



IMF POLICY PAPER

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

December 20, 2021

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 December 15, 2021 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on December 1, 2021 for the Executive Board's consideration on December 15, 2021.

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International Monetary Fund
Washington, D.C.



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

FOR IMMEDIATE RELEASE

Washington, DC – December 20, 2021: The Executive Board of the International Monetary Fund (IMF) approved on December 15, 2021 a fifth and final tranche of debt service relief under the [Catastrophe Containment and Relief Trust \(CCRT\) for 25 member countries](#) with eligible debt service falling due to the IMF from January 11 to April 13, 2022.

The approval of the fifth tranche, totaling approximately SDR 82.1 million (about US\$115 million), follows four prior tranches approved on April 13, 2020, October 2, 2020, April 1, 2021, and October 6, 2021 (see Press Releases [20/165](#), [20/304](#), [21/99](#), [21/291](#)) and helps free up scarce financial resources for vital health, social, and economic support to mitigate the impact of the COVID-19 pandemic. The tranche completes the two-year COVID-related debt service relief first approved on April 13, 2020, totaling a cumulative debt service relief of about SDR 690 million (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 COVID-related 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 (about US\$852 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, Malta, and Indonesia.

Executive Board Assessment¹

Executive Directors endorsed staff's proposal for the approval of the fifth and final tranche of COVID-related debt service relief for beneficiary countries under the Catastrophe Containment and Relief Trust (CCRT) for the remaining two-year period through April 13, 2022.

Directors noted that CCRT grants for debt service relief on obligations to the Fund falling due from April 14, 2020 through January 10, 2022 have helped its poorest and most vulnerable members to free up resources to tackle the pandemic and its repercussions. They encouraged CCRT-eligible countries to continue making progress on implementing governance safeguards commitments regarding COVID-19 related spending, and reiterated the importance of transparency and accountability. Directors also welcomed the transition to upper credit

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 authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

tranche-quality programs by some CCRT-eligible members, which provide a stronger policy framework for the recovery period, and looked forward to further progress in this area.

Directors appreciated the generous support from 18 Fund members and the EU that have helped finance this support. They noted, however, that total grant pledges received to date of about SDR 609 million are short of the cost of the full two-year COVID-related debt service relief, and well short of the SDR 1 billion fundraising target.

Directors acknowledged that the approval of the fifth tranche will severely reduce the CCRT's pre-COVID cash buffer and potentially limit the CCRT's capacity to provide relief in future emergencies. They considered, however, that on balance there is a compelling case for approval of the tranche in light of the continuing human and economic toll of the pandemic. Directors thus agreed on the urgent need for continued fundraising efforts to address the CCRT's underfunding. In light of simultaneous financing requests from the Fund, Directors encouraged a more coordinated approach to fundraising to help donors better understand and prioritize the various efforts underway.

Directors looked forward to the comprehensive review of the CCRT planned for FY2023, including a discussion of access rules and the financing framework to ensure the sustainability of the Trust going forward. To manage underfunding risks, many Directors saw merit in an earlier review, while being mindful of the heavy workload facing staff.



December 1, 2021

CATASTROPHE CONTAINMENT AND RELIEF TRUST—FIFTH 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). These changes 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 four tranches of debt service relief (three six-month tranches and one three-month tranche) to all CCRT-eligible countries with eligible debt service to the Fund falling due from April 14, 2020 through January 10, 2022.¹

On October 6, 2021, when discussing possible debt relief during the final six months of the maximum two-year period for debt relief following the determination of a qualifying health event, the Executive Board approved a two-step approach consisting of (i) an immediate approval of the disbursement of a fourth tranche of debt service relief to all qualified beneficiary countries² covering the period from October 16, 2021 through January 10, 2022, and (ii) consideration by January 2022 of a final tranche of CCRT debt service relief through April 13, 2022 based on a brief Board paper with an assessment of resources at that time.

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, the Democratic Republic of the Congo, Mozambique, Tanzania, and Togo do not have eligible debt service falling due during the fifth tranche covering the period from January 11 to April 13, 2022 (see Table 2). At the time of issuance of this paper, there continues to be a basis for pausing dealings with Afghanistan based on public statements issued by a critical mass of the membership that raise doubts as to whether members, in their own bilateral relations, recognize or deal with the Taliban as the government of Afghanistan. Afghanistan's next payment to the Fund under the fifth tranche period is due on February 3, 2022 for SDR 0.45 million.

In accordance with the two-step approach, this paper provides a brief overview on recent developments in CCRT-eligible countries followed by an update on the CCRT's funding status and resources assessment.

Despite generous support from a number of donors, total pledges received so far fall well short of the SDR 1 billion fundraising target and are also still below the cost of the full two-year COVID-related debt relief. Proceeding with a fifth and final tranche would thus necessitate a significant drawdown of the pre-COVID cash buffer, leaving the Trust with SDR 69 million, insufficient to cover potential *debt stock relief* under the Post-Catastrophe Relief (PCR) window in the event of catastrophic natural disasters. The remaining cash balance could still cover a very small number of *debt service relief* cases under the PCR window or the Catastrophe Containment (CC) window.

On balance, given that the pandemic continues to pose a severe human and economic burden on CCRT-eligible members, staff proposes (i) the approval of a fifth and final tranche covering debt service relief to all qualified beneficiary countries covering the period from January 11 to April 13, 2022; (ii) continued fundraising efforts to address the CCRT's severe underfunding; and (iii) a comprehensive review of the CCRT Instrument, tentatively planned for FY23, to assess the appropriateness of its policies and financing framework.

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