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PROPOSAL TO ENHANCE FUND SUPPORT FOR LOW-INCOME COUNTRIES HIT BY PUBLIC HEALTH DISASTERS

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:

- The **Policy Paper** titled Proposal to Enhance Fund Support for Low-Income Countries Hit by Public Health Disasters and Proposed Modifications to the Proposal prepared by IMF staff and completed on January 22, 2015 and February 2, 2015 respectively for the Executive Board's consideration on February 4, 2015.
- A **Press Release** summarizing the views of the Executive Board as expressed during its February 4, 2015 consideration of the policy paper.

The documents listed below have also been issued:

- The **Decisions** on the Proposal to Enhance Fund Support for Low-Income Countries Hit by Public Health Disasters titled Proposed Decisions, Revised Proposed Decisions, and Decisions.

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PROPOSAL TO ENHANCE FUND SUPPORT FOR LOW INCOME COUNTRIES HIT BY PUBLIC HEALTH DISASTERS

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EXECUTIVE SUMMARY

The Fund's existing facilities for low-income countries (LICs) provide a vehicle for the speedy provision of financial assistance to member countries hit by natural disasters, either through the Rapid Credit Facility (RCF) or through augmentation of the funding already being provided through other facilities such as the Standby or Extended Credit Facilities. The quick disbursement of funds strengthens national financial capacity, including external payments capacity, to tackle relief and recovery challenges.

To address catastrophic disasters, the Fund created a mechanism in 2010 to provide additional relief to its poorest and most vulnerable member countries to help meet their exceptional balance of payments needs. Under this mechanism, the Fund can provide grants from a trust fund—the Post Catastrophe Debt Relief (PCDR) trust—that are used to pay off debt service falling due to the Fund. These grants ease pressures on the member's balance of payments and create financial space by reducing its debt service burden.

This paper proposes reforms to this mechanism to cover situations where the member is experiencing an epidemic of an infectious disease that constitutes a significant threat to lives, economic activity, and international commerce across countries. For poor countries with weak health systems, the capacity to contain such an epidemic is limited, both by technical and administrative weaknesses and by financing constraints. Given the wider threat posed by the epidemic, the international community has a strong interest in providing extensive support to such countries to help contain the spread of the disease. The cost of halting the epidemic—an international "good"—should not fall disproportionately on very poor countries.

The reforms proposed envisage the transformation of the PCDR Trust into a Catastrophe Containment and Relief (CCR) Trust with two windows: (i) a Post-Catastrophe Relief window, replicating the current functions of the PCDR; and (ii) a Catastrophe Containment window, providing exceptional support in dealing with epidemics of the type described above. Under this second window, when the qualifying criteria are met, the CCR Trust would provide grants, normally in the amount of 20 percent of the country's IMF quota, to immediately pay off a member's upcoming debt service payments to the Fund.

The expanded CCR Trust could be financed by a combination of currently available resources and new contributions from bilateral donors. Existing balances in the PCDR Trust and residual balances in MDRI-I Trust account would provide initial funding and enable the Trust to begin operations. New bilateral contributions, including possible use of MDRI-II Trust balances, on the order of SDR 125 million would be needed to meet continuing potential needs. Up to SDR 170 million in contingent commitments would be needed to put the Trust in a position to meet longer-term funding needs for future qualifying natural disasters.

Approved By
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Prepared by Strategy, Policy, and Review and Finance Departments, in consultation with the Legal Department and other Departments. The paper has benefited from comments received from World Bank staff.

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Acronyms and Abbreviations

CBO	Congressional Budget Office
CCR	Catastrophe Containment and Relief
CC	Catastrophe Containment
DSA	Debt Sustainability Analysis
ENDA	Emergency Natural Disaster Assistance
EPCA	Emergency Post-Conflict Assistance
ESF	Exogenous Shock Facility
IBRD	The International Bank for Reconstruction and Development
IDA	International Development Association
LICs	Low-Income Countries
MDRI	Multilateral Debt Relief Initiative
NCB	National Center for Biotechnology Information
NIH	National Institutes of Health
NLM	National Library Medicine
PCDR	Post Catastrophe Debt Relief
PCR	Post Catastrophe Relief
PHEIC	Public Health Emergencies of International Concern
PRGT	Poverty Reduction and Growth Trust
RCF	Rapid Credit Facility
SARS	Severe Acute Respiratory Syndrome
SCA	Special Contingent Account
SDA	Special Disbursement Account
WBG	World Bank Group
WHO	World Health Organization

INTRODUCTION

This paper proposes changes to the Post-Catastrophe Debt Relief (PCDR) Trust to expand the circumstances under which the Fund can provide exceptional assistance to its poorest members to include situations where they confront an epidemic that constitutes a significant threat to lives, economic activity, and international commerce across several countries. This exceptional assistance would be used to immediately pay off upcoming debt service payments to the Fund, freeing up resources for epidemic containment, relief, and rehabilitation spending. New donor funding will be needed to maintain adequate balances in the modified (and renamed) Trust over time.

- 1. The Fund’s existing facilities for low-income countries (LICs) provide a vehicle for the speedy provision of financial assistance to countries hit by natural disasters,** either through the Rapid Credit Facility (RCF) or through augmentations of existing, or approval of new, financial arrangements. This loan assistance is subsidized through the Poverty Reduction and Growth Trust (PRGT) and currently carries an interest rate of zero percent. The grant element of this financial support, estimated using the IMF–World Bank unified discount rate, is approximately 30 percent.
- 2. The Fund is able to supplement this loan assistance in situations where the scale of the natural disaster is exceptional, through trust fund grants that are used to pay off debt service falling due to the Fund:** these grants ease pressures on the country’s balance of payments and reduce its debt service burden, freeing up resources for use in relief and recovery efforts. This trust fund—the Post-Catastrophe Debt Relief (PCDR) fund—was established in 2010, in the wake of a massive earthquake in Haiti. The event triggered a broad-based international effort to provide relief and recovery assistance in the stricken country. Given the scarcity of grant resources, assistance from the PCDR trust is made available only when the scale and economic impact of the natural disaster, relative to the size of the country, is catastrophic in nature. Eligibility for the assistance is also limited to the Fund’s poorest and most vulnerable members.¹
- 3. The Ebola epidemic in parts of West Africa has drawn attention to a type of natural disaster of special concern to the international community:** the rapid spread of a life-threatening infectious disease, causing substantial domestic disruption and crossing international borders, with the potential for significant loss of life and disruption of economic activity and international commerce at a regional or global level.² Poor countries, typically with weak health systems, are particularly vulnerable to the spread of infectious diseases. They lack the resources to adequately contain the disease once it begins to propagate more widely. The international community has a

¹ Access to resources from the PCDR trust is available only to countries whose per capita income level lies below the International Development Association (IDA) operational threshold level; for small states, the income limit is twice the IDA threshold level.

² An epidemic is “the occurrence in a community or region of a group of illnesses, of a similar nature, clearly in excess of normal expectancy, and derived from a common or from a propagated source” (Gordis, 2013). A pandemic is an epidemic that has spread across a large region or world-wide.

strong collective interest in moving speedily to support these countries' efforts to contain and halt the epidemic.

4. The international community has called on the Bretton Woods institutions to continue their support for countries severely hit by the Ebola outbreak. G-20 leaders, at their November 2014 meeting in Brisbane, urged the Fund and the World Bank Group (WBG) to continue their strong support for the Ebola-affected countries through a combination of concessional loans, debt relief, and grants and asked the two institutions to explore new, flexible mechanisms to address the economic effects of future comparable crises.

5. This paper responds to the G-20's call by expanding the circumstances under which the Fund's poorest countries can receive grant assistance to pay off debt service, to include situations where the member is experiencing an epidemic of an infectious disease that constitutes a significant threat to lives, economic activity, and international commerce across many countries.³ The case for providing such exceptional assistance is not based primarily on the *scale* of the disaster already experienced by the country, as is currently the case under the PCDR—but rather on supporting efforts to *contain* an evolving public health disaster that has the potential to have catastrophic effects across many countries.

6. The proposal envisages transforming the PCDR into a Catastrophe Containment and Relief (CCR) Trust with two windows: (i) a Post-Catastrophe Relief window (PCR), to provide exceptional assistance in the wake of a catastrophic disaster; and (ii) a Catastrophe Containment window (CC), to provide exceptional assistance to contain a qualifying public health disaster that could spread, or is already spreading, rapidly both within and across countries. Use of the Post-Catastrophe Relief window would be subject to the conditions that currently govern access to the PCDR; conditions determining access to the Catastrophe Containment window are discussed below.

7. The remainder of the paper is organized along the following lines. Section II develops a typology of natural disasters; notes the special features of life-threatening epidemics that can quickly cross international borders; argues that the international community, and the Fund, have a strong interest in providing exceptional support to poor countries dealing with such an epidemic; and notes that the PCDR, as currently constituted, does not provide a vehicle for delivering such support. Section III outlines the proposed reforms to the PCDR that would make it usable in epidemic-type situations, focusing in particular on the qualification criteria and form of support to be provided through a new Catastrophe Containment window. Section IV discusses the proposed financing arrangements for the new CCR Trust, including the need to raise funds from bilateral donors, while Section 5 discusses the governance of the new Trust and the approvals needed to establish and finance it. The proposed Board decisions and draft instruments will be circulated separately.

³ In addition to the proposal outlined here, the Fund is responding to the G-20's call by providing augmented financial support via the PRGT facilities; proposals for augmented support are to be considered by the Executive Board in the coming weeks. The response of the World Bank Group to the Ebola crisis is described in Annex I.

RESPONDING TO NATURAL DISASTERS

This section provides a general overview of natural disasters and their economic impact, discusses how the Fund supports LICs hit by disasters, and argues for changes to the PCDR to allow provision of exceptional assistance to poor countries facing an infectious disease epidemic that threatens lives, economic activity, and trade across countries.

A. Typology of Natural Disasters

8. Natural disasters can be classified into six broad types (see also Box 1):⁴

- **Geophysical** –originating from solid earth movements such as earthquakes, mass movements, and volcanic activity;
- **Hydrological** –the occurrence, movement, and distribution of surface and subsurface freshwater and saltwater including floods, landslides, and wave actions;
- **Extraterrestrial** –caused by asteroids, meteoroids, and comets and by changes in interplanetary conditions that affect the Earth’s condition, such as an impact or space weather;
- **Meteorological** –caused by short-lived extreme weather and atmospheric changes lasting from minutes to days, such as extreme temperatures, fogs, and storms;
- **Climatological** –caused by long-lived atmospheric processes resulting in droughts, extreme temperatures, and wildfires; and
- **Public health** – caused by the exposure to living organisms and their toxic substances or vector-borne diseases that they may carry such as parasites, bacteria, and viruses.

9. Disasters that fall into the first four categories share an important common feature: short duration. The shock occurs, damage and loss of life ensue, and the event is over. The disruption caused by the shock may last for a very long time and could trigger ensuing public health events (such as a cholera outbreak)—but the main event itself is soon over. While precautionary measures may be taken to limit the impact of such a disaster, the event itself cannot be prevented or contained by contemporaneous or ensuing policy actions.

10. Climatological disasters, by contrast, extend over a significant period of time. A severe drought can last for several years, imposing economic costs over a correspondingly long period of

⁴ Source: Emergency Events Database (EM-DAT). EM-DAT was created in 1988 with initial support from the World Health Organization (WHO) and the Belgian Government and is maintained by the Centre for Research on the Epidemiology of Disasters (CRED); it contains data on the nature and impact of more than 21,000 disasters worldwide, from 1900 to the present. The database is widely used by researchers and policy institutions, including the World Bank, and in Fund analytical work on disasters (see, for example, IMF (2014b)).

time. But again, while precautionary measures may be taken to limit the impact of the shock, the occurrence of the event cannot be prevented or contained by contemporaneous or ensuing policy actions. The likelihood of occurrence can, of course, be limited by longer-term policy actions (such as global efforts to counteract climate change), albeit typically not by the actions of a single country.

11. Public health disasters, which also typically extend over a significant period, have the distinctive feature that the severity of the disaster, in terms of economic and social impact, is markedly affected by the policy response to the onset of the health shock. A prompt and well-targeted policy response can dramatically limit the scale of a public health disaster relative to a passive policy scenario: the mitigation impact of the policy response is particularly marked for infectious diseases, which can spread rapidly and widely in the absence of policy intervention.

12. One form of public health disaster—the rapid spread of a life-threatening infectious disease—has a further distinguishing feature: the capacity to spread rapidly both within and across countries, expanding into a pandemic that causes severe economic disruption beyond the initially affected country. In such a situation, other countries, whether neighbors or further afield, have a strong self-interest in the scale of containment efforts undertaken in the affected country. This “positive externality”—the extent to which additional containment efforts in the initially affected country produces potentially large benefits for residents of other countries—provides a strong (non-humanitarian) case for other countries/the international community to provide direct support to the affected country.

13. In countries with well-developed health systems, the capacity to contain the spread of an epidemic, including the ability to fund additional containment efforts, is high; containment efforts can be managed domestically in most circumstances and the need for external support is correspondingly limited.

14. By contrast, in very poor countries with weak health systems, the capacity to fund and deliver effective containment efforts is severely constrained: without external assistance, the containment effort will likely be much less than desired, both from a national and international perspective. In cases where the spread of the disease would generate high costs, *it is in the self-interest of the international community to vigorously support disease containment efforts.* There is also a strong equity argument for providing such support, in that the containment efforts being undertaken by very poor countries generate significant benefits for richer countries: *the burden of containing an international “bad” should not fall disproportionately on the poorest countries.*

B. Epidemics: A Closer Look

15. There are three necessary conditions for the occurrence of epidemic/pandemic events.

The specific disease needs: (i) to be one to which the population has little or no immunity; (ii) to have the ability to replicate in humans and cause serious illness; and (iii) to have the ability to transmit efficiently from human to human.⁵ These conditions alone are not sufficient to cause major economic dislocation or loss of life. In fact, epidemics occur quite frequently but only rarely cause substantial domestic economic dislocation (see Box 2).

16. The World Health Organization (WHO) has introduced the concept of a Public Health Emergency of International Concern (PHEIC), to distinguish localized epidemics from those that pose a serious health risk to other countries. A PHEIC is *“an extraordinary event which constitutes a public health risk to other States through the international spread of disease;a situation that: is serious, unusual or unexpected; carries implications for public health beyond the affected State’s national border; and may require immediate international action.”* A WHO panel of experts is responsible for determining whether an event falls into this category, based on mandatory reporting of disease outbreaks by WHO members.

17. Since 2005, there have been three PHEICs:

- An outbreak of H1N1 influenza in April 2009, the economic impact of which proved to be modest;
- An outbreak of polio in May 2014, taking the form of sporadic events in several (mainly low-income) countries, with limited economic impact; and
- The Ebola outbreak in a sub-region of West Africa, declared to be a PHEIC in August 2014, which, to date, has caused serious economic disruption and balance of payments needs in three countries and constituted a serious health and economic threat to other countries.⁶

18. Epidemics that warrant categorization as a PHEIC need not cause large-scale economic dislocation, as indicated by the first two examples cited in ¶16 (see Box 3). But the 2014 Ebola epidemic has highlighted the fact that, when a disease is life-threatening in nature and has the potential to spread rapidly (literally, to “go viral”), the domestic and spillover economic costs and associated disruption of international commerce caused by the disease could potentially be very large indeed. To date, containment efforts, both in the countries where the epidemic became established—Guinea, Liberia, and Sierra Leone—and in other countries to which the disease was carried but has not taken hold, have limited the economic disruption and loss of life. But the

⁵ The Congressional Budget Office (2006), “A Potential Influenza Pandemic: Possible Macroeconomic Effects and Policy Issues.”

⁶ The perceived gravity of the Ebola epidemic was illustrated by the decision of the UN Secretary-General, on September 5, to activate, for the first time, the UN System’s Crisis Response Mechanism.

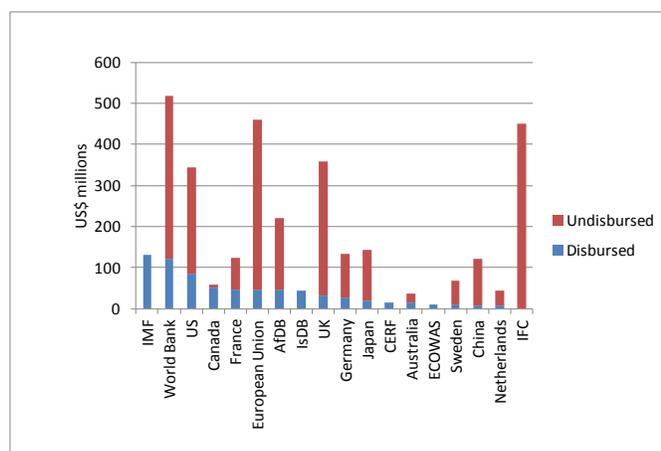
potential for the sub-regional epidemic to become a full-blown pandemic, triggering significant economic disruption across countries, has been significant—and the risk of it doing so would have been markedly higher without the provision of substantial external support for containment efforts in the epidemic-hit countries.

C. Potential Pandemics: the Case for Exceptional Fund Support

19. The Fund has financial facilities to assist all LICs hit by severe natural disasters. The RCF provides rapid financial support on concessional terms to help LICs meet urgent balance of payments needs arising from a broad range of situations, including natural disasters: use of the RCF does not require an upper credit tranche quality program.⁷ Members with an existing Fund arrangement that are hit by a natural disaster can obtain additional concessional financing on similar terms through an augmentation of the arrangement, rather than via use of the RCF. Both routes were used to provide additional funding to Guinea (RCF) and Liberia and Sierra Leone (ECF augmentation) in September 2014, with more funds expected to be disbursed to the three countries in the coming weeks.

20. The distinctive feature of Fund assistance in natural disaster situations is the speed with which it is disbursed. Multilateral agencies and bilateral donors that deliver support primarily through projects disburse their assistance at a speed determined by the pace of implementation of these projects, which inevitably takes time. Fund assistance, by contrast, is made available to the member country (typically through its central bank) once the IMF Board approves the request for assistance.⁸ The speed, relative to other agencies, with which Fund assistance is disbursed, is illustrated by the 2014 experience with delivery of external support to the Ebola-afflicted countries (Figure 1).

Figure 1. Bilateral and Multilateral Ebola-Related Financing
(In million US\$)



Sources: Socio-Economic Impacts of the Ebola Virus Disease on Africa, UNECA, December 2014.

⁷ The RCF replaced the subsidized use by LICs of the Emergency Natural Disaster Assistance (ENDA) and Emergency Post-Conflict Assistance (EPCA), as well as use of the Exogenous Shock Facility (ESF).

⁸ A request to the IMF for financial assistance (e.g., under the RCF) takes time to process, in terms of assessing the economic situation, reaching understandings on appropriate policies, and preparing the relevant documentation — but this processing time can be shortened as needed in emergency situations.

21. In situations where the scale of the natural disaster is exceptional, the Fund can supplement its loan assistance to the member through grants from a trust fund, the PCDR, that are used to repay upcoming debt service obligations. This assistance, available only to the poorest and most vulnerable LICs, eases pressures on the country's balance of payments and reduces its debt service burden, freeing up resources for use in relief and recovery efforts.

- Grants from the PCDR trust are used to pay off debt service falling due on eligible debt to the Fund during a two-year post-catastrophe recovery period; should there be a broad-based international effort to provide comprehensive debt relief to the catastrophe-hit country, PCDR grants may also be used to provide full stock relief on eligible debt to the Fund.
- The grant assistance provided through the PCDR seeks “to complement concessional lending under the PRGT, as well as broader donor assistance, with exceptional balance of payments support in the form of debt relief in order to free up additional resources for recovery” (IMF, 2010, ¶16).⁹
- The case for delivering exceptional support (grants to pay debt service) is both humanitarian (responding to “a massive and potentially long-lasting humanitarian disaster”) and a form of burden-sharing (“to supplement the provision of new resources by donors... [and make] ...an exceptional additional contribution to the recovery”) (IMF, 2010, ¶6).
- Given the scarcity of Fund grant resources, such support is provided only in rare cases of truly catastrophic disasters; qualification criteria are correspondingly stringent.¹⁰

22. There is a compelling case for the Fund to provide similarly exceptional support to this same group of the poorest and most vulnerable LICs in a situation where they are experiencing an epidemic of an infectious disease that constitutes a significant threat to lives, economic activity, and international commerce across many countries.

- As noted above, the international community has a strong self-interest in supporting the country's efforts to contain and halt the epidemic: containment efforts in the “front line” states generate significant benefits for countries further afield. Both pragmatic and equity considerations call for generous and appropriately-scaled and subsidized external financial support—*pragmatic*, because, without such support, the containment effort will be significantly under-resourced; *equitable*, because the burden of delivering the international public good (ending the epidemic) should not fall disproportionately on very poor countries.

⁹ The joint provision by the Fund of a) concessional loans through its lending facilities and b) grants from the PCDR is conceptually equivalent to providing loans with a higher grant element than the norm under the PRGT.

¹⁰ A PCDR-eligible country qualifies for eligible debt service relief for two years if the catastrophic disaster has a) directly affected more than one third of the population and b) either destroyed more than one quarter of the country's productive capacity or caused damage deemed to exceed 100 percent of GDP. Additional debt stock relief can be provided on eligible debt to the Fund only as part of an international debt relief effort in which official creditors accounting for at least 80 percent of total outstanding sovereign external debt participate (IMF, 2010).

- The Fund, given its responsibilities concerning the stability of the international monetary system, has a direct interest in supporting containment of an epidemic that could plausibly become a global pandemic, triggering significant disruption in the global economy.
- With other international agencies and bilaterals providing exceptional support to the afflicted country, the Fund should also provide exceptional balance of payments support, using grants to provide debt service relief, as under the current PCDR. This move would help catalyze additional support for the member, sending a strong signal of the gravity with which the Fund views the situation.
- Given the scarcity of Fund grant resources, even if bolstered by new bilateral donor contributions, exceptional support could be provided only in cases where there is a significant risk that the epidemic will spread widely, causing significant loss of life and disruption of economic activity and international commerce across countries.

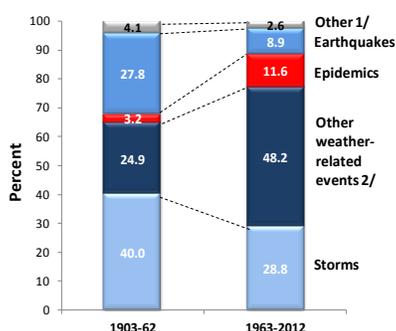
23. As currently constituted, the PCDR is not designed to provide assistance to poor countries hit by a life-threatening fast-spreading epidemic of infectious disease. The PCDR focuses on situations where, in the typology of disasters discussed above, a natural disaster (such as an earthquake) has occurred and is completed: countries become eligible for PCDR support if the estimated scale of the damage inflicted exceeds the specified thresholds. By contrast, with an epidemic that, unchecked, has the potential to produce catastrophic results, the scope for containing the disaster through a speedy and forceful policy response is high. A successful policy response to an epidemic would ensure that the minimum damage thresholds set for a country to qualify for support under the PCDR would not be met; paradoxically, the PCDR thresholds will likely be met only if the response to the epidemic has been a comprehensive failure. Clearly, an alternative approach, focused on supporting policy interventions to limit the scale of the disaster, is needed in specifying when the Fund should provide exceptional support to poor countries faced with fast-spreading epidemics.¹¹

¹¹ Lowering the damage thresholds needed to qualify for conventional PCDR assistance is not a sensibly targeted route to supporting countries facing an evolving health disaster. The damage thresholds were specified with major geophysical disasters in mind (e.g., the criterion of destruction of 25 percent of productive capacity), not a public health disaster that leaves the non-labor factors of production largely unaffected.

Box 1. Frequency and Costs of Natural Disasters

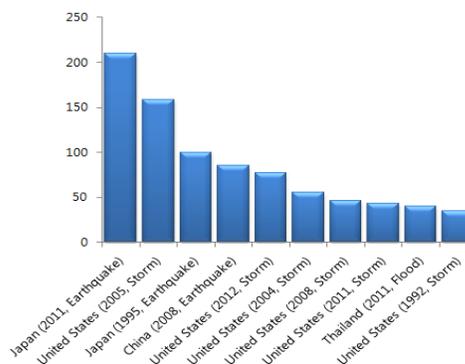
The long-run frequency of extreme weather events is rising due to climate change, while epidemics have become more frequent as population density has increased. The most damaging natural disasters in terms of absolute cost and as a share of GDP are earthquakes and storms. Small states are particularly vulnerable to storms with a high adverse impact on GDP.

A Changing Pattern of Natural Disasters



Source: World Bank: World Development Report 2014: Risks and Opportunity using EM-DAT. 1/ Refers to volcanoes, insect infestations, and complex disasters. 2/ Refers to floods, droughts, extreme temperature, and wildfires.

Cost of Selected Natural Disasters, 1980-2014
(In billions of current US dollars)



Source: EM-DAT and IMF staff estimates.

Cost of Selected Natural Disasters, 1980-2014
(In percent of GDP)

Country	Natural Disasters	Cost (in percent of GDP)
St. Lucia	Storm, 1988	269.6
Samoa	Storm, 1991	157.5
Grenada	Storm, 2004	148.4
Vanuatu	Storm, 1985	131.2
Mongolia	Wildfire, 1996	127.3
Haiti	Earthquake, 2010	120.8
Samoa	Storm, 1990	109.7
St. Kitts and Nevis	Storm, 1998	109.3
Tajikistan	Flood, 1992	103.0
Dominica	Storm, 1995	74.0

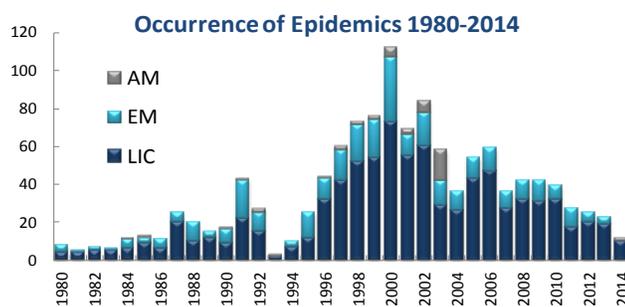
Source: EM-DAT and IMF staff estimates.

Box 2. Frequency and Impact of Epidemics and Pandemics

Epidemics occur frequently. Their incidence is most prevalent in LICs where health systems and capacities are weaker.

Pandemic outbreaks are infrequent. In the past 100 years, there have been seven pandemics, of which two stand out as being particularly severe in terms of loss of human life—the so-called “Spanish Flu” of 1918–19 and HIV/AIDS from 1981. The

rough estimates of the probability of an influenza pandemic event in any given year is between 3 and 4 percent based on the historical observation that there have been 10 to 13 influenza pandemics since 1700 (including three occurrences in the 20th century).^{1/ 2/} However, the probability of a severe pandemic event is more difficult to estimate and is assessed by staff to be very small, around the order of 1–2 percent.



Sources: EM-DAT: The International Disaster Database, CRED and IMF staff estimates.

Characteristics of Past Pandemics

Year & common name	Area of origin	Estimated attributable excess mortality worldwide	Age groups most affected
1899-1923 "Sixth Cholera Pandemic"	India	more than 800,000	All age groups
1918 "Spanish Flu"	Unclear	20–50 million	Young adults
1957–1958 "Asian flu"	Southern China	1–4 million	All age groups
1961–present "Seventh Cholera Pandemic"	Southeast Asia	more than 446,000 affected & more than 17,000 dead	All age groups
1968–1969 "Hong Kong flu"	Southern China	1–4 million	All age groups
1981–present "HIV/AIDS"	Sub-Saharan Africa	~ 25 million	All age groups
2009–2010 "Influenza A(H1N1) 2009"	North America	100,000–400,000	Children and young adults

Source: World Health Organization, "Pandemic Influenza Risk Management WHO Interim Guidance" (2013). Hays (2005) "Epidemics and Pandemics: Their Impacts on Human History "

1/ Congressional Budget Office (2006).

2/ Osterholm (2005) argues that there have been 10 influenza pandemics during the past 300 years; Patterson (1986) suggests that there have been 13 such pandemics.

Box 3. Economic Impact of Pandemics

A severe pandemic could have substantial economic implications and pose risks to the global financial system. ^{1/} Economic disruptions would arise through high rates of absenteeism as well as dysfunctions or standstill in transportation, trade, payment systems, and major utilities. Sharp declines in consumption and investment along with financial repercussions could further exacerbate the crisis.

Model-based simulations for advanced economies show that a severe pandemic event can plausibly have an economic impact ranging from between four percent and ten percent of GDP. However, all studies acknowledge the high uncertainty behind their results. The Congressional Budget Office (CBO, 2006) estimates the impact of a severe and a mild pandemic event in the United States. In a severe scenario, about 90 million people fall sick and 2 million people die resulting in a decline in real GDP by about 4–4¼ percentage points. In the mild-pandemic scenario, GDP would decline by about 1 percentage point. A study by Cooper and others (2006) incorporates the effect of trade disruptions and finds that a severe pandemic would reduce annual GDP growth by 6 percentage points and a mild pandemic would reduce GDP growth by 2 percentage points in the US. A study for the UK finds that a more severe pandemic scenario could lead to a decline in GDP by 4.5 percentage points compared to a loss of 0.58 percentage points of GDP in the first year of a mild pandemic scenario. ^{2/} Another study, for New Zealand, estimates that a severe pandemic would reduce GDP by between 5 percent and 10 percent in the year that it occurred. ^{3/}

Evidence suggests that an epidemic event would be more severe in LICs amid weak public institutions and health services. The Severe Acute Respiratory Syndrome (SARS) pandemic was largely prevented in 2003, as it affected countries with strong public institutions (China, Singapore, Canada, etc.). By contrast the HIV/AIDS pandemic had significant long-run economic impacts in LICs. Guinea, Liberia, and Sierra Leone are already severely impacted in economic terms by the 2014 Ebola outbreak. The cumulative GDP loss for 2014–15 for Guinea, Liberia, and Sierra Leone averages over 10 percent and the loss of revenue and increase of expenditures for the same period is in the range of 10 percent of GDP in all three countries (January 20, 2015 estimates). Compared with 1,218 epidemics since 1980, the number of deaths is already at, or above, the 97th percentile for Guinea, Sierra Leone, and Liberia.

^{1/} See IMF (2006).

^{2/} Keogh-Brown and others (2009).

^{3/} Douglas, Szeto, and Buckle (2006).

PROPOSED CHANGES TO THE POST-CATASTROPHE DEBT RELIEF TRUST

The PCDR Trust would be transformed into a re-named Catastrophe Containment and Relief (CCR) Trust with two windows: (i) a Post-Catastrophe Relief (PCR) window, to provide exceptional assistance in the wake of a catastrophic disaster; and (ii) a Catastrophe Containment (CC) window, to provide exceptional assistance in containing a qualifying public health disaster that has the capacity to spread rapidly both within and across countries. Conditions determining the provision of support via the PCR window would be as specified under the existing PCDR Trust; the conditions determining the provision of support under the CC window are discussed below.

A. Objectives and Eligibility

24. The purpose of the CCR Trust would be to provide exceptional assistance to the poorest and most vulnerable LICs to help them meet enhanced balance of payments needs, where these arise as a result of a) a catastrophic disaster or b) an evolving high-impact public health disaster with large international spillover potential. This exceptional assistance would take the form of grants from the CCR Trust to immediately pay debt service payments falling due on eligible debt to the Fund. This debt service relief would help ease the exceptional balance of payments needs triggered by the onset of the relevant natural disaster, whether immediate or in the recovery phase, and would free up resources for containment, relief, and recovery/rehabilitation spending. The provision of such debt relief would be expected to occur as part of a broad package of support from bilateral and multilateral donors, and act as a complement to concessional lending under the PRGT, which would remain the primary vehicle for providing Fund financial support to the country.

25. Eligibility for access to the resources of the CCR Trust would be limited to the poorest and most vulnerable member countries. To preserve scarce CCR resources and target support to countries most in need of support, eligibility would, as with the current PCDR, be limited to PRGT-eligible countries with an annual per capita income level below the prevailing International Development Association (IDA) operational cut-off (currently US\$1,215) or below twice the cut-off for small states. The higher cut-off level for small states is consistent with the existing special treatment of such countries for PRGT-eligibility purposes, and takes account of their special vulnerability to natural disasters.

B. Accessing the Post-Catastrophe Relief Window

26. Qualification criteria for access to CCR trust resources via the PCR window would remain unchanged from the criteria currently required to access PCDR resources. Specifically, a country would qualify for support via the PCR window if the Board determines, based on available information, that a catastrophic disaster has likely i) directly affected more than a third of the

population; and ii) destroyed more than one quarter of the country's productive capacity or caused damage deemed to exceed 100 percent of GDP.

27. Where it has been determined that a member meets the above qualification criteria, the CCR trust will provide grants to clear all debt service payable on qualifying outstanding credit to the Fund for a period of two years, conditional upon the availability of trust resources for this purpose. Qualifying credit would comprise both existing PRGT and GRA credit at the time the decision is made to provide exceptional assistance from the CCR Trust.

28. Consistent with the current features of the PCDR, the Executive Board may decide to declare the entire existing qualifying debt of the qualifying member country eligible for possible future debt stock relief, as part of a concerted international debt relief effort. The conditions and manner in which such assistance would be provided from the CCR Trust would remain as currently specified in regard to the PCDR.

C. Accessing the Catastrophe Containment Window

29. An eligible member would qualify for assistance from the CCR Trust via the Catastrophe Containment window when:

- the Executive Board determines, based on available information, that the country is experiencing an exceptional balance of payments need arising from a *Qualifying Public Health Disaster* occurring in the member's territory;
- the Executive Board determines that the macroeconomic policy framework put in place to address the balance of payments needs created by the public health disaster and the ensuing policy response of the authorities, as outlined in the letter of intent, is appropriate.

30. It is expected that a country seeking exceptional Fund support under the Catastrophe Containment window would be requesting, or have already had, access to Fund resources through the PRGT facilities, given that it is through PRGT loans that financial support can be delivered most speedily.

31. A Qualifying Public Health Disaster shall mean:

- The sustained presence of a life-threatening epidemic that has spread across several areas of the member country, causing significant economic disruption and creating a balance of payments need. Based on available information (which may take the form of preliminary estimates), the magnitude of economic disruption 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 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;^{12,13} 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;¹⁴

32. In making a determination of the occurrence of a Qualifying Public Health Disaster, the Fund may draw on assessments of the health situation and outlook made by national authorities, the 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 Catastrophe Containment window to exceptional circumstances (as discussed in Section 2).

33. In requesting assistance via the Catastrophe Containment window of the CCR trust, the member country would be expected to provide a letter of intent explaining: a) the nature of the public health disaster underway and the balance of payments needs it has created, b) the approach the member country is taking to contain the disaster, including the reallocation of budgetary resources for containment purposes, and c) the macroeconomic policies that the member country is taking to address its balance of payments problems. In cases where there has recently been a disbursement under a current arrangement or under the RCF, the member may update and refer to existing policy undertakings in the letter of intent accompanying that recent request for Fund support.

34. Implementation of the policy commitments contained in this member's letter of intent requesting resources from the Catastrophe Containment window would be reviewed at the time of the next Article IV Consultation or of a subsequent request for financial assistance or completion of a program review, whichever occurs first. The staff review would provide a candid assessment of the efforts made to implement policy commitments, taking account of the difficult and changing circumstances likely to have been faced by the country.

35. Members that qualify for assistance via the Catastrophe Containment window of the CCR trust will receive this assistance in the form of up-front grants from the trust to

¹² Balance of payments needs would likely stem from several factors including: loss of domestic production and exports due to death, illness, absenteeism, and exit of staff from the country; internal disruptions in the flow of goods and services; collapse of tourism receipts; the halting of investment activities; and the import needs created by domestically-financed efforts to contain and end the epidemic.

¹³ The focus here is on economic criteria, given that the Fund's provision of financial resources is linked to exceptional balance of payments needs. There are other dimensions of a public health disaster that could have a bearing on the assessment of the economic impact of an epidemic, including the number of people infected, killed or affected, the coping capacity of those affected, and the existing institutional capacity in the affected country to mount a timely and successful response to the disaster. The occurrence of an epidemic would equally have considerable social consequences and possible impact on specific elements of existing health infrastructure.

¹⁴ An epidemic concentrated in a small contiguous area of two or more countries would not meet this requirement.

immediately pay off upcoming debt service payments to the Fund on eligible debt.¹⁵ Eligible debt would include all PRGT and GRA credit outstanding at the time that the determination of qualification for assistance from the CCR Trust is made (but not credit committed concurrently with or after the decision of qualification for CCR). As is the case under the terms of the current PCDR Trust, eligible debt will include only debts in respect of which the member has made regular debt service payments (interest and amortization).¹⁶

36. The amount of grant support provided from the CCR Trust would be set at 20 percent of the member's quota, subject to the qualifications stated below (see Box 4 for examples of the application of the policy):

- The Executive Board may decide, in circumstances where debt service obligations to the Fund constitute an exceptional burden on the near-term external payments position, to increase the amount of grant support provided to a level not exceeding the full amount of debt service falling due during the ensuing two-year period.^{17, *, **}
- The Executive Board may decide, in circumstances where there is an international effort to provide debt service flow relief to the country to ease near-term balance of payments pressures, to increase the amount of grant support provided to a level not exceeding the full amount of debt service falling due during the ensuing two-year period, provided that there is a strong expectation that such a move would help catalyze support to the member from official bilateral creditors on similar terms.^{18, **}

¹⁵ The debt service obligations paid off would be the next debt service payments falling due, whether they fall due within the next year or only in, say, three years time. To illustrate, debt service to the Fund falling due during February 2015–January 2017 is slightly higher than 20 percent of quota in the case of Sierra Leone, significantly less than 20 percent of quota for Liberia, and zero for Guinea. The immediate paying-off of debt service due from Guinea would cover debt service obligations falling due in 2017–18.

¹⁶ Limiting eligible debt to debt on which regular scheduled payments are being made is justified by the purposes of the CCR Trust financing, which is to free up resources by relieving the debt service the member would otherwise have paid to the Fund.

¹⁷ The staff report supporting the request for assistance under the CCR would need to justify the provision of this additional support, and the scale of the additional support being requested, by reference to such factors as the projected drain of Fund debt service payments on the level of reserves and the share of Fund debt service (net of grant support) in the member's total official debt service payments.

* *Proposed Modifications* establishes the link between the decision and scope and merits of addressing the exceptional burden through additional concessional lending.

** *Decisions* clarifies that in cases where the Managing Director sees merit in providing such additional support, the Managing Director will consult with the Executive Board meeting in an informal session before making a proposal for consideration by the Executive Board.

¹⁸ The additional relief would be the full amount of debt service falling due to the Fund within the period during which bilateral official creditors were expected to provide debt relief, up to a two-year maximum.

- Where countries are rated at high risk of debt distress, or in debt distress, under the joint Bank-Fund Debt Sustainability Framework,^{*} the Executive Board may decide to authorize grant support in excess of 20 percent of quota, if warranted to limit^{**} the deterioration of debt indicators (relative to pre-epidemic projections) resulting from the country taking on new debt to tackle the epidemic. The additional support provided should not exceed^{***} the amount needed to ensure that the package of Fund support linked to the epidemic has a grant element of 80 percent.^{19, ****}
- Provision of grants to meet specific debt service obligations would be conditional upon the availability of resources in the CCR trust at the time of the Board decision; as noted above, the grants would be used to immediately pay off an equivalent amount of debt service obligations to the Fund.
- The level of grant support provided would not exceed the level of eligible Fund debt outstanding.

^{*} *Proposed Modifications* clarifies that countries already face a difficult balance of payments position over the medium-term.

^{**} *Proposed Modifications* amends to "...prevent a significant...".

^{***} *Proposed Modifications* amends this proposal: "The additional support provided would be the amount needed to ensure that the package of Fund support linked to the epidemic has a grant element of 80 percent".

¹⁹ For the purposes of calculating the grant element, the package of Fund support linked to the epidemic is defined to include a) any additional loan funding, relative to pre-epidemic plans, made available to address the balance of payments needs created by the epidemic plus b) any grant funding made available from the CCR Trust. The scale of additional grant support provided will depend on the specific mix of new lending adopted and on the structure of debt service obligations.

^{****} *Proposed Modifications* clarifies that in cases where the Managing Director sees merit in providing such additional support, the Managing Director will consult with the Executive Board meeting in an informal session before making a proposal for consideration by the Executive Board.

Box 4. Fund Support for Low-Income Countries Hit by Natural Disasters: How It Works

The Fund can assist a low income country hit by a severe natural disaster as follows:

- For countries without an existing Fund arrangement (or where the arrangement is off-track), the Fund can provide speedy assistance, up to a maximum of 50 percent of quota in one year, through the RCF. This loan assistance carries a low interest rate (currently zero) and is repaid over a 10-year period; the grant element of this loan, calculated using the IMF-World Bank discount rate of 5 percent, is 31 percent.
- For countries with a Fund arrangement in place, the amounts disbursed under this arrangement can be increased to meet the new balance of payments needs (subject to relatively high access limits): these concessional loans carry the same or similar terms as those provided under the RCF. 1/

What if the country is eligible for assistance under the catastrophe containment window of the CCR Trust? Assume that the country has a quota of 100; that it has requested assistance under the RCF in the amount of 50 percent of quota; and that it has scheduled debt service payments on existing debt to the Fund in years 1 through t , in the amounts of D_1, D_2, \dots, D_t .

- The country receives a loan of 50 in the wake of disaster, repaying this interest-free loan over 10 years.
- It also receives grants of 20 to immediately pay off upcoming debt service payments to the Fund; the specific payments settled follow the order in which they fall due, up to a maximum of 20.
- For a country where there are no debt service payments falling due in the next two years, the debt service payments cleared would be those falling due in years 3 and later.
- The package of assistance provided to the member comes with a much higher grant element (level of concessionality) than is the case with regular PRGT loans. Taking a simple example where $D_1 = D_2 = 10$, debt service relief amounts to 20, the overall package of assistance is 70 (the loan of 50 plus the CCR debt service relief) and the grant element of this package is close to 70 percent.

What happens in the case where a country has no debt outstanding to the Fund at the time that the infectious disease begins to take hold? Should the country face significant economic pressures as a result of the disease, it would be expected to seek access to Fund resources under the RCF. If it is later determined that the epidemic is a Qualifying Public Health Disaster and that the member meets the qualification criteria for assistance from the CCR trust, the debt service payments linked to the RCF drawing(s) would be eligible for debt service relief.

1/ Loan terms under the RCF and the ECF are the same; loans extended under the SCF are repaid over a shorter time period (8 years) than the RCF (10 years).

FINANCING CONSIDERATIONS AND RESOURCE AVAILABILITY

A. Resource Needs

37. The CCR Trust requires adequate funding in light of the potential demand for assistance, both under the Post-Catastrophe Relief window and the new Catastrophe Containment window. It will be critical that sufficient funds are available in the trust to enable it a) to meet expected demand for assistance through the CC window (including from members other than the three Ebola-afflicted countries) and b) to continue to provide assistance to countries via the PCR window, based on reasonable assumptions as to the likely demand for such resources.

38. Considering first the projected financing needs under the CC window, the cost of providing debt relief to Guinea, Liberia, and Sierra Leone under the framework described in Section 3, is estimated to be on the order of SDR 68 million (Table 1). In each case, the grants paid are assumed to be equivalent to 20 percent of quota.

Table 1. Resource Requirements for Possible Debt Service Relief to Current Ebola-Affected Countries
(In millions of SDRs)

Members	Assistance equivalent to 20 percent of quota
Guinea	21.42
Liberia	25.84
Sierra Leone	20.74

39. The potential cost of providing debt relief to eligible LICs afflicted by fast-spreading life-threatening epidemics in future is subject to very considerable uncertainty. This reflects the extreme rarity of such events: only a handful have been witnessed in the last century (versus one or two per decade in the case of natural disasters), and they have varied widely in their duration and severity. Moreover, epidemics in eligible LICs with high potential for spreading across international boundaries are likely to affect neighboring countries that may also be eligible for CCR assistance—as in the case of the 2014 Ebola outbreak.

40. Some sense of the potential cost of providing relief on debt service to eligible LICs in future can be obtained by looking at the statistical distribution of the implied debt relief. Table 2 shows the amounts potentially needed to provide relief in the amount of 20 percent of quota, across the range of countries eligible for support from the Catastrophe Containment window of the CCR Trust (as defined in ¶25).²⁰

Table 2. Resource Requirements for Possible Future Debt Service Relief 1/
(In millions of SDRs)

Parameters	Assistance equivalent to 20 percent of quota
Maximum	106.66
90 percent	43.35
75 percentile	25.53
Median	16.89
Average	23.26

41. On this basis, staff estimates that resources of the order of SDR 140 million would be required to finance the proposed containment window of the CCR Trust. Such amounts would be broadly adequate to allow for assistance of SDR 68 million to be provided to the three countries now severely affected by the Ebola pandemic, as well as potentially providing future assistance of about SDR 70 million to two countries, one at the 90th and the other at the 75th percentile, or alternatively four countries at the median, of the distribution of demand.

1/ Excluding countries with protracted overdue obligations to the Fund: Somalia, Sudan, Zimbabwe; eligibility based on 100 percent of the IDA GNI-per-capita operational cutoff (200 percent for small states)

42. Adequate resources are also needed to meet potential demands for post-catastrophe relief, which would be subject to the conditions that currently govern access to the PCDR. At the time of the approval of the PCDR in 2010 it was recognized that cost projections

²⁰ The sample of eligible LICs used for this forward-looking exercise includes Guinea, Liberia, and Sierra Leone notwithstanding the prospect that they will also benefit from near-term assistance.

for the Trust were subject to significant uncertainty, reflecting the unpredictable nature of catastrophic disasters, which have on average hit eligible countries only one or two times a decade, and the amount of Fund credit that could be covered by debt relief.²¹ The future demand for PCDR resources was therefore assessed by looking at the costs of debt relief for a typical PCDR eligible country. While the costs of debt flow relief over a two year period were estimated to be relatively small (less than SDR 7 million for the median country and less than SDR 15 million for a country at the 75th percentile), the potential cost of stock relief was estimated to be much higher (SDR 117 million at the median and SDR 177 million at the 75th percentile). Against this background, the staff paper argued that a balance in the PCDR of some SDR 70–120 million, after provision of debt relief to Haiti, would be adequate to cover debt flow relief in all but two potential cases, and the availability of adequate resources for flow relief would allow time for fundraising that might be needed for possible future stock relief.

43. Updated information on eligible countries’ debt to the Fund suggests that the potential resource needs for the PCR window, using the same methodology employed for the PCDR in 2010, remain broadly unchanged. The costs of debt flow relief over a two year period are now estimated to be SDR 13 million for the median country and SDR 29 million for a country at the 75th percentile. The potential cost of stock relief is now estimated to be as much as SDR 126 million at the median and SDR 167 million at the 75th percentile. These estimates suggest that an amount equivalent to the existing balance in the PCDR of SDR 102 million remains within the range considered adequate to cover post-catastrophe debt relief, as noted in paragraph 42.

44. The total resource needs of the proposed CCR Trust reflect the estimated needs for both catastrophe containment and catastrophe relief. In aggregate, the staff estimates that total immediate resources of the order of SDR 240 million would be adequate to provide the debt relief that may be needed for the three countries most affected by Ebola, and providing adequate resources (of the order of SDR 170 million) to meet potential demand for future cases under the two windows. Access to larger and possibly contingent bilateral financing of a similar order would place the Trust on a more sustainable footing to address unpredictable emergencies over the longer term.

B. Financing Considerations

45. This section examines the proposed sources of initial financing for the proposed CCR Trusts, including use of the balances in the PCDR Trust and the MDRI Trusts, and bilateral fundraising efforts. While a commitment of debt relief to the three Ebola-afflicted countries upon establishment of the Trust would be consistent with uniformity of treatment requirements applicable to SDA resources in the CCR Trust (see paragraph 49), the above estimates of potential financing needs relative to the assessment of existing resources mean that following the establishment of the

²¹ Proposal for a Post-Catastrophe Debt Relief Trust Fund (IMF, 2010).

proposed CCR Trust a new fund-raising effort for donor contributions would be needed to replenish the CCR.²²

Balance in the PCDR Trust

46. It is proposed that the current balance in the PCDR Trust of SDR 102 million would be available for CCR operations under both windows. The Board established the PCDR on June 25, 2010 and provided its initial financing by allowing the transfer of SDR 280 million from the MDRI-I Trust, which itself had been financed by resources from the Special Disbursement Account (SDA).²³ Nearly two-thirds of this amount was used shortly thereafter to provide SDR 178 million in PCDR-financed debt stock relief to Haiti; available balances in the PCDR Trust stood at SDR 102 million at end-December, 2014.

Balances in the MDRI-I Trusts

47. It is proposed that the CCR Trust receive additional funds from the liquidation of the MDRI-I Trust. The last of the MDRI-eligible debt was repaid in FY2014 and staff is initiating the work to prepare for the liquidation of the two MDRI Trusts.²⁴ The MDRI-I Trust was financed in January 2006 from a transfer of SDA resources of SDR 1.5 billion; the remaining balance in the MDRI-I Trust stood at SDR 13.2 million at end-December, 2014. The Trust Instrument stipulates that any remaining balances in MDRI-I would be transferred back to the SDA, and the Fund could decide to transfer these resources from the SDA to the CCR Trust.

Bilateral fundraising

48. The use of the current balance from the PCDR Trust and the remaining amounts in the MDRI-I Trust would need to be complemented by bilateral fundraising. With the current PCDR Trust and MDRI-I Trust balances, total resources in the CCR Trust would amount to SDR 115 million, thus falling short by some SDR 125 million of the amount assessed to be broadly adequate for the continuing operations of the CRR Trust. Bilateral fund-raising for the establishment of the CCR could

²² As a legal matter, since the CCR Trust would include Fund resources from the Special Disbursement Account (SDA), any use of these funds needs to comply with the principle of uniformity of treatment of all eligible low-income members applicable to these resources. Under this principle, Fund resources cannot be allocated on a country-specific basis but must be made available on a uniform basis to all low-income members facing a similar situation. The principle further requires that a Trust financed by Fund resources needs to contain sufficient aggregate financing to support an assessment that it can credibly provide financing beyond already identified potential recipients. See *Proposal for a Post-Catastrophe Debt Relief Trust Fund* (IMF, 2010), paragraphs 3 and 32–36. For a more detailed discussion of uniformity of treatment in connection with LIC debt relief, see *The G-8 Debt Cancellation Proposal and Its Implications for the Fund—Further Consideration* (IMF, 2005b) and *The Multilateral Debt Relief Initiative (G-8 Proposal) and Its Implications for the Fund—Further Considerations—Supplemental Information* (IMF, 2005c).

²³ The resources in the SDA contained the “corpus” and accrued investment income of the 1999 off-market gold transactions that were undertaken to finance the HIPC Initiative.

²⁴ See *Update on the Financing of the Fund’s Concessional Assistance and Debt Relief to Low-Income Member Countries* (IMF, 2014c).

include balances from the liquidation of the MDRI-II Trust as well as new additional bilateral contributions.

- An amendment to the MDRI-II Trust would be proposed to allow for the transfer of remaining balances in the Trust to the CCR Trust upon the liquidation of the MDRI-II Trust.**²⁵ The MDRI-II Trust was financed from 37 bilateral contributors for a total of SDR 1.12 billion; the remaining balance in the MDRI-II Trust stood at SDR 38.9 million at end-December, 2014 (Annex III). The Trust Instrument stipulates that any remaining balances in the MDRI-II Trust would be transferred to the PRGT, unless bilateral contributors request otherwise with respect to their pro rata share.²⁶ The proposed amendment to the MDRI-II Trust would stipulate that all remaining balances in the MDRI-II Trust would be transferred to the CCR, unless a contributor requested transfer to the PRGT or distribution to the member. As such, this process would be modeled on that used when the MDRI-II was established in 2005 with a transfer from the PRGF Subsidy Account that had originally been provided by the same 37 contributors. The direct transfer option helped to garner the necessary support for the proposed funding approach.
- The Fund will need to seek additional bilateral contributions if the identified funding level is to be attained.** The Fund has at various times called on bilateral donors to support the funding of the Fund's concessional financing and debt relief initiatives for LICs. Over the past 15 years or so, bilateral contributions were made in the context of fundraising calls for the subsidization of emergency assistance to LICs under the ENDA/EPCA, the Exogenous Shocks Facility (ESF), and the 2009–14 financing package to double the near term lending capacity of the PRGT in the wake of the financial crisis. In this instance, assuming that all 37 contributors to the MDRI-II allocate their shares to the CCR Trust, additional bilateral contributions of some SDR 85–95 million would be required to support the Trust. As noted above, beyond these immediate funding needs, which would allow the CCR Trust to provide debt relief for one event under each window (as well as the Guinea, Liberia, and Sierra Leone cases), access to larger possibly contingent financing would place the Trust on a more sustainable footing to address unpredictable emergencies over the longer term.

49. While the above funding proposals would allow the Fund to proceed with the approval of debt-relief commitments to the three Ebola-affected countries upon effectiveness of the CCR, it would be important to mobilize the additional bilateral contributions to replenish the CCR without undue delay. As noted above, resource needs for Guinea, Liberia, and Sierra Leone are estimated at SDR 68 million. If committed at the time that the CCR Trust is established, this would leave a balance of uncommitted resources of SDR 47 million in the CCR Trust before any

²⁵ As there is no remaining debt outstanding that could benefit from MDRI-II support, the MDRI-II Trust, similar to the MDRI-I trust, could be liquidated (For details see IMF (2014c)).

²⁶ The regular updates on estimates of the average annual lending capacity of the self-sustained PRGT do not assume that the residual balance in the MDRI-II Trust would upon termination be redirected to boost the PRGT General Subsidy Account. See IMF (2014c).

bilateral fundraising as noted above. This amount is significantly below the targeted resource level for the CCR. However, in the view of staff, this resource level would be consistent with the uniformity of treatment requirements applicable to SDA resources for the Fund as it would leave minimum balances in the CCR Trust for debt flow relief in the immediate future under both windows of the Trust to other countries.²⁷ However, with the uncommitted amount in the CCR Trust falling short by about SDR 125 million of the overall resource needs of the Trust identified above, staff is of the view that the establishment of the Trust and its expected use of existing balances for the identified three countries would need to be underpinned by a new fundraising effort with broad support from the membership to obtain the funding level identified in this paper, including early commitments for MDRI II Trust balances and additional bilateral contributions equivalent to the target amount. Up to SDR 170 million in additional contingent commitments would provide a longer-term financing arrangement to fully replenish the CCR trust in the wake of future qualifying catastrophes.

GOVERNANCE STRUCTURE AND APPROVAL REQUIREMENTS

A. Transformation of the PCDR Trust into the CCR Trust

50. The transformation of the PCDR Trust into the CCR Trust requires an amendment of the PCDR Trust Instrument. The amendment would establish the new Catastrophe Containment (CC) window for qualifying public health disasters while preserving the current terms and modalities of the PCDR Trust for post-catastrophe relief under the Post-Catastrophe Relief (PCR) window. The CCR Trust would continue to be administered by the Fund under Article V, Section 2(b) as a vehicle to facilitate donor contributions, while also leveraging the SDA resources within the trust pursuant to Article V, Section 12(f)(ii).

51. The CCR Trust would retain the current SDA-derived resources of the PCDR Trust. In addition, the remaining balances in the MDRI-I Trust, which originate entirely from the SDA, would be transferred to the CCR Trust (through the SDA) upon the liquidation of the MDRI-I Trust. The use of SDA resources for the benefit of the CCR Trust would be pursuant to Article V, Section 12(f)(ii), which authorizes the use of SDA resources to provide balance of payments assistance on special terms to LICs, a concept that includes providing grants for balance of payments support.²⁸

²⁷ Specifically, it would cover the majority of cases in the event of simultaneous demand under both windows (i.e., a combination of a flow relief case at the median of the PCR and the 75th percentile of the CC window (or vice versa). It would also cover three flow-relief cases at the median under the PCR window or nearly be sufficient for three cases at the median under the CC window.

²⁸ The PCDR, PRGT, PRGT-HIPC, and MDRI-I Trusts are examples of other trusts that were established to facilitate donor contributions pursuant to Article V, Section 2(b), while also leveraging SDA resources within the same Trust pursuant to Article V, Section 12(f)(ii).

52. Contributor resources would consist of a) transfers of remaining balances in the MDRI-II Trust following an amendment of the MDRI-II Trust Instrument and b) new bilateral contributions.

The MDRI-II Trust Instrument would be amended to provide for the transfer of any remaining balances at the time of its liquidation to the CCR Trust (instead of the PRGT Trust), unless a contributor requests its pro rata share to be transferred to the PRGT Trust or distributed to its own account. Additional bilateral contributions would be sought under a new resource mobilization round.

53. Staff proposes that the CCR Trust have three accounts for debt relief contributions: a General Account to fund debt relief under both windows of the CCR Trust and two special accounts for contributions each limited to fund debt relief under one of the windows of the Trust. This structure follows the approach under the PRGT where there are also general loan and subsidy accounts and special accounts for each facility. Special accounts can facilitate the fundraising where donors are only able or willing to make a contribution for the benefit of a specific window/facility. SDA resources in the PCDR and MDRI-I Trust would be placed to the General Account, and staff would encourage all donors to make new contributions to the General Account as it provides for more flexibility with respect to the use of scarce resources. Similar to the approach under the PRGT, resources in a special account would be drawn first before resources in a general account are drawn. Conforming amendments would also be made to the current PCDR Trust Umbrella Account; the vehicle to deliver through which debt relief resources are countries that receive assistance from the current PCDR Trust;²⁹ i.e., the terms and conditions of the PCDR Umbrella Account would be amended to allow for its use under both windows of the CCR Trust and it would be renamed the CCR Umbrella Account.

B. Approval Requirements for the PCDR Trust Transformation and the Financing of the CCR Trust

54. The required Board decisions, majority requirements, and consent procedures would be as follows:

- The amendment of the PCDR Trust Instrument to transform the PCDR Trust into the CCR Trust would require an Executive Board decision with an 85 percent majority of the total voting power. The 85 percent majority of total voting power is required because the amendment would change the use of SDA resources in the current PCDR Trust to also cover assistance under the new containment window. This change in purpose of the use of SDA resources in the Trust requires the same majority that is applicable to the original transfer of these resources to the PCDR Trust (Article V, Section 12(f)(ii)).

²⁹ As in other Fund debt relief trusts, debt relief under the PCDR Trust (to be transformed as the CCR Trust) is channeled through a separate Umbrella sub-account established for each beneficiary member to which such relief is provided. Donors may also make direct contributions to the member via a transfer to this subaccount. Pending their use, resources in a member's Umbrella Account subaccount are invested, and ultimately used to make payments on the member's eligible debt consistent with the terms of the Trust.

- The conforming amendments to the PCDR Umbrella Account Instrument to allow its use for both windows of the CCR Trust would require an Executive Board decision with a majority of the votes cast.
- The liquidation of the MDRI-I Trust would require an Executive Board decision with a majority of the votes cast, while the decision to place the remaining SDA balances in the MDRI-I Trust into the CCR Trust following its liquidation requires an 85 percent majority of total voting power as it is based on Article V, Section 12(f)(ii).
- The amendment of the MDRI-II Trust to allow for the transfer of remaining balances to the CCR Trust instead of the PRGT Trust as the default destination (unless a contributor requests distribution to its own account or transfer to the PRGT Trust) requires an Executive Board decision with a majority of the votes cast as well as the consents of all 37 contributors to the MDRI-II Trust (Section V, Paragraph 2 and Section VI of MDRI-II Trust Instrument).³⁰
- To ensure the timely effectiveness of the new MDRI-II Trust liquidation rules, the amendment procedure could include a deadline for the receipt of contributors' consents.
- The amendment of the MDRI-II Trust could be combined with the establishment of a temporary administered account that would allow contributors at the time of liquidation of the MDRI-II Trust to temporarily place their pro rata share pending final decisions by the relevant member on the use of these resources for the benefit of the CCR. Such temporary administered accounts have been set up in the context of the financing arrangements for the financing of debt relief operations for Liberia, and the financing of the PRGT subsidy account with resources linked to windfall gold sales profits.

To the extent that some of the above-decisions with different majority requirements are adopted as a package under a single Executive Board decision, as opposed to being adopted as separate decisions, the higher majority requirements for the adoption of the decision would apply.

ISSUE FOR DISCUSSION

- Do Directors support the proposals as presented in the paper and the associated decisions?

³⁰ While all of the MDRI-II contributors would need to consent to such an amendment, it has long been recognized that contributors' dissents could be overcome by returning in full to such dissenting contributors those resources in the MDRI-II Trust attributed to them (i.e., the requirement for consent would cease to apply for any particular party that ceases to be a "contributor"). See IMF (2005d).

Annex I. World Bank Actions in Response to the Ebola Crisis

1. **The World Bank Group (WBG) is financing a program of almost US\$1 billion to contain the spread of Ebola infections, help communities cope with the economic impact of the crisis, and improve public health systems throughout West Africa.** As of January 12, 2015, of the US\$518 million in IDA financing, the WBG has disbursed a total of US\$123 million. The IFC's Ebola emergency response includes at least US\$450 million in commercial financing that will promote trade, investment and employment in Guinea, Liberia and Sierra Leone.

2. **The WBG is also working on initiatives to minimize the occurrence of future pandemics.** First, to prevent or limit future outbreaks through preventative measures, the WBG envisages increased financial support to health systems through IDA disbursements, and lending from the International Bank for Reconstruction and Development (IBRD). In addition, a bond to frontload resources for public health investments could be considered by the WBG, should donors support such an initiative. Second, to ensure timely containment of future outbreaks, and to complement existing instruments, the WBG is working to develop new financial tools that can disburse funds rapidly to countries, international organizations, NGOs, etc., for critical response functions. Existing tools include the Cat-DDO, a contingent credit line which provides immediate liquidity to countries in the aftermath of a natural disaster, and the IDA-CRW, an envelope in the World Bank's fund for the poorest, set aside to provide countries with timely access to resources to respond to crises. Two new instruments are being considered: (a) a pre-funded reinsurance mechanism that could disburse resources when an outbreak happens; and (b) a structure underpinned by contingent long-term donor pledges against which the WBG would borrow on the capital markets.

3. **The envisaged contingent facility complements the CCR Trust in the following ways:**
 - The public health disaster triggers under consideration by the staffs of the Bank and the Fund are similar;
 - WBG financing to prevent or limit the occurrence of global health disasters would reduce the need to access to the crisis window under the Bank facility and the Fund's CCR;
 - WBG crisis funding would cover expenditures for detection, vaccines and treatment, logistics center, health workers and could finance operations by donors, NGOs or governments. Such deployment of financial resources would complement Fund support under the CCR (budget or central bank support).

Annex II. List of Eligible Countries for CCR Trust Assistance

Country 1/	Quota (In SDR million, 2013)	Credit Outstanding (As a percent of quota, Dec. 2014)
Afghanistan	161.9	46.8
Bangladesh	533.3	94.5
Benin	61.9	150.0
Burkina Faso	60.2	228.8
Burundi	77	117.7
Cambodia	87.5	0.0
Central African Republic	55.7	123.8
Chad	66.6	20.6
Comoros	8.9	144.2
Congo, Dem. Rep.	533	57.9
Djibouti	15.9	134.2
Eritrea	15.9	0.0
Ethiopia	133.7	137.5
Gambia, The	31.1	96.9
Guinea	107.1	111.2
Guinea-Bissau	14.2	76.0
Haiti	81.9	50.0
Kenya	271.4	242.0
Kyrgyz Republic	88.8	144.0
Liberia	129.2	78.8
Madagascar	122.2	54.9
Malawi	69.4	175.4
Mali	93.3	99.7
Mauritania	64.4	128.9
Mozambique	113.6	102.7
Myanmar	258.4	0.0
Nepal	71.3	64.5
Niger	65.8	115.9
Rwanda	80.1	7.0
Sao Tome and Principe	7.4	43.4
Senegal	161.8	72.8
Sierra Leone	103.7	105.8
Solomon Islands	10.4	115.7
South Sudan	123	0.0
Tajikistan	87	117.0
Tanzania	198.9	141.1
Togo	73.4	117.2
Uganda	180.5	0.7

Source: World Bank and IMF staff estimates.
1/ Excluding countries with protracted arrears to the Fund: Somalia, Sudan, and Zimbabwe.

Annex III. Members' Bilateral Contributions to the MDRI (In millions of SDR or otherwise indicated)

	January 2006 Contributions 1/	Member Share in Total (Percent)	MDRI-II Balance at end- December 2014	End-December 2014 Member Shares in US Dollar Millions 2/
TOTAL	1,120.0	100.0	38.881	56.331
Major industrial countries	818.8			
Canada	84.8	7.6	2.944	4.266
France	116.4	10.4	4.041	5.854
Germany	66.1	5.9	2.295	3.325
Italy	84.4	7.5	2.930	4.244
Japan	253.4	22.6	8.797	12.745
United Kingdom	155.4	13.9	5.395	7.817
United States	58.3	5.2	2.023	2.931
Other advanced countries	250.4			
Australia	3.7	0.3	0.129	0.186
Belgium	39.5	3.5	1.372	1.987
Denmark	23.6	2.1	0.819	1.186
Finland	15.1	1.4	0.525	0.761
Greece	13.3	1.2	0.463	0.670
Iceland	1.5	0.1	0.053	0.077
Ireland	2.4	0.2	0.082	0.119
Korea	21.0	1.9	0.730	1.058
Norway	15.7	1.4	0.543	0.787
Portugal	1.4	0.1	0.049	0.071
Singapore	6.5	0.6	0.225	0.326
Spain	3.1	0.3	0.109	0.158
Sweden	65.0	5.8	2.258	3.271
Switzerland	38.5	3.4	1.335	1.935
Fuel exporting countries	6.1			
Iran, Islamic Republic of	0.6	0.1	0.020	0.029
Saudi Arabia	5.5	0.5	0.191	0.277
Other developing countries	44.8			
Argentina	11.5	1.0	0.399	0.578
Bangladesh	0.2	0.0	0.008	0.012
Botswana	0.6	0.1	0.021	0.030
Chile	1.3	0.1	0.046	0.066
China	4.2	0.4	0.147	0.214
Egypt	4.3	0.4	0.151	0.218
Indonesia	2.1	0.2	0.074	0.108
Malaysia	11.2	1.0	0.388	0.562
Malta	0.5	0.0	0.016	0.023
Morocco	3.2	0.3	0.110	0.159
Pakistan	0.3	0.0	0.012	0.017
Thailand	4.4	0.4	0.154	0.224
Tunisia	0.3	0.0	0.012	0.018
Uruguay	0.5	0.0	0.016	0.023

Source: FIN.

1/ These are amounts transferred in early 2006 from the PRGF Subsidy Accounts to the MDRI Trust.

2/ Calculated using the SDR per US\$ dollar rate of 0.69 as of December 31, 2014.

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February 2, 2015

PROPOSAL TO ENHANCE FUND SUPPORT FOR LOW-INCOME COUNTRIES HIT BY PUBLIC HEALTH DISASTERS—PROPOSED MODIFICATIONS

Approved By
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Siddharth Tiwari, and
Andrew Tweedie

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

Staff is proposing changes to the proposals in *Proposal to Enhance Fund Support for Low-Income Countries Hit by Public Health Disasters* and the associated decisions (*Decisions*) in response to comments and feedback received from Executive Directors on the original proposals.

The proposed changes relate to the exceptional circumstances under which the Fund could, where warranted, provide grant assistance in excess of 20 percent of quota to members who meet the qualifying criteria for support under the Catastrophe Containment window of the proposed Catastrophe Containment and Relief Trust.

The changes relate to the first and third of the three exceptions specified in paragraph 36 of *Proposal to Enhance Fund Support for Low-Income Countries Hit by Public Health Disasters* (Attachment I) as follows:

- As to the first exception—where debt service obligations on the member’s eligible debt to the Fund constitute an exceptional burden on the near-term external payments position of the country—it is now clarified that any decision regarding the provision of grants in excess of 20 percent of quota would need to take into account the scope and merits of addressing the exceptional burden through additional concessional lending.
- As to the third exception—where the member country is rated as being at high risk of debt distress, or in debt distress—it is now proposed that, where the Managing Director sees potential merit in the Fund providing grants in excess of 20 percent of quota, the Managing Director will consult with the Executive Board, meeting in an informal session, on the case for doing so before finalizing a formal proposal for consideration by Executive Board.

In addition, the proposed decisions circulated on Friday, January 30 incorporated one change from the text of *Proposal to Enhance Fund Support for Low-Income Countries Hit by Public Health Disasters*: specifically, in cases where additional grant support is deemed to be warranted for

countries rated at high risk of/in debt distress, additional support would be provided in the amount needed to ensure that the package of Fund support linked to the epidemic has a grant element of 80 percent (rather than “not exceeding 80 percent”, as in the original).

Given the changes proposed by staff, the amount of support to be provided by the Trust (originally outlined in paragraph 36 of *Proposal to Enhance Fund Support for Low-Income Countries Hit by Public Health Disasters*) can now be described as follows:

The amount of grant support provided from the CCR Trust would be set at 20 percent of the member’s quota, subject to the qualifications stated below (see Box 4 for examples of the application of the policy):

- The Executive Board may decide, in circumstances where debt service obligations to the Fund constitute an exceptional burden on the near-term external payments position, to increase the amount of grant support provided to a level not exceeding the full amount of debt service falling due during the ensuing two-year period.¹ Any such decision will need to take into account the scope and merits of addressing the exceptional burden through additional concessional lending.
- The Executive Board may decide, in circumstances where there is an international effort to provide debt service flow relief to the country to ease near-term balance of payments pressures, to increase the amount of grant support provided to a level not exceeding the full amount of debt service falling due during the ensuing two-year period, provided that there is a strong expectation that such a move would help catalyze support to the member from official bilateral creditors on similar terms.²
- Where countries are rated at high risk of debt distress, or in debt distress, under the joint Bank-Fund Debt Sustainability Framework—and hence already face a difficult balance of payments position over the medium-term—the Executive Board may decide to authorize grant support in excess of 20 percent of quota, if warranted to prevent a significant deterioration of debt indicators (relative to pre-epidemic projections) resulting from the country taking on new debt to tackle the epidemic. The additional support provided would be the amount needed to ensure that the package of Fund support linked to the epidemic has a grant element of 80 percent.³ In

¹ The staff report supporting the request for assistance under the CCR would need to justify the provision of this additional support, and the scale of the additional support being requested, by reference to such factors as a) the projected drain of Fund debt service payments on the level of reserves, b) the share of Fund debt service (net of grant support) in the member’s total official debt service payments, and c) the scope and economic merits for providing increased loans under PRGT facilities to smooth any bunching of repayments to the Fund.

² The additional relief would be the full amount of debt service falling due to the Fund within the period during which bilateral official creditors were expected to provide debt relief, up to a two-year maximum.

³ For the purposes of calculating the grant element, the package of Fund support linked to the epidemic is defined to include a) any additional loan funding, relative to pre-epidemic plans, made available to address the balance of payments needs created by the epidemic plus b) any grant funding made available from the CCR Trust. The scale of

(continued)

cases where Management sees merit in providing such additional support, it would consult informally with the Executive Board on the specific case for doing so before finalizing a formal proposal for consideration by the Board.

- Provision of grants to meet specific debt service obligations would be conditional upon the availability of resources in the CCR trust at the time of the Board decision; as noted above, the grants would be used to immediately pay off an equivalent amount of debt service obligations to the Fund.
- The level of grant support provided would not exceed the level of eligible Fund debt outstanding.

additional grant support provided will depend on the specific mix of new lending adopted and on the structure of debt service obligations.



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International Monetary Fund
Washington, D.C. 20431 USA

IMF Establishes a Catastrophe Containment and Relief Trust to Enhance Support for Eligible Low Income Countries Hit by Public Health Disasters

The Ebola epidemic in parts of West Africa is a humanitarian catastrophe that has drawn attention of the international community to the need of addressing the rapid spread of life threatening infectious diseases that cause substantial domestic disruption and cross international borders.

On February 4, 2015, the Executive Board of the International Monetary Fund (IMF) discussed how to better support Low-Income Countries hit by public health disasters. The Board approved the establishment of the Catastrophe Containment and Relief (CCR) Trust, allowing the Fund to provide debt relief in these cases, as well as to members experiencing other types of catastrophic disasters. These grants can ease pressures on the members' balance of payments and create fiscal space to tackle relief and recovery challenges.

The CCR will provide grants for debt relief totaling \$100 million for the three countries affected by Ebola in West Africa—Liberia, Sierra Leone, and Guinea. This comes in addition to the \$130 million of assistance provided in September 2014, and a second round of new concessional loans amounting to about \$160 million to be considered soon by the Executive Board.

Background

In their November 2014 meeting in Brisbane, the G-20 called on the Bretton Woods Institutions to continue their strong support to countries severely affected by the Ebola outbreak through a combination of concessional loans, debt relief and grants, and asked the institutions to explore new, flexible mechanisms to address the economic effects of future comparable crises. The CCR Trust is the Fund's response to that call. It replaces the Post-Catastrophe Debt Relief (PCDR) Trust established on June 25, 2010 in the wake of a massive earthquake in Haiti, and expands the circumstances under which the Fund can provide exceptional assistance to its low income members to include public health disasters.

Through the new instrument, the Fund is able to quickly and flexibly adjust its policies in the face of unexpected international developments, including pandemics, to serve the needs of its membership, especially the most vulnerable.

At the conclusion of the Executive Board meeting on the CCR, IMF Managing Director Christine stated: “I welcome the establishment of the Catastrophe Containment Relief Trust. It aims at enhancing our support to the countries in Africa hit by Ebola, as well as other low income countries that may be affected by public health disasters in the future.”

Executive Board Assessment:¹

Directors welcomed the opportunity to discuss how the Fund can enhance its support to member countries affected by public health disasters. They agreed that the Fund has an important role to play as part of a broad international effort to assist affected countries, and underscored the importance of close coordination and effective collaboration with other international institutions, including the World Bank. Directors broadly supported the staff’s proposals, although a number of them felt that it would have been helpful to include a discussion of other options, such as increased access under the PRGT facilities.

Directors considered and supported the transformation of the existing Post-Catastrophe Debt Relief (PCDR) Trust into a Catastrophe Containment and Relief (CCR) Trust and the underlying policy framework as set out in the staff paper. They agreed with the proposed two windows under the CCR Trust: (i) a Post-Catastrophe Relief window, which would replicate the design and functions of the PCDR Trust; and (ii) a Catastrophe Containment window to support countries hit by public health disasters.

Directors broadly supported the proposal that eligibility for assistance from the CCR Trust should be limited to the poorest and most vulnerable PRGT-eligible countries, consistent with the existing eligibility criteria for support from the PCDR Trust. Some Directors called for the inclusion of other PRGT-eligible members, including but not limited to microstates. In this context, a few Directors noted that references to low-income countries in the staff paper needed qualification, given that not all low-income countries hit by public health disasters would be eligible to access the CCR. Directors agreed that access to grant resources from the Catastrophe Containment window should be limited to cases where the country is experiencing an epidemic of a life-threatening disease that has spread across several areas of the country, is causing significant economic disruption and balance of payments pressures, and has the capacity to spread, or is already spreading, rapidly within and across countries. Directors called on Fund staff to draw on assessments of the situation by relevant

¹ An explanation of any qualifiers used in summings up can be found here: <http://www.imf.org/external/np/sec/misc/qualifiers.htm>.

international agencies, especially the World Health Organization, and national authorities when conducting its analysis.

Directors supported the proposal to provide assistance via the Catastrophe Containment window of the CCR Trust in the form of up-front grants to immediately pay off upcoming debt service payments to the Fund on eligible debt. Eligible debt would not include credit committed concurrently with, or after, qualification. Directors also agreed that the amount of grant support would be set at 20 percent of the member's quota, subject to the constraint that such support could not exceed the level of eligible Fund debt outstanding and conditional upon the availability of resources in the CCR Trust.

Directors broadly supported the proposal to allow for the possibility of providing assistance in excess of 20 percent of quota under the exceptional circumstances specified in the staff paper. A number of Directors, however, expressed reservations regarding using these exceptions, while some Directors stressed the need for flexibility in responding to public health disasters. In all exceptional cases, management intends to consult informally with the Executive Board when there is a potential case for providing grants in excess of 20 percent of quota under these exceptions, before bringing the proposal for formal Board consideration.

Directors supported the proposal to liquidate the MDRI-I Trust and to transfer all remaining balances to the General Account of the CCR Trust (through the SDA). They also agreed to amend the liquidation provision of the MDRI-II Trust Instrument to allow for the transfer of remaining balances upon its liquidation to the General Account of the CCR Trust, which would become effective upon each contributor's consent. Some Directors expressed concern that the transfer of MDRI balances to the CCR Trust could divert potential resources away from the PRGT. Directors underscored the importance of securing additional bilateral resources to ensure adequate financing of the CCR Trust for potential future cases.

Directors looked forward to a comprehensive review of the CCR Trust five years after its establishment, or earlier if warranted.