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CATASTROPHE CONTAINMENT AND RELIEF TRUST: POLICY PROPOSALS AND FUNDING STRATEGY

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- The **Press Release** released on March 27, 2020
- The **Staff Report** prepared by IMF staff and completed on March 23, 2020.
- The **Proposed Decision** prepared by IMF staff and completed on March 25, 2020.

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International Monetary Fund
Washington, D.C.



IMF Enhances Debt Relief Trust to Enable Support for Eligible Low-Income Countries in the Wake of the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

Washington, DC – March 27, 2020. In direct response to the COVID-19 crisis the International Monetary Fund (IMF) Executive Board has adopted some immediate enhancements to its Catastrophe Containment and Relief Trust (CCRT) to enable the Fund to provide debt service relief for its poorest and most vulnerable members. The CCRT enables the IMF to deliver grants for debt relief benefitting eligible low-income countries in the wake of catastrophic natural disasters and major, fast-spreading public health emergencies.

The COVID-19 outbreak and the associated global economic turmoil creates a critical need to support the Fund's membership, including exceptional balance of payments support for the poorest members especially impacted by the pandemic. Well-targeted support will allow these countries to prioritize medical spending and health-related as well as other immediate needs in the challenging economic environment, characterized by sharp declines in income, lost revenue and higher expenses.

In that context, the IMF Executive Board has approved changes to the CCRT that expand the qualification criteria to better cover the circumstances created by a global pandemic and to focus on delivering support for the most immediate needs. Specifically, the decision will allow all member countries with per capita income below the World Bank's operational threshold for concessional support to qualify for debt service relief for up to two years. This would apply when a life-threatening global pandemic is inflicting severe economic disruption across the Fund's membership and is creating balance of payments needs on such a scale to warrant a concerted international effort to support the poorest and most vulnerable countries.

The IMF has also launched a fund-raising exercise that would enable the Trust to provide about \$1 billion for the current pandemic. Ms. Georgieva has called upon the Fund's economically stronger member countries [to help replenish the CCRT](#), which had only \$200 million available for the world's poorest countries. The U.K. [has responded](#) with a pledge for £150 million (\$183 million). Other donors, including Japan and China, are also coming forward with important contributions.

"The IMF's revamped Catastrophe Containment and Relief Trust can now provide rapid debt service relief on IMF debt obligations to more of our poorest and most vulnerable members. This will help them to channel more of their scarce financial resources to their vital emergency medical and other relief efforts," IMF Managing Director Kristalina Georgieva said. "Furthermore, we are calling on donor countries to replenish the Trust's resources to help boost our ability to provide additional debt service relief to our poorest member countries."

Background:

The CCRT allows the IMF to support international debt relief efforts when poor countries are hit by severe natural disasters or battling public health crises—such as the current coronavirus pandemic—with grants for debt service relief.

An earlier version of the CCRT was used to provide assistance of some \$270 million to Haiti in 2010 to respond to the earthquake. It was next updated in 2015 to provide close to \$100 million in grants to the three countries most impacted by the Ebola crisis, Guinea, Liberia and Sierra Leone.



March 23, 2020

CATASTROPHE CONTAINMENT AND RELIEF TRUST: POLICY PROPOSALS AND FUNDING STRATEGY

Approved By
Andrew Tweedie,
Martin Muhleisen,
Rhoda Weeks-Brown

Prepared by the Finance Department, the Legal Department, and the Strategy, Policy, and Review Department

The Catastrophe Containment and Relief Trust (CCRT) can play an important role in helping the poorest and most vulnerable countries cope with the COVID-19 pandemic. It is designed to complement the Fund's concessional lending facilities by providing grants for debt relief in order to free up additional resources for dealing with the fallout from exceptional disasters. This paper summarizes key elements and funding status of the CCRT and sets out proposals for replenishing the trust and ensuring that it is "fit for purpose" in the current crisis.

A. What Is the Role of the Catastrophe Containment and Relief Trust (CCRT) in the Fund's Concessional Toolkit?

1. **Concessional lending through the Poverty Reduction and Growth Trust (PRGT) is the Fund's main vehicle for providing rapid financial support to low-income members (LICs) with urgent balance of payments needs, including those stemming from health emergencies and other natural disasters.** The economic consequences from such crises go beyond immediate medical needs, and include sharp declines in income, weaker fiscal balances from lost revenue and higher expenditure, and higher balance of payments needs. The Fund can provide quick disbursements through the Rapid Credit Facility (RCF) or through augmentations of existing arrangements under the Extended Credit Facility (ECF) or Standby Credit Facility (SCF). The annual access limit for the RCF was increased by half in 2015,¹ and by another third in 2019, and is currently 50 percent of quota (and 80 percent of quota for urgent BOP needs arising from large natural disasters).

¹Access limits in the PRGT were then halved with the coming into effect of the 14th General Review of Quotas in January 2016.

2. The CCRT complements the Fund’s traditional concessional financing facilities by providing debt relief to the Fund’s poorest and most vulnerable members to free up additional resources to cope with catastrophic disasters, including epidemics. The CCRT provides grants for debt relief in the wake of a catastrophic natural disaster, such as an earthquake, or during a major public health disaster with international spillover potential. This support is aimed at freeing up budget resources for the poorest and most vulnerable countries with severely constrained capacities to handle such disasters. It is used only in exceptional circumstances to complement the Fund’s primary function of providing temporary balance of payments support when the nature of the shock and lack of national capacity to address it call for stepped-up grant support and possible debt relief. CCRT support can also help catalyze support from the international donor community and capture the “positive externality” whereby containment efforts in an affected country may produce large benefits for the international community. The Fund’s ability to provide CCRT debt relief is limited by the availability of grant resources, and thus, is closely linked to donors’ willingness to replenish the CCRT when needs arise.

3. The CCRT has so far been used in two episodes. The Trust was created in response to Haiti’s devastating earthquake in 2010, providing exceptional debt stock relief of SDR 178 million. It was enhanced in February 2015 in response to the Ebola outbreak in West-Africa, and provided SDR 68 million in debt service relief to Guinea, Liberia, and Sierra Leone. The CCRT support to those three members complemented the injection of emergency lending assistance of SDR 85 million, which was approved by the Executive Board in the fall of 2014.

B. How Does the CCRT Operate?

4. The CCRT has two windows: (i) a Post-Catastrophe Relief (PCR) window for support in the wake of a catastrophic natural disaster; and (ii) the Catastrophe Containment (CC) window (“health crisis window”) which aids in dealing with a major public health disaster. While several features below apply to both the PCR window and the CC window, and any financing needs would need to ensure that resources are sufficient for potential future use under both windows, this paper focuses on the CC window in light of the current pandemic.

5. The CCRT’s CC window provides grants to pay off upcoming debt service to the Fund during major public health disasters. It is meant to ease cash pressures at a time of exceptional need, when it would be highly problematic for countries to divert scarce resources for servicing obligations to the Fund. This debt relief, while modest in its liquidity impact, helps increase the concessional nature of the Fund’s support during a major health disaster while reducing the debt burden on the most vulnerable countries.²

² The CCRT’s CC window is not primarily a tool for providing speedy assistance to pandemic-affected countries: it eases cash pressures that are spread out over two or more years and that are modest in size (generally 0–20 percent of quota) compared with the scale of the support (50 percent) that can be provided in a single disbursement through the emergency financing facilities. However, it is an important tool for reducing the debt burden of poor countries, including those that rely on emergency loan financing from the Fund.

6. Access to the CCRT is narrowly ringfenced in light of scarce grant resources and the exceptionality of debt relief. Eligibility to the CCRT is limited to the poorest and most vulnerable Fund members, determined as PRGT-eligible countries whose annual per-capita gross income level is below the prevailing IDA operational cut off, or twice that cut-off for small states. There are currently 33 members that are eligible to access the CCRT, of which 29 have outstanding credit to the IMF (see Table 1), and most of the eligible countries are in sub-Saharan Africa. CCRT support under the CC window only covers eligible debt owed to the Fund, whether under the PRGT or GRA at the time of the determination of the member's qualification; the Trust is therefore of no use to a member that has no such outstanding debt to the Fund. Moreover, support from the CCRT is expected to be provided as part of a broad package of support from bilateral and multilateral donors.

7. Under the CCRT's rules, an eligible member would qualify for debt service relief via the CC window when:

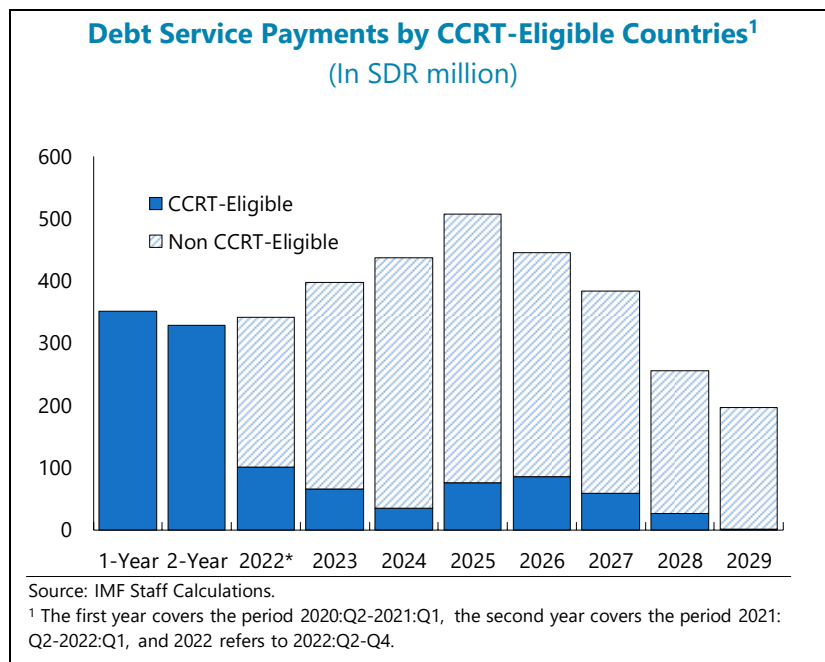
- The Executive Board determines, based on available information, that the country is experiencing a balance of payment need arising from a *Qualifying Public Health Disaster (QPHD)* that has occurred in the member's territory, that is: (1) the sustained presence of a life-threatening epidemic that has spread across several areas of the member's territory, causing significant economic disruption and creating a balance of payments need; and (2) the epidemic has the capacity to spread, or is already spreading, rapidly both within and across countries, producing or threatening, significant economic disruption and loss of life.³
- The Executive Board determines that the macroeconomic policy framework put in place to address the balance of payments need created by the public health disaster and the ensuing policy response of the authorities, as outlined in the letter of intent, is appropriate.

8. Based on available information, which may take the form of preliminary estimates and projections, the magnitude of economic disruption that has occurred and is projected to occur under a QPHD would normally be characterized by at least: (a) a cumulative loss of real GDP of 10 percent; or (b) a cumulative loss of revenue and increase of expenditures equivalent to a least 10 percent of GDP. Such economic disruption would be measured relative to staff estimates made prior to the onset of the public health disaster and would reflect, inter alia, sharp curtailments, for disease containment purposes, on the movement of people and products within the country and related declines in production, exports, tax revenues, and international visitors, and also surges in government outlays on relief and containment efforts.

³ In making the determination of the occurrence of a Qualifying Health Disaster, the Fund may draw on assessments of the health situation and outlook made by national authorities, the World Health Organization (WHO), the World Bank, and other relevant agencies. The occurrence of a Qualifying Public Health Disaster, as defined, is expected to be a rare event, limiting access to the CC window to exceptional circumstances.

9. Debt relief under the CC window of the CCRT is provided in the form of grants to immediately pay off upcoming debt service to the Fund, and is normally capped at the equivalent of 20 percent of quota, with higher amounts permitted under specific circumstances.

Members qualifying for assistance via the CC window of the CCRT receive the assistance in the form of grants to pay off upcoming debt service to the Fund on eligible debt,⁴ generally not exceeding 20 percent of quota. The Executive Board may in some circumstances decide to increase the amount of grant support beyond the equivalent of 20 percent of quota, including, for example, in cases when debt service obligations to the Fund constitute an exceptional burden on the near-term external payments position, to cover not more than the total amount of eligible debt falling due to the Fund during the ensuing two-year period.⁵ The provision of CCRT relief is contingent on availability of funds in the trust.



C. What Is the Funding Status of the CCRT?

10. The CCRT has long been severely underfunded. As of end-December 2019, the CCRT has a balance of only SDR 150 million. The bilateral fund-raising campaign launched in 2015 to replenish the CCRT fell short of expectations, raising only SDR 61 million in new grants from donors in addition to the transfers of MDRI-II resources of SDR 39 million (Table 2).⁶ The underfunding was exacerbated by the doubling of quotas under the 14th quota review, which correspondingly resulted in a doubling of the size of eligible debt under the CCRT.

⁴ Eligible debt is defined as all of the member's debt to the Fund (including to the Fund as Trustee) that was outstanding as of the date of the determination by the Fund that the member is qualified to receive grant assistance under the CC window, and in respect of which the member had made regular scheduled debt service payments (principal and interest) before such determination, but shall exclude any debt to the Fund that is scheduled to be repaid with assistance under other debt relief trusts administered by the Fund or under the PCR window of the CCRT.

⁵ See para. 36 of [Proposal to Enhance Fund Support for Low Income Countries Hit by Public Health Disasters](#) (01/22/15) for further details.

⁶ For the 2015 campaign, the Managing Director approached 50 member countries (including G-20 countries, advanced and emerging countries, and past contributors to concessional fund-raising efforts) for contributions totaling US\$300 million. Six of those members responded positively to this request, pledging a total amount of US\$93.3 million. Staff followed up in 2019 with countries that did not respond to the 2015 fund-raising call, but no additional pledges were received.

11. The COVID-19 pandemic will likely create substantial additional financing needs. The health crisis window under the CCRT was designed to provide debt relief only to a few country cases as QPHDs are expected to be rare; moreover, the efforts of the international community during the 2014–15 Ebola episode aimed to first contain, and then reverse, the epidemic in the three affected countries in West-Africa. In contrast, the health crisis from COVID-19 has morphed into a global pandemic. In those circumstances, requests for support from the CCRT could surpass prior estimates by very large magnitudes—even before accounting for resource needs to keep both windows sufficiently financed.

12. Under the current CCRT framework, total needs to meet potential CCRT demand from the COVID-19 pandemic could reach SDR 1.1 billion. In a worst-case scenario—where COVID-19 spreads and causes significant economic disruption to all countries eligible for assistance under the CCRT, and all these countries request for the maximum access level allowed under existing policies (20 percent of quota or total debt service falling due to the Fund in the next two years, whichever is higher)—approximately SDR 1.1 billion would be needed. Of this amount, SDR 680 million would be needed to cover debt service falling due in the next two years (2020Q2–2022Q1), starting with SDR 183 million and SDR 351 million to cover the next six and twelve months, respectively (see Table 3).

CCRT-Eligible Countries: Debt Service Obligations to the Fund			
<i>(In SDR million unless otherwise indicated)</i>			
	First 2 years	Remaining period	Total
	(2020:Q2-2022:Q1)	(2022:Q2-2030:Q1)	(2020:Q2-2030:Q1)
Debt service obligations to the Fund	680	2,908	3,588
Maximum CCRT-eligible debt service relief	680	447	1,127
<i>As a share of (in percent):</i>			
<i>Total debt service obligations</i>	100	15	31
<i>Quota (average across countries)</i>	14	6	20

Source: IMF Staff Calculations.

13. Under any conceivable scenario, there is an urgent need to secure fresh donor grants, in an order of magnitude that far exceeds what the Fund has been able to mobilize in past campaigns. Unlike when the CCRT was created, the Fund no longer has funds that it could repurpose to increase resources to handle the expected surge in country requests for support under

the CCRT.⁷ Even if only half of the most vulnerable eligible members needed CCRT support, financing needs would be in the range of SDR 440–800 million for full CCRT relief, and SDR 260–460 million to cover the next two years alone.⁸ While such ranges are subject to significant uncertainty, they illustrate that the CCRT would quickly exhaust available balances.

14. To kickstart a new fundraising round, the United Kingdom has pledged £150 million in new grants, half of which will be provided upfront. The second half is contingent on materialization of CCRT needs and is intended to be part of a broader fundraising initiative by the Fund’s members.

D. Is the CCRT “Fit for Purpose” to Handle the COVID-19 Pandemic?

15. The CCRT works on a “first-come, first-served” basis and would cease providing any support once its cash balances are exhausted, a severe limitation in a pandemic affecting many countries. The CCRT’s current cash balance of SDR 0.15 billion is barely enough to cover debt relief for three to four mid-sized countries, or the largest eligible country by quota.⁹ Moreover, since “eligible debt” is not necessarily tied to the timing of debt service due, it is possible that support to countries without much near-term debt service due in the coming months might exhaust the CCRT, leaving the Fund without tools to provide debt relief to countries with more immediate needs.

16. It is difficult to pre-fund the CCRT given the opportunity cost of donor budget resources, creating large funding gaps when global pandemics strike. Even when CCRT needs become apparent as is the case now, potential donors may still face a trade-off between making contributions for IMF debt service relief and stepped-up financing of their own aid agencies or other international organizations. This situation becomes problematic in the event of a pandemic, in which the CCRT would need large cash balances upfront to commit to full debt service relief for all affected countries.

17. The qualification criteria for the CC window of the CCRT are not well suited to cover pandemics such as COVID-19. The CC window of the CCRT was designed with the Ebola outbreak in mind, where, and in the context of a reasonably benign global environment, the motivation was to prevent the epidemic which originated in a small group of LICs from becoming a global

⁷ The CCRT was initially funded by repurposing the PCDR Trust (which had SDR 102 million) and transferring remaining balances in the Multilateral Debt Relief Initiative (MDRI-I and MDRI-II, for SDR 13 and 39 million, respectively). The initial financing for the PCDR came from the transfer of funds from the MDRI-I Trust which was financed by the Special Disbursement Account (SDA) resources from the sale of the Fund’s gold, and the MDRI-II Trust was financed from 37 bilateral contributors.

⁸ Ranges are based on the funding needs for the top half of the most vulnerable CCRT-eligible members using various metrics, including: amount of eligible Fund debt service falling due; share of such eligible debt service falling due as a percentage of government revenues, GDP, and Fund quota; and member rankings based on debt/GDP ratio, debt distress rating, and quality of healthcare system.

⁹ For example, Guinea, Rwanda, and Sierra Leone each have SDR 50 million of debt service (about 30 percent of quota for each) falling due to the Fund in the next two years. Democratic Republic of Congo alone would qualify for SDR 213 million in CCRT relief (of which only SDR 30 million would debt service falling due to the Fund in the next two years).

pandemic. For that reason, it covers cases where a life-threatening disease has spread across several areas of the country, with significant economic disruption, and with the capacity to spread/is already spreading both within and across countries. The circumstances of the COVID-19 pandemic do not fit well in these criteria, where the health crisis should be tackled early on even when the epidemic may not yet have a widespread presence in the country but can be expected, based on the experience of other countries, to spread across the country. Similarly, the metrics for economic disruption—a cumulative loss of GDP of 10 percent or a cumulative budgetary impact of 10 percent of GDP—are not suitably calibrated to the situation of a global pandemic, where the actual or potential impact could be severe in the near term but also abate quickly if resolute action were taken by the international community.

E. What Is Needed to Use the CCRT Effectively in the Current Pandemic?

18. To ensure that the CCRT can provide effective support to the Fund’s poorest and most vulnerable countries affected by the COVID-19 pandemic, staff has developed a strategy aimed at raising substantial new grant contributions while targeting debt relief to members with the most immediate needs. This proposed policy and funding package would involve four broad elements: (i) a strong fundraising campaign involving a broad spectrum of donors, including options that allow for contingent grants; (ii) modifying the qualification criteria for providing debt service relief in a broader set of circumstances experienced by eligible countries that are affected in this pandemic; (iii) “tranching” of debt service relief to ensure that all eligible countries can receive immediate relief limited to available amounts while fundraising continues; and (iv) limiting maximum grant support to the debt service due to the Fund in the first two years of from the qualification decision by the Executive Board.¹⁰

- **Broad fundraising and contingent grants.** Broad support from the membership and appropriate burden sharing is required to raise the grant resources that are urgently needed to allow the Fund to provide assistance under the CCRT for the poorest and most vulnerable countries hit by the COVID-19 outbreak. Management will formally approach a broad spectrum of the membership to seek contributions. Staff will work with potential donors to accommodate funding preferences, including the option of contingent grants where donors make firm pledges to disburse when certain triggers are met. The announcement by the UK to provide £150 million in two tranches, one of which would be contingent, is an early strong signal for other potential donors to consider contributing using this approach. The Chinese authorities have also committed to help replenish the CCRT, and several other members have indicated their interest in providing support.
- **Expansion of the Qualification Criteria.** The existing qualification criteria for the CC window can work well for a regionally concentrated epidemic that has the capacity to spread

¹⁰ Since the CCRT includes SDA resources, the uniformity of treatment principle applies. This principle requires that trust resources be available on a uniform basis to all eligible members facing a similar situation. Revisions that would extend the relief to a broader set of countries affected by this pandemic can only become effective if there is sufficient aggregate financing in the CCRT to provide relief beyond already identified potential recipients.

rapidly within and across countries, producing or threatening to produce significant economic disruption and loss of life. To address a global pandemic such as COVID-19, staff proposes to expand the qualification criteria by adding an *alternative test* for a qualifying public health disaster (QPHD): specifically, a CCRT-eligible member will be deemed to have a QPHD if a life-threatening global pandemic (informed by the World Health Organization’s assessment) is inflicting severe economic disruption across the Fund’s membership and is creating balance of payments needs on such a scale to warrant a concerted international effort to support the poorest and most vulnerable countries through substantial additional grant support and debt service relief. As is currently the case, only the poorest of the Fund’s members would qualify. Eligible are those PRGT-eligible countries whose Gross National Income (GNI) per capita is below the IDA operational threshold level; and, for small countries, less than twice the IDA operational cutoff. For small states, the income threshold would be twice that level. Measures of GNI per capita for all IDA-eligible countries, and of the IDA operational threshold, are updated annually by the World Bank and published at the outset of Bank’s fiscal year (July 1). If the Board determines the presence of a QPHD under this alternative test, the Fund would encourage a broad international response to provide support to the poorest countries, including through exceptional debt service relief from official creditors, and would assess qualification of CCRT-eligible countries for support under the CC window based on the following conditions:

- The Executive Board determines, based on available information, that the country is experiencing an exceptional balance of payments need arising from the spread of the QPHD and the country’s response to it.
- The Executive Board determines that the macroeconomic policy framework put in place by the authorities to address the balance of payments needs created by the global pandemic, as outlined in a letter of intent, is appropriate.
- **Tranching of debt service relief.** In a pandemic, it might take time for donors to disburse new grant contributions given their budget cycles, and some may only do so when concrete debt relief cases have arisen. To allow for immediate relief to all eligible countries that experience the QPHD, staff proposes to “tranche” the delivery of debt service relief by initially committing such relief for the first six months (or a specified shorter period based on available resources), with any further tranches of such relief being committed only once sufficient resources have been secured. This would avoid the risk of tying up scarce grant resources for just a few countries (on a “first-come, first served” basis) irrespective of the timing of their debt service falling due to the Fund, as is currently the case, and allow for fundraising efforts to move in parallel with provision of short-term debt service relief to a larger number of countries.
- **Capping the duration of debt service relief.** As noted above, relief provided through the CCRT is normally limited to 20 percent of quota, irrespective of when the debt service to the Fund is due. To better target scarce grant resources and ensure broad coverage of eligible countries with pressing needs, the amount of debt service relief would no longer be subject

to the normal limit of 20 percent of quota, but instead would be subject to a cap equal to the cumulative debt service falling due to the Fund during the 24-month period following the Board qualification decision. This would reduce the maximum financing need from SDR 1.1 billion under current rules to SDR 0.7 billion because some eligible countries do not have significant debt service falling due during the next two years. It would shift the basis of the Fund's support from: (i) providing highly concessional support to poor countries hit by the shock, partly motivated by subsidizing global public good activities in the country (containment efforts), to: (ii) helping poor countries hit by the shock by fully covering their near-term debt service obligations to the Fund, thus freeing up scarce resources when their financing needs are most pressing.

F. What Are the Next Steps?

Staff is preparing the decisions to implement the above proposals and will finalize them in light of the views of Executive Directors during the Board meeting tentatively scheduled for Wednesday March 25. If there is broad support among Executive Directors, decisions could be approved (on a lapse-of-time basis) soon after the Board meeting. The Managing Director and staff would in parallel embark on a formal fundraising campaign with a broad spectrum of the membership.

G. Issues for Discussion

Do Directors agree that there is an urgent need to raise new grant contributions to provide CCRT debt service relief to the Fund's poorest and most vulnerable members in order to free up resources to cope with the fallout from the COVID-19 pandemic?

Do Directors support adding an alternative test for qualification under the CC window, as outlined above, in the event of a global pandemic that is inflicting such severe economic disruption that a concerted international effort to provide debt service relief to the poorest countries would be warranted?

Do Directors support the proposed tranching of debt service relief commitments, subject to the availability of resources as outlined above, in order to provide immediate relief to all qualifying countries while moving in parallel with fundraising efforts?

Do Directors agree that debt relief should aim to cover the debt service to the Fund falling due over the first two years, as outlined above?

Table 1. CCRT Eligible Countries: Total Credit Outstanding to the Fund, 2020:Q2–2030:Q1

Country	GNI	Quota	Total Outstanding Credit
	(USD per Capita, 2018)	(SDR million)	(Share of Quota)
Afghanistan, Islamic Republic of	550	324	13
Benin	870	124	105
Burkina Faso	660	120	137
Burundi	280	154	18
Central African Republic	480	111	154
Chad	670	140	204
Comoros ¹	1,320	18	44
Congo, Democratic Republic of	490	1066	28
Djibouti ¹	2,180	32	21
Ethiopia	790	301	52
Gambia, The	700	62	41
Guinea	830	214	112
Guinea-Bissau	750	28	80
Haiti	800	164	33
Liberia	600	258	62
Madagascar	440	244	113
Malawi	360	139	127
Mali	830	187	135
Mozambique	440	227	71
Nepal	960	157	25
Niger	380	132	152
Rwanda	780	160	90
São Tomé and Príncipe ¹	1,890	15	44
Sierra Leone	500	207	126
Solomon Islands ¹	2,000	21	4
Tajikistan, Republic of	1,010	174	12
Tanzania	1,020	398	5
Togo	650	147	108
Yemen, Republic of	960	487	16
Eritrea	...	16	0.0
South Sudan	...	246	0.0
Timor-Leste ¹	1,820	26	0.0
Uganda	620	361	0.0
Total	...	6460	56

¹ Small states are eligible if GNI per capita is twice the prevailing IDA cut-off

Table 2. Member Contributions to the CCR Trust, as of end 2019

	Status of 2015 Request ¹			Contributions Received			
	(In USD million)			(In SDR million)			
	Amount Requested	Pledged	Received	Grants	MDRI-II Transfer ²	Income on Deposits ³	Total Contributed
Algeria	2-5			-	-	-	-
Argentina	2-5			-	0.40	-	0.40
Australia	5-10			-	0.13	-	0.13
Austria	3-5			-	-	-	-
Bangladesh	n/a			-	0.01	-	0.01
Belgium	3-5			-	1.37	-	1.37
Botswana	n/a			-	0.02	-	0.02
Brazil	9-12			-	-	-	-
Bulgaria	1-5			-	-	-	-
Canada	5-11			-	2.94	-	2.94
Chile	1-5			-	0.05	-	0.05
China	25-30			-	0.15	-	0.15
Colombia	2-5			-	-	-	-
Czech Republic	2-5			-	-	-	-
Denmark	2-5			-	0.82	-	0.82
Egypt	1-5			-	0.15	-	0.15
Fiji	n/a			-	-	0.00	0.00
Finland	1-5			-	0.53	0.07	0.59
France	11-20			-	4.04	-	4.04
Germany	19-30	30	30	21.49	2.29	-	23.79
Greece	n/a			-	0.46	-	0.46
Hungary	2-5			-	-	-	-
Iceland	n/a			-	0.05	-	0.05
India	11-15			-	-	-	-
Indonesia	4-5			-	0.07	0.05	0.12
Iran	3-5			-	-	-	-
Ireland	3-5			-	0.08	-	0.08
Israel	2-5			-	-	-	-
Italy	8-14			-	2.93	-	2.93
Japan	13-20	7.3	7.3	5.34	8.80	-	14.14
Korea	6-9			-	0.73	-	0.73
Kuwait	2-5			-	-	-	-
Luxembourg	1-5			-	-	-	-
Malaysia	2-5			-	0.39	-	0.39
Malta	n/a			-	0.02	-	0.02
Mexico	7-11	11	2.44	1.74	-	-	1.74
Morocco	n/a			-	0.11	-	0.11
New Zealand	1-5			-	-	-	-
Nigeria	2-5			-	-	-	-
Norway	2-5			-	0.54	-	0.54
Pakistan	n/a			-	0.01	-	0.01

Table 2. Member Contributions to the CCR Trust, as of end 2019 (concluded)

	Status of 2015 Request ¹			Contributions Received			
	(In USD million)			(In SDR million)			
	Amount Requested	Pledged	Received	Grants	MDRI-II Transfer ²	Income on Deposits ³	Total Contributed
Peru	1-5			-	-	-	-
Philippines	2-5			-	-	-	-
Poland	3-5			-	-	-	-
Portugal	2-5	2	2	1.45	0.05	-	1.50
Romania	2-5			-	-	-	-
Russia	11-15			-	-	-	-
Saudi Arabia	8-16			-	0.19	-	0.19
Singapore	3-5			-	0.22	-	0.22
South Africa	3-5			-	-	-	-
Spain	8-10			-	0.11	-	0.11
Sweden	n/a			-	2.26	-	2.26
Switzerland	3-5			-	1.34	-	1.34
Thailand	2-5			-	0.15	0.07	0.22
The Netherlands	7-10			-	-	-	-
Tonga	n/a			-	-	0.00	0.00
Tunisia	n/a			-	0.01	-	0.01
Turkey	4-5	1	1	0.74	-	-	0.74
United Arab Emir.	2-5			-	-	-	-
United Kingdom	50-50	42	42	29.92	5.40	-	35.32
United States	66-75			-	2.02	-	2.02
Uruguay	n/a			-	0.02	-	0.02
Vietnam	n/a			-	-	0.01	0.01
Total		93.30	84.74	60.68	38.86	0.19	99.73

¹ A letter asking for new contributions of USD 150 million (equivalent to SDR 106 million at February 2015 SDR rate) to the CCR Trust (in addition to the MDRI-II termination) was sent to the authorities of fifty countries on February 20, 2015.

² Outstanding balances of 36 countries (out of 37) in the MDRI-II Trust were transferred to the CCR Trust on August 1, 2015.

³ Six countries repurposed their maturing deposits in the PRG-HIPC Trust for the benefit of the CCR Trust.

Table 3a. CCRT-Eligible Countries: Maximum Debt Service Relief Through the CCRT, 2020:Q2–2030:Q1

(In SDR million unless otherwise indicated)

Country	2020			2021			2022		2-year total		2022:Q2-2030:Q1		Total	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	SDR	% Quota	SDR	% Quota	SDR	% Quota
Afghanistan, Islamic Republic of	1	1	1	1	1	1	1	2	10	3	33	10	43	13
Benin	3	4	2	4	2	3	2	2	23	19	1	1	25	20
Burkina Faso	7	1	9	1	8	1	10	1	40	33	0	0	40	33
Burundi	0	5	0	5	0	4	0	4	18	12	10	7	28	18
Central African Republic	1	2	2	1	1	2	1	3	13	12	9	8	22	20
Chad	0	0	2	0	4	0	4	0	10	7	18	13	28	20
Comoros	1	0	1	0	1	0	1	0	3	18	0	2	4	20
Congo, Democratic Republic of	5	10	5	5	5	0	0	0	30	3	184	17	213	20
Djibouti	1	1	1	1	1	1	1	1	6	19	0	1	6	20
Ethiopia	8	0	4	0	0	0	0	0	15	5	45	15	60	20
Gambia, The	1	0	2	0	2	0	2	0	7	12	5	9	12	20
Guinea	6	10	6	10	6	12	6	12	69	32	0	0	69	32
Guinea-Bissau	1	0	1	0	1	0	1	0	4	16	1	4	6	20
Haiti	1	3	2	2	2	2	1	2	15	9	18	11	33	20
Liberia	6	6	6	5	6	5	6	5	45	18	6	2	52	20
Madagascar	3	0	3	0	6	0	6	3	21	9	27	11	49	20
Malawi	3	4	3	4	3	4	8	4	33	24	0	0	33	24
Mali	5	2	6	2	6	2	6	2	30	16	7	4	37	20
Mozambique	11	0	9	0	9	0	9	0	39	17	6	3	45	20
Nepal	3	0	0	4	0	4	0	4	14	9	18	11	31	20
Niger	5	1	5	1	8	1	8	2	32	24	0	0	32	24
Rwanda	8	0	8	4	8	6	8	8	50	31	0	0	50	31
Sao Tome & Principe	0	0	0	0	0	0	0	0	1	5	2	15	3	20
Sierra Leone	6	8	6	7	8	7	9	9	58	28	0	0	58	28
Solomon Islands	0	0	0	0	0	0	0	0	0	2	1	3	1	4
Tajikistan, Republic of	7	1	4	1	3	1	1	1	20	11	1	1	21	12
Tanzania	2	8	0	8	0	0	0	0	19	5	0	0	19	5
Togo	1	2	1	1	0	1	0	0	7	5	22	15	29	20
Yemen, Republic of	6	8	6	5	6	5	6	5	47	10	30	6	78	16
Total	102	80	95	74	97	64	98	70	680	...	447	...	1,127	...
Cumulative	102	183	277	351	449	512	610	680	1,127

Table 3b. CCRT-Eligible Countries: Maximum Debt Service Relief Through the CCRT, 2020:Q2–2030:Q1 ¹

(In percent of quota)

Country	2020			2021			2022		2-year Total	2022:Q2- 2030:Q1	Total
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1			
Afghanistan, Islamic Republic of	0	0	0	0	0	0	0	1	3	10	13
Benin	3	3	2	3	2	3	2	2	19	1	20
Burkina Faso	6	1	7	1	7	1	8	1	33	0	33
Burundi	0	4	0	3	0	3	0	2	12	7	18
Central African Republic	1	2	1	1	1	2	1	3	12	8	20
Chad	0	0	1	0	3	0	3	0	7	13	20
Comoros	4	2	4	1	4	0	4	0	18	2	20
Congo, Democratic Republic of	0	1	0	0	0	0	0	0	3	17	20
Djibouti	2	3	2	3	2	2	2	2	19	1	20
Ethiopia	3	0	1	0	0	0	0	0	5	15	20
Gambia, The	2	0	3	0	3	0	3	0	12	9	20
Guinea	3	5	3	5	3	6	3	6	32	0	32
Guinea-Bissau	4	0	4	1	3	1	2	1	16	4	20
Haiti	1	2	1	1	1	1	1	1	9	11	20
Liberia	2	2	2	2	2	2	2	2	18	2	20
Madagascar	1	0	1	0	3	0	3	1	9	11	20
Malawi	2	3	2	3	2	3	6	3	24	0	24
Mali	3	1	3	1	3	1	3	1	16	4	20
Mozambique	5	0	4	0	4	0	4	0	17	3	20
Nepal	2	0	0	2	0	2	0	2	9	11	20
Niger	3	1	3	1	6	1	6	2	24	0	24
Rwanda	5	0	5	3	5	4	5	5	31	0	31
Sao Tome & Principe	1	0	1	1	1	1	1	1	5	15	20
Sierra Leone	3	4	3	3	4	4	4	4	28	0	28
Solomon Islands	0	0	0	0	0	0	0	0	2	3	4
Tajikistan, Republic of	4	1	2	1	1	1	1	1	11	1	12
Tanzania	1	2	0	2	0	0	0	0	5	0	5
Togo	1	2	1	1	0	1	0	0	5	15	20
Yemen, Republic of	1	2	1	1	1	1	1	1	10	6	16
Average	2	1	2	1	2	1	2	1	14	6	20

1/ Amount of debt service relief set at 20 percent of quota or total debt service falling due to the Fund in the next two years, whichever is higher.



March 26, 2020

CATASTROPHE CONTAINMENT AND RELIEF TRUST: POLICY PROPOSALS AND FUNDING STRATEGY—PROPOSED DECISION

Approved By
Andrew Tweedie,
Martin Mühleisen,
Rhoda Weeks-Brown

Prepared by the Finance Department, the Legal Department, and the Strategy, Policy, and Review Department

This paper sets forth the proposed decision that is needed to implement staff's proposals in Catastrophe Containment and Relief Trust—Policy Proposals and Funding Strategy. The paper summarizes key aspects of the proposed decision.

I. INTRODUCTION

1. A single decision is proposed for adoption by the Executive Board

The decision would implement the proposed amendments to the Catastrophe Containment and Relief Trust Instrument (CCRT Instrument) in the following ways:

- (i) Modification of the qualification criteria by adding an alternative test for a Qualifying Public Health Disaster (QPHD) in the event of a global pandemic causing severe economic disruption across the membership;
- (ii) capping the maximum duration of debt service relief at two years from the date of the Board decision to grant relief;
- (iii) tranching of grant assistance for debt relief, thereby enabling the Board to approve debt relief for the first period not exceeding six months, with additional

tranches to be approved based on available resources and expected needs of potentially qualifying members.

- 2. The proposed decision does not affect the post-catastrophe relief (PCR) window of the Trust.** No changes are proposed to that window, and the Trust will continue to be available to provide relief under its two windows, depending on the availability of resources.
- 3. The proposed decision also does not affect eligibility for relief under the Trust.** Eligible members continue to be those PRGT-eligible members whose GNI per capita is below the IDA operational threshold; or, for small countries, below twice the IDA operational threshold.

II. SUMMARY OF DECISION

- 4. Modification of the qualification criteria by adding an alternative test for a Qualifying Public Health Disaster (QPHD) in the event of a global pandemic** (paragraph 18 of SM/20/74). The proposed decision would implement the proposal to expand the qualification criteria under the CC window by introducing an alternative test for determining that a member is suffering from a Qualifying Public Health Disaster. Under the new test, the Board may determine that a QPHD exists where a life-threatening global pandemic is inflicting severe economic disruption across the Fund's membership and is 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. An eligible member can receive relief even if there is no sustained presence of the disease within its territory, as required under the first test. For the purposes of relief under the new global pandemic QPHD, the Executive Board will determine that a global

pandemic exists. Such a determination will be guided by assessments of the World Health Organization.

- 5. Capping the maximum duration of debt service relief at two years from the date of the Board decision to grant relief** (paragraph 18 of SM/20/74). The proposed decision would change the current provision of the Trust under which the Fund may provide grant assistance for debt relief generally up to the equivalent of 20 percent of quota, which may be exceeded in specific cases. Under the current provision, relief is provided regardless of when debt service falls due. The proposed decision would limit grants for debt service relief under the CC window to a maximum of two years from the initial decision to grant relief.
- 6. Tranching of grant assistance for debt relief** (paragraph 18 of SM/20/74). The proposed decision would implement the proposal to approve grants for debt service in tranches, beginning with a first period not exceeding six months from the date of the determination by the Executive Board that there is a QPHD. In approving subsequent tranches, the Executive Board will take into account the availability of resources in the Trust and the likely needs of other potentially qualifying members.

PROPOSED DECISION

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

Section III, Paragraph 3 of the Instrument to Establish the Catastrophe Containment and Relief Trust annexed to Decision No. 14649-(10/64), as amended by Decision No. 15708-(15/12), adopted February 4, 2015, shall be amended to read as follows:

“Paragraph 3. Catastrophe Containment Window (CC Window)

(a) Qualification for Assistance

(i) An eligible member shall qualify for immediate debt relief under the CC window when the Trustee determines, that (I) the member is experiencing a balance of payments need arising from a Qualifying Public Health Disaster specified in subparagraph (ii)(I) below, or an exceptional balance of payments need arising from a Qualifying Public Health Disaster specified in subparagraph (ii)(II) below; and (II) the macroeconomic policy framework put in place by the member to address the balance of payments need created by the public health disaster and the ensuing policy response is appropriate.

(ii) For purposes of this Instrument, a Qualifying Public Health Disaster arises either where:

(I) a life-threatening epidemic has a sustained presence and has spread across several areas of the member's territory, causing significant economic disruption and creating a balance of payments need; and the epidemic has the capacity to spread, or is already spreading, rapidly both within and across countries, producing or threatening, significant economic disruption and loss of life. Based on available information (which may take the form of preliminary estimates) and for the purposes of this subparagraph (I), the magnitude of economic disruption that has occurred and is projected to occur in the future would normally be characterized by at least: (a) a cumulative loss of real GDP of 10 percent; or (b) a cumulative loss of revenue and increase of expenditures equivalent to at least 10 percent of GDP. Such economic disruption will be measured relative to staff estimates

made prior to the onset of the public health disaster and would reflect, inter alia, sharp curtailments, for disease containment purposes, on the movement of people and products within the country and related declines in production, exports, tax revenues, and international visitors, and also surges in government outlays on relief and containment efforts; OR

(II) a life-threatening global pandemic is inflicting severe economic disruption across the Fund's membership and is 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. Where the Executive Board determines that a member suffers a Qualifying Public Health Disaster under this test, it is expected that the Fund would be calling for a broad international response to provide support to the CCRT-eligible countries.

(iii) In making a determination of the occurrence of a Qualifying Public Health Disaster pursuant to subparagraph (ii)(I) above, the Fund may be guided by assessments of the health situation and outlook made by national authorities, the World Health Organization, the World Bank, and other relevant agencies. For the purpose of paragraph 3(a)(i) above, the Fund shall make a determination of the occurrence of a Qualifying Public Health Disaster specified in subparagraph (ii)(II) above, guided by assessments of the World Health Organization.

(b) Request for CC Window Assistance

A member requesting assistance under the CC window shall describe in a letter the nature of the public health disaster and the balance of payments needs arising from it, the measures being taken to contain the disaster, including budgetary reallocations, and the macroeconomic policies it is pursuing or plans to pursue to address its balance of payment difficulties.

(c) Amount and Delivery of Assistance

(i) Upon a determination that a member qualifies for assistance pursuant to paragraph 3(a) of this Section, the Trustee will approve grant assistance for debt service relief for an initial tranche

covering the member's eligible debt falling due within a period not exceeding six months from the date of the qualification decision, with respect to paragraph 3(a)(ii)(I), or from the date of the Board determination that a global pandemic exists, with respect to paragraph 3(a)(ii)(II). Subject to the availability of resources in the Trust, the Trustee will approve additional tranches for further periods, provided that the total amount shall not exceed the cumulative debt service falling due to the Fund within two years from the date of the qualification decision, with respect to paragraph 3(a)(ii)(I), or from the date of the Board determination that a global pandemic exists, with respect to paragraph 3(a)(ii)(II).

(ii) The amount of the grant assistance approved by the Trustee in any of the tranches pursuant to (i) above will be equivalent to the total amount of the member's eligible debt falling due within the period covered under the respective tranche. In approving each tranche, the Trustee shall take into account the availability of resources in the Trust and the likely need of other potentially qualifying members under the Trust.

(iii) The Managing Director will report to the Executive Board periodically on the availability of resources for CC window relief to inform the Trustee's decision on the commitment of resources for additional tranches.

(iv) Upon approval of a member's request for grant assistance under the CC window, the Trustee shall disburse to a subaccount established for the benefit of the member pursuant to paragraph 4(b) below, a Trust grant in the amount that is necessary to repay the member's eligible debt to the Fund falling due within the period specified in (i) above. For the purposes of this paragraph, eligible debt shall be defined as all of the member's debt to the Fund (including to the Fund as Trustee) that was outstanding as of the date of the determination by the Fund that the member is qualified to receive grant assistance under this window, and in respect of which the member had made regular scheduled debt service payments (principal and interest) before such determination, but shall exclude any debt to the Fund that is scheduled to be repaid with assistance under other debt relief trusts administered by the Fund or under paragraph 2 of this Section."