

Catastrophe Containment And Relief Trust-Approval Of Grant Assistance For Debt Service Relief



IMF POLICY PAPER

CATASTROPHE CONTAINMENT AND RELIEF TRUST— APPROVAL OF GRANT ASSISTANCE FOR DEBT SERVICE RELIEF

April 15, 2020

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 April 13, 2020 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on April 8, 2020 for the Executive Board's consideration on April 13, 2020.

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International Monetary Fund
Washington, D.C.



IMF Executive Board Approves Immediate Debt Service Relief for 25 Eligible Low-Income Countries

FOR IMMEDIATE RELEASE

WASHINGTON, DC - The Executive Board today approved relief on debt service for 25 member countries that are eligible for support from the Catastrophe Containment and Relief Trust (CCRT); a further 4 countries are expected to request such relief in the coming weeks. The approval enables the disbursement of grants from the CCRT for repayment of total debt service falling due to the IMF over the next six months, with potential extensions, up to a maximum of full two years from April 14, 2020, subject to availability of sufficient grant resources. The initial relief provided to these countries amounts to SDR 157.1 million (US\$213.4 million). Relief on debt service will free up scarce financial resources that now can be directed toward vital emergency medical and other relief efforts while these members combat the impact of the pandemic.

The Managing Director has launched an urgent fundraising effort that would enable the CCRT to provide relief on debt service for a full two years, while leaving the CCRT adequately funded for future needs. This will require a commitment of about US\$1.4 billion. Donors have already stepped up with pledges and contributions including a US\$185 million pledge by the United Kingdom and US\$100 million provided by Japan as immediately available resources. Other donors, including the People's Republic of China and the Netherlands, are also stepping forward with important contributions.

On March 26, the Executive Board of the International Monetary Fund (IMF) adopted [a set of reforms to its Catastrophe Containment and Relief Trust \(CCRT\)](#) to enable the Fund to provide immediate debt service relief for its poorest and most vulnerable members during the current COVID-19 pandemic. The CCRT enables the IMF to deliver grants to eligible low-income countries to cover their IMF debt service obligations in the wake of catastrophic natural disasters and during major global public health emergencies. Eligibility for CCRT support is limited to IMF member countries with annual per capita GNI below the World Bank's operational cut-off (or twice the cut-off for small states), generally the poorest and most vulnerable member countries.

Executive Board Assessment¹

Executive Directors determined, effective April 14, 2020, that the COVID-19 pandemic is a Qualifying Public Health Disaster under the Catastrophe Containment

¹ At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.imf.org/external/np/sec/misc/qualifiers.htm>.

and Relief Trust (CCRT) that is inflicting severe economic disruption across the Fund's membership. The crisis is creating balance of payments needs on scale that warrant concerted international efforts to support the poorest and most vulnerable countries through substantial additional grant support for debt service relief. Directors also approved the technical modifications to the CCRT Instrument, which would facilitate operational implementation of the provision of assistance for debt relief under the Catastrophe Containment (CC) window.

Directors agreed that the CCRT has sufficient financial resources to deliver a first tranche of grants for debt service relief to all 29 countries with outstanding credit to the Fund that are potentially eligible for CCRT assistance over the next six months. They agreed that 25 of these countries that have requested such assistance meet the specific criteria for qualification for debt service relief, and looked forward to considering the requests for assistance of the remaining four eligible members.

Directors would consider committing additional tranches, up to a cap of two years through April 13, 2022, in light of the availability of CCRT resources at the end of each tranche period. To this end, Directors stressed the urgency of the ongoing fundraising effort to ensure timely delivery of assistance to the eligible countries.

Directors underscored the importance of monitoring the macroeconomic situations of the recipient countries, including their policy responses to pandemic, and looked forward to an update from staff toward the end of the initial six-month period of debt service relief. In this context, a number of Directors highlighted the need for careful analysis of debt sustainability, safeguards, and accountability, and called for staff assessment on the effectiveness of country policies and use of debt service relief resources prior to the commitment of future tranches.



April 8, 2020

CATASTROPHE CONTAINMENT AND RELIEF TRUST— APPROVAL OF GRANT ASSISTANCE FOR DEBT SERVICE RELIEF

EXECUTIVE SUMMARY

This paper proposes that the Executive Board determine that the global COVID-19 pandemic constitutes a Qualifying Public Health Disaster (QPHD) under the Catastrophe Containment (CC) Window of the Catastrophe Containment and Relief Trust (CCRT), in line with the new QPHD test approved by the Board on March 26. The CCRT has sufficient financial resources for an initial tranche of grant assistance for debt service relief covering eligible debt falling due from all CCRT-eligible members through October 13, 2020. Fundraising efforts continue to secure the financial resources needed to commit future such tranches for CCRT debt service relief, up to a cap of two years. Staff considers that the 25 members requesting CCRT assistance qualify for immediate CCRT relief.

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Prepared by the Finance Department, the Legal
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