



# IMF POLICY PAPER

## POVERTY REDUCTION AND GROWTH TRUST—2018 BORROWING AGREEMENT WITH THE BANQUE DE FRANCE

February 2018

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its February 12, 2018 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on February 12, 2018.

The staff report was issued to the Executive Board for information. The report was prepared by IMF staff. The views expressed in this paper are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board.

The documents listed below have been or will be separately released.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Electronic copies of IMF Policy Papers  
are available to the public from  
<http://www.imf.org/external/pp/ppindex.aspx>

**International Monetary Fund**  
**Washington, D.C.**



INTERNATIONAL MONETARY FUND



Press Release No. 18/62  
FOR IMMEDIATE RELEASE  
February 21, 2018

International Monetary Fund  
Washington, D.C. 20431 USA

### **IMF and the Banque de France Sign SDR 2 billion Agreement to Support Lending to Low-Income Countries**

The International Monetary Fund (IMF), as Trustee of the Poverty Reduction and Growth Trust (PRGT), and the Banque de France have signed a borrowing agreement through which France will provide up to SDR 2 billion (about US\$2.9 billion) in new loan resources for the PRGT benefitting the IMF's low-income member countries.

This agreement, made effective on February 1, 2018, constitutes France's sixth loan contribution to the PRGT and puts France among the largest contributors to have provided new PRGT loan resources under the current fund-raising campaign to increase resources available for concessional lending. Following the Executive Board's endorsement, the Managing Director launched this campaign in November 2015 with a target of raising SDR 11 billion in new bilateral loan resources (see [Update on the Financing of the Fund's Concessional Assistance and Debt Relief to Low-Income Member Countries](#)).

France's continued support of the PRGT in loan resources for the IMF's low-income member countries is a critical element towards sustaining the Fund's concessional lending operations over the medium-term.

#### ***Useful links:***

Factsheet: [Financing the IMF's Concessional Lending to Low-Income Countries](#)

Factsheet: [Where the Fund gets its Money](#)



February 12, 2018

## POVERTY REDUCTION AND GROWTH TRUST—2018 BORROWING AGREEMENT WITH THE BANQUE DE FRANCE

Approved By  
**Andrew Tweedie and Sean  
Hagan**

Prepared by the Finance and Legal Departments

### INTRODUCTION

1. The Fund, as Trustee of the Poverty Reduction and Growth Trust (PRGT or Trust), has entered into a new borrowing agreement (the “Agreement”) with the Banque de France (hereafter France), effective on February 1, 2018. This new borrowing agreement with France provides new resources to the Extended Credit Facility Loan Account of the PRGT in the total amount of up to SDR 2 billion (see Attachment I).
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 to their terms and conditions with lenders to the Loan Accounts of the Trust. This paper presents the new Agreement with France to the Executive Board for information.
3. Including this Agreement with France, the Fund has concluded fifteen new PRGT loan agreements providing total resources of SDR 11.4 billion in the context of the 2014 Board endorsed PRGT fundraising with a goal of SDR 11 billion.<sup>1</sup> To accommodate the better-than-expected outcome, and following consultations with PRGT creditors, the IMF Board increased the PRGT’s cumulative borrowing limit on January 8, 2018.<sup>2</sup>

---

<sup>1</sup> See [Update on the Financing of the Fund’s Concessional Assistance and Proposed Amendments to the PRGT](#) (4/7/2014).

<sup>2</sup> As reported in [2017 Update Paper on the Financing of the Fund’s Concessional Activities](#) (4/3/2017) and [Poverty Reduction and Growth Trust—2017 Borrowing Agreements with the Bank of Italy](#) (7/20/2017), to accommodate the possible better than expected loan mobilization outcome, the current PRGT cumulative borrowing limit of SDR 37 billion needed to be increased by SDR 1 billion.

**4. This is the sixth borrowing agreement between France and the Fund as Trustee of the PRGT.**<sup>3</sup> The Agreement incorporates the extensions of the commitments and drawdown period for PRGT loans to end-2020 and end-2024, respectively, consistent with the Fund’s framework for concessional lending to low income countries adopted in other PRGT borrowing agreements.

## PRINCIPAL ELEMENTS OF THE BORROWING AGREEMENT

**5. Account designations.** The new borrowing agreement with France (in a total amount of SDR 2 billion) is for the benefit of the Extended Credit Facility Loan Account of the PRGT to finance disbursements under that facility.

**6. Drawings on commitments.** Drawings under the agreement can be made through December 31, 2024. The notification period of the intention to draw is five business days (Paris) (paragraph 2(a)). Unless otherwise agreed between France and the Trustee, the minimum amount for each drawing shall be SDR 1 million, and the amount of drawings during any calendar year shall not exceed SDR 400 million.

**7. Denomination and media.** Loan commitments and operations are denominated in SDRs. Unless otherwise agreed between the Trustee and France, disbursements are to be made by the transfer of SDRs to an account specified by the Trustee (paragraph 4(a)). Payments of principal and interest by the Trust are to be made in SDRs or in a freely usable currency as may be agreed between the Trustee and France (paragraph 7(a)).

**8. Maturity.** Paragraph 5(a) of the Agreement provides for each drawing to be repaid one year from its issue date. This initial maturity date of one year can be extended automatically by the Trustee by additional periods of up to one year, unless the Trustee notifies France in writing at least five business days (Washington) that the Trustee does not elect to extend the maturity date; provided however that, in no event, shall the maturity date of any drawing be extended to a date that is later than the maturity dates for the loan disbursement under the facility of the Trust for which it was drawn.

**9. Interest.** The Agreement provides for outstanding drawings to earn interest at the official SDR rate (paragraph 6(a)). Interest will be payable on a quarterly basis promptly after July 31, October 31, January 31, and April 30 of each year (paragraph 6(b)).

---

<sup>3</sup> Previous borrowing agreements with France were signed in 1988, 1994, 1999, 2009 and [2010](#).

**10. Suspension of drawings in event of nonpayment by the Trust.** In the event that any installment of principal or interest is not paid under the agreements within a period of ten days after its due date, the agreements provide for the suspension of further drawings pending consultations on this matter with France (paragraph 2(b)).

**11. Transfer of claims.** Provision is made in the Agreement for the voluntary transfer of claims on the Trust to a limited group of official-sector entities and for temporary suspension of disbursements at any time prior to June 30, 2024, in the event of a liquidity need by France (paragraphs 8 and 10).

**12. Encashment.** The Agreement includes the right to seek early repayment of outstanding claims on the Trust in case of balance of payments and reserve needs, and authorizes drawings by the Trustee to fund such encashment requests of other participating creditors to any of the Loan Accounts of the Trust. The right to encashment under the agreements is in all cases subject to the availability of resources under agreements of participating creditors (paragraph 9).

## CONCLUSION

**13.** The new borrowing agreement with France is one of the two largest PRGT loan agreements under the current fund-raising campaign to increase resources available for concessional lending. The fifteen new loan agreements concluded to date, including from two new lenders, total SDR 11.4 billion compared with an initial fund-raising target of SDR 11 billion.

## **Attachment I. Borrowing Agreement Between the Banque de France and the International Monetary Fund as Trustee of the Poverty Reduction and Growth Trust**

The Banque de France (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 Trust. Such loan resources shall be provided in accordance with the terms of the Instrument establishing the Trust adopted by the Executive Board of the Fund by Decision No. 8759-(87/176) ESAF, as amended (the “PRGT Instrument”), 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 2 billion.
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, 2024. Unless otherwise agreed between the Bank and the Trustee, the Trustee shall give the Bank at least five business days (Paris) notice of its intention to draw, and shall provide payment instructions at least two Fund business days prior to the value date of the transaction by SWIFT.
  - (b) If any installment of principal or interest is not 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.
  - (c) Unless otherwise agreed between the Bank and the Trustee, the minimum amount for each drawing shall be SDR 1 million, and the amount of drawings during any calendar year shall not exceed SDR 400 million.
3. The Trustee may make drawings under this agreement to finance (i) loan disbursements by the Trustee under the Extended Credit Facility Loan Account and (ii) the early repayment pursuant to Section III, paragraph 4(b) of the PRGT Instrument of the Trustee’s outstanding indebtedness under other borrowing agreements to any of the Loan Accounts of the Trust.
4.
  - (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 SDRs to an account specified by the Trustee.
  - (b) Upon request, the Trustee shall issue to the Bank a non-negotiable certificate evidencing its claim on the Trust resulting from a drawing outstanding under this agreement.

5. (a) Except as otherwise provided in this subparagraph 5(a) and in paragraph 9 below, each drawing shall have a maturity date that is one year from its issue date. The Trustee may in its sole discretion elect to extend the maturity date of any drawing or of any portion thereof by additional periods of up to one year after the initial maturity date, which extension the Trustee shall automatically be deemed to have elected with respect to the maturity dates then in effect for all drawings unless, at least five business days (Washington) before a maturity date, the Trustee notifies the Bank in writing that the Trustee does not elect to extend the maturity date of the particular drawing or portion thereof; provided however that, in no event, shall the maturity date of any drawing be extended to a date that is later than the maturity dates for the loan disbursement under the facility of the Trust for which it was drawn. For purposes of the preceding sentence, drawings made in connection with the early repayment of other Trust borrowing pursuant to Section III, paragraph 4(b) of the PRGT Instrument, shall have the maximum maturity dates associated with such other borrowing.

At the time of each drawing, the Trustee shall provide information on the specific repayment schedule for the amount drawn.

(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. Unless otherwise agreed between the Bank and the Trustee, a request for agreement on early repayment shall be made by the Trustee with at least five business days (Paris) notice.

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

6. (a) Each drawing bears interest at the SDR interest rate established by the Fund pursuant to Article XX, Section 3 of the Fund's Articles of Agreement.

(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 July 31, October 31, January 31, and April 30 of each year.

7. (a) Payments of principal and interest shall be made in SDRs or in a freely usable currency as may be agreed between the Trustee and the Bank; provided however that payments by the Trustee of principal pursuant to paragraph 9 shall be made in SDRs or a freely usable currency as determined by the Trustee after consultation with the Bank.

(b) Payments in SDRs shall be made by crediting France's holdings account in the Special Drawing Rights Department. Payments in currencies shall be made to an account as agreed between the Trustee and the Bank.

8. (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, except that the transferee shall acquire the right to request early repayment under paragraph 9 of this agreement only if it is a member or the central bank or other fiscal agency of a member and, at the time of transfer, the member's balance of payments and reserve position was considered sufficiently strong in the opinion of the Fund for its currency to be usable in transfers under the Financial Transactions Plan.

9. The Bank shall have the right to seek early repayment of all or part of the principal amount of its outstanding claims on the Trust pursuant to Section III, paragraph 4(b) of the PRGT Instrument if the Bank represents that the balance of payments and reserve position of France justify the early repayment, and the Trustee, having given this representation the overwhelming benefit of any doubt, agrees. Early repayment is in all cases subject to the availability of resources under borrowing agreements to the Loan Accounts of the Trust that authorize drawings for such early repayments.

10. At the request of the Bank, calls on its commitment to meet drawings may be suspended temporarily at any time prior to June 30, 2024, subject to the provisions of Section III, paragraph 4(c) and (d) of the PRGT Instrument.

11. 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.

12. If the Fund changes the currency composition or currency weights of the SDR basket, 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 SDR basket.

13. Any question arising hereunder shall be settled by mutual agreement between the Bank and the Trustee.

14. (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 Banque de France and the Trustee have executed this Agreement.

For the BANQUE DE FRANCE:

January 5, 2018

\_\_\_\_\_  
François Villeroy de Galhau /s  
Governor  
Banque de France

\_\_\_\_\_  
Date

For the INTERNATIONAL MONETARY FUND as Trustee of the Poverty Reduction and Growth Trust:

February 1, 2018

\_\_\_\_\_  
Christine Lagarde /s  
Managing Director

\_\_\_\_\_  
Date