



IMF POLICY PAPER

April 2021

CATASTROPHE CONTAINMENT AND RELIEF TRUST--- THIRD 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 April 1, 2021 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on March 18, 2021 for the Executive Board's consideration on April 1, 2021.

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International Monetary Fund
Washington, D.C.



The IMF Executive Board Extends Debt Service Relief for 28 Eligible Low-Income Countries through October 15, 2021

FOR IMMEDIATE RELEASE

Washington, DC— April 5, 2021: The Executive Board of the International Monetary Fund (IMF) approved on April 1, 2021 a third tranche of grants for debt service relief for 28 member countries under the Catastrophe Containment and Relief Trust (CCRT). This approval follows two prior tranches approved on April 13, 2020 and October 2, 2020, respectively (see Press Releases [20/165](#) and [20/304](#)). It enables the disbursement of grants from the CCRT for payment of all eligible debt service falling due to the IMF from its poorest and most vulnerable members from April 14, 2021 to October 15, 2021, estimated at SDR 168 (US\$238) million. This tranche of grants for debt service relief will continue to help free up scarce financial resources for vital emergency health, social, and economic support to mitigate the impact of the COVID-19 pandemic. Subject to the availability of sufficient resources in the CCRT, debt service relief could be provided for the remaining period through from October 16, 2021 to April 13, 2022 amounting to a total of about SDR 680 (US\$964) million.

In March 2020, Managing Director Kristalina Georgieva launched an urgent fundraising effort to raise SDR 1 billion (US\$1.4 billion) in grants for the CCRT. This would enable the CCRT to provide financial assistance for relief on debt service for up to a maximum of two years, while leaving the CCRT adequately funded for future needs. Thus far, donors have pledged contributions totaling about SDR 545 million (US\$774 million), including from the European Union, the UK, Japan, Germany, France, the Netherlands, Switzerland, Norway, Singapore, China, Mexico, Philippines, Sweden, Bulgaria, Luxembourg, and Malta.

Executive Board Assessment¹

Executive Directors welcomed the opportunity to consider the approval of grants under the Catastrophe Containment and Relief Trust (CCRT) to support the third tranche of debt service relief for the Fund's poorest and most vulnerable members. They noted that the COVID-19 pandemic continues to exact a severe human and economic toll on these countries and that the resources freed up by the first and second tranches of CCRT debt service relief had helped mitigate the impact of the pandemic.

Directors agreed that the available resources and pledges are sufficient to finance the third tranche of debt service relief for the period from April 14 to October 15, 2021. Accordingly, they approved grant assistance under the CCRT for relief for 28 eligible members that have debt service falling due during this period.

Directors concurred that countries that received the CCRT grants for debt relief are generally pursuing appropriate macroeconomic policies in response to the economic fallout from the global pandemic. They welcomed that a number of member countries were transitioning to Upper Credit Tranche-quality arrangements which would provide a stronger policy framework

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>.

for the recovery period. Directors also observed that most countries would benefit from a resumption of Fund surveillance and updated debt sustainability assessments.

Directors noted the progress made in implementing governance safeguards commitments regarding COVID-19 related spending in CCRT-eligible countries. However, they regretted implementation delays in some countries, particularly in disclosing beneficial ownership information on entities awarded government contracts. Directors thus underscored the importance of continued follow-through on the commitments on governance and transparency, supported if necessary, by technical assistance.

Directors welcomed the generous contributions that enabled debt relief through the third tranche, and many Directors noted the recent large contribution by the European Union. Directors stressed, however, that additional resources will be needed to provide the CCRT grants for debt relief beyond the proposed third tranche. Directors also stressed that efforts to secure additional resources to reach the funding target of SDR 1 billion should continue to ensure that adequate grant resources are in place for other CCRT-qualifying shocks in the future.



March 18, 2021

CATASTROPHE CONTAINMENT AND RELIEF TRUST—THIRD 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 as Trustee of the CCRT to provide grants for debt service relief to its poorest and most vulnerable members to assist them in their efforts to tackle the COVID-19 pandemic and its economic repercussions. To date, the Executive Board has approved two six-month tranches of debt service relief to all 29 CCRT-eligible countries with eligible debt service to the Fund, covering all debt service falling due from April 14, 2020 to April 13, 2021.^{1,2}

This paper proposes that the Executive Board approve the disbursement of a third tranche of CCRT debt service relief to 28 of the 29 CCRT-eligible members, covering the period April 14, 2021 through October 15, 2021, given staff's assessment that sufficient financial resources are available.^{3,4} In this context, the paper also provides brief updates for each CCRT-eligible country on its policy responses to the pandemic and on staff's assessments of these policies, the use of resources freed up by debt service relief, and the implementation of governance safeguards commitments. The paper also provides an update on the finances of the CCRT and ongoing fundraising efforts. Based on grant pledges and disbursements to date, additional resources are urgently needed to extend CCRT debt relief beyond the proposed third tranche while leaving the CCRT adequately funded for future needs.

¹ Where debt service falling due to the Fund is referenced, this comprises debt service falling due to the General Resources Account and the Poverty Reduction and Growth Trust (PRGT).

² Chad did not have eligible debt service falling due during the first period from April 14, 2020 to October 13, 2020 (see Table 1).

³ Tanzania does not have eligible debt service falling due during the period from April 14, 2021 to October 15, 2021 (see Table 1).

⁴ Given the flexibility provided in the Trust Instrument, the duration of the third tranche is proposed to be two business days longer than six months to accommodate two payments (totaling close to SDR 7.4 million) by two eligible members (Yemen and Malawi) which fall due on October 14 and October 15, 2021, respectively.

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