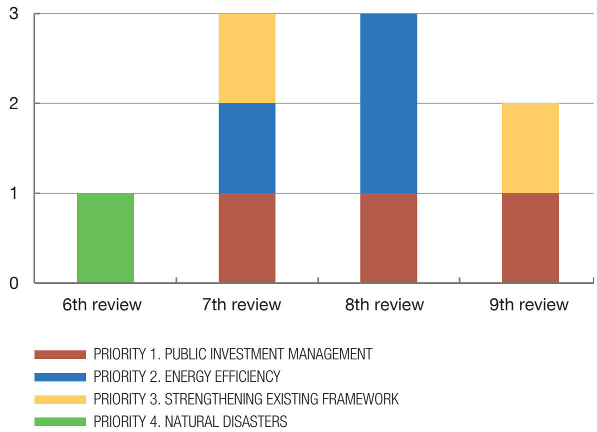
Niger's programme, approved together with the extension of the deadline and the rephasing of disbursements of a pre-existing programme financed by concessional resources, envisages four areas of reform: enhancing the budgeting of climate-related expenditure, raising awareness of the management of public investment in such areas, bolstering the fiscal planning and management of natural disasters caused by climate shocks and promoting renewable energy sources. The RSF disbursements start from the fourth review of the pre-existing programme (see Chart A.9.1) and their amount decreases as the number

Chart A.10
KENYA

1 SCHEDULE OF DISBURSEMENTS



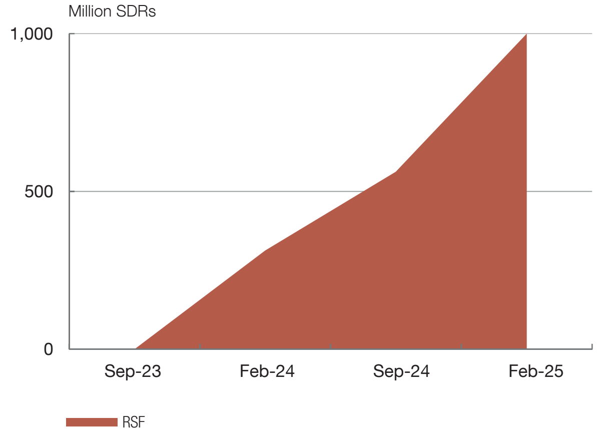
2 DISTRIBUTION OF ENVIRONMENTAL MEASURES BY REVIEW



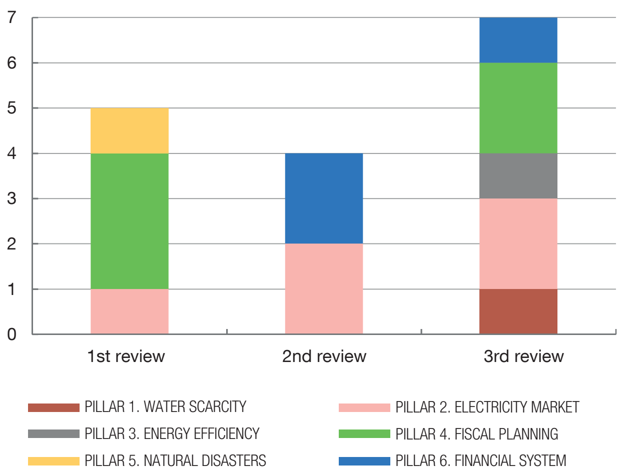
SOURCE: IMF.

Chart A.11
MOROCCO

1 SCHEDULE OF DISBURSEMENTS



2 DISTRIBUTION OF ENVIRONMENTAL MEASURES BY REVIEW



SOURCE: IMF.

of measures planned for each review falls (see Chart A.9.2). Niger's political instability as a result of the recent coup could derail the pre-existing programme and thereby also interrupt the implementation of the RST-supported environmental measures.

Kenya

Kenya's programme, which is integrated into an augmentation and extension of a pre-existing programme that blends concessional and ordinary resources, seeks additional financing to advance its climate adaptation and mitigation objectives in accordance with four priorities: incorporating climate risks into tax planning and the investment framework, mobilising income and enhancing spending efficiency, strengthening the effectiveness of the existing frameworks that channel financial resources and fostering the reduction and management of natural disaster risks. RSF disbursements begin from the sixth review (see Chart A.10.1) with amounts proportional to the number of measures in each review. Most of these are evenly split between the central reviews (see Chart A.10.2).

Morocco

Morocco's programme operates in tandem with a pre-existing two-year precautionary facility, with the full amount available from the outset. Morocco has not drawn on the amount thus far. The measures envisaged in response to climate vulnerability and decarbonisation efforts are organised into six pillars, including water resource management, electricity market reform and preparedness for natural disasters. The disbursements under the RSF are distributed over three consecutive reviews (see Chart A.11.1) and their amount is proportional to the number of measures in each review (see Chart A.11.2).

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