

## Catastrophe Containment and Relief Trust-Second Tranche Of Debt Service Relief In The Context Of The COVID-19 Pandemic



# IMF POLICY PAPER

October 5, 2020

## CATASTROPHE CONTAINMENT AND RELIEF TRUST--- SECOND TRANCHE OF DEBT SERVICE RELIEF IN THE CONTEXT OF THE COVID-19 PANDEMIC

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 October 2, 2020 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on September 17, 2020 for the Executive Board's consideration on October 2, 2020.
- A **Staff Supplement**

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



## The IMF Executive Board Extends Immediate Debt Service Relief for 28 Eligible Low-Income Countries for Another Six Months

FOR IMMEDIATE RELEASE

**Washington, DC – October 5, 2020:** The Executive Board of the International Monetary Fund (IMF) approved on October 2, 2020 a second six-month tranche of debt service relief for 28 member countries under the Catastrophe Containment and Relief Trust (CCRT). This approval follows the first six-month tranche (April 14 – October 13, 2020) approved on April 13, 2020 ([see Press Release No. 20/151](#)), and enables the disbursement of grants from the CCRT for payment of eligible debt service falling due to the IMF from October 14, 2020 to April 13, 2021, estimated at SDR 161 (US\$227) million. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for a total period of two years, through April 13, 2022, estimated at nearly SDR 680 (US\$959) million. Relief on debt service will free up scarce financial resources for vital emergency medical and other relief efforts while these members combat the impact of the COVID-19 pandemic.

In the context of the approval of the first tranche, Managing Director Kristalina Georgieva launched an urgent fundraising effort that would enable the CCRT to provide relief on debt service for up to a maximum of two years, while leaving the CCRT adequately funded for future needs. This will require a commitment of about SDR 1 billion (US\$1.4 billion). Thus far, donors have provided grant contributions totaling about SDR 360 million, including from the UK, Japan, Germany, the Netherlands, Switzerland, Norway, China, Mexico, Sweden, Bulgaria, Luxembourg, and Malta.

### Executive Board Assessment<sup>1</sup>

Executive Directors underscored that the COVID-19 pandemic continues to exact a serious human and economic toll on the Fund membership. In this context, Directors noted that Catastrophe Containment and Relief Trust (CCRT) grants for debt service relief on obligations to the Fund falling due during the April 14 through October 13, 2020 assisted its poorest and most vulnerable members tackle the pandemic and its repercussions.

Directors welcomed the country updates on the policy responses to the pandemic of CCRT beneficiary countries. They underscored the importance of continued follow-through on governance and transparency commitments by beneficiary countries to safeguard priority and COVID-19-related spending. Directors concurred that countries that received the CCRT debt relief are, in the main, pursuing sensible macroeconomic policies to support stability in response to the economic fallout from the pandemic. They also agreed that resources freed

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<sup>1</sup> 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>.

up by the initial tranche of CCRT debt service relief were helping to provide emergency health, social and economic support to mitigate the impact of the pandemic on lives and livelihoods.

Directors agreed that the available resources are sufficient to finance a second six-month tranche of debt service relief under the CCRT. Accordingly, they approved grant assistance for relief for 28 of the 29 eligible members with debt service falling due during October 14, 2020 and April 13, 2021 and looked forward to bringing the proposal for the remaining one member soon.

Directors noted that the Fund has received grant pledges of just over one-third of the SDR 1 billion fundraising target and noted that available resources will need to be boosted to support the approval of future tranches. To this end, Directors welcomed the generous contributions in recent months and stressed the importance of ongoing efforts to secure additional resources for timely grant assistance in the future. Directors agreed that it would be useful to conduct a stocktaking on the CCRT before the end of the second tranche period in April 2021.



September 17, 2020

## **CATASTROPHE CONTAINMENT AND RELIEF TRUST— SECOND TRANCHE OF DEBT SERVICE RELIEF IN THE CONTEXT OF THE COVID-19 PANDEMIC**

### **EXECUTIVE SUMMARY**

On March 26, 2020, the Executive Board approved changes to the Catastrophe Containment and Relief Trust (CCRT) to enable the Fund to provide debt relief for its poorest and most vulnerable members to assist them in their efforts to tackle the COVID-19 pandemic and its economic repercussions. Support for all 29 CCRT-eligible member countries with eligible debt service has been approved, with 28 countries benefitting from the first tranche of debt relief, covering all debt service to the Fund falling due during the ensuing six months.<sup>1</sup>

This paper proposes that the Executive Board approve the disbursement of a second 6-month tranche of CCRT debt service relief to 28 of the 29 members, covering the period October 14, 2020 through April 13, 2021, given staff's assessment that sufficient financial resources are available.<sup>2</sup> In this context, the paper also provides brief updates for each beneficiary country on its policy responses to the pandemic and staff's assessment of these policies and the use of resources freed up by debt service relief. It also provides an update on the finances of the CCRT and the fundraising efforts to secure adequate resources for grant assistance in the future. Based on grant pledges to date, resources are not sufficient to extend CCRT relief beyond the proposed second sixth-month period.

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<sup>1</sup> Chad did not have eligible debt service falling due during the first period from April 14 to October 13, 2020 (see Table 1).

<sup>2</sup> At the time of issuance of this paper, there is a lack of clarity as to whether the international community recognizes/deals with the current military regime as the government of Mali. Therefore, approval of the second tranche debt relief is not proposed for Mali at this stage. Staff will keep the issue under review and will update the Board when there is greater clarity on this matter. Mali's next payment to the Fund is due on December 9, 2020.

Approved By  
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Prepared by the Finance Department, the Legal Department, and the  
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