

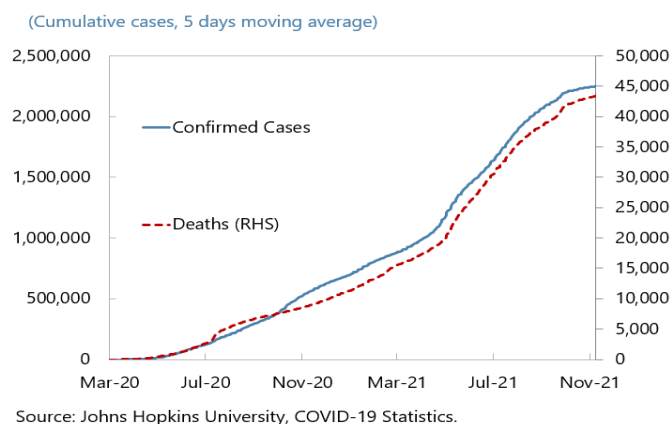
## RECENT DEVELOPMENTS

### 1. The COVID-19 pandemic continues to exact a significant human and economic toll on IMF members eligible for assistance from the Catastrophe Containment and Relief Trust (CCRT).

- **Human toll:** CCRT-eligible countries continue to see a high rate of new cases, while there are some signs of a slowdown, in the context of a challenging and uneven vaccine rollout. Cumulative cases have reached 2.2 million while associated deaths have exceeded 43 thousand (see Figure 1).

- **Economic toll:** While the global economic recovery is continuing, divergences among country groups are expected. According to the latest WEO outlook, real GDP growth in CCRT-eligible countries is projected to remain slower than the pre-COVID forecasts in 2021 and 2022. The gap between the weak performance of the CCRT-eligible countries vis-à-vis the wider group of low-income developing countries (LIDCs) is expected to widen further in 2022 and their slower growth is in sharp contrast to the prospective solid recovery in the advanced economies (AEs) and emerging market and developing economies (EMDEs) (see Table 1), reflecting slower vaccine rollout and relatively limited policy support compared to other country groups.

**Figure 1. Human Toll of COVID-19 in CCRT Countries, November 19, 2021**



**Table 1. Real GDP Growth Across IMF Member Groups**  
(Percent)

IMF member group	2019	2020	2021			2022		
	Actual <sup>2</sup>	Estimate <sup>2</sup>	Pre-COVID proj. <sup>1</sup>	Current proj. <sup>2</sup>	Change	Pre-COVID proj. <sup>1</sup>	Current proj. <sup>2</sup>	Change
CCRT	4.2	-0.5	4.9	2.9	-2.0	5.0	4.3	-0.7
LIDCs	5.3	0.1	5.1	3.0	-2.1	5.3	5.3	0.0
EMDEs	3.7	-2.1	4.6	6.4	1.8	4.7	5.1	0.4
AEs	1.7	-4.5	1.6	5.2	3.6	1.5	4.5	3.0
Global	2.8	-3.1	3.4	5.9	2.5	3.5	4.9	1.4

Source: Staff calculations.

<sup>1</sup> January 2020 WEO.

<sup>2</sup> October 2021 WEO.

2. **To date, the Executive Board has approved four tranches of debt service relief, totaling SDR 607.5 million for all CCRT-eligible members with eligible debt service falling due to the Fund from April 14, 2020 through January 10, 2022 (Table 2).** 31 member countries benefited from immediate CCRT debt service relief in the context of the COVID-19 pandemic, with four tranches approved on April 13, 2020, October 2, 2020, April 1, 2021, and October 6, 2021. Grant resources from the CCRT were disbursed to member countries and used to effect early repayment on their eligible debt falling due to the IMF during each tranche.<sup>3</sup>

3. **CCRT-eligible members have also benefitted from other IMF financial support and a new general SDR allocation, which became effective in August 2021.** Since the onset of the pandemic, the IMF has approved SDR 5.3 billion in financial assistance to 30 CCRT-eligible countries:

<sup>3</sup> Debt relief grants related to GRA charges are disbursed from the CCRT to effect payment on eligible charges when they become due.

29 countries have received financial support through the Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI), both emergency financing (EF) instruments; new arrangements under the Extended Credit Facility (ECF) have been approved for four countries (Afghanistan, Democratic Republic of Congo, The Gambia, and Madagascar); and four countries (Benin, The Gambia, São Tomé and Príncipe, and Togo) have received augmentations of access under existing arrangements.<sup>4</sup> CCRT-eligible countries' share of the new General SDR Allocation, effective August 23, 2021, amounted to about SDR 5.8 billion.

## UPDATE ON THE ADEQUACY OF CCRT RESOURCES

4. **On October 6, 2021, the Executive Board endorsed a two-step approach for the final six months of the maximum period that allowed for uninterrupted debt service relief in parallel with continued fundraising efforts.** At the time, staff considered in light of the low level of CCRT resources that it was premature to decide on a full six-month fourth CCRT tranche. Rather, a two-step approach was proposed and endorsed consisting of (i) an immediate approval of a further period of debt service relief through January 10, 2022, and (ii) consideration by the Executive Board prior to the end of the 4<sup>th</sup> tranche in January 2022 of a final tranche of debt relief through April 13, 2022 based on an updated assessment of resource adequacy, taking into account progress on fundraising and the likely needs of other potentially qualifying members.

5. **The approval of tranches of debt relief under the CCRT needs to take into consideration potential demand for assistance, both under the PCR and CC window (see Box 1).** Under the CCRT Instrument, the Executive Board "shall take into account the availability of resources in the Trust and the likely need of other potentially qualifying members under the Trust" when taking decisions on approving any tranche of CCRT grants. The Instrument leaves broad discretion to the Fund in making this assessment.

6. **Despite generous support from 18 Fund members and the EU, total pledges received to date still fall short of the cost of the full two-year COVID-related debt relief.** Since the onset of the pandemic, the Fund has received grant pledges of SDR 609.4 million (Table 3), of which SDR 607.5 million have been disbursed. This is below the cost of two full years of COVID-related debt service relief of SDR 690 million,<sup>5</sup> and falls well short of the SDR 1 billion fundraising goal that was intended to address the significant underfunding of the Trust. No new grant pledges have been received since the approval of the fourth tranche on October 6. However, Indonesia has stepped forward to top up its existing interest-free deposit agreement from part of the proceeds of its share in the distribution of SCA-1 and deferred charges, with the purpose of generating investment income for use in the operations of the CCRT.

<sup>4</sup> Several CCRT-eligible countries received financial support through multiple channels: Afghanistan (RCF and new ECF), Benin (ECF augmentation and RCF/RFI), Democratic Republic of Congo (RCF and new ECF), The Gambia (new ECF, RCF and ECF augmentation), and São Tomé and Príncipe (RCF and ECF augmentation). Among the 31 countries that received debt relief through the CCRT since the onset of the pandemic, only Yemen has not received financial support through EF or a Fund-supported program in parallel.

<sup>5</sup> The estimate excludes Afghanistan's debt service falling due during the fourth tranche (SDR 2.4 million) and the fifth tranche (SDR 0.45 million).

7. **Given the funding shortfall, a final tranche of COVID-19 debt service relief through April 2022 would result in a significant reduction of the pre-COVID cash buffer.** As of November 30, 2021, the cash balances in the CCRT amount to SDR 150.7 million<sup>6</sup>. In the absence of new contributions, the delivery of the COVID-related debt service relief of SDR 82.1<sup>5</sup> million falling due from January 11, 2022 through April 13, 2022 would reduce the CCRT cash balance to about SDR 68.6 million, implying significant erosion of the pre-COVID cash buffer of about SDR 150 million.

8. **Significantly reducing the CCRT's cash balances would exacerbate the underfunding problem and render the Trust unable to handle a number of potential future qualifying events.** With the median outstanding credit to the Fund amongst CCRT-eligible countries estimated at about SDR 213 million, the CCRT would be significantly underfunded in the case of a debt stock relief under the PCR window, should a qualifying catastrophic disaster (QCD) materialize. The CCRT would also be unable to cover some debt service relief cases under either window, e.g., in the event of multiple natural disasters or a regional epidemic. While future disasters may generate additional donor pledges, a low cash balance is problematic since CCRT debt service relief typically needs to be disbursed immediately after qualifying disasters to avoid a situation where debt service to the Fund crowds out urgent spending or balance of payments needs.

9. **Approval of a final tranche of COVID relief would, however, still leave a small buffer to cover a very small number of potential debt service relief cases under the PCR and CC windows.** In the absence of a catastrophic natural disaster qualifying for PCR stock of debt relief and regional epidemics that qualify multiple countries for CC relief, the projected residual balance of SDR 68.6 million could cover two-year debt service relief under either window for a medium to large country case (i.e., at the 75<sup>th</sup> percentile of the distribution of potential debt relief costs), or two medium country cases (i.e., at the 50<sup>th</sup> percentile).

10. **On balance, given the pandemic's severe burden on CCRT-eligible members, staff recommends the approval of a final tranche of CCRT debt relief in conjunction with the continuation of fundraising efforts for potential future qualifying events.** The COVID-19 pandemic continues to exact a severe human and economic toll on CCRT-eligible members, putting a premium on continued CCRT debt service relief. Hence, despite the implied drawdown of the pre-COVID cash buffer and the very limited resources available for other qualifying events, staff proposes the approval of a fifth and final tranche of COVID relief to all qualified member countries with debt service falling due from January 11 to April 13, 2022, in conjunction with continued broad fundraising efforts to reduce the underfunding of the CCRT and replenish the cash buffer available to respond quickly to future shocks.

11. **Staff proposes to conduct a comprehensive review of the CCRT, tentatively planned for FY23, to ensure its sustainability.** Given the enhancement of the CCRT Instrument to cover pandemics, the considerable increase of Fund lending to low-income countries during the pandemic, and the recent increase in PRGT access limits, the pre-COVID underfunding estimate of SDR 200-275

<sup>6</sup> Includes net operational income received.

million is likely to be substantially underestimated.<sup>7</sup> The review will assess experience with the debt relief operations under the CCRT and the case for reforms to the access rules and financing framework.

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<sup>7</sup> [\*The 2018–19 Review of Facilities for Low-Income Countries—Reform Proposals\*](#) assessed the resource need for the CC window at SDR 150 million (covering two large countries or four median countries) and the PCR window at SDR 200–275 million (covering a medium to large case of debt stock relief). With a cash balance of SDR 150 million, the underfunding for the CCRT was estimated at SDR 200–275 million.

### Box 1. Overview of the CCRT Instrument

The CCRT provides grants to pay debt service owed to the Fund by eligible low-income member countries that are hit by catastrophic natural disasters or battling public health disasters—such as earthquakes, epidemics, or global pandemics.<sup>1</sup> The Trust has two windows:

#### Catastrophe Containment (CC) Window

There are two alternative qualifying public health disasters (QPHD). The first concerns a life-threatening *epidemic* that has spread across several areas of the afflicted country's territory, causing significant economic disruption and creating a balance of payments need (BoP). The epidemic has the capacity to spread or is already spreading to other countries, producing or threatening significant economic disruption and loss of life. Under this QPHD, the magnitude of the economic disruption that occurred and is projected to occur in the future, based on available information including preliminary estimates, normally would cause a cumulative loss of real GDP of 10 percent or more; or a cumulative loss of revenue and increase of expenditures equivalent to at least 10 percent of GDP, measured relative to staff estimates made prior to the onset of the public health disaster.

The second QPHD concerns a life-threatening *global pandemic* that is inflicting severe economic disruption across the IMF membership and is creating BoP 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.

To qualify for the support, the afflicted country should put in place appropriate macroeconomic policies to address the BoP needs created by the QPHD and the ensuing policy response and may receive *immediate debt relief* covering eligible debt service falling due to the Fund under an initial tranche not exceeding six months from the date of the qualification decision or from the date of the Executive Board determination that a global pandemic exists. Subject to resource availability, additional tranches of debt service relief may be approved to cover an overall period not exceeding two years from the date of the initial decision.

#### Post-Catastrophe Relief (PCR) Window

An eligible member country would qualify for debt flow relief under this window when a catastrophic natural disaster has directly affected normally at least one-third of the population and directly affected a large portion of the member's economy as evidenced by either a destruction of more than a quarter of the country's productive capacity or by economic damage in an amount exceeding 100 percent of the member's GDP prior to the QCD. Eligible low-income countries hit by such a catastrophic disaster would receive *temporary debt flow relief* on their debt service payments (principal and interest) to the Fund falling due in the two years following the disaster. Unlike under the CC Window, assistance under the PCR Window would not be tranching.

Full cancellation of a country's eligible debt stock to the Fund is also possible for members that qualify for debt flow relief where in addition the member has substantial BoP needs created or exacerbated by the QCD and the subsequent economic recovery efforts which are expected to persist beyond the period covered by the debt flow relief and where the resources freed up by debt stock relief are critical for meeting these needs. This would typically only be the case if, based on an updated debt sustainability analysis, the country faced a very high debt burden. Debt stock relief would be disbursed only upon determination that (i) concerted efforts exist within the international community to provide similar debt relief, which is evidenced by satisfactory assurances regarding debt relief provided by the member's official creditors whose debt together account for at least 80 percent of the member's total sovereign external debt outstanding to official creditors; (ii) the member provided assurances that it will cooperate in an effort to find solutions to its BoP problems and that it will refrain from inappropriate policies that could compound such problems; and (iii) the member has established a track record of adequate macroeconomic policies normally for a period of at least 6 months, taking into account the member's implementation capacity.

<sup>1</sup> Eligibility for CCRT assistance is limited to countries eligible for concessional borrowing under the Poverty Reduction and Growth Trust (PRGT) with per capita income below the International Development Association's (IDA) operational cutoff (currently US\$1,205) or, for small states with a population of less than 1.5 million, per capita income below twice the IDA cutoff (currently US\$2,410).

**Table 2. Eligible Countries and Eligible Debt Service Relief for CCRT Tranches**  
(As of November 19, 2021; in SDRs)

Country	Eligible Debt Service					
	1st tranche (actual) (Apr 14- Oct 13, 2020)	2nd tranche (actual) (Oct 14, 2020- Apr 13, 2021)	3rd tranche (actual) (Apr 14- Oct 15, 2021)	4th tranche (actual) (Oct 16, 2021- Jan 10, 2022)	5th tranche (Jan 11, 2022- Apr 13, 2022)	Two-year total (Apr 14, 2020- Apr 13, 2022)
Afghanistan, Islamic Republic of	2,400,000	2,400,000	2,400,000	0 <sup>1</sup>	0 <sup>1</sup>	7,200,000
Benin	7,428,000	6,366,000	5,305,000	2,122,000	2,122,000	23,343,000
Burkina Faso	8,737,400	10,295,000	9,650,000	10,607,000	255,000	39,544,400
Burundi	5,480,000	4,820,000	4,160,000	0	3,500,000	17,960,000
Central African Republic	2,955,800	2,924,300	2,924,300	1,531,800	2,645,000	12,981,200
Chad	0	1,997,000	4,062,000	4,062,000	0	10,121,000
Comoros	969,857	811,199	654,001	638,687	15,747 <sup>3</sup>	3,089,491
Congo, Democratic Republic of	14,847,900	9,898,600	4,949,300	0	0	29,695,800
Djibouti	1,692,000	1,692,000	1,396,800	624,600	624,600	6,030,000
Ethiopia	8,560,166	4,504,835	471,804	238,748	239,658 <sup>3</sup>	14,015,211
Gambia, The	2,099,250	2,099,250	1,866,000	1,088,500	777,500	7,930,500
Guinea	16,371,000	16,371,000	18,207,000	1,836,000	16,371,000	69,156,000
Guinea-Bissau	1,079,200	1,363,200	1,121,800	596,400	284,000	4,444,600
Haiti	4,095,000	3,978,000	3,978,000	865,800	2,293,200	15,210,000
Kyrgyz Republic	...	...	...	8,876,154 <sup>2</sup>	313,354 <sup>3</sup>	9,189,508
Lesotho	...	...	...	3,206,006 <sup>2</sup>	629,506 <sup>3</sup>	3,835,512
Liberia	11,632,800	11,188,800	11,483,000	3,102,600	7,936,400	45,343,600
Madagascar	3,055,000	3,055,000	6,110,000	6,110,000	3,142,800	21,472,800
Malawi	7,202,000	7,202,000	7,809,000	6,724,000	3,905,000	32,842,000
Mali	7,300,000	7,500,000	7,700,000	5,700,000	1,800,000	30,000,000
Mozambique	10,886,667	9,466,667	9,466,667	9,466,667	0	39,286,668
Nepal	2,852,000	3,565,000	3,565,000	0	3,565,000	13,547,000
Niger	5,640,000	5,640,000	9,540,500	5,028,500	5,746,000	31,595,000
Rwanda	8,010,000	12,015,000	14,017,500	8,010,000	8,010,000	50,062,500
São Tomé and Príncipe	111,000	174,428	174,428	137,428	100,428	697,712
Sierra Leone	13,364,500	12,220,500	15,110,000	5,999,500	11,554,500	58,249,000
Solomon Islands	59,428	74,285	103,999	59,428	44,571	341,711
Tajikistan, Republic of	7,830,000	5,218,000	3,913,500	1,304,500	1,304,500	19,570,500
Tanzania	10,277,889	8,288,888	0	0	0	18,566,777
Togo	3,740,000	2,310,000	880,000	0	0	6,930,000
Yemen, Republic of	14,441,500	10,962,500	17,050,000	0	4,875,000	47,329,000
<b>Total</b>	<b>183,118,357</b>	<b>168,401,452</b>	<b>168,069,599</b>	<b>87,936,318</b>	<b>82,054,764</b>	<b>689,580,490</b>

Source: IMF Finance Department.

<sup>1</sup> Debt service relief to Afghanistan (SDR 2.4 million) was not included in the fourth tranche (EBS/21/88, footnote 4) as dealings with it were paused 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.

<sup>2</sup> For the Kyrgyz Republic and Lesotho, the amounts listed in the fourth tranche column include principal payments falling due on October 15, 2021 in the amount of SDR 951,400 and SDR 2,008,500, respectively.

<sup>3</sup> Eligible debt service during the fifth tranche includes estimates for the GRA charges for Ethiopia, Comoros, Kyrgyz Republic, and Lesotho. Principal repayment obligations for Lesotho amount to SDR 568,000. There are no principal repayment obligations on the CCRT-eligible debt for Comoros, Ethiopia, and the Kyrgyz Republic.

**Table 3. Contributions to the CCRT since March 2020 <sup>1</sup>**

(As of November 19, 2021)

Contributor	CCRT grants			Current status of contribution
	In millions of SDRs	In millions of original currency (if appl.)	In millions <sup>2</sup> of US\$	
European Union <sup>3</sup>	152.0	€ 183	212.5	Disbursed
UK	135.8	£150	189.9	Disbursed
Japan <sup>4</sup>	108.6	\$150	151.9	Disbursed
Germany	66.2	€ 80	92.6	Disbursed
France	33.3	€ 40	46.6	Disbursed
Netherlands	20.8	€ 25	29.1	Disbursed
Spain	20.7	€ 25	29.0	Disbursed
Switzerland	19.5	CHF 25	27.2	Disbursed
Norway	14.5	NOK 180	20.3	Disbursed
Singapore	12.4	\$17.6	17.3	Disbursed
Greece	7.7	\$11.0	10.8	Disbursed
China	5.6		7.8	Disbursed
Mexico <sup>5</sup>	2.9	\$4	4.1	Disbursed
Philippines <sup>6</sup>	2.8	\$4	4.0	Partially disbursed
Sweden	2.4	SEK 30	3.4	Disbursed
Bulgaria	1.9		2.7	Disbursed
Luxembourg	1.7	€ 2	2.3	Disbursed
Malta	0.6	\$0.8	0.8	Disbursed
<b>Total</b>	<b>609.4</b>		<b>852.2</b>	
<b>Target</b>	<b>SDR 1 billion</b>		<b>US\$1.4 billion</b>	

Source: IMF Finance Department

<sup>1</sup> On November 29, 2021, Indonesia topped-up its existing interest-free deposit agreement (SDR 5.4 million) with an additional principal amount of SDR 42.7 million, which will mature at end-2023.<sup>2</sup> SDR value of contributions (received and pending receipt) is expressed in US dollars using the spot exchange rate as of the date of this table.<sup>3</sup> The EU contributed to the CCRT SDR 141 million and SDR 11 million during the third and fourth tranches, respectively.<sup>4</sup> Japan made two contributions: US\$100 million (April 2020) and US\$50 million (September 2021).<sup>5</sup> Contributed as part of the 2015-17 fundraising campaign.<sup>6</sup> On September 10, 2021, the Philippines contributed SDR 0.7 million to the CCRT as the first annual installment of its pledge.