

Web Document 16.C: The 1993 Gold Pledge to Protect the ESAF Trust

Overdue Financial Obligations – Modalities of Gold Pledge for Use of ESAF Trust Resources Under Rights Approach Decision No. 10286-(92/23) ESAF, adopted February 22, 1993

1. As long as loans from the Enhanced Structural Adjustment Facility Trust (hereinafter the “ESAF Trust”) to members for the financing of “rights” as defined in the Managing Director’s Summing Up at EBM/90/97 of June 20, 1990, are outstanding, the Fund shall review the adequacy of the Reserve Account of the ESAF Trust (hereinafter the “Reserve Account”) shortly before June 30 and December 31 of each year.

2. The Fund shall determine whether the amounts held in the Reserve Account, plus other available means of financing that would effectively restore the resources of the Trust, are sufficient to meet all obligations which could give rise to a payment from the Reserve Account to lenders to the Loan Account of the ESAF Trust in the six months following a review under paragraph 1. To the extent that it is determined by the Fund that these resources are insufficient to meet all such obligations (the “potential shortfall”), then the Managing Director is hereby authorized and instructed to sell gold held in the General Resources Account of the Fund in an amount that would generate proceeds available for transfer to the Special Disbursement Account under Article V, Section 12(f), up to the equivalent of the potential shortfall in the Reserve Account provided that

- (i) these proceeds shall not exceed the equivalent of the previous drawings on the Reserve Account attributable to overdue obligations under loans from the ESAF Trust to members for the financing of rights as described above, plus forgone interest earnings on amounts equivalent to these drawings, and less any amounts corresponding to these drawings that have been subsequently paid by such members or for which the Reserve Account has previously been replenished from the proceeds of a gold sale under this decision; and
- (ii) the total amount of gold available for sale under this decision shall not exceed the amount specified in paragraph 4.

3. The proceeds of any sale of gold under this decision in excess of an amount equivalent at the time of the sale to one special drawing right per 0.888 671 gram of fine gold shall be placed in the Special Disbursement Account and shall be transferred immediately thereupon to the Reserve Account.

4. Subject to paragraphs 5, 6 and 7, the Fund shall retain full ownership of holdings of gold of 3 million ounces in the General Resources Account, less any amounts sold

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pursuant to this decision, as long as loans from the ESAF Trust to members for the financing of rights as described above remain outstanding.

5. The need to maintain the full amount specified in paragraph 4 available for sale shall be reassessed on the occasion of the reviews under paragraph 1. This amount shall not be reduced without the consent of all lenders to the Loan Account of the ESAF Trust.

6. This decision shall not be amended by the Fund except with the consent of all lenders to the Loan Account of the ESAF Trust.

7. This decision shall be terminated (i) when after all loans that may be made from the ESAF Trust have been fully disbursed, the resources held in the Reserve Account exceed the amounts outstanding under ESAF Trust loans, or (ii) when after all loans that may be made from the ESAF Trust for the financing of rights as described above have been fully disbursed, there are no outstanding obligations under such ESAF Trust loans, with respect to which a gold sale can be made under this decision, whichever is earlier.