I. INTRODUCTION

1. Effective November 12, 2012, the Fund, as Trustee of the Poverty Reduction and Growth Trust (PRGT), entered into a borrowing agreement (the “Agreement”) with the National Bank of Belgium, by which Belgium will provide new loan resources of up to SDR 350 million (see attachment). With this Agreement, the Fund has concluded fourteen new borrowing agreements providing total resources of SDR 9,811 million in the context of fundraising under the 2009 Low-Income Countries (LICs) financing package.¹

2. Pursuant to Section III, Paragraph 2 of the Instrument to establish the PRGT, the Managing Director is authorized to enter into borrowing agreements and agree their terms and conditions with creditors to the Loan Accounts of the Trust. This paper presents the Agreement to the Executive Board for information.

¹ The other borrowing agreements are with the Bank of Spain (Press Release No. 10/50); the Danmarks Nationalbank (Press Release No. 10/51); the Government of Canada (Press Release No. 10/88); the Kingdom of Norway (Press Release No. 10/286); De Nederlandsche Bank NV (Press Release No. 10/309); the People’s Bank of China, the Banque de France, the Government of Japan, and the Government of the United Kingdom (Press Release No. 10/340); the Bank of Korea (Press Release No. 11/50); the Bank of Italy (Press Release No. 11/172); the Swiss National Bank (Press Release No. 11/185); and the Saudi Arabian Monetary Authority.
3. This is the second borrowing agreement between Belgium and the Fund as Trustee of the PRGT. Under the loan agreement, the National Bank of Belgium provides loan resources in Euros. The National Bank of Belgium has elected not to participate in the optional encashment regime for lending to the PRGT loan accounts under the PRGT Instrument.

II. **Principal Elements of the Borrowing Agreement**

4. **Amount of agreement.** The maximum amount of new loan resources available under the Agreement shall be the equivalent of up to SDR 350 million.

5. **Account designation.** The Agreement is for the benefit of the Extended Credit Facility (ECF) Loan Account of the PRGT to finance disbursements under that facility.

6. **Drawings on commitments.** Drawings can be made through December 31, 2018. The notification period of the intention to draw is at least five business days (Brussels) (Paragraph 2(a)).

7. **Denomination and media.** Loan commitments and operations are denominated in SDRs. Disbursements under the Agreement are to be received by the Trust in equivalent amounts of Euros to an account specified by the Trustee, unless otherwise agreed between the Trustee and the National Bank of Belgium (Paragraph 3(a)). Payments of principal and interest by the Trust are to be made in Euros, or in other media as may be agreed between the Trustee and the National Bank of Belgium (Paragraph 6(a)).

8. **Maturity.** Paragraph 4(a) of the Agreement provides for each drawing to be repaid in accordance with the repayment schedule for loan disbursements under the facility of the Trust for which it was drawn.

9. **Interest.** The Agreement provides for outstanding drawings to earn interest at the six-month SDR rate (Paragraph 5). Interest will be payable on a semi-annual basis promptly after June 30 and December 31 of each year (Paragraph 5(b)).

10. **Transfer of claims.** Provision is made in the Agreement for the voluntary transfer of claims on the Trust (Paragraph 7) and for temporary suspension of disbursements at any time prior to June 30, 2018, in the event of a liquidity need by the creditor (Paragraph 8).

III. **Conclusion**

11. The new borrowing agreement with the National Bank of Belgium represents an important contribution to the PRGT. It increases the Trust’s available loan resources to cover the medium-term demand for concessional lending under all PRGT facilities. Additional bilateral loan contributions, including from new lenders, are still needed to ensure the Trust remains in a position to meet LICs’ needs for concessional financing from the Fund.
Borrowing Agreement
Between the National Bank of Belgium
and
the International Monetary Fund
as
Trustee of the Poverty Reduction and Growth Trust

The National Bank of Belgium (the “Bank”) agrees to lend to the International Monetary Fund (the “Fund”) as Trustee (the “Trustee”) of the Poverty Reduction and Growth Trust (the “Trust”), for the purposes of providing loan resources to the Extended Credit Facility Loan Account of the Trust. Such loan resources shall be provided in accordance with the terms of the Instrument establishing the Trust (the “PRGT Instrument”) adopted by the Executive Board of the Fund by Decision No. 8759-(87/176) ESAF on December 18, 1987, as amended, and on the terms and conditions set out below. This agreement is based on Section III, paragraph 2 of the PRGT Instrument, which authorizes the Managing Director to enter into borrowing agreements with creditors to the Loan Accounts of the Trust.

1. The amount of the loan shall be the equivalent of up to SDR 350 million.

2. (a) The Trustee may make drawings under this agreement at any time during the period from the effective date of this agreement through December 31, 2018, upon giving the Bank at least five business days (Brussels) notice of its intention to draw, and shall provide payment instructions at least two business days (Brussels) prior to the value date of the transaction by SWIFT.

(b) If any installment of principal or interest is not fully paid to the Bank within a period of ten days after its due date, the Trustee shall not make further drawings under this agreement pending consultations with the Bank on the matter. However, the Trustee may resume drawings under this agreement once arrears to the Bank have been discharged.

3. (a) The amount of each drawing shall be denominated in SDRs. Unless otherwise agreed between the Trustee and the Bank, the amount shall be paid by the Bank on the value date specified in the Trustee’s notice by transfer of the equivalent amount in Euros to an account specified by the Trustee.

(b) Upon request, the Trustee shall issue to the Bank a nonnegotiable certificate evidencing its claim on the Trust resulting from a drawing outstanding under this agreement.
4. (a) Each drawing shall be repaid in accordance with the repayment schedule for loan disbursements under the facility of the Trust for which it was drawn. At the time of each drawing, the Trustee will indicate in the notice requesting the drawing the specific repayment schedule for the amount drawn. Repayments by the Trust shall be made on the relevant maturity dates.

   (b) By agreement between the Bank and the Trustee, any drawing or part thereof may be repaid by the Trustee at any time in advance of maturity.

   (c) If the relevant maturity date is not a business day of the Fund, the repayment date shall be on the preceding business day.

5. (a) Interest on the amount outstanding in respect of each drawing shall be computed at an annual rate determined by the Trustee at the time each drawing is made and at intervals of six calendar months thereafter, from the product of:

   (i) the interest rates on domestic instruments in each currency included in the SDR basket, as reported to the Trustee by each reporting agency, two LIBOR business days prior to the commencement of the interest rate period to which such computation applies—provided that if this date is not a business date of the Fund, such date shall be the first preceding business day of the Fund that is also a LIBOR business day—as follows:

   - the bond equivalent yield for six-month U.S. Treasury bills,
   - the six-month euro interbank offered rate (Euribor),
   - the bond equivalent yield on six-month Japanese treasury bills,
   - the six-month interbank rate in the United Kingdom, and

   (ii) the percentage weight of that currency in the valuation of the SDR on that business day, calculated by using the same amounts and exchange rates for currencies as are employed by the Fund for calculating the value of the SDR in terms of the U.S. dollar on that day. The applicable interest rate shall be the sum of the products so calculated, rounded to two decimal places.

   (b) The amount of interest payable in respect of each drawing shall be calculated on an actual day basis and shall be paid on all outstanding drawings under this agreement promptly after June 30 and December 31 of each year.

6. (a) Payments of principal and interest shall be made in Euros or in other media as may be agreed between the Trustee and the Bank.
(b) Payments in Euros shall be made to an account at the Bank specified by the Bank. Payments in U.S. dollars shall be made by crediting the amount due to the account of the Bank at the Federal Reserve Bank of New York in New York City. Payments in SDRs shall be made by crediting Belgium’s holdings account in the Special Drawing Rights Department. Payments in other currencies shall be made to an account specified by the Bank.

7. (a) The Bank shall have the right to transfer at any time all or part of any claim to any member of the Fund, to the central bank or other fiscal agency designated by any member for purposes of Article V, Section 1, of the Fund’s Articles of Agreement, or to any official entity that has been prescribed as a holder of SDRs pursuant to Article XVII, Section 3 of the Fund’s Articles of Agreement.

(b) The transferee shall acquire all the rights of the Bank under this agreement with respect to repayment of and interest on the transferred claim.

8. At the request of the Bank, calls on its commitment to meet drawings may be suspended temporarily at any time prior to June 30, 2018, subject to the provisions of Section III, paragraph 4(c) and (d) of the PRGT Instrument.

9. Unless otherwise agreed between the Trustee and the Bank, all transfers, exchanges, and payments of principal and interest in currencies shall be made at the exchange rates for the relevant currencies in terms of the SDR established by the Fund pursuant to Article XIX, Section 7(a) of the Fund’s Articles of Agreement and the rules and regulations of the Fund thereunder for the second business day of the Fund before the value date of the transfer, exchange or payment. If this exchange rate determination date is not a business day in Brussels, then such date shall be the last preceding business day of the Fund that is also a business day in Brussels.

10. If the Fund changes the method of valuing the SDR, all transfers, exchanges, and payments of principal and interest made two or more business days of the Fund after the effective date of the change shall be made on the basis of the new method of valuation. If there is a change in the currency composition of the SDR, the interest rate calculations and instruments under paragraph 5(a)(i) shall be modified by operation of this clause to (i) incorporate, for any new currency included in the SDR basket, the interest rate on a widely used six-month domestic instrument for such currency as determined by the Trustee after consultation with the Bank and (ii) delete, for any currency removed from the SDR basket, the reference to the relevant domestic instrument. This modification shall be effective as of the date the changes in the currency composition of the SDR become effective.
11. Any question arising hereunder shall be settled by mutual agreement between the Bank and the Trustee.

12. (a) This agreement may be executed in duplicate counterparts, each of which shall be deemed an original and both of which together shall constitute but one and the same instrument.

(b) This agreement shall become effective on the last date written below.

IN WITNESS WHEREOF, the National Bank of Belgium and the Trustee have executed this Agreement.

For the NATIONAL BANK OF BELGIUM:

[Signature]
Luc Coene
Governor
National Bank of Belgium

[Date]

For the INTERNATIONAL MONETARY FUND as Trustee:

[Signature]
Christine Lagarde
Managing Director

[Date]