



IMF POLICY PAPER

THE RESILIENCE AND SUSTAINABILITY TRUST— TARGETED MODIFICATION REGARDING THE FLEXIBLE CREDIT LINE ARRANGEMENT AS CONCURRENT UPPER CREDIT TRANCHE-QUALITY INSTRUMENT

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THE RESILIENCE AND SUSTAINABILITY TRUST—TARGETED MODIFICATION REGARDING THE FLEXIBLE CREDIT LINE ARRANGEMENT AS CONCURRENT UPPER CREDIT TRANCHE-QUALITY INSTRUMENT

EXECUTIVE SUMMARY

This paper proposes a narrow and targeted change to the Resilience and Sustainability Trust Instrument relevant for cases where an arrangement under the Resilience and Sustainability Facility (RSF) is allowed to continue when the member switches from a Flexible Credit Line (FCL) arrangement to any qualifying UCT-quality instrument.

In those cases, sufficient safeguards to anchor the RSF arrangement would be that, within the previous 12 months, the Executive Board approved the FCL arrangement or completed the mid-term review of the member's qualification under the FCL arrangement.

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BACKGROUND AND PROPOSAL

1. This paper proposes a narrow and targeted change to the RST relevant for cases where the concurrent Upper Credit Tranche (UCT)-quality instrument accompanying an RSF arrangement is a Flexible Credit Line (FCL) arrangement.

2. Requests for arrangements under the Resilience and Sustainability Facility (RSF) require a qualifying concurrent UCT-quality instrument that is on-track and has at least 18 months remaining.¹ This is one of the three qualification criteria for receiving financing under the RST.² As originally designed in 2022, an RSF arrangement would terminate when the accompanying concurrent UCT-quality instrument is cancelled, terminates, or expires.³

3. In May 2024, the Executive Board approved reforms that allow an RSF arrangement to continue when the member switches from one qualifying UCT-quality instrument to another, provided that certain criteria are met.⁴ These criteria are: (a) the approval of a new qualifying UCT-quality instrument effective immediately upon the termination or cancellation of the existing concurrent UCT-quality instrument; (b) the remaining period of the RSF arrangement does not exceed the duration of the new UCT-quality instrument and the minimum duration of the RSF arrangement across the two UCT-quality instruments is observed; (c) the most recent review under the current UCT-quality instrument was completed no more than 10 months prior to the date of the approval of the new UCT-quality instrument; (d) the member's performance under the program supported by the existing UCT-quality instrument was satisfactory; (e) the criteria for approving an RSF arrangement remain satisfied; and (f) the remaining RSF-supported reform measures remain generally appropriate, or have been modified as necessary, and conditions remain in place for their successful completion.

4. In implementing the above-mentioned new criteria, staff observed that criteria (c) and (d) are not suited for an RSF arrangement that is accompanied by a concurrent FCL arrangement:

- *Criterion (c):* Under the FCL policy, the mid-term review under two-year FCL arrangements, "is scheduled with the objective of completion by the Executive Board *immediately prior to the lapse of the one-year period*" from the date of approval of the FCL arrangement. No other reviews are contemplated. This is because FCL arrangements rely on stringent ex ante conditionality (i.e., very strong policy frameworks and economic fundamentals and a sustained track record of

¹ A Stand-by Arrangement (SBA), or an arrangement under the Extended Fund Facility (EFF), Precautionary and Liquidity Line (PLL), Flexible Credit Line (FCL), Stand-by Credit Facility (SCF), Extended Credit Facility (ECF), or a Policy Coordination Instrument (PCI).

² The other qualification criteria are: (i) a package of high-quality reforms to address the qualifying structural challenge (climate change or pandemic preparedness); and (ii) debt sustainability and capacity to repay.

³ [Proposal to Establish a Resilience and Sustainability Trust](#) (IMF, 2022).

⁴ [Interim Review of the Resilience and Sustainability Trust and Review of Adequacy of Resources](#) (IMF, 2024).

implementing very strong policies) necessary to qualify for an FCL arrangement, which is reassessed only once, at the time of the mid-term review under a 2-year FCL arrangement (and permits purchases for the remainder of the arrangement following the completion of the review). Therefore, the requirement that the most recent review should have been completed *"within the past 10 months"* is not suited to the annual periodicity of reviews of a member's qualification under FCL arrangements.

- *Criterion (d)*: Similarly, the stringent ex ante qualification criteria for accessing the FCL make the requirement for an assessment of satisfactory "program" performance by the Board not suited for an FCL arrangement.

The application of these criteria would imply that the member would not be able to continue its RSF arrangement when switching from the FCL arrangement to another UCT-quality instrument either during the first 12 months of an FCL arrangement prior to the completion of the mid-term review or during the last two months of a 2-year FCL arrangement (where the mid-term review has been completed but earlier than the previous 10 months).

5. Approval of the FCL within the prior 12 months, or completion of the mid-term review, would be the most appropriate safeguard to anchor the RSF arrangement. When the FCL is the existing UCT-quality instrument accompanying the RSF arrangement, the appropriate indication that there are sufficient safeguards to anchor the RSF arrangement would be that the Executive Board has approved the FCL arrangement within the prior 12 months, which qualifies the member for purchases under the FCL arrangement. And, in the second year, that the Executive Board has completed the mid-term review of the member's continued adherence to the FCL qualification criteria.

6. Accordingly, staff proposes the adoption of the proposed decision with a targeted modification to the RST instrument. In staff's view, the stringent ex ante qualification criteria for the FCL ensure that this should not introduce any additional risks for the use of RST resources and that adequate policy safeguards would remain in place. All other criteria for the continuation of the RSF arrangement under the successor UCT-quality instrument remain valid and must be met. For Executive Directors' convenience, Annex I contains a redlined text to show the changes to paragraph Section II, Paragraph 1(b)(4)(ii), of the RST instrument.

Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

Section II, Paragraph 1(b)(4)(ii) of the Instrument to Establish the Resilience and Sustainability Trust (the RST) annexed to Decision No. 17231-(22/37), adopted April 13, 2022, as amended, shall be further amended to read as follows:

“An RSF arrangement may continue, and its term may be extended, at the member’s request, notwithstanding the termination or the member’s cancellation of the concurrent qualifying UCT-quality instrument(s), if the following criteria are met: (a) the Executive Board approves the member’s request for new qualifying UCT-quality instrument(s) (the “New Concurrent Qualifying UCT-quality Instrument”) to become effective immediately upon the termination or cancellation of the existing concurrent qualifying UCT-quality instrument(s); (b) the remaining period of the RSF arrangement, including taking into account any extensions, will not exceed the duration of the New Concurrent Qualifying UCT-quality Instrument and the duration of the RSF arrangement, from the date of its approval, will remain subject to the minimum duration for RSF arrangements specified in Paragraph 1(b)(4)(i) of this Section; (c) the criteria for approving an RSF arrangement as set out in this instrument, including in particular Paragraph 1(b)(6) below, remain satisfied at the time of approving the New Concurrent Qualifying UCT-quality Instrument; (d) the Reform Measures (as defined in paragraph 1(b)(5) below) under the RSF arrangement remain generally appropriate, or are being modified as necessary, and conditions remain in place for their successful completion. In addition, continuation of the RSF arrangement under this subparagraph (ii) will require: (I) for all qualifying UCT-quality instruments other than FCL arrangements, that the most recent review under

the existing concurrent qualifying UCT-quality instrument was completed no more than 10 months prior to the date of the Executive Board approval of the New Concurrent Qualifying UCT-quality Instrument, and that prior to the change in circumstances that led to the member requesting a New Concurrent Qualifying UCT-quality Instrument(s), the member's performance under the program supported by the existing qualifying UCT-quality instrument was satisfactory; (II) for FCL arrangements, that the Executive Board has, within the previous 12 months, either approved the FCL arrangement, or in the second year of the FCL arrangement, completed the review specified in paragraph 5 of Decision No 14283-(09/29) on Flexible Credit Line arrangements. Subject to observance of all requirements and terms under this Instrument, an RSF arrangement may be extended in accordance with this provision."

Annex I. Instrument to Establish the Resilience and Sustainability Trust (redlined)

To help fulfill its purposes, the International Monetary Fund (the “Fund”), pursuant to Article V, Section 2(b) of the Fund’s Articles of Agreement, has adopted this Instrument to Establish the Resilience and Sustainability Trust (the “RST” or the “Trust”), which shall be administered by the Fund as Trustee (the “Trustee”). The Trust shall be governed by, and administered in accordance with, the following provisions:

Section I. General Provisions

Paragraph 1. *Purposes*

(a) The Trust shall assist in fulfilling the purposes of the Fund by providing loans (“Trust loans”) under the Resilience and Sustainability Facility (“RSF”) to eligible members that qualify for assistance under this Instrument in order to enhance their economic resilience and sustainability—by (i) supporting policy reforms that reduce risks associated with longer-term structural challenges facing the member, and (ii) augmenting policy space and financial buffers to mitigate the risks arising from such longer-term structural challenges—thereby contributing to the member’s prospective balance of payments stability.

(b) Trust loans may be provided to support eligible members to address longer-term structural challenges (hereinafter “Qualifying Longer-term Structural Challenges”) relating to (i) climate change, and (ii) pandemic preparedness. The Trustee may expand the list of Qualifying Longer-term Structural Challenges with the concurrence of contributors representing 70 percent of total commitments under the Loan Account.

Paragraph 2. *Trust Account and Resources*

The operations and transactions of the Trust shall be conducted through a Loan Account, a Deposit Account and a Reserve Account. The resources of the Trust shall be held in these accounts, each of which is maintained for the purposes specified below.

Paragraph 3. *Unit of Account and Denomination*

The SDR shall be the unit of account for the Trust. Accordingly, Trust loans, commitments to and claims resulting from contributions to the Trust shall be denominated in SDR.

Paragraph 4. *Media of Payment of Contributions*

(a) Contributions to the Loan Account, the Deposit Account and the Reserve Account of the Trust shall be provided in SDRs, in accordance with arrangements made by the Trustee for the holding and use of SDRs, or in freely usable currencies.

(b) Payments by the Trust to contributors shall be made in SDRs or such other media as may be agreed between the Trustee and such contributors.

Section II. Trust Loans

Paragraph 1. *Eligibility and Conditions for Financing*

(a) Members of the Fund listed in the Annex to Decision No. [RST Decision 2] shall be eligible for financing from the Trust ("RST-eligible members").

(b) Financing under RSF Arrangements

(1) An RST-eligible member may request financing under the RSF up to the maximum overall access specified in Paragraph 2(a) of this Section.

(2) Financing under the RSF shall be committed and made available to an RST-eligible member that meets the qualification criteria set out in this Instrument under an arrangement (an "RSF Arrangement") approved by the Trustee to support structural reforms presented by the member that aim to reduce and/or mitigate risks associated with Qualifying Longer-term Structural Challenges.

(3) An RSF Arrangement shall normally be approved concurrently with either the approval of, or the completion of a review under a Stand-by Arrangement, an Extended Arrangement under the Extended Fund Facility, an arrangement under the Precautionary and Liquidity Line or Flexible Credit Line ("FCL"), a program supported by the Policy Coordination Instrument or an arrangement under the Standby Credit Facility or the Extended Credit Facility (each a "qualifying UCT-quality instrument"). Where an RSF arrangement is accompanied by more than one qualifying UCT-quality instrument, each such instrument constitutes the qualifying UCT-quality instrument.

(4) (i) The duration of an RSF Arrangement would generally be expected to coincide with the duration of a new qualifying UCT-quality instrument, when approval of the two is requested at the same time, or with the remaining duration of an existing qualifying UCT-quality instrument when approval of the RSF arrangement is requested at the time of a review under such instrument, provided that the duration of an RSF arrangement shall be no less than 18 months or, for RSF arrangements approved during the period of 6 months from the date of the notification in paragraph 2 of Decision No. 17231-(22/37), such duration shall be no less than 12 months. RSF arrangements shall not extend beyond the duration of the concurrent qualifying UCT-quality instrument. Except as is specified in (ii) and (iii) below of this subparagraph 1(b)(4), should the concurrent qualifying UCT-quality instrument terminate, expire, or be cancelled, the RSF Arrangement will automatically terminate at the same time.

(ii) An RSF arrangement may continue, and its term may be extended, at the member's request, notwithstanding the termination or the member's cancellation of the concurrent qualifying UCT-quality instrument(s), if the following criteria are met: (a) the Executive Board approves the member's request for new qualifying UCT-quality instrument(s) (the "New Concurrent Qualifying

UCT-quality Instrument”) to become effective immediately upon the termination or cancellation of the existing concurrent qualifying UCT-quality instrument(s); (b) the remaining period of the RSF arrangement, including taking into account any extensions, will not exceed the duration of the New Concurrent Qualifying UCT-quality Instrument and the duration of the RSF arrangement, from the date of its approval, will remain subject to the minimum duration for RSF arrangements specified in Paragraph 1(b)(4)(i) of this Section; (c) ~~the most recent review under the existing concurrent qualifying UCT-quality instrument was completed no more than 10 months prior to the date of the Executive Board approval of the New Concurrent Qualifying UCT-quality Instrument; (d) prior to the change in circumstances that led to the member requesting a New Concurrent Qualifying UCT-quality Instrument(s), the member’s performance under the program supported by the existing qualifying UCT-quality instrument was satisfactory; (e) the criteria for approving an RSF arrangement as set out in this instrument, including in particular Paragraph 1(b)(6) below, remain satisfied at the time of approving the New Concurrent Qualifying UCT-quality Instrument; and (d) the Reform Measures (as defined in Paragraph 1(b)(5) below) under the RSF arrangement remain generally appropriate, or are being modified as necessary, and conditions remain in place for their successful completion. In addition, continuation of the RSF arrangement under this subparagraph (ii) will require: (I) for all qualifying UCT-quality instruments other than FCL arrangements, that the most recent review under the existing concurrent qualifying UCT-quality instrument was completed no more than 10 months prior to the date of the Executive Board approval of the New Concurrent Qualifying UCT-quality Instrument, and that prior to the change in circumstances that led to the member requesting a New Concurrent Qualifying UCT-quality Instrument(s), the member’s performance under the program supported by the existing qualifying UCT-quality instrument was satisfactory; (II) for FCL arrangements, that the Executive Board has, within the previous 12 months, either approved the FCL arrangement, or in the second year of the FCL arrangement, completed the review specified in paragraph 5 of Decision No 14283-(09/29) on Flexible Credit Line arrangements.~~ Subject to observance of all requirements and terms under this Instrument, an RSF arrangement may be extended in accordance with this provision.

(iii) An RSF arrangement accompanied by more than one concurrent qualifying UCT-quality instrument may continue, at the member’s request, notwithstanding the expiration, termination or member’s cancellation of one or more of the concurrent qualifying UCT-quality instruments provided the RSF arrangement is accompanied by at least one concurrent qualifying UCT-quality instrument that meets the requirements under this Instrument for the remainder of its duration.

(iv) For the purposes of misreporting, all concurrent qualifying UCT-quality Instruments shall be considered to be the accompanying UCT-quality instrument under Appendix I.

(v) An RSF arrangement may be extended at the time of an extension of the concurrent qualifying UCT-quality instrument if: (i) additional time is required to complete the identified Reform Measures; or (ii) additional Reform Measures are identified for completion during the remainder of the RSF Arrangement period.

(5) The member requesting an RSF Arrangement shall present a detailed statement of the structural reforms it intends to implement during the period of the RSF Arrangement (“Reform Measures”). Such Reform Measures should be measures expected to help the member make significant progress toward strengthening its prospective balance of payments stability by reducing macro-critical risks associated with Qualifying Longer-term Structural Challenges.

(6) At the time of approval of an RSF Arrangement, and at each review under the arrangement, the Trustee shall be satisfied that: (i) the Reform Measures meet the standards specified in paragraph 5 above; (ii) the member’s debt is sustainable in the medium-term under the applicable debt sustainability framework; and (iii) the member’s capacity to repay the Trust is assessed to be adequate.

(7) An RSF Arrangement will specify the total amount of resources committed to the member, the earliest availability date for each disbursement and expected timing of reviews during the period of the RSF Arrangement. No disbursement shall be made available upon the approval of an RSF Arrangement.

(8) Each Reform Measure will be linked to one disbursement and the implementation of Reform Measures shall be monitored through reviews. The phasing under the RSF arrangement will limit the total amount of disbursements made available at a single review to not more than 50 percent of the member’s quota, provided that in the event of delays in the implementation of Reform Measures or in the completion of reviews under the accompanying qualifying UCT-quality instrument, the related RSF disbursements may become subject to a later review, and total disbursements approved at the time of such a review may exceed 50 percent of the member’s quota.

(9) (i) Reviews under an RSF Arrangement shall take place concurrently with the completion of reviews under the accompanying qualifying UCT-quality instrument(s) and, for an RSF Arrangement that continues or is extended pursuant to Paragraph 1(b)(4)(ii) above, a review can take place concurrently with the approval of a New Concurrent Qualifying UCT-quality Instrument.

(ii) At a review under an RSF Arrangement, the Executive Board of the Trustee will assess implementation of Reform Measures for which the member requests a disbursement and for which the relevant availability date has passed, as well as a Reform Measure linked to a disbursement that is brought forward in accordance with Paragraph 1(b)(9)(iii) below, and reach new understandings, if necessary, for the remainder of the RSF Arrangement, including on new Reform Measures or the rephasing of disbursements where Reform Measures are delayed or modified.

(iii) At a review under an RSF Arrangement, a member may request the Trustee’s approval to bring forward the availability date of a single disbursement to the date of completion of such review when (a) the Reform Measure linked to that disbursement has been completed early (which includes implementation of the Reform Measures with a minor deviation relative to its design as specified in Paragraph 10) ; (b) the limit of 50 percent of quota on RSF disbursements at a review, specified in Paragraph 1(b)(8) above, would not be exceeded; (c) more than one Reform Measure under the RSF arrangement remain to be implemented; (d) the Trustee is satisfied that the quality of the RSF-

supported reform package has not diminished; and (e) that the phasing of disbursements, including in view of any concurrent requests for rephasing for reasons other than an early reform measure completion, would remain appropriate.

(10) Each disbursement under an RSF Arrangement for a member shall take place upon the request of the member and requires: (i) the completion of a review under the RSF arrangement, following the relevant availability date and, in the case of a disbursement with a future availability date, it shall require the completion of a review and a decision by the Executive Board to bring forward the availability date to permit an earlier disbursement pursuant to Paragraph 1(b)(9)(iii) above. The completion of the review will require an assessment by the Trustee that the specified Reform Measure linked to that disbursement was implemented or a finding that any deviation in implementation of the Reform Measure relative to its design and underlying objective was minor; and (ii) the completion of the corresponding review under the accompanying qualifying UCT-quality instrument.

(11) Where an RSF Arrangement is approved concurrently with an FCL arrangement, the RSF Arrangement shall establish the schedule of stand-alone reviews and the associated RSF disbursements made available following the completion of such reviews.

(12) A member may cancel an RSF Arrangement at any time by notifying the Trustee of such cancellation. The cancellation shall have no effect on the accompanying qualifying UCT-quality instrument. An RSF Arrangement will terminate automatically once all access under such arrangement has been disbursed.

(13) The Guidelines on Conditionality (Decision No. 12864-(02/102), adopted September 25, 2002) shall not apply to conditionality under RSF arrangements except for certain general principles to the extent relevant for Reform Measures: specifically, national ownership, tailoring of Reforms Measures to member's circumstances, clarity in the specification of Reform Measures and effective coordination with other multilateral institutions.

Paragraph 2. *Amount of Financing*

(a) The overall access to the resources of the Trust for each RST-eligible member shall be capped at the lower of (i) 150 percent of quota and (ii) SDR 1 billion.

(b) The Trustee may establish access norms to guide the determination of access to Trust resources by RST-eligible members. Access to Trust resources under an RSF Arrangement below or above such norms for an individual member may be approved in light of (i) any direct short to medium term balance of payments needs associated with the implementation of Reform Measures; (ii) the strength and ambition of Reform Measures and (iii) the member's capacity to repay the Trust, taking into account the member's debt sustainability, debt carrying capacity and the composition of the member's debt, including obligations owed to the Fund in the General Resource Account (hereinafter "GRA") and the Poverty Reduction and Growth Trust (hereinafter "PRGT").

(c) Subject to the maximum overall access specified in Paragraph 2(a) of this Section and if requested by a member, access under an RSF arrangement may be increased at the time of a review under the RSF Arrangement by either providing for additional disbursements linked to additional Reform Measures or by increasing the amount of already phased disbursements in view of commitments to strengthen existing Reform Measures. If requested by a member, access under an RSF Arrangement may also be reduced at the time of any review.

(d) Any commitment of Trust resources shall be subject to the availability of such resources.

(e) The Managing Director of the Trustee (the “Managing Director”) shall not recommend for approval, and the Trustee shall not approve, a request for an RSF Arrangement or a request for continuation of an RSF arrangement pursuant to Paragraph 1(b)(4)(ii) or (iii) above whenever the member has an overdue financial obligation to the Fund in the GRA, the Special Disbursement Account, the SDR Department, or the Fund as Trustee of this Trust or of the PRGT, or while the member is failing to meet a repurchase expectation to the Fund pursuant to Decision No. 7842-(84/165) on the Guidelines on Corrective Action, or is failing to meet a repayment expectation pursuant to Section II, paragraph 3(c) of the PRGT or Appendix 1 of such Trust, or a repayment expectation pursuant to the provisions of Appendix I to this Instrument.

(f) If a member has overdue financial obligations arising from a Trust loan, and overdue financial obligations in the GRA or to the Fund as Trustee of the PRGT, or is at risk of incurring such arrears, the member is encouraged to prioritize meeting obligations to the GRA and/or the PRGT over obligations under Trust loans.

Paragraph 3. *Disbursements*

(a) Any commitment shall be subject to the availability of resources of the Trust.

(b) Disbursements under an RSF Arrangement must take place during the period of the arrangement. If a disbursement does not become available as scheduled due to delays in implementation of Reform Measures, or delays in the completion of reviews under the accompanying qualifying UCT-quality instrument, the Trustee may rephase disbursements over the remaining period of the RSF Arrangement.

(c) Following the completion of a review under an RSF Arrangement, and subject to (b) above, the disbursement shall be requested no later than 30 calendar days of the completion of the review and shall be made on the earliest value date for which the necessary notifications and payment instructions can be issued by the Trustee. If a disbursement is not completed within 30 calendar days, the member may again request the disbursement within 30 days from the completion of the next review.

(d) In cases of misreporting and noncomplying disbursements of Trust loans, the provisions of Appendix I of this Instrument shall apply.

(e) Disbursements under an RSF Arrangement to a qualifying member shall be suspended in all the cases specified in Paragraph 20 of this Section.

Paragraph 4. *Terms of Trust Loans*

(a) Trust loans shall be disbursed in SDRs, or in a freely usable currency as determined by the Trustee.

(b) Trust loans shall be repaid in twenty equal semi-annual installments beginning ten and a half years from the date of each disbursement.

(c) Interest on the outstanding balance of Trust loans, including any overdue repayments of Trust loans, and interest on any overdue interest payments to the Trust shall be charged at a rate equal to the sum of (i) the rate of interest on the SDR, and (ii) the applicable margin pursuant to subparagraphs (e) and (f) below, provided that the interest rate may be capped as set forth in (f) below and the interest rate charge on all overdue obligations will be subject to a minimum of the SDR interest rate. Interest shall accrue daily and shall be paid in SDR promptly after April 30, July 31, October 31, and January 31 of each year.

(d) The Trustee may levy a service charge, set as a percentage of the amount of the disbursement, to be paid by a member at the time of a disbursement.

(e) For purposes of the margin and service charge, the Trustee shall classify RST-eligible members into groups based on the member's status: (i) Group A for RST-eligible members that are also PRGT-eligible (or that have per capita gross national income at or below the income threshold for entry onto the PRGT-eligibility list) and who are not presumed to blend PRGT and GRA resources pursuant to the Decision No. 17028-(21/71)–("Blending Framework"); (ii) Group B for RST-eligible members who are presumed to blend PRGT and GRA resources under the Blending Framework or who have a population below 1.5 million and per capita income below ten times the International Development Association operational cut-off as determined pursuant to paragraph 2(c) of Decision No. 12232-(22/37); and (iii) Group C for all other RST-eligible members. The initial classification of members is set out in Appendix III.

(f) The applicable margin shall be 55 basis points for members in Group A, 75 basis points for members in Group B, and 95 basis points for members in Group C, provided that (i) the interest rate charged on the daily outstanding balance of Trust loans for members in Group A shall not exceed 2.25 percent per annum, and (ii) the interest rate on any overdue repayments of Trust loans and any overdue interest payments for members in Group A shall not exceed 2.25 percent per annum or the rate of interest on the SDR, whichever is higher.

(g) The service charge levied on disbursements of Trust loans shall be zero for members in Group A, 25 basis points for members in Group B, and 50 basis points for members in Group C.

(h) In the event of a subsequent change in the group classification pursuant to subparagraph (e) above of a member with an arrangement in effect at the time of such change, for the purpose of

applying the service charge and margin to any loan disbursements under that arrangement, including under commitments not yet disbursed or under a later augmentation, the member will be treated as remaining in the group it was in at the time of the approval of that arrangement.

(i) The margin and service charge shall be reviewed pursuant to Section XI, either at the periodic reviews of the RST or earlier if warranted by circumstances. In setting the margin and service charge, the Trustee shall take into account the borrowing costs for RST-eligible members, the projected net reserve coverage for Trust loans over the lifecycle of the Trust, and the costs of administering the Trust.

(j) The Trustee may not reschedule the repayment of Trust loans.

Paragraph 5. *Modifications*

Any modification of the provisions applicable to Trust loans will affect only Trust loan disbursements made after the effective date of the modification, provided that subject to Paragraph 4(c) of this Section, any modification of the interest rates (including the margins) shall apply to interest accruing after the effective date of the modification.

Section III. Contributions to the Trust

Paragraph 1. *Authority to Receive Contributions to the Trust*

(a) The Trustee may receive contributions of resources for the Loan Account, the Reserve Account, and the Deposit Account on such terms and conditions as may be agreed between the Trustee and the respective contributor, subject to the provisions of this Instrument.

(b) The Trustee may only accept a contribution to the Loan Account where the contributor also makes corresponding contributions to the Reserve Account and to the Deposit Account, equal to at least two percent and twenty percent, respectively, of its Loan Account contribution amount.

(c) The Trustee may receive stand-alone contributions to the Reserve Account and/or the Deposit Account.

Paragraph 2. *Authority of the Managing Director*

For the purpose of receiving contributions to the Loan Account, the Reserve Account, and the Deposit Account pursuant to paragraph 1 of this Section, the Managing Director of the Trustee is authorized to enter into agreements with contributors and to make the necessary arrangements in accordance with the provisions of this Instrument.

Section IV. The Loan Account

Paragraph 1. *Resources*

(a) For purposes of this Instrument, the term “borrowing agreement” shall comprise loan and note purchase agreements, and the term “Trust borrowing” shall comprise loans made to the Trust and notes issued by the Trust.

(b) The resources held in the Loan Account shall consist of: (i) the proceeds of Trust borrowing; and (ii) repayments of principal and payments of interest on Trust loans funded with drawings under borrowing agreements to the Loan Account, subject to Section V, paragraph 1(f) and Section VI, paragraph 1(c) of this Instrument. Loan Account resources may be held temporarily in the short-term instruments pending the transfer and use of these resources in operations.

Paragraph 2. Drawdown Period under Borrowing Agreements

The period during which the Trustee may draw under borrowing agreements (the “drawdown period”) for the purpose of extending Trust loans shall extend through November 30, 2030, provided that, on an exceptional basis, the Managing Director, on behalf of the Trustee, may agree on a shorter drawdown period than November 30, 2030. Drawings pursuant to Paragraph 3(b) of this Section may be made for as long as claims under Trust loans remain outstanding.

Paragraph 3. Drawings under Borrowing Agreements

(a) The Trustee may draw under borrowing agreements to fund Trust loans.

(b) The Trustee may draw on borrowing agreements to fund the early repayment of outstanding Trust borrowing under another borrowing agreement with the Loan Account (“encashment”), where a contributor making the early repayment request represents that its balance of payments and reserve position (or the balance of payments and reserve position of a relevant member of the Fund if the contributor is the central bank or other official institution of such member) justify the early repayment, and the Trustee, having given this representation the overwhelming benefit of any doubt, agrees. As from the effective date of such early repayment, a contributor whose borrowing agreement has been drawn to fund an encashment call shall have the same rights to repayment as the contributor requesting the encashment had with respect to the encashed claim, including all rights to repayments of principal and payments of interest pursuant to Paragraph 5 of this Section IV.

(c) Drawings under subparagraphs (a) and (b) of this paragraph shall be made with the objective of maintaining over time broad proportionality of drawings relative to commitments under borrowing agreements of contributors.

Paragraph 4. Temporary Suspension of Drawings under Borrowing Agreements

(a) A contributor’s request for early repayment pursuant to paragraph 3(b) of this Section shall suspend calls under its borrowing agreement.

(b) Calls under a contributor's borrowing agreement shall also be automatically suspended when the currency of the relevant member is no longer included for transfers in the Fund's Financial Transactions Plan.

(c) Following any suspension of calls under subparagraph (a) or (b) above, drawings shall be resumed as soon as the balance of payments and reserve position of the relevant member have improved as evidenced by the inclusion of its currency for transfers in the Fund's Financial Transactions Plan.

Paragraph 5. Payments of Principal and Interest

(a) The Trust shall make payments of principal and interest on its borrowing for the Loan Account from the payments into the Loan Account of principal and interest made by borrowers under Trust loans.

(b) The Trustee shall pay interest on outstanding Trust borrowing at the interest rate set forth in the relevant borrowing agreement, provided that the rate of interest may not exceed the SDR interest rate. The Trust shall pay interest on a quarterly basis, normally promptly after April 30, July 31, October 31, and January 31 of each year to the account of the relevant member in the SDR Department or as otherwise agreed between the Trustee and the contributor.

(c) Each drawing under a borrowing agreement shall be repaid in accordance with the repayment schedule for Trust loans as set out in Section II, paragraph 4(b). The Trustee may repay part or all of the outstanding drawing under any borrowing agreement at any time prior to the maturity of such borrowing in the event of early repayment to the corresponding Trust loan.

Paragraph 6. Transfers from the Loan Account to the Reserve Account and Deposit Account

Margin income from Trust loans that accumulates in the Loan Account shall be transferred on a quarterly basis promptly after April 30, July 31, October 31, and January 31 of each year to fully replenish any use of Deposit Account principal contributions pursuant to Section VI, Paragraph 1(c) and then to the Reserve Account.

Section V. Reserve Account

Paragraph 1. *Resources*

The resources held in the Reserve Account shall consist of:

- (a) proceeds of contributions to the Reserve Account pursuant to Section III, Paragraph 1 of this Instrument;
- (b) payment of service charges pursuant to Section II, Paragraph 4(d);
- (c) transfers of margin income from the Loan Account pursuant to Section IV, Paragraph 6;
- (d) net earnings from investment of resources held in the Reserve Account pursuant to Paragraph 3 of this Section;
- (e) transfers of net earnings from temporary holding of Loan Account resources pending the use of these resources in operations pursuant to Section IV, Paragraph 1(b);
- (f) payments of overdue principal or interest or interest thereon under Trust loan and repayments of the principal under Trust loans to the extent that resources in the Reserve Account or the Deposit Account have been used to make payments to a contributor due to a difference in timing or amount between scheduled principal repayments to the contributor and principal repayments under Trust loans, provided however that any of these payments and repayments may only be made into the Reserve Account after the Deposit Account's principal contributions are fully replenished pursuant to Section VI, Paragraph 1(c); and
- (g) transfers of net investment income attributable to contributors' contributions to the Deposit Account upon the full repayments of these contributions pursuant to Section VI, Paragraph 5(d).

Paragraph 2. *Remuneration and Share in Reserve Account Resources*

- (a) Contributions to the Reserve Account shall not be remunerated.
- (b) Each Reserve Account contributor shall have a proportional share in the Reserve Account balances. Resources that accrue to the Reserve Account in accordance with Paragraph 1 of this Section, and Reserve Account resources that are used in accordance with Paragraph 3(b) of this Section, shall be attributed to contributors to the Reserve Account in proportion to their shares at the time of the respective accrual or use of these resources. Net investment earnings in the Deposit Account attributed to a contributor's contribution and transferred to the Reserve Account in accordance with Section VI, Paragraph 5(d) shall be included in the share of that contributor in the Reserve Account. Any repayments of overdue obligations that accrue to the Reserve Account pursuant to Paragraph 1(f) of this Section and were funded by a contributor's accumulated net

investment earnings in the Deposit Account pursuant to paragraph 4(b)(2) of Section VI, shall be attributed to the share of that contributor in the Reserve Account.

Paragraph 3. *Investment and Use of Resources*

(a) Pending use in accordance with Paragraph 3(b) of this Section, the resources in the Reserve Account shall be invested in accordance with guidelines adopted by the Trustee, which may be amended from time to time.

(b) The resources held in the Reserve Account shall be used by the Trustee to:

(1) make repayments of principal and payments of interest pursuant to borrowing agreements for the Loan Account, to the extent that the amounts available from receipts of principal repayments and interest payments from borrowers under Trust loans are insufficient to cover the payments to contributors to the Loan Account as they become due and payable;

(2) pay for the costs of administering the Trust; and

(3) make distributions to contributors to the Reserve Account pursuant to Paragraph 4 of this Section.

Paragraph 4. *Distributions*

(a) Contributions to the Reserve Account shall have no fixed maturity, provided that the Managing Director may agree to a fixed maturity for stand-alone contributions to the Reserve Account taking into account the investment strategy of Reserve Account resources.

(b) For any stand-alone contribution to the Reserve Account that matures before the liquidation of the Reserve Account, an amount equal to the lesser of (i) the original contribution amount or (ii) the relative share of that contribution amount in the Reserve Account, shall be distributed to the respective contributor by the maturity date of that contribution. The contributor shall receive any remaining amount attributable to its contribution to the Reserve Account upon the liquidation of the Reserve Account, or as part of an early distribution pursuant to subparagraph (d) below.

(c) Upon liquidation of the Trust, all resources in the Reserve Account, including accumulated income, net of any distribution to stand-alone contributors in paragraph (b) above, and net of liabilities authorized to be discharged by the Reserve Account, shall be distributed to contributors to the Reserve Account in proportion to their shares in the Reserve Account.

(d) Prior to the liquidation of the Trust, and only following the full repayment of all Deposit Account principal contributions in accordance with Section VI, Paragraph 5(b) and (c) of this Instrument, the Trustee may decide to distribute a portion of Reserve Account balances if the Trustee determines that such distribution can be justified in light of the reserve coverage from the remaining Reserve Account balances for the remaining life cycle of the Trust. Any distribution of Reserve Account balances would be made in proportion to the share of each contributor in the Reserve Account.

Section VI. Deposit Account

Paragraph 1. *Resources*

Resources held in the Deposit Account shall consist of:

- (a) proceeds of contributions to the Deposit Account pursuant to Section III, Paragraph 1 of this Instrument;
- (b) net earnings from investment of resources held in the Deposit Account pursuant to Paragraph 4(a) of this Section; and
- (c) payments of overdue principal or interest or interest thereon under Trust loans, repayments of the principal under Trust loans to the extent that resources in the Reserve Account or the Deposit Account have been used to make payments to a contributor due to a difference in timing or amount between scheduled principal repayments to the contributor and principal repayments under Trust loans, and any margin income from Trust loans, to replenish any amounts of Deposit Account principal contributions used to make payments due under borrowing agreements for the Loan Account pursuant to Paragraph 4(b)(2) of this Section.

Paragraph 2. *Remuneration and Share in Deposit Account Resources*

- (a) Contributions to the Deposit Account shall be remunerated at the SDR interest rate, provided that individual contribution agreements can provide for a rate lower than the SDR interest rate.
- (b) The share of a contributor in the Deposit Account shall be based on its principal contributions to this account. Investment earnings and losses shall be attributed to contributors in proportion to their share in the account balances. Any payment of interest and repayment of principal contribution, including early repayment in accordance with Paragraph 5(e) of this Section shall be counted toward, and be limited to, the contributor's contribution to the Deposit Account and its accumulated net investment earnings that remain in this account. Any replenishment of the Deposit Account pursuant to Paragraph 1(c) of this Section shall be attributed to contributors in accordance with their shares in the principal contributions used to make payments due under borrowing agreements for the Loan Account pursuant to Paragraph 4(b)(2) of this Section.

Paragraph 3. *Maturity of Deposit Account Contributions*

The maturity date of contributions to the Deposit Account by contributors that are also contributors to the Loan Account under Section III, Paragraph 1(b) of this Instrument shall be November 30, 2050. The maturity date for stand-alone contributions to the Deposit Account set out in Section III, Paragraph 1(c) shall be as agreed between the Managing Director and the contributor and taking into account the investment strategy for resources in this account.

Paragraph 4. *Investment and Use*

(a) The resources held in the Deposit Account shall be invested in accordance with guidelines adopted by the Trustee which may be amended from time to time.

(b) The Trustee shall use resources in the Deposit Account to:

(1) make payments of interest and repayments of principal to contributors to the Deposit Account; and

(2) make repayments of principal and payment of interest under borrowing agreements for the Loan Account, to the extent that the amounts available from receipts of principal repayments and interest payments from borrowers under Trust loans and resources available under the Reserve Account are insufficient to cover the payments to contributors to the Loan Account as they become due and payable; provided however that all resources attributable to accumulated net investment earnings, if any, in the Deposit Account shall first be used in proportion to each contributors share in these earnings, before resources attributable to contributors' principal contributions to the Deposit Account shall be used for making these payments.

Paragraph 5. *Payments of Interest and Repayments of Principal to Contributors to the Deposit Account*

(a) Interest on the principal amount shall be calculated and accrued daily. The Trust shall pay interest on a quarterly basis promptly after April 30, July 31, October 31, and January 31 of each year to the account of the relevant member in the SDR Department or as otherwise agreed by the Trustee and the contributor.

(b) Contributions to the Deposit Account shall be repaid upon maturity of the respective contributions or the liquidation of the Deposit Account, whichever is earlier.

(c) The Trustee may make early repayments of part or all of Deposit Account principal contributions prior to their maturity or the liquidation of the Deposit Account if the Trustee determines that such distribution can be justified in light of the net reserve coverage based on the resources in the Reserve Account and any remaining resources in the Deposit Account, including accumulated net investment earnings, for the remaining life cycle of the Trust.

(d) Following the full repayment of the contribution of any contributor to the Deposit Account, the accumulated net investment earnings in the Deposit Account attributable to that contributor shall be transferred to the Reserve Account under each contributor's contribution.

(e) A contributor may seek early repayment of all or part of the principal contribution amount if the contributor represents that its balance of payments and reserve position (or the balance of payments and reserve position of the relevant member if the contributor is the central bank or other official institution of such member) justify the early repayment, and the Trustee, having given this representation the overwhelming benefit of any doubt, agrees. The contributor shall reconstitute any repaid amount once its balance of payments and reserve position (or the balance of payments

and reserve position of the relevant member of the Fund if the contributor is the central bank or other official institution of such member) improves as evidenced by the inclusion of the member's currency for transfers in the Fund's Financial Transactions Plan.

Section VII. Transfer of Claims

Paragraph 1. Contributors' Right to Transfer Claims

Any contributor shall have the right to transfer at any time all or part of any claim on the Loan Account or the Deposit Account or its share in the Reserve Account 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 ("other fiscal agency"), 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.

Paragraph 2. Condition on the Transfer

The transferee shall, as a condition of the transfer, notify the Trustee prior to the transfer that it accepts all the obligations of the transferor relating to the transferred claim with respect to renewal of maturities, as applicable, and shall acquire all the rights of the transferor with respect to repayments of principal and payments of interest, as applicable, on the transferred claim or contribution, except that any right to encashment for drawings under borrowing agreements pursuant to Section IV, Paragraph 3 and for Deposit Account claims pursuant to Section VI, Paragraph 5(e) of this Instrument shall be acquired only if the transferee is a member of the Fund or the central bank or other fiscal agency of a member and, at the time of transfer, the balance of payments and reserve position of the relevant member is considered sufficiently strong, as evidenced by the inclusion of its currency for transfers under the Fund's Financial Transactions Plan.

Section VIII. Administration of the Trust

Paragraph 1. Trustee

(a) The Trust shall be administered by the Fund as Trustee. Decisions and other actions taken by the Fund as Trustee shall be identified as taken in that capacity.

(b) Subject to the provisions of this Instrument, the Fund in administering the Trust shall apply the same rules as apply to the operation of the General Resources Account of the Fund.

(c) The Trustee, acting through its Managing Director, is authorized:

(1) to make all arrangements, including the establishment of accounts in the name of the International Monetary Fund, which shall be accounts of the Fund as Trustee, with such depositories as the Trustee deems necessary; and

(2) to take all other administrative measures that the Trustee deems necessary to implement the provisions of this Instrument.

Paragraph 2. Separation of Assets and Accounts, Audits and Reports

(a) The resources of the Trust shall be kept separate from the property and assets of all other accounts of the Fund, including other trusts and administered accounts, and shall be used only for the purposes of the Trust in accordance with this Instrument; provided however that for investment purposes, resources of the Trust may be pooled with resources of other trusts or accounts administered by the Fund for the benefit of others under arrangements that allow for the attribution of pooled investments to each relevant trust or account.

(b) The property and assets held in the other accounts of the Fund shall not be used to discharge liabilities or meet losses arising out of the administration of the Trust. The resources of the Trust shall not be used to discharge liabilities or meet losses arising out of the administration of other accounts of the Fund or other accounts administered by the Fund.

(c) The Trustee shall maintain separate financial records and prepare separate financial statements for the Trust.

(d) The external audit firm selected under Section 20 of the Fund's By-Laws shall audit the financial transactions and records of the Trust. The audit shall relate to the financial year of the Fund.

(e) The Fund shall report on the resources and operations of the Trust in the Annual Report of the Executive Board to the Board of Governors of the Trustee and shall include in that Annual Report the report of the external audit firm on the Trust.

Section IX. Period of Operation and Liquidation

Paragraph 1. Period of Operation

The Trust established by this Instrument shall remain in effect for as long as is necessary, in the judgment of the Fund, to conduct and to wind up the business of the Trust.

Paragraph 2. Liquidation of the Trust

(a) Termination and distribution of the Deposit Account shall be in accordance with Section VI, Paragraph 5.

(b) Resources in the Reserve Account shall be used to discharge any liabilities of the Trust and any remainder shall be distributed to contributors to the Reserve Account in accordance with their shares of contributions.

Section X. Amendment of the Instrument

Paragraph 1. Amendments by the Executive Board

Subject to Paragraph 2 of this Section, the Trustee may amend the provisions of this Instrument.

Paragraph 2. Amendments with Contributor Consent

(a) Section I, Paragraph 1; Section II, Paragraphs 4 (b) and 4(j); Section IV, Paragraphs 2 to 5; Section V, Paragraphs 2 to 4; Section VI, Paragraphs 2 to 5; Section VIII, Paragraph 2(a) and (b); Section IX, Paragraph 2; and this Section X may only be amended with the consent of Loan Account contributors to the Trust. Any amendment to Section V, Paragraphs 2 to 4 or Section VI, Paragraphs 2 to 5 will also require the consent of stand-alone contributors to the Reserve Account; or the consent of stand-alone contributors to the Deposit Account, respectively.

(b) If a Loan Account contributor does not provide the required consent pursuant to paragraph (a) above, further drawings under the borrowing agreement of the contributor will be suspended, except for drawings to fund disbursements for outstanding commitments of Trust loans and to fund any requests pursuant to Section IV, Paragraph 3(b) for early repayment of Trust borrowing outstanding at the time the amendment becomes effective. The contributor may also request the return of a share of its principal contributions to the Deposit Account and Reserve Account based on the ratio of remaining uncommitted resources under its borrowing agreements to total commitments under its borrowing agreements to the Loan Account.

(c) If a stand-alone contributor to the Reserve Account or the Deposit Account does not consent to an amendment that requires its consent, it may request the repayment of its principal contribution, net of any losses or retained investment earnings. The contributor shall receive any remaining amount attributable to its contribution to the Reserve Account or the Deposit Account upon the liquidation of, or as part of an early distribution or repayment of pursuant to subparagraph (d) below.

(d) In seeking contributor consent on a proposed amendment of this Instrument, the Trustee shall first establish a deadline for the explicit consent of contributors, followed by a second deadline after which it can deem that a contributor that does not respond to the request for consent within that deadline has consented to the proposed amendment. A contributor that is deemed to have consented will have 6 months from the effectiveness of the amendment to notify its objection to the amendment and request a suspension of drawings under its borrowing agreement to the Loan Account and the return of its share in the Reserve Account and the Deposit Account, respectively, pursuant to subparagraphs (b) or (c) above.

Section XI. Review

The Trustee shall review the operation of the Trust, including eligibility for Trust loans, adequacy of resources and reserve coverage, and the level of margins, service charges and interest rates. The first such review will take place no later than three years from the date on which the Managing Director notifies the Executive Board that the Trust can begin lending operations.

Appendix I – Misreporting and Noncomplying Disbursements under the Resilience and Sustainability Trust

Appendix II – Procedures for Addressing Overdue Financial Obligations under the Resilience and Sustainability Trust

Appendix III – RST Country Groups for Purposes of Margin And Service Fees

Appendix I. Misreporting and Noncomplying Disbursements Under the Resilience and Sustainability Trust

- a. A noncomplying disbursement under an RSF Arrangement occurs when (i) the Trustee completes a review under the RSF arrangement and makes a disbursement in accordance with this Instrument on the basis of a finding by the Trustee, supported by information provided by the member, that a Reform Measure has been implemented or that the deviation in the implementation of the Reform Measure was minor, and (ii) that finding later proves to be incorrect.
- b. A disbursement under an RSF arrangement will also be noncomplying when, subsequent to the disbursement, the Executive Board finds that a misreporting has occurred at the completion of a concurrent review under an accompanying UCT-quality instrument (which shall include a New Concurrent UCT-quality Instrument, where applicable), and such misreporting is not assessed as de minimis or waived. A “concurrent review” for the purpose of this paragraph is a review under the accompanying UCT-quality instrument completed at the same time as a review under the RSF arrangement. A misreporting at the concurrent review will taint the disbursement made under the RSF arrangement that was conditioned on the completion of the concurrent review where the misreporting occurred. A misreporting under an RSF arrangement solely because of this paragraph b is subject to the same limitation period that applies to the misreporting under the accompanying UCT-quality instrument.
- c. Whenever evidence comes to the attention of the staff of the Trustee indicating that a member may have received a noncomplying disbursement in accordance with paragraph a above, the Managing Director shall promptly inform the member concerned.
- d. If, after consultation with the member, the Managing Director determines that the member did receive a noncomplying disbursement in accordance with paragraph a above, the Managing Director shall promptly notify the member and submit a report to the Executive Board of the Trustee together with recommendations.
- e. If the noncomplying disbursement under paragraph a above was made no more than four years prior to the date on which the Managing Director informed the member, as provided for in paragraph c above, the Executive Board may decide either (i) that the member will be called upon to make an early repayment, or (ii) that no early repayment will be required if the Executive Board is satisfied that the objectives of the Reform Measure have been achieved notwithstanding the deviation because the deviation in policy implementation is minor.
- f. If the decision of the Executive Board is to call upon the member to make an early repayment as provided for in paragraph e(i) above, the member will be expected to repay an amount equivalent to the noncomplying disbursement, together with any interest accrued thereon, normally within a period of 30 days from the date of the Executive Board decision.

- g. If a member fails to meet a repayment expectation under this Appendix within the period established by the Executive Board, (i) the Managing Director shall promptly submit a report to the Executive Board together with a proposal on how to deal with the matter, and (ii) interest shall be charged on the amount subject to the repayment expectation at the rate applicable to overdue amounts under Section II, Paragraph 4 of this Instrument.
- h. If a disbursement made under an RSF arrangement is non-complying solely because of a finding of misreporting under the accompanying UCT-quality instrument, as set forth in paragraph b above, the applicable misreporting procedures shall be those specified under the provisions governing a misreporting under the relevant UCT-quality instrument.

Appendix II. Procedures For Addressing Overdue Financial Obligations Under the Resilience and Sustainability Trust

The following procedures aim at preventing the emergence or accumulation of overdue financial obligations to the Resilience and Sustainability Trust (the “Trust”). These procedures will be implemented whenever a member has failed to make a repayment of principal or payment of interest to the Trust (“financial obligation”).

1. Whenever a member fails to settle a financial obligation on time, staff will immediately send a communication urging the member to make the payment promptly; this communication will be followed up through the office of the Executive Director concerned. At this stage, the member’s access to the Fund’s resources, including the Resilience and Sustainability Trust resources, the Poverty Reduction and Growth Trust and HIPC resources, is suspended.
2. When a financial obligation has been outstanding for two weeks, the Managing Director will send a communication to the Governor for that member stressing the seriousness of the failure to meet obligations to the Trust and urging full and prompt settlement.
3. The Managing Director will notify the Executive Board normally one month after a financial obligation has become overdue and will inform the Executive Board of the nature and level of the arrears and the steps being taken to secure payment.
4. When a member’s longest overdue financial obligation has been outstanding for six weeks, the Managing Director will inform the member concerned that, unless all overdue obligations are settled, a report concerning the arrears to the Trust will be issued to the Executive Board within two weeks. The Managing Director will in each case recommend to the Executive Board whether a written communication should be sent to a selected set of Fund Governors, or to all Fund Governors. If it were considered that it should be sent to a selected set of Fund Governors, an informal meeting of Executive Directors will be held to consider the thrust of the communication. Alternatively, if it were considered that the communication should be sent to all Fund Governors, a formal Board meeting will be held to consider a draft text and preferred timing.
5. A report by the Managing Director to the Executive Board will be issued two months after a financial obligation has become overdue, and will be given substantive consideration by the Executive Board one month later. The report will request that the Executive Board limit the member’s use of Trust resources. A brief factual statement noting the existence and amount of arrears outstanding for more than three months will be posted on the member’s country-specific page on the Fund’s external website. This statement will also indicate that the member’s access to the Fund’s resources, including the Resilience and Sustainability Trust resources, the Poverty Reduction and Growth Trust resources and HIPC resources, has been and will remain suspended for as long as such arrears remain outstanding. A press release will be issued following the Executive Board decision to limit the member’s use of the Fund’s resources. A similar press release will be issued following a

decision to lift such limitation. Periods between subsequent reviews of reports on the member's arrears by the Executive Board will normally not exceed six months. The Managing Director may recommend advancing the Executive Board's consideration of the reports regarding overdue obligations. The Managing Director may also recommend postponing for up to one-year periods the Executive Board's consideration of a report regarding a member's overdue obligations in exceptional circumstances where the Managing Director judges that there is no basis for an earlier evaluation of the member's cooperation with the Fund.

6. The Annual Report and the financial statements will identify those members with overdue obligations to the Trust outstanding for more than six months.

Removal from the List of RST-Eligible Members

7. When a member's longest overdue financial obligation has been outstanding for six months, the Executive Board will review the situation of the member and may remove the member from the list of RST-eligible members. Any reinstatement of the member on the list of RST-eligible members will require a new decision of the Executive Board. The Fund shall issue a press release upon the decision to remove a member from the list of RST-eligible members. A similar press release shall be issued upon reinstatement of the member on the list of RST-eligible members. The information contained in such press releases, where pertinent, shall be included in the Annual Report for the year concerned.

Declaration of Noncooperation with the Trust

8. A declaration of noncooperation with the Trust may be issued by the Executive Board whenever a member's longest overdue financial obligation has been outstanding for twelve months. The decision as to whether to issue such a declaration would be based on an assessment of the member's performance in the settlement of its arrears to the Trust (and to the Fund more generally, if applicable) and of its efforts, in consultation with the Fund, to follow appropriate policies for the settlement of its arrears. Three related tests would be germane to this decision regarding (i) the member's performance in meeting its financial obligations to the Fund, including to the GRA and PRGT where applicable, taking account of exogenous factors that may have affected the member's performance; (ii) whether the member had made payments to creditors other than the Fund while continuing to be in arrears to the Trust; and (iii) the preparedness of the member to adopt comprehensive adjustment policies. The Executive Board may at any time terminate the declaration of noncooperation in view of the member's progress in the implementation of adjustment policies and its cooperation with the Fund in the discharge of its financial obligations. Upon a declaration of noncooperation, the Fund could also decide to suspend the provision of technical assistance. The Managing Director may also limit technical assistance provided to a member, if in the Managing Director's judgment that assistance was not contributing adequately to the resolution of the problems associated with overdue obligations to the Trust. The Fund shall issue a press release upon the declaration of noncooperation and upon the termination of the declaration. The information contained in such press releases shall be included in the Annual Report(s) for the year(s) concerned.