

Catastrophe Containment and Relief Trust—Fourth Tranche of Debt Service Relief in The Context of The Covid-19 Pandemic and Approval of Additional Beneficiary Member Countries



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CATASTROPHE CONTAINMENT AND RELIEF TRUST— FOURTH TRANCHE OF DEBT SERVICE RELIEF IN THE CONTEXT OF THE COVID-19 PANDEMIC AND APPROVAL OF ADDITIONAL BENEFICIARY MEMBER COUNTRIES

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 6, 2021 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on September 23, 2021 for the Executive Board's consideration on October 6, 2021.

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International Monetary Fund
Washington, D.C.



The IMF Executive Board Extends Debt Service Relief for 24 Eligible Low-Income Countries

FOR IMMEDIATE RELEASE

Washington, DC— October 8, 2021: The Executive Board of the International Monetary Fund (IMF) approved on October 6, 2021 a fourth tranche of debt service relief from the Catastrophe Containment and Relief Trust (CCRT) for 24 member countries with eligible debt falling due in the period through January 10, 2022.¹ The Executive Board also approved the inclusion of the Kyrgyz Republic and Lesotho among the beneficiary countries, enabling these members to receive relief of their debt service falling due to the Fund through January 10, 2022.

The approval of the fourth tranche, totaling approximately SDR 87.9 million (US\$124 million), follows three prior tranches approved on April 13, 2020, October 2, 2020, and April 1, 2021 (see Press Releases [20/165](#), [20/304](#), and [21/99](#)). This debt service relief helps free up scarce financial resources for vital 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 for all beneficiary countries could be provided for the remaining period from January 11 to April 13, 2022, amounting to approximately SDR 82.1 million and a cumulative debt service relief of about SDR 690 million (US\$973 million) for the entire two-year period.

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. So far, donors have pledged contributions totaling about SDR 609 million (US\$860 million), including from the European Union, the UK, Japan, Germany, France, the Netherlands, Spain, Switzerland, Norway, Singapore, Greece, China, Mexico, the Philippines, Sweden, Bulgaria, Luxembourg, and Malta. On September 20, 2021, Japan provided a second grant contribution of US\$50 million (SDR 35.2 million) in addition to the US\$100 million (SDR 73.4 million) it provided in April 2020.

Executive Board Assessment²

Executive Directors endorsed staff's proposal for a two-step approach for the approval of debt service relief under the Catastrophe Containment and Relief Trust (CCRT) for the Fund's poorest and most vulnerable members for the remaining period through April 2022. This would entail an immediate fourth tranche for the period through January 10, 2022, followed by consideration of a subsequent tranche in January 2022 for the final portion, informed by an update on CCRT resources.

¹ There remains a lack of clarity within the international community regarding the recognition of the government in Afghanistan. As such, the Fund's engagement with Afghanistan continues to be on pause. Therefore, approval of a fourth tranche of debt relief for Afghanistan was not proposed at this stage.

² 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>.

Directors agreed that the Kyrgyz Republic and Lesotho meet the eligibility and qualification requirements for CCRT debt service relief in connection with the COVID-19 pandemic. Accordingly, they approved grant assistance for debt service relief under the CCRT for 24 beneficiary countries that have eligible debt service falling due during the fourth tranche period, including the Kyrgyz Republic and Lesotho.

Directors noted that the resources freed up so far by CCRT debt service relief have helped mitigate the impact of the pandemic on CCRT-eligible countries.

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 noted that a number of these countries have continued the transition to upper credit tranche-quality programs, which would provide a stronger policy framework for the recovery period, and looked forward to further progress in this area. Directors also underlined the importance of continued Fund policy support for other CCRT beneficiary countries through regular surveillance and capacity building activities.

Directors noted the varied progress made in implementing governance safeguards commitments regarding COVID-19 related spending in CCRT-eligible countries. They regretted implementation delays in some countries, particularly in conducting ex-post audits of crisis-related spending and disclosing beneficial ownership information on entities awarded government contracts, while delays in some cases are linked to capacity constraints to make needed legal changes. Directors thus underscored the importance of continued follow-through on the commitments on governance and transparency, supported by technical assistance, if needed.

Directors welcomed the recent generous contributions by Spain, Greece, and the Philippines and the second contribution by Japan. They stressed, however, that additional resources are needed to ensure that adequate grant resources are in place for other CCRT qualifying shocks in the future while continuing to provide debt service relief for the remaining period through April 2022.

Directors looked forward to the review of the CCRT expected in 2022/23, including discussion of CCRT eligibility criteria and funding. They stressed the need to ensure evenhandedness while retaining sufficient flexibility, taking into account also the availability of resources.



September 23, 2021

CATASTROPHE CONTAINMENT AND RELIEF TRUST— FOURTH TRANCHE OF DEBT SERVICE RELIEF IN THE CONTEXT OF THE COVID-19 PANDEMIC AND APPROVAL OF ADDITIONAL BENEFICIARY MEMBER COUNTRIES

EXECUTIVE SUMMARY

On March 26, 2020, the Executive Board approved changes to the Catastrophe Containment and Relief Trust (CCRT). These enabled the Fund as Trustee of the CCRT to provide grants for debt service relief to its poorest and most vulnerable members up to a maximum of two years from April 14, 2020 to help tackle the COVID-19 pandemic and its economic repercussions. To date, the Executive Board has approved three tranches of debt service relief to all CCRT-eligible countries with eligible debt service to the Fund falling due from April 14, 2020 through October 15, 2021.^{1,2}

Based on the latest GNI figures released in July 2021, two PRGT-eligible countries—the Kyrgyz Republic and Lesotho—became newly CCRT-eligible and they have eligible debt service to the Fund falling due through April 13, 2022. These two members have requested CCRT grant assistance under the Catastrophe Containment window to free up resources to cope with their exceptional balance of payment needs arising from the COVID-19 pandemic, a qualifying public health disaster (QPHD) as determined by the Executive Board effective April 14, 2020, including their policy responses.³

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. Tanzania did not have eligible debt service falling due during the third period from April 14, 2021 to October 15, 2021 (see Table 5).

³ The new alternative test, under the reforms to the CCRT Instrument approved on March 26, 2020, defines a QPHD as a life-threatening global pandemic inflicting severe economic disruption across the Fund's membership and 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. See [Catastrophe Containment and Relief Trust—Policy Proposals and Funding Strategy \(SM/20/74, March 23, 2020\)](#) and associated Decision approved on 03/26/20.

Staff considers that, in light of the continued human and economic toll from COVID-19 and staff's assessment of the appropriateness of the macroeconomic policy frameworks in place in these two countries, both countries meet the qualification requirements, under the alternative qualification test that was adopted in March 2020 and on the basis of which 29 countries qualified for debt service relief in the context of a life-threatening global pandemic. In this context, this paper proposes that the Executive Board approve the qualification of the Kyrgyz Republic and Lesotho for CCRT grant assistance.

The paper 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 financial situation of the CCRT. The generous support from 17 donor countries and the EU has mobilized SDR 609 million in new pledges since the onset of the pandemic. This is about 60 percent of the SDR 1 billion fundraising target and well short of the estimated cost of two years of COVID-related relief. Based on undisbursed pledges and cash balances at hand in the CCRT, staff considers resources to be too low to recommend at this point a full six-month fourth tranche of CCRT grant relief in view of the likely need of other potentially qualifying members. Staff also considers that the ongoing reflections related to the expected end of the Debt Service Suspension Initiative (DSSI) at the end of 2021, against a backdrop of continued high uncertainty on the health and economic impact of the COVID-19 pandemic, may have a bearing on donor's decisions to provide new contributions to the CCRT. Hence, to allow for continuation of CCRT debt relief while providing time to raise additional resources, the paper proposes a two-step approach: (i) an immediate approval of the disbursement of a fourth tranche of debt service relief to all qualified beneficiary countries⁴ covering the period from October 16, 2021 through January 10, 2022, and (ii) consideration in January 2022 of a further final tranche of CCRT debt service relief through April 13, 2022, possibly on a lapse of time basis without country specific updates, and based on an assessment of resources at that time.

Lastly, the paper recognizes that the possibility of additional members becoming CCRT eligible after the Board declaration of a QPHD could raise issues, in particular for fundraising purposes, and proposes to take this issue up at the time of the next CCRT review, scheduled for 2022/23.

⁴Burundi, the Democratic Republic of the Congo, Nepal, Tanzania, Togo, and Yemen do not have eligible debt service falling due during the proposed fourth tranche covering the period through January 10, 2022 (see Table 5). In addition, at the time of issuance of this paper, there remained a lack of clarity within the international community regarding the recognition of the government in Afghanistan. As such, the Fund's engagement with Afghanistan continues to be on pause. Therefore, approval of a fourth tranche of debt relief for Afghanistan is not proposed at this stage. Staff will keep the issue under review and will update the Board when there are further developments. Afghanistan's next payments to the Fund are due on November 23, 2021 and January 10, 2022 for SDR 1.2 million each. Due to the lack of data and no recent country engagement, a country annex for Afghanistan is not included in this Board Paper.

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