**How the IMF Can Help Countries Address the Economic Impact of Coronavirus**

March 9, 2020

The International Monetary Fund stands ready to provide assistance to member countries facing immediate financing needs arising from public health disasters.

A global health crisis, such as the coronavirus, inevitably can have an adverse economic impact, and it is part of the IMF’s mandate to assist countries through policy advice and lending.

 The institution is working closely with its development partners—World Bank, World Health Organization, and Asian Development Bank—and other health officials to provide timely policy advice, technical assistance, and financial support**.**

The IMF has the following facilities and instruments in its toolkit to help countries respond to the economic impact of the coronavirus.

**Emergency financing**. The [Rapid Credit Facility](https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/08/Rapid-Credit-Facility) (RCF) and [Rapid Financing Instrument](https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/19/55/Rapid-Financing-Instrument) (RFI) provide emergency financial assistance to member countries without the need to have a full-fledged program in place. These loans—which could amount up to $50 billion for low-income and emerging markets—can be disbursed very quickly to assist member countries implement policies to address emergencies such as the coronavirus. Emergency lending to low-income countries available under the RCF is about $10 billion, and for emerging markets under the RFI it could amount to about $40 billion. In 2016, the IMF provided an RFI emergency loan to Ecuador after one of the strongest earthquakes in decades.

**Augmenting existing lending programs**. The IMF can modify as needed existing programs in support of countries to accommodate urgent new needs arising from the coronavirus. The IMF was the first international financial institution to swiftly provide additional financing for Guinea, Liberia, and Sierra Leone in 2014 to fight the Ebola outbreak. The [IMF’s response](http://www.imf.org/external/np/fad/ebola/) helped these countries make room in their budgets for critical health spending, and served as a catalyst for donors, whose assistance was largely directed at health spending.

**Grants for debt relief**. The [Catastrophe Containment and Relief Trust](https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/49/Catastrophe-Containment-and-Relief-Trust) (CCRT) allows the IMF to provide grants for debt relief to the poorest and most vulnerable countries with outstanding obligations to the IMF to help address disasters, including public health disasters. This facility was used to support Guinea, Liberia, and Sierra Leone during the 2014 Ebola outbreak. The CCRT is currently underfunded with just over $200 million available against possible needs of over $1 billion.

**New financing arrangement.**The IMF can also provide support through a new financing arrangement under its existing facilities such as [Stand-By Arrangements](https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/20/33/Stand-By-Arrangement), although some of the tools listed above would generally be preferable, including because they can be disbursed quickly to address the urgent financial need.

The IMF will continue to support vulnerable countries through [capacity development](https://www.imf.org/en/About/Factsheets/imf-capacity-development). Given the need to quickly redirect public resources, the IMF will remain closely engaged with the affected member countries and development partners, working as needed to reprioritize capacity development activities.



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

March 27, 2020

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

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

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

The IMF has also launched a fund-raising exercise that would enable the Trust to provide about $1 billion for the current pandemic. Ms. Georgieva has called upon the Fund’s economically stronger member countries [**to help replenish the CCRT**](https://www.imf.org/en/News/Articles/2020/03/05/tr030420-imf-wb-joint-press-conference-on-corvid-19), which had only $200 million available for the world’s poorest countries. The U.K. [**has responded**](https://www.imf.org/en/News/Articles/2020/03/11/pr2084-united-kingdom-boosts-imfs-catastrophe-relief-fund-with-gbp150-million)with a pledge for £150 million ($183 million). Other donors, including Japan and China, are also coming forward with important contributions.

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

**Background:**

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

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

 Source: imf.org