This paper sets forth the proposed decision that is needed to implement staff’s proposals in Catastrophe Containment and Relief Trust—Policy Proposals and Funding Strategy. The paper summarizes key aspects of the proposed decision.

I. INTRODUCTION

1. A single decision is proposed for adoption by the Executive Board

The decision would implement the proposed amendments to the Catastrophe Containment and Relief Trust Instrument (CCRT Instrument) in the following ways:

(i) Modification of the qualification criteria by adding an alternative test for a Qualifying Public Health Disaster (QPHD) in the event of a global pandemic causing severe economic disruption across the membership;

(ii) capping the maximum duration of debt service relief at two years from the date of the Board decision to grant relief;

(iii) tranching of grant assistance for debt relief, thereby enabling the Board to approve debt relief for the first period not exceeding six months, with additional
tranches to be approved based on available resources and expected needs of potentially qualifying members.

2. **The proposed decision does not affect the post-catastrophe relief (PCR) window of the Trust.** No changes are proposed to that window, and the Trust will continue to be available to provide relief under its two windows, depending on the availability of resources.

3. **The proposed decision also does not affect eligibility for relief under the Trust.** Eligible members continue to be those PRGT-eligible members whose GNI per capita is below the IDA operational threshold; or, for small countries, below twice the IDA operational threshold.

## II. SUMMARY OF DECISION

4. **Modification of the qualification criteria by adding an alternative test for a Qualifying Public Health Disaster (QPHD) in the event of a global pandemic** (paragraph 18 of SM/20/74). The proposed decision would implement the proposal to expand the qualification criteria under the CC window by introducing an alternative test for determining that a member is suffering from a Qualifying Public Health Disaster. Under the new test, the Board may determine that a QPHD exists where a life-threatening global pandemic is inflicting severe economic disruption across the Fund’s membership and is creating balance of payments needs on such a scale as to warrant a concerted international effort to support the poorest and most vulnerable countries through substantial additional grant support and debt service relief. An eligible member can receive relief even if there is no sustained presence of the disease within its territory, as required under the first test. For the purposes of relief under the new global pandemic QPHD, the Executive Board will determine that a global
pandemic exists. Such a determination will be guided by assessments of the World Health Organization.

5. **Capping the maximum duration of debt service relief at two years from the date of the Board decision to grant relief** (paragraph 18 of SM/20/74). The proposed decision would change the current provision of the Trust under which the Fund may provide grant assistance for debt relief generally up to the equivalent of 20 percent of quota, which may be exceeded in specific cases. Under the current provision, relief is provided regardless of when debt service falls due. The proposed decision would limit grants for debt service relief under the CC window to a maximum of two years from the initial decision to grant relief.

6. **Tranching of grant assistance for debt relief** (paragraph 18 of SM/20/74). The proposed decision would implement the proposal to approve grants for debt service in tranches, beginning with a first period not exceeding six months from the date of the determination by the Executive Board that there is a QPHD. In approving subsequent tranches, the Executive Board will take into account the availability of resources in the Trust and the likely needs of other potentially qualifying members.
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 III, Paragraph 3 of the Instrument to Establish the Catastrophe Containment and Relief Trust annexed to Decision No. 14649-(10/64), as amended by Decision No. 15708-(15/12), adopted February 4, 2015, shall be amended to read as follows:

"Paragraph 3. Catastrophe Containment Window (CC Window)

(a) Qualification for Assistance

(i) An eligible member shall qualify for immediate debt relief under the CC window when the Trustee determines, that (I) the member is experiencing a balance of payments need arising from a Qualifying Public Health Disaster specified in subparagraph (ii)(I) below, or an exceptional balance of payments need arising from a Qualifying Public Health Disaster specified in subparagraph (ii)(II) below; and (II) the macroeconomic policy framework put in place by the member to address the balance of payments need created by the public health disaster and the ensuing policy response is appropriate.

(ii) For purposes of this Instrument, a Qualifying Public Health Disaster arises either where:

(I) a life-threatening epidemic has a sustained presence and has spread across several areas of the member's territory, causing significant economic disruption and creating a balance of payments need; and the epidemic has the capacity to spread, or is already spreading, rapidly both within and across countries, producing or threatening, significant economic disruption and loss of life. Based on available information (which may take the form of preliminary estimates) and for the purposes of this subparagraph (I), the magnitude of economic disruption that has occurred and is projected to occur in the future would normally be characterized by at least: (a) a cumulative loss of real GDP of 10 percent; or (b) a cumulative loss of revenue and increase of expenditures equivalent to at least 10 percent of GDP. Such economic disruption will be measured relative to staff estimates
made prior to the onset of the public health disaster and would reflect, inter alia, sharp curtailments, for disease containment purposes, on the movement of people and products within the country and related declines in production, exports, tax revenues, and international visitors, and also surges in government outlays on relief and containment efforts; OR

(II) a life-threatening global pandemic is inflicting severe economic disruption across the Fund’s membership and is creating balance of payments needs on such a scale as to warrant a concerted international effort to support the poorest and most vulnerable countries through substantial additional grant support and debt service relief. Where the Executive Board determines that a member suffers a Qualifying Public Health Disaster under this test, it is expected that the Fund would be calling for a broad international response to provide support to the CCRT-eligible countries.

(iii) In making a determination of the occurrence of a Qualifying Public Health Disaster pursuant to subparagraph (ii)(I) above, the Fund may be guided by assessments of the health situation and outlook made by national authorities, the World Health Organization, the World Bank, and other relevant agencies. For the purpose of paragraph 3(a)(i) above, the Fund shall make a determination of the occurrence of a Qualifying Public Health Disaster specified in subparagraph (ii)(II) above, guided by assessments of the World Health Organization.

(b) Request for CC Window Assistance

A member requesting assistance under the CC window shall describe in a letter the nature of the public health disaster and the balance of payments needs arising from it, the measures being taken to contain the disaster, including budgetary reallocations, and the macroeconomic policies it is pursuing or plans to pursue to address its balance of payment difficulties.

(c) Amount and Delivery of Assistance

(i) Upon a determination that a member qualifies for assistance pursuant to paragraph 3(a) of this Section, the Trustee will approve grant assistance for debt service relief for an initial tranche
covering the member’s eligible debt falling due within a period not exceeding six months from the date of the qualification decision, with respect to paragraph 3(a)(ii)(I), or from the date of the Board determination that a global pandemic exists, with respect to paragraph 3(a)(ii)(II). Subject to the availability of resources in the Trust, the Trustee will approve additional tranches for further periods, provided that the total amount shall not exceed the cumulative debt service falling due to the Fund within two years from the date of the qualification decision, with respect to paragraph 3(a)(ii)(I), or from the date of the Board determination that a global pandemic exists, with respect to paragraph 3(a)(ii)(II).

(ii) The amount of the grant assistance approved by the Trustee in any of the tranches pursuant to (i) above will be equivalent to the total amount of the member’s eligible debt falling due within the period covered under the respective tranche. In approving each tranche, the Trustee shall take into account the availability of resources in the Trust and the likely need of other potentially qualifying members under the Trust.

(iii) The Managing Director will report to the Executive Board periodically on the availability of resources for CC window relief to inform the Trustee’s decision on the commitment of resources for additional tranches.

(iv) Upon approval of a member’s request for grant assistance under the CC window, the Trustee shall disburse to a subaccount established for the benefit of the member pursuant to paragraph 4(b) below, a Trust grant in the amount that is necessary to repay the member’s eligible debt to the Fund falling due within the period specified in (i) above. For the purposes of this paragraph, eligible debt shall be defined as all of the member’s debt to the Fund (including to the Fund as Trustee) that was outstanding as of the date of the determination by the Fund that the member is qualified to receive grant assistance under this window, and in respect of which the member had made regular scheduled debt service payments (principal and interest) before such determination, but shall exclude any debt to the Fund that is scheduled to be repaid with assistance under other debt relief trusts administered by the Fund or under paragraph 2 of this Section."