



## IMF Executive Board Approves US\$411 Million in Emergency Assistance to Ethiopia to Address the COVID-19 Pandemic

### FOR IMMEDIATE RELEASE

- *Ethiopia is facing a pronounced economic slowdown and an urgent balance of payments need owing to the COVID-19 pandemic.*
- *To address this urgent need, the IMF approved US\$411 million emergency assistance for Ethiopia under the Rapid Financing Instrument. The country will also benefit from IMF debt service relief under the Catastrophe Containment and Relief Trust.*
- *The authorities have taken swift and decisive action to contain the impact of COVID-19 by strengthening the health system, adopting a state of emergency to limit the spread of the virus, and implementing measures to support the economy.*

**Washington, DC – April 30, 2020.** The Executive Board of the International Monetary Fund (IMF) approved today a purchase under the Rapid Financing Instrument (RFI) equivalent to SDR 300.7 million (about US\$411 million, 100 percent of quota) to help Ethiopia meet the urgent balance of payment needs stemming from the COVID-19 pandemic. The Executive Board also approved a rephasing of disbursements under the Extended Credit Facility (ECF) and Extended Financing Facility (EFF) arrangements that have been supporting Ethiopia's economic reform program since December 2019, and a reduction in access under the EFF arrangement, to maximize financial support under the RFI.

In addition, Ethiopia will benefit from the IMF Executive Board decision of April 13, 2020 to provide debt service relief to the poorest and most vulnerable countries that are eligible for grant assistance under the Catastrophe Containment and Relief Trust (CCRT). As a result, the Board today approved Ethiopia's request for relief under the CCRT on debt service falling due to the IMF until October 13, 2020 of about US\$12 million. This relief could be extended up to April 13, 2022, subject to the availability of resources under the CCRT.

The COVID-19 pandemic has created severe health risks and weighed heavily on the Ethiopian economy. If the pandemic is not contained, it will put severe pressure on the health system with devastating social consequences. On the economic front, a fall in demand for exports, combined with domestic containment measures will slow growth and weaken external and fiscal accounts.

The authorities have taken strong actions to contain the health impact by implementing a mandatory 14-day quarantine for travelers entering the country, improving testing and containment capacity, strengthening epidemic response coordination and adopting a state of emergency to limit movement and gatherings and facilitate social distancing. Implementation

of expenditures to strengthen the health system and address food security challenges are welcome and will help contain the spread of the virus and support the poor and most vulnerable.

The IMF continues to monitor Ethiopia's situation closely and stands ready to provide policy advice and financial support as needed.

Following the Executive Board's discussion on Ethiopia, Mr. Tao Zhang, Deputy Managing Director and Chair, issued the following statement:

"Ethiopia showed good progress under the extended arrangements with the Fund, which aim to address external vulnerabilities and transition to a private sector-led growth model. The authorities remain committed to the reform program. However, the COVID-19 pandemic has had a significant adverse impact on the economy and created urgent fiscal and balance of payments needs. The authorities have moved decisively to contain the spread of the virus and manage the economic fallout from the global downturn and the needed health-related measures.

"A temporary widening of the budget deficit is appropriate. The immediate priority is to increase spending on health care and provide emergency assistance, including food assistance. The authorities are committed to full transparency on the spending for the emergency response and aim to conduct an ex-post audit of crisis-related spending once the crisis abates. Fiscal consolidation will need to resume after the crisis, with a focus on strengthening debt sustainability and domestic revenue mobilization.

"The National Bank of Ethiopia (NBE) has appropriately provided liquidity to banks to maintain financial stability. Once the crisis abates, monetary policy will need to be tightened significantly to achieve the single-digit inflation objective. Strong efforts are needed to address the real overvaluation of the exchange rate, allowing the exchange rate to act as a shock absorber.

"Fund emergency support under the Rapid Financing Instrument and debt relief under the Catastrophe Containment and Relief Trust would help address balance of payments pressures and create fiscal space for essential pandemic-related expenditures. Participation in the G20 debt relief initiative could provide additional resources to respond to the pandemic."

*More information*

IMF Lending Tracker (emergency financing request approved by the IMF Executive Board)

<https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker>

IMF Executive Board calendar

<https://www.imf.org/external/NP/SEC/bc/eng/index.aspx>