



Special Series on COVID-19

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How to Record Debt Relief under the Catastrophe Containment and Relief Trust in Macroeconomic Statistics

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Under COVID-19 extraordinary circumstances, the IMF provides exceptional assistance in form of grants to its poorest members. This exceptional assistance would be used to immediately pay off upcoming debt service payments to the IMF, freeing up resources for epidemic containment. This note provides methodological guidance on recording such debt service relief in government finance and external sector statistics.

On April 13, 2020, the IMF Executive Board [approved immediate debt service relief to eligible countries under the revamped Catastrophe Containment and Relief Trust \(CCRT\)](#)² to cope with the fallout of COVID-19. The CCRT has two windows: (i) a Catastrophe Containment (CC) window, to provide assistance in containing a public health disaster; and (ii) a Post-Catastrophe Relief window, to provide exceptional assistance in the wake of a catastrophic natural disaster. The recently approved debt service relief has been provided to 25 countries³ under the CC window and covers eligible debt owed to the Fund, whether under the Poverty Reduction and Growth Trust (PRGT) or the General Resources Account (GRA). The first tranche is committed for a period of six months from April 14 through October 13, 2020. Further tranches of such debt service relief will be committed only once sufficient resources have been secured, up to a cap of two years. Of all CCRT-eligible countries, 29 have eligible debt falling due within the next two years, thus potentially qualify for CCRT debt service relief. The requests from the remaining countries are expected in coming weeks (Table 2).

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² See also [Catastrophe Containment and Relief Trust—Policy Proposals and Funding Strategy](#).

³ Afghanistan, Benin, Burkina Faso, Central African Republic, Chad, Comoros, Congo, D. R., The Gambia, Guinea, Guinea Bissau, Haiti, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, Sao Tome and Principe, Sierra Leone, Solomon Islands, Tajikistan, Togo, and Yemen.

This note provides guidance on how to record CCRT debt service relief in fiscal and external sector statistics. The recently approved debt relief by the Board of the IMF provides a CCRT grant to cover eligible countries' debt service obligations to the Fund for a period of six months. Grants from the CCRT are considered capital grant/transfers in macroeconomic statistics; the debt relief arising from the repayment of liabilities to the IMF using the CCRT grants constitutes a decrease in outstanding debt liability to the IMF. The statistical guidance provided in this note is in line with the *Government Finance Statistic Manual 2014 (GFSM 2014)* and the sixth edition of the IMF's *Balance of Payments and International Investment Position Manual (BPM6)*, respectively.

The time of recording of the CCRT debt service relief depends on whether the relief is for obligations to the PRGT or to the GRA. The debt service relief for repayment and repurchase obligations to the PRGT and GRA should be recorded on the day of the Board approval (i.e., April 13, 2020, for the first tranche) because the amount of the repayment obligations is known in advance and the CCRT grants covering these obligations were transferred to an umbrella sub-accounts and then used to immediately pay off these obligations. However, the recording of debt service relief for a country's interest and charges falling due to the GRA should be recorded on the date at which they are due because the exact amount can only be known then.⁴ Recording the relief provided by future tranches should follow the same principle. Relief for repayments and repurchase obligations to the PRGT and GRA will be as of the date of the Board approval for the specific tranche. Interest and charges falling due to the GRA will be recorded as they fall due, during the 6 months period covering the specific tranche approved by the Board.

I. RECORDING THE CCRT DEBT SERVICE RELIEF IN FISCAL STATISTICS

The CCRT debt service relief should be reflected in a member country's fiscal accounts as a grant received to pay off eligible debt to the IMF falling due within the specified period. Recording of the CCRT debt service relief should be in the form of a *capital grant/transfer* under revenue from the CCRT to the institutional unit that has the external debt liability to the Fund (i.e., the central government or the central bank) and a reduction in the external debt liability (loans) of the unit to the IMF to reflect repayment of the debt ([GFSM 2014](#), A3.8).

Recording of the CCRT debt service relief in fiscal statistics depends on whether the liability to the Fund rests with the central bank or the central government (See Box 1 for illustration of recording). Specifically,

- **If the liability to the Fund lies with the central government (i.e., budget support),** the statistical treatment would require that the central government record a *capital grant* under revenue from international organizations (more specifically from the CCRT) along with interest/charges payment to nonresidents under expense (if applicable),⁵ and principal payment to nonresidents under *external* loan liabilities. The fiscal balance improves and the stock of outstanding *external* loan liabilities to the Fund decreases by the amount of the debt service relief for principal payment.
- **If the external debt liability to the Fund is on the central bank's balance sheet,** the approved debt service relief would normally not be reflected in fiscal statistics directly. The exception is when the central bank has on-lent proceeds from Fund purchases to the central government. In this scenario, before the

⁴ See discussion on the technical modifications to the CCRT decision in [Catastrophe Containment And Relief Trust—Approval Of Grant Assistance For Debt Service Relief](#).

⁵ Two CCRT eligible countries, Ethiopia and Comoros, have small amounts of debt service payments, including charges, falling due to the GRA.

CCRT relief is granted, the central bank had an external debt liability to the Fund, and a domestic financial claim (loan) on the central government. Correspondingly, the central government records a domestic debt liability to the central bank in fiscal statistics. When the debt service relief is received via the central bank, it should be recorded in fiscal statistics as a *capital transfer* from the central bank under revenue, along with interest/charges payment to *residents* under expense (if applicable), and principal payment to residents

Box 1. Statistical Treatment of CCRT Debt Relief in Fiscal Statistics

The following example illustrates the treatment in fiscal statistics of a CCRT debt service relief operation. It assumes an outstanding debt of SDR 1,000 to the IMF and CCRT debt relief of SDR 105 (SDR 100 on principal payment and SDR 5 for interest and charges to the GRA) in the specified period for the approved first tranche.

	External Liability to the Fund lies with the Central Government				External Liability to the Fund lies with the Central Bank that on-lends proceeds to the Central Government			
	Opening balance sheet	Trans-actions	Other economic flows	Closing balance sheet	Opening balance sheet	Trans-actions	Other economic flows	Closing balance sheet
Revenue		105				105		
Grants		105						
Capital grant from CCRT		105						
Other revenue						105		
Capital transfer from CB						105		
Expense		5				5		
Interest		5				5		
Interest to nonresidents		5				5		
Interest to residents								
<i>Net worth / Net operating balance</i>	-1,000	100		-900	-1,000	100		-900
Nonfinancial assets								
<i>Net financial worth / Net lending (+) / net borrowing (-)</i>	-1,000	100		-900	-1,000	100		-900
Financial assets								
Liabilities	1,000	-100		900	1,000	-100		900
Loan liability (domestic) to CB	--	--		--	1,000	-100		900
Loan liability (external) to IMF	1,000	-100		900	--	--		--
Gross debt	1,000	-100		900	1,000	-100		900
External debt	1,000	-100		900	--	--		--
Domestic debt	--	--		--	1,000	-100		900
Net debt	1,000	-100		900	1,000	-100		900

under *domestic* loan liabilities. The fiscal balance improves and the government's stock of outstanding *domestic* loan liabilities to the central bank decreases by the amount of the debt service relief for principal payment.⁶

II. RECORDING THE CCRT DEBT SERVICE RELIEF IN EXTERNAL SECTOR STATISTICS

The external sector statistics (ESS) cover all transactions between residents and nonresidents, including grants. According to the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* (paragraph 13.31), the cash grants from donor governments or multilateral financial institutions to the debtor economy to be used to repay debt are classified as *capital transfers*. Further, paragraph A1.7 states: to the extent that the cash is provided for the purpose of financing a balance of payments need in the recipient country, the grant received will be recorded in the analytic presentation (the most common presentation used in IMF staff reports) as *exceptional financing*. Consequently, the recording of the

⁶ It could be argued that even if the central bank had not on-lent proceeds from the Fund purchases, the central government could still benefit from the debt service relief through higher profit transfers, or a one-off transfer from the central bank to government for amounts that ought to have been paid as debt service. These transfers should be recorded as revenue (other revenue) in fiscal statistics.

CCRT debt service relief in balance of payments depends on its presentation—standard or analytic. This is shown in Table 1 below, for CCRT debt service relief under the CC window.

Table 1. Treatment of CCRT Debt Relief in Balance of Payments

	Balance of payments standard presentation		Balance of payments analytic presentation	
Recording of the debt service relief for the principal payment (SDR 100), interest (SDR 4) ⁷ and charges (SDR 1) ⁷ falling due in the specified period for the approved first tranche.				
	Credit	Debit	Credit	Debit
Current account		5		5
Services		1		1
Financial services		1		1
Investment income		4		4
Other investment				
Interest		4		4
Capital account	105			
Capital transfers				
General government ⁸				
Other capital transfers	105			
	Net acquisition of financial assets	Net incurrence of liabilities	Net acquisition of financial assets	Net incurrence of liabilities
Financial account		-100		
Other investment				
Loans				
General government ⁹				
Credit and loans with the IMF		-100		
Below the line			Credit	Debit
IMF credit and loans				-100
<i>Exceptional financing</i>			105	
Grants		Non-applicable	105	

⁷ Due to the GRA, if applicable.

⁸ It will be included under capital transfers/financial corporations if the external debt liability to the IMF is on the central bank's balance sheet.

⁹ It will be included under loans/central bank if the external debt liability to the IMF is on the central bank's balance sheet.

Table 2. Eligible Debt Service for Relief from the CCRT

(In SDR)

Country	6 months	24 months
	(April 14–Oct 13, 2020)	(April 14, 2020–April 13, 2022)
Afghanistan	2,400,000	10,050,000
Benin	7,428,000	23,343,000
Burkina Faso	8,737,400	39,544,400
Burundi 1/	5,480,000	17,960,000
Central African Republic	2,955,800	12,981,200
Chad	0	10,121,000
Comoros 2/	969,641	3,088,289
Congo, D. R.	14,847,900	29,695,800
Djibouti 1/	1,692,000	6,030,000
Ethiopia 2/ 3/	8,556,794	13,996,835
Gambia, The	2,099,250	7,930,500
Guinea	16,371,000	69,156,000
Guinea-Bissau	1,079,200	4,444,600
Haiti	4,095,000	15,210,000
Liberia	11,632,800	45,343,600
Madagascar	3,055,000	21,472,800
Malawi	7,202,000	32,842,000
Mali	7,300,000	30,000,000
Mozambique	10,886,667	39,286,668
Nepal	2,852,000	13,547,000
Niger	5,640,000	31,595,000
Rwanda	8,010,000	50,062,500
São Tomé and Príncipe	111,000	697,712
Sierra Leone	13,364,500	58,249,000
Solomon Islands	59,428	341,711
Tajikistan	7,830,000	19,570,500
Tanzania 1/	10,277,889	18,566,777
Togo	3,740,000	6,930,000
Yemen	14,441,500	47,329,000
Total	183,114,769	679,385,892

1/ The request from these three countries is expected in coming weeks.

2/ Eligible debt service includes estimates for the GRA charges.

3/ Ethiopia's request was approved by the Board on April 30.