The Resilience and Sustainability Trust

Pacific Regional Debt Conference

April 2022
BACKGROUND ON SDR ALLOCATION AND CHANNELING

RST OVERVIEW
RST DESIGN AND LENDING MODALITIES
NEXT STEPS
2021 SDR Allocation

- In August 2021, the IMF Board approved a $650 billion SDR allocation
  - About US$275 billion allocated to EMDCs
  - US$21 billion to LICs

- IMF was tasked with developing SDR channeling options. Up to US$100 billion of SDRs could be channeled to:
  - Scale-up the PRGT to support lending to LICs
  - Establish a Resilience and Sustainability Trust
  - Possibly lend SDRs to MDBs
The Resilience and Sustainability Trust

- RST support aims to address **longer-term structural challenges**, including climate change and pandemic preparedness, that entail significant macroeconomic risks.

- It would **supplement Fund-supported programs** – which address shorter-term issues – to build resilience with a view to alleviate cost of future external shocks.

- Contribute to **longer-term prospective balance of payments stability**.
  - Policy and financing for reforms to reduce macro-critical risks associated with long-term structural challenges (not project financing).
  - Boost policy space by building policy and financial buffers against such risks.
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Eligibility and qualification

- Our proposal for **RST-eligibility** would include:
  - Countries with GNIPC below 10 times the IDA operational cutoff (~ $12,000)
  - Small states with GNIPC below 25 times the IDA operational cutoff (~ $30,000)

- About **three quarters of the Fund’s membership** would be eligible.

- Eligible countries would still need to **qualify**, which would require:
  - Package of high-quality RST-supported policy measures;
  - Concurrent IMF program (financing or non-financing);
  - Sustainable debt and adequate capacity to repay the Fund.
Lending terms

- Consistent with the longer-term nature of balance of payments risks the RST seeks to address, its loans would have much longer maturities (10 ½–20 years) than traditional IMF financing.

- A tiered interest rate structure would differentiate financing terms across groups of countries (i.e., higher degree of concessionality for lower-income members).
  - Group A: All PRGT-eligible countries that are not presumed blenders.
  - Group B: All “presumed blenders” (of PRGT and GRA resources) and all small states with per capita GNI below ten times the IDA cutoff.
  - Group C: All other RST eligible countries.
Access

- Access to RST financing would be determined **case by case**, based on the strength of reforms and debt sustainability considerations.

- It is expected to be capped at **150 percent of IMF quota** or **SDR 1 billion**, whichever is smaller.

- RST lending would be part of a **broader financing strategy** members would pursue to address longer-term balance of payments risks, involving a mix of multilateral, bilateral official, and private financing.
Conditionality

- Financing is conditional on the implementation of a strong package of structural measures (or reform targets) relevant to the purpose of the RST.

- Climate reforms could support adaptation, mitigation, climate finance, public investment management, and public financial management.
  - Coordination principles developed with the World Bank for climate issues.

- Reforms on enhancing pandemic preparedness still being discussed.
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- **Board discussion** in mid-April, before the Spring meetings.
- **Fundraising** will subsequently ramp up for the RST.
- Goal is to be **operational** later in 2022.