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A Golden Opportunity

SELLING A SMALL SHARE OF THE IMF'S GOLD RESERVES TO REPLENISH THE CATASTROPHE CONTAINMENT AND RELIEF TRUST

BY MARINA ZUCKER-MARQUES, RISHIKESH RAM BHANDARY[1]

EXECUTIVE SUMMARY

In the wake of devastating natural disasters and public health crises, affected countries can seek debt relief from the International Monetary Fund (IMF) through its Catastrophe Containment and Relief Trust (CCRT). The CCRT provides grants to eligible countries to help them cover debt service payments after a natural disaster, covering obligations specifically owed to the IMF for up to two years.

However, many climate-vulnerable countries have been unable to access the CCRT as its eligibility criteria fails to account for climate vulnerability, there are stringent criteria for qualifying events and funding is severely limited. Only 30 of the 190 IMF member countries currently qualify for the CCRT – including only one Small Island Developing State (SIDS) – and according to the latest IMF financial statement, the CCRT has only SDR 76 million (approximately $103 million) left in cash balance.

Concomitantly, the IMF holds 90.5 million ounces of gold on its balance sheet, a legacy from its founding in 1944, when member countries paid their quotas in gold. With current gold prices exceeding $2,600 per ounce, selling a small fraction of gold has the potential to generate significant revenues and easily replenish the CCRT.

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This policy brief explores both reforms to the CCRT and substantial replenishment funded through an IMF gold sale to meet the needs of climate-vulnerable developing countries. We find that by selling just 4 percent of its gold, the IMF could provide debt relief for 86 low-income and climate-vulnerable countries.

Key findings:

- For many developing countries, debt service to the IMF represents a significant portion of total debt service, according to estimations based on data from the World Bank and IMF.
    - For example, in 2025, Madagascar will pay $106 million to the IMF, amounting to 24 percent of their total debt service. This amount is expected to increase to $158 million (41 percent) in 2026.
- The IMF's existing gold reserves are equivalent to twice the current record IMF lending volume of $120 billion (or SDR 90 billion).
- Relieving all debt repayments due in 2025 and 2026 for all 30 currently eligible countries would require selling just 1.5 percent of the IMF's gold reserves ($3.49 billion).
    - Expanding CCRT eligibility to include all countries currently eligible for the Poverty Reduction and Growth Trust (PRGT)—69 countries—would increase the amount to 3.7 percent of gold reserves ($8.86 billion).
    - Further expanding eligibility to both PRGT-eligible countries and 17 SIDS – 86 countries total – would require selling just 4 percent of the IMF's gold reserves ($9.52 billion).

This policy brief derives a series of recommendations for the IMF to replenish and expand eligibility to the CCRT.

Key Policy Recommendations:

The IMF and its member countries should:

- **Seize the opportunity** of the historically high price of gold at over $2600 per ounce to replenish the CCRT.
- **Expand the eligibility to the CCRT** to ensure that the most vulnerable countries are covered. We recommend expanding eligibility to all members eligible for the PRGT as well as all SIDS. This would include more low-income countries and those states particularly vulnerable to natural disasters.
- **Reevaluate CCRT qualifying events.** The IMF should consider more flexible and broader trigger conditions while adopting less stringent thresholds.
- **Increase the CCRT access norm and make it commensurable to the loss and damage countries face**. Currently, the CCRT access norm, or the maximum limit a country can request in relief, is just 20 percent of a country's IMF quota, which is inadequate in comparison to countries needs in times of natural disasters.
- **Consider creating an endowment account** designed to generate investment revenues specifically aimed at supporting the CCRT, eliminating the need for regular fundraising and ensuring the CCRT's future financial sustainability.

- **Capitalize on the momentum** around Climate Resilient Debt Clauses (CRDCs) and integrate them in financing arrangements for countries that don't qualify for debt service payment relief.

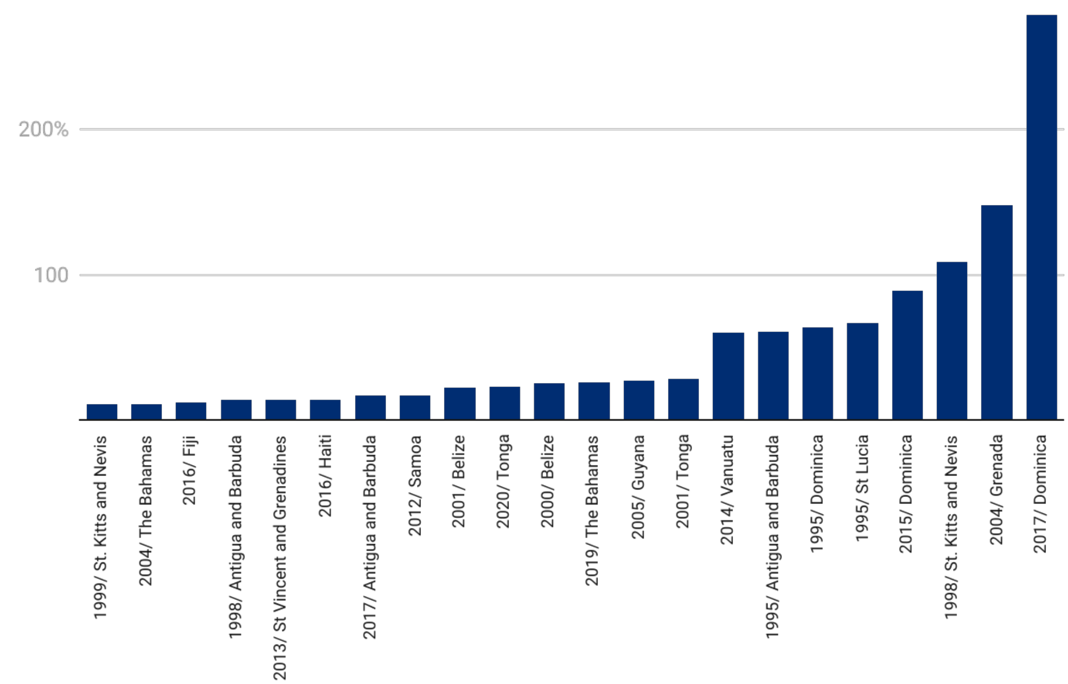
- **Integrate climate change into its resource adequacy assessment** to ensure that it has the resources needed to provide debt service payment relief to countries facing qualifying events

The IMF must play its part to ensure a shock-resilient international financial architecture, especially for the most climate-vulnerable members. Better utilizing its own resources, such as gold, is a first step in demonstrating the IMF's commitment to supporting its most vulnerable members.

INTRODUCTION

When Hurricane Beryl tore through the Caribbean in July 2024, it caused damage exceeding 16 percent of gross domestic product (GDP) in Grenada and up to 25 percent in St. Vincent and the Grenadines (International Monetary Fund 2024e). Such large impact is not abnormal, especially for Small Island Developing States (SIDS), who rank among the most climate-vulnerable countries and are disproportionally hit by tropical hurricanes and rising sea levels. According to the International Disaster Database (EM-DAT), between 1995-2022, Oceania and the Caribbean were hit by 259 cyclones and tropical cyclones. In 20 cases, affected countries suffered an impact larger than 10 percent of the individual country's GDP, as seen in Figure 1. For some countries, like Dominica, the impact of a 2017 disaster reached 250 percent of the GDP. Larger economies, like the Bahamas, suffered the largest aggregate damages, but given their larger economic size, the damage was reflected in just 10 percent of GDP impact (Canagarajah 2024).

Figure 1: Largest cyclone disasters in SIDS, damages as a percent of GDP, 1995-2024



Source: Reproduced from Brownbridge and Canagarajah (2024), data source is EM-DAT.

In the wake of devastating natural disasters, affected countries can seek debt relief from the International Monetary Fund (IMF) through its Catastrophe Containment and Relief Trust (CCRT). The CCRT provides grants to eligible countries to help them cover debt service payments after a natural disaster, covering obligations specifically owed to the IMF for up to two years.

However, neither these Caribbean nations nor other climate-vulnerable countries have been able to access the CCRT, as its eligibility criteria fails to account for climate vulnerability, there are stringent criteria for qualifying events and funding is severely limited.

Currently, only 30 of the 190 IMF member countries qualify for access to the CCRT (see the list at Annex). To qualify for the CCRT, countries must be eligible to borrow from the IMF's concessional arm, the Poverty Reduction and Growth Trust (PRGT), which is only available to low-income countries. Additionally, they must have a per capita income below the World Bank's operational cut-off for its concessional arm, the International Development Association (IDA), which is currently set at $1,335. These stringent criteria leave many climate-vulnerable nations without coverage. For example, of the 37 SIDS that are IMF members, just one, Guinea-Bissau, is eligible for the CCRT.

Beyond the eligibility criteria, the CCRT has a funding problem. According to the IMF's latest financial statement, the CCRT has only SDR 76 million (approximately $103 million) left in cash balance (International Monetary Fund 2024b). If the global economy were hit again by a shock similar to the COVID-19 pandemic and eligible countries turned to the CCRT for relief, the current balance of the CCRT would only be enough to cover 3 percent of the 30 eligible countries' IMF repayments due over the next two years.

Pressure to replenish the CCRT has mounted. The Executive Secretary of the United Nations Framework Convention on Climate Change called on the IMF to replenish the CCRT (Stiell 2023). During the 2024 IMF/World Bank Group Annual Meetings, the topic of replenishing the CCRT was highlighted by the Vulnerable Twenty (V20) Group of Ministers of Finance of the Climate Vulnerable Forum, which comprises 70 nations home to 20 percent of global population. In its communiqué, the V20 urged the international community to replenish the CCRT before another disaster strikes (CVF 2024). What is more, the CCRT could be an important instrument in the wider set of financial instruments to address loss and damage (Task Force 2023).

The IMF holds 90.5 million ounces of gold on its balance sheet, a legacy from its founding in 1944, when member countries paid their quotas in gold. Considering that the IMF's current business model has evolved greatly in the last 80 years, this idle gold is sitting on the IMF's balance sheet at a historical cost of $45 per ounce. With current gold prices exceeding $2,600 per ounce, selling a small fraction of gold could generate billions of dollars and easily replenish the CCRT.

This policy brief explores how CCRT access could be expanded and replenished using the proceeds of an IMF gold sale to meet the needs of climate-vulnerable developing countries. We find that by selling just 4 percent of its gold, the IMF could provide debt relief for 86 low-income and climate-vulnerable countries.

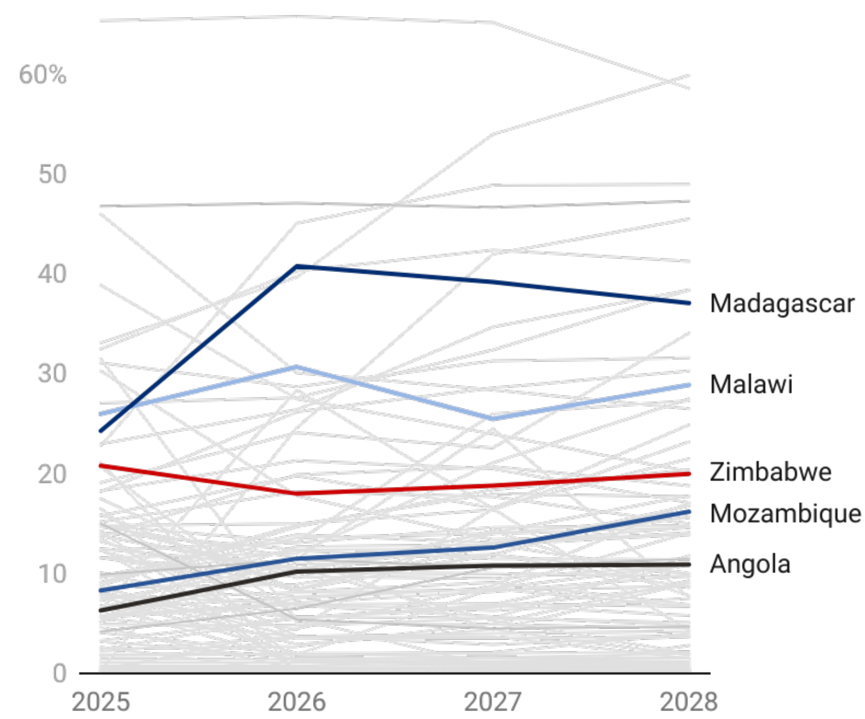
When countries face natural disasters, postponing or relieving debt service frees up resources to focus on rebuilding and recovery. Natural disasters impact economic activity, strain government revenue and reduce hard currency inflows from tourism and exports (Fuje et al. 2023). Therefore, debt relief, together with humanitarian assistance, can help a government focus on protecting its citizens, funding reconstruction and investing in resilience.

At this moment, international debt markets have very few tools to increase the financial resilience of disaster-hit countries by effectively suspending or canceling debt service payments. A few countries have issued Catastrophe (CAT) bonds, like Barbados and Jamaica, which allow payment deferrals (Ahmed and Rambarran 2024). Similar clauses have been included in debt contracts with bilateral and multilateral official creditors. For example, Climate Resilient Debt Clauses (CRDCs) have recently gained momentum among multilateral development banks (MDBs) (World Bank Group 2024; African Development Bank Group 2023; Benette 2024; IDB 2024) and a few bilateral official creditors such as the United Kingdom and Spain (UK Export Finance 2022; Cotterill and Harris 2024). CRDCs are provisions built into financing arrangements that allow a borrower to defer or postpone payments to the creditor when the borrower faces a qualifying event. As part of its evolution process, the World Bank announced that it would provide eligible borrowers the option to integrate CRDCs into new and existing financing (World Bank 2024), though the CRDC is limited to two major triggers, tropical cyclones and earthquakes. In late 2022, the International Capital Markets Association published a guidance note and a term sheet on CRDCs (ICMA 2022). While there has been momentum to integrate CRDCs, albeit in a limited way, across MDBs and official bilateral creditors, the IMF is yet to announce an official policy on CRDCs for its own financing arrangements. The IMF has, however, advanced analytical work on state contingent debt clauses and the supplement to the Guidance Note on the Low-Income Country Debt Sustainability Framework discusses how state contingent instruments could be integrated into debt restructuring exercises (IMF and World Bank 2024).

For some countries, IMF repayments are substantial and relieving them could provide a crucial lifeline for many governments. Consider that for countries affected by Hurricane Beryl, debt repayments to the IMF nearly equaled what they received in disaster response aid: the United Nations aims to mobilize $5 million for Grenada (United Nations in the Caribbean 2024), which is set to pay $6 million to the IMF in 2025. Similarly, St. Vincent and the Grenadines is expected to receive $4 million in aid, while owing $2 million to the IMF in the same year.

For many developing countries, debt service to the IMF represents a significant portion of total debt service according to our estimations based on data from World Bank (2023) and IMF Finances (collected September 2024). In times of natural disaster, repayment to the IMF may compete with other pressing humanitarian priorities. For instance, in early 2024, southern Africa experienced severe droughts not seen in 100 years, with estimates indicating that at least 26 million people were in urgent need of assistance (USAID 2024). As seen in Figure 2, and using currently available data from the IMF and World Bank, we estimate that in 2025, Madagascar will pay $106 million to the IMF, amounting to 24 percent of their total debt service. This amount is expected to increase to $158 million (41 percent) in 2026. Although the IMF's share of total debt is smaller for some countries, it is still notable. Mozambique, for example, will pay $70 million in 2025 and $101 million in 2026, representing 8 percent and 11 percent of its external debt service, respectively.

Figure 2: Repayments of principal, charges and interest rate to the IMF (projections 2025-2028), as share of total sovereign external debt service



Source: IMF Finances (collected September 2024) and World Bank International Debt Statistics (2023).

The following section explains the sources of CCRT funding and discusses the opportunities and challenges of replenishing the CCRT with gold sales. In the third section, we estimate the amount of gold needed for the IMF to cover debt repayments for both the current group of 30 eligible countries and an expanded group of 86 climate-vulnerable nations. The fourth section argues that the IMF must revise the eligibility criteria for countries to access the CCRT and increase the maximum amount of relief each country can receive. The fifth section concludes.

SOURCES OF FUNDING AND REPLENISHING THE CCRT

The CCRT is not new to the IMF. Although it was formally established in 2015, its roots trace back to 2010, when the IMF created the Post-Catastrophe Debt Relief Trust (PCDR) to support Haiti after its devastating earthquake. In 2015, during the Ebola outbreak in West Africa, the IMF consolidated funds from the PCDR and other debt relief trusts, such as the Multilateral Debt Relief Initiative I and II, to assist Guinea, Liberia and Sierra Leone in combating the health crisis. During the COVID-19 pandemic, 31 countries received a total of SDR 690 million ($927 million) in debt relief from the CCRT between April 2020 and April 2022. However, the fund was nearly exhausted by the pandemic's demands (IMF 2023). According to the IMF (2024b), "despite the continued fundraising efforts, no new pledges have been received since December 2021, possibly reflecting donors' budgetary pressures and competing priorities" (International Monetary Fund 2024b).

As of now, CCRT funding has primarily come from rechanneling trust funds and donations (International Monetary Fund 2023, 2024b). Beyond relying on additional potential donor contributions, another potential source of funding for the CCRT would be to use the IMF's precautionary balances and profits from gold sales.

The IMF could launch a new campaign for CCRT replenishment and solicit contributions from donor countries, as wealthier nations are the principal cause of climate change (Busch 2015). However, with increasing budgetary pressures in advanced economies and competing demands on international public finance, the political feasibility of significantly scaling up the CCRT through grant contributions remains low. Even during widespread emergencies—such as the COVID-19 pandemic—pledges often fall short of what is required. In 2020, 18 countries and the European Union raised SDR 609 million for the CCRT, well below the SDR 1 billion target (International Monetary Fund 2024b).

Another option would be for the IMF to use its precautionary balances directly. Currently, the IMF's precautionary balances are at a record high of SDR 25.8 billion, which is SDR 0.8 billion above the target (International Monetary Fund 2024a, 2024d). This puts the IMF in a strong financial position to transfer a portion of these funds to support the CCRT. There is historical precedent for this, as Liberia, Somalia and Sudan benefited from the Special Contingent Account (SCA-1), a sub-account of the precautionary balances. In April 2024, IMF Executive Directors acknowledged the merit of considering ways to utilize excess precautionary balances above the target, including to address challenges faced by low-income countries (International Monetary Fund 2024d). In October 2024, the IMF approved a package to deploy a portion of IMF net income and reserves to generate subsidies to the Fund's concessional lending arm, the PRGT (International Monetary Fund 2024e).

However, using precautionary balances to replenish the CCRT – or subsidizing the PRGT – would effectively equate to a transfer of resources between developing countries in financial distress (e.g., from Argentina to Malawi), which is intrinsically counterproductive. Precautionary balances are primarily formed through the accumulation of surcharges—a penalty fee levied on countries with large outstanding loans or those borrowing beyond certain thresholds (International Monetary Fund 2024d). Surcharges have long been criticized by policymakers, academics and civil society as counterproductive and unfair to borrowing countries (Arauz et al. 2021; Stiglitz & Gallagher 2022; Gallagher et al. 2024; Libman et al. 2024).

Rather than relying on budgetary donations or precautionary balances to replenish the CCRT, the IMF could consider selling a small portion of its gold reserves. This would offer a more equitable solution, as the burden would be shared by all IMF members, who collectively own the gold reserves, but without costing taxpayers. Moreover, the nominal price of gold is at record highs, reaching $2,788 per ounce in October 2024, and some predict it can reach $3,000 per ounce in 2025 (Hook 2024a, 2024b).

Gold is traditionally seen as a safe haven asset during periods of economic, financial and geopolitical volatility (Arslanalp et al. 2024). As such, the economic and political turbulence of the COVID-19 era has driven the price of gold even higher. As Figure 3 shows, in real terms (adjusted for inflation), there have only been two instances when gold prices slightly exceeded current levels: during the 1980s recession and the 2011 Eurozone sovereign debt crisis.

Figure 3: Price of gold (in $ per ounce), January 1968-September 2024

Source: Authors' elaboration based on London Bullion Market Association and Federal Reserve Bank of St. Louis.
Note: Real gold price is calculated based on US CPI Index (August 2024=100).

At the time of the IMF's founding, central banks were committed to converting national currencies into gold at a fixed price, making the accumulation of gold integral to the international reserve system. However, the current international financial system is centered around the US dollar, rendering the IMF's large gold reserves obsolete. The IMF claims that the gold reserves underpin its "credibility and strengthen the creditworthiness" (International Monetary Fund 2024d). However, it is unclear to whom the Fund must demonstrate creditworthiness to, as the Fund does not borrow from the market. Even regional financial arrangements that borrow at markets – like the European Stability Mechanisms – or MDBs do not hold gold on their portfolio (ESM 2023), as the creditworthiness of international financial institutions largely stems from strong shareholders (Humphrey 2022). What is more, IMF gold cannot be used as precautionary balances given its restrictive use from legal, policy and accounting perspectives (International Monetary Fund 2024d). Additionally, gold is expensive to transport, warehouse and secure and does not generate interest. Despite this, the IMF continues to hold gold on its balance sheet at the historical price of $45 per ounce—just 1.7 percent of its current price.

Hence, by selling some of its gold, the IMF would not only profit but also reduce a heavy burden on its members. While it is not necessary, if the IMF were to sell all its gold reserves at $2600 per ouce, it could realize a profit of $237 billion. For comparison, gold reserves are equivalent to twice the current record IMF lending volume of $120 billion (or SDR 90 billion).

Selling gold to support concessional lending to the Fund's poorest members is not a new idea (Sobel 2023, 2024; Andrews 2021; Haddad 2024; Kganyago 2024; Mouissi 2024; G24 2024). The IMF has sold gold on two recent occasions: in 1999 and 2009-2010. In 1999, the decision was taken to sell gold to finance debt relief for the Highly Indebted Poor Countries Initiative. The 2009 gold sale was motivated primarily by the decline in the IMF's income and the desire to move the IMF business model away from its dependence on lending charges (International Monetary Fund 2011). The gold sale finalized in 2010 yielded profits of $10.8 billion. Given that profits were higher than initially expected, beyond using $7 billion for its initial purpose – an endowment to support IMF operations – a total of $3 billion was forwarded to subsidize PRGT lending (International Monetary Fund 2023).

In October 2024, the IMF Executive Board decided to channel $8 billion from reserves and net income to support PRGT lending. Although this decision guarantees the PRGT's lending capacity at $3.6 billion per year (International Monetary Fund 2024e), it comes at the expense of other developing countries facing debt distress. During the 2024 International Monetary and Financial Committee, the Finance Ministries from three countries (Brazil, South Africa and Gabon) spoke on behalf of 46 countries and asked the IMF to consider gold sales to support the PRGT (Haddad 2024; Mouissi 2024; Kganyago 2024). Using proceeds from gold sales would be a more equitable solution to subsidize the PRGT and replenish the CCRT.

Replenishing the CCRT should be considered a high priority because, in contrast to other IMF lending programs, the CCRT comes with no conditionality. Rather, when applying for CCRT relief, countries need to only inform the IMF of any new macroeconomic policies and explain how they are responding to the crisis.

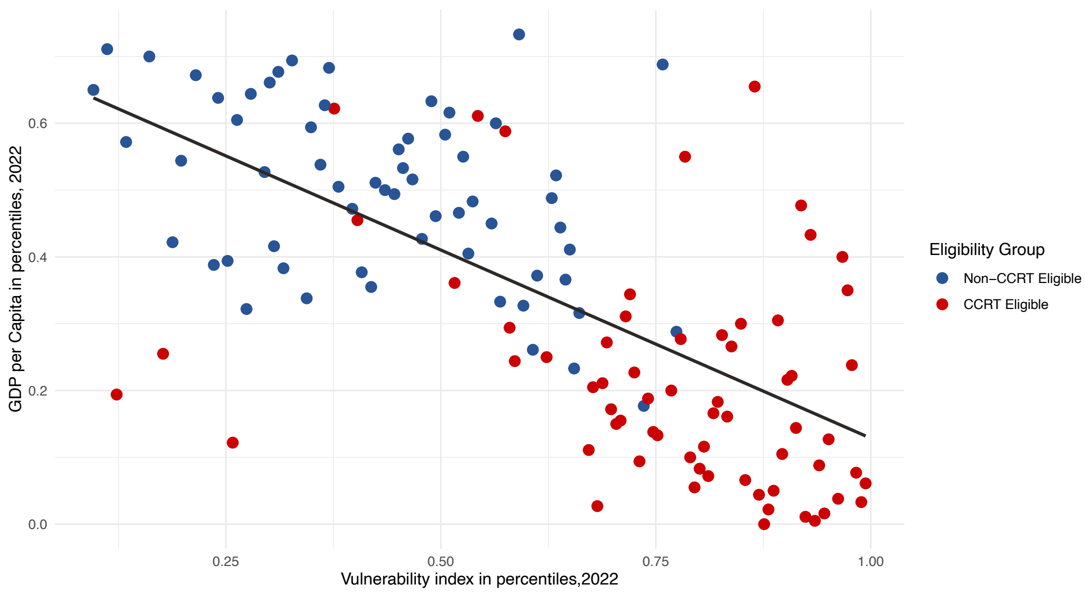
One concern regarding the use of gold sales to replenish the CCRT is the potential market impacts of selling a large volume of gold. Indeed, during the 2009 gold sales, the announcement negatively impacted market prices. To mitigate this risk, the IMF could replicate past strategies by initially offering gold sales off-market to central banks before gradually selling on the open market (International Monetary Fund 2011). Moreover, similar to the 2009 experience, coordination with gold producers may ease market reactions (Sobel 2024).

Selling IMF gold is not an immediate or quick process. First, at least 85 percent of the IMF Executive Board would have to support the decision. Second, since the proceeds are distributed according to quota shares, countries would have to agree to contribute the corresponding amount to the account (International Monetary Fund 2023). In an earlier gold sale, the IMF obtained assurances from its members that at least 90 percent of the windfall they received would be donated to the PRGT. Additionally, member approval is required for authorizing a gold sale (Sobel 2023), which, for its largest shareholder the United States, requires Congressional approval. In 2009, the US Congress approved a package related to IMF reform, including authorization to advance gold sales (International Monetary Fund 2009).

CCRT ELIGIBILITY CRITERIA AND FUNDING COSTS

To make the CCRT more coherent with the aim of supporting climate-vulnerable countries, criteria for eligibility needs to be expanded. As Figure 4 shows, several non-CCRT eligible countries are also climate vulnerable.

Figure 4: Vulnerability index and per capita income, 2021



Source: ND-Gain and World Bank.

To estimate the amount of gold that would need to be sold for the IMF to replenish the CCRT, we consider two scenarios for expanding eligibility. First, we assume the current eligibility criteria remain unchanged, covering the same 30 countries. Second, we consider an expansion to include all countries eligible for the PRGT with 69 countries and an additional 17 SIDs that borrow at the General Account Reserves (non-concessional). Altogether, eligibility would increase from 30 to 86 countries.

We take a conservative stance and assess the tail-end risk of low probability but high impact events like the COVID-19 pandemic impacting members simultaneously, though it is extremely unlikely this scenario would concretize again in the near future. We estimate the highest value but true CCRT needs are likely to remain a fraction of our estimations. In our scenarios, countries in the current and expanded eligibility groups (see Annex) would have their IMF repayment canceled for two years. Our calculations, assuming gold sales at $2600 per ounce, show that even in this extremely unlikely scenario, gold sales would be beyond sufficient. The results are shown in Table 1.

Table 1: IMF payments by country group (2025–2026) in USD billions and as a percentage of gold profits (at August 2024 gold prices)

		Payments to the IMF (USD billions)			Gold Stocks Needed to Cover 2025-26 Payments	
Country Groups	Number of Countries	2025	2026	Accumulated 2025 -26	In Millions of Ounces	Share of Total Stock
Current CCRT Eligibility	30	1.56	1.92	3.49	1.33	1.5%
Expanded CCRT Eligibility	86	4.76	4.76	9.52	3.63	4.0%
PRGT Eligible	69	4.30	4.56	8.86	3.38	3.7%
SIDS/Not PRGT Eligible	17	0.46	0.20	0.66	0.25	0.3%

Source: Authors' elaboration based on IMF Finances. The list of countries composing each group can be found at the annex. Calculation assuming gold sales at $2600 per ounce.

According to our estimates, relieving all debt repayments due in 2025 and 2026 for all 30 currently eligible countries through the CCRT would require selling just 1.5 percent of the IMF's gold reserves, generating $3.49 billion in profits. Expanding the eligibility to include all PRGT-eligible countries—69 nations—would increase the amount to 3.7 percent of reserves, or $8.86 billion. And for the 17 SIDs that are not eligible for the CCRT, it would cost 0.3 percent, or $0.66 billion. Altogether, selling 4 percent of the IMF's gold would be sufficient to generate $9.52 billion and provide debt relief for 86 countries.

Instead of using profits from gold sales to cover the debt service repayments to the IMF, an alternative financing model for the CCRT could involve creating an endowment account—like the one already established by the IMF—designed to generate investment revenues specifically aimed at supporting the CCRT. This would relieve the IMF from the need for regular fundraising, provide borrowers with access to predictable resources and offer fund contributors greater confidence in the trust's sustainability.

The IMF could design policies to shield larger economies from the economic impacts of natural disasters by relying on debt service pauses rather than debt service relief. Our estimates suggest that if the larger economies currently borrowing from the General Reserve Account (GRA) were to receive relief through the CCRT, it would necessitate gold sales of around 18 percent. Hence, for countries that borrow from the GRA, the IMF should consider inserting CRDCs in their financing conditions, similar to what a number of MDBs have offered. One may argue that the providing debt pauses could strain IMF finances and jeopardize their ability to extend emergency finance to other members or finance their own operation. However, the IMF has currently $25.8 billion on precautionary balances (International Monetary Fund 2024a), which is designed to provide buffers in case repayments are not made in time. Hence, the IMF should assess to what extent it can provide CRDCs to its members while maintaining a sound balance sheet. For this to happen, the IMF should integrate climate risk into its assessment of adequacy of resources (Task Force 2024).

REASSESSING THE CCRT QUALIFYING CRITERIA AND GRANT LIMITS

As Table 2 describes, the current conditions under which a country can access the CCRT are very stringent. The CCRT can be triggered only in the event of a very large impact on GDP. In cases of natural disasters, damages need to be above 100 percent of country's GDP. This exacting criterion presents a barrier particularly for vulnerable middle-income countries, where even a large natural disaster might represent a relatively smaller share of their GDP. The IMF should consider expanding CCRT eligibility and encompass other alternative triggers for access (e.g., based on a country's losses and damages or declaration of a national emergency).

Table 2: Existing CCRT qualifying criteria

Natural disasters	• One-third of the population impacted. • 25 percent of national productive capacity destroyed. • Damages total to more than 100 percent of GDP.
Public health	• Life threatening epidemic affecting multiple parts of the country. • The epidemic has the possibility or is already spreading to other areas. • Significant economic disruption as defined as cumulative loss of GDP of 10 percent or greater, or cumulative loss of revenue and rise in expenditures amounting to at least 10 percent of GDP.

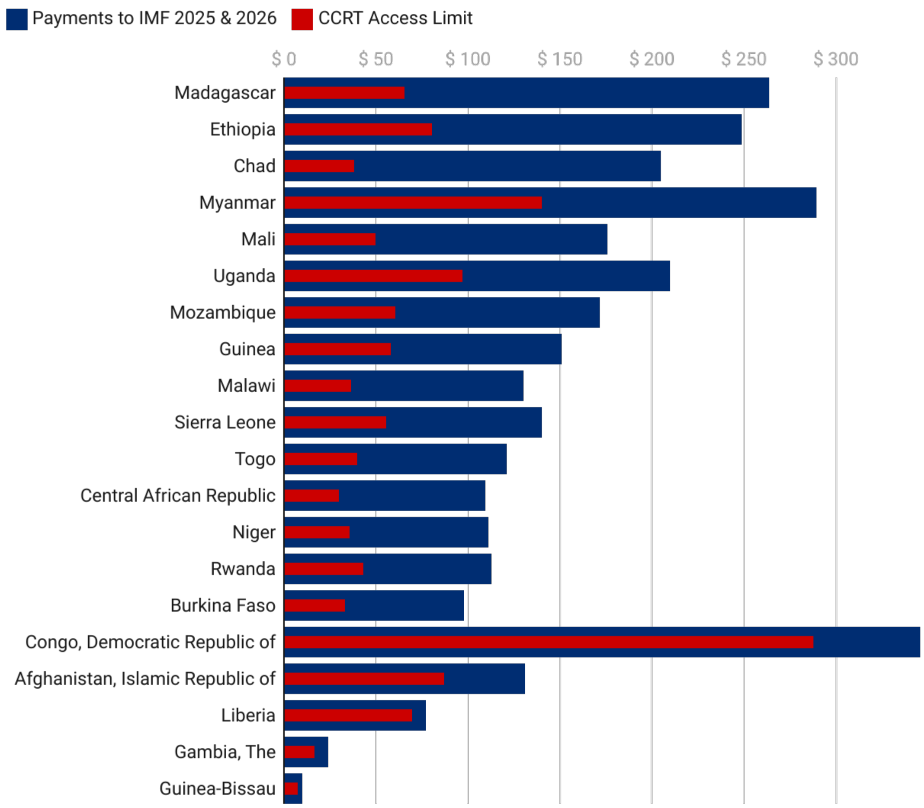
Source: IMF 2023.

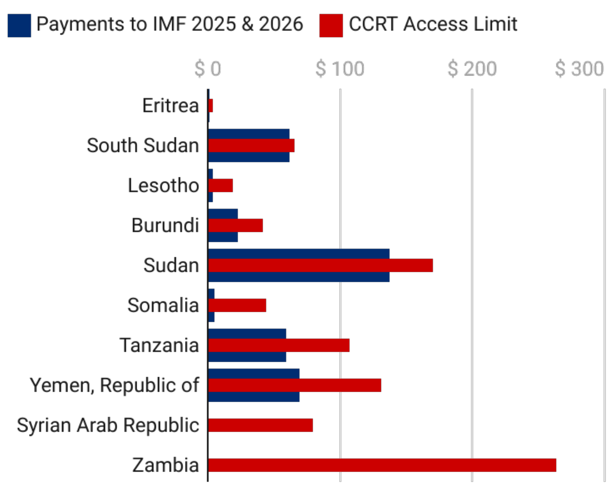
The CCRT offers unique support for developing countries compared to CRDCs. While CRDCs allow a country to defer payments, the CCRT provides grants and is therefore more favorable to borrowing countries. However, the IMF can learn from recent experiences of countries activating CRDCs and how narrowly defined triggers can jeopardize a country's recovery efforts. Jamaica's experience in the aftermath of Hurricane Beryl is particularly instructive. The hurricane did not lead to a breach of the pre-defined air pressure threshold; therefore, the trigger was not activated, and Jamaica was ineligible for support, despite facing steep costs of rehabilitation and recovery (Ahmed and Rambarran 2024). For this reason, the design of the triggers must closely map economic damages, which requires built-in flexibility to ensure that CCRT eligibility is possible for an affected country.

Another point for the IMF's consideration would be to increase the access norm, which is the maximum limit a country can request in relief from the CCRT. While the access norm is 20 percent of a country's quota, exceptional access may be awarded depending on the circumstance. According to our calculations, during COVID-19, 31 countries benefited from the CCRT, but only six received relief exceeding 20 percent of their quota: Burkina Faso (34 percent), Guinea (33 percent), Rwanda (32 percent), Sierra Leone (29 percent), Niger (25 percent) and Malawi (24 percent). Since the COVID-19 pandemic, demand for PRGT lending has surged, prompting the IMF Executive Board to approve a doubling of the normal annual access limit to 200 percent of quota and cumulative access to 600 percent. As a result, PRGT outstanding claims reached $18.3 billion by the end of 2023, three times higher than pre-pandemic levels.

Given increased demand and access, the current CCRT limit of 20 percent of a country's quota is inadequate. As Figure 5 illustrates, for two-thirds of CCRT-eligible countries (left side of Figure 5), two years of IMF repayments exceed 20 percent of their quotas. A more coherent approach to CCRT limits would be to raise the thresholds, making them proportional to the natural impact of crises—the greater the loss and damage, the higher the access.

Figure 5: CCRT eligible countries - Projected payments to the IMF in 2025-26 and CCRT access limit





Source: Authors' calculation based on IMF Finances.

CONCLUSION

In the face of increasing and intensifying natural disasters, it is evident that the CCRT needs urgent reform and replenishment to remain effective. The present restrictive eligibility criteria, which leaves many vulnerable countries unprotected, must be expanded to include a broader range of developing economies, particularly SIDS and other lower-income countries that are at high risk of disasters. Without addressing these gaps, the CCRT's current framework risks becoming irrelevant as natural disasters grow in frequency and impact, demanding greater support for recovery and resilience.

The IMF's vast and unproductive gold reserves present a unique opportunity to fortify the CCRT. Selling a small fraction of these reserves could generate the necessary funds to cover the debt repayment needs of a much larger pool of climate-vulnerable countries. By doing so, the IMF would not only provide crucial relief to its most vulnerable members but also maintain its financial stability. Expanding the CCRT's scope and easing its qualifying criteria would demonstrate the IMF's commitment to global financial stability and climate resilience in an era of heightened economic uncertainty.

Moving forward, it is essential that the IMF reassesses its approach to disaster-triggered debt relief. Increasing access thresholds and adjusting qualifying events to account for varying degrees of loss and damage would better align the CCRT with the realities of climate-related crises. Concomitantly, integrating CRDCs into IMF financing arrangements would ensure that countries have long-term tools for maintaining financial stability in the wake of future disasters.

The IMF should also leverage its role in sovereign debt negotiations by encouraging the use of CRDCs across all creditor classes which would make the system more resilient to shocks and allow countries to focus on rebuilding and recovery. By taking these steps, the IMF can lead the way in supporting climate-vulnerable economies and fostering a more resilient global financial system.

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ANNEX

Table A.1. List of countries currently eligible to the CCRT and suggested expanded eligibility

Currently Eligible for the CCRT	Expanded list: PRGT eligible	Expanded list: Not PRGT eligible but SIDS
1. Afghanistan, Islamic Republic of	30. Bangladesh	70. Antigua and Barbuda
2. Burkina Faso	31. Benin	71. Bahamas, The
3. Burundi	32. Bhutan	72. Bahrain, Kingdom of
4. Central African Republic	33. Cabo Verde	73. Barbados
5. Chad	34. Cambodia	74. Belize
6. Congo, Democratic Republic of	35. Cameroon	75. Dominican Republic
7. Eritrea	36. Comoros	76. Fiji
8. Ethiopia	37. Congo, Republic of	77. Guyana
9. Gambia, The	38. Cote d'Ivoire	78. Jamaica
10. Guinea	39. Djibouti	79. Mauritius
11. Guinea-Bissau	40. Dominica	80. Nauru
12. Lesotho	41. Ghana	81. Palau
13. Liberia	42. Grenada	82. Seychelles
14. Madagascar	43. Haiti	83. Singapore
15. Malawi	44. Honduras	84. St. Kitts and Nevis
16. Mali	45. Kenya	85. Suriname
17. Mozambique	46. Kiribati	86. Trinidad and Tobago
18. Myanmar	47. Kyrgyz Republic	
19. Niger	48. Lao People's Democratic Republic	
20. Rwanda	49. Maldives	
21. Sierra Leone	50. Marshall Islands	
22. Somalia	51. Mauritania	
23. South Sudan	52. Micronesia, Federated States of	
24. Sudan	53. Moldova, Republic of	
25. Tanzania	54. Nepal	
26. Togo	55. Nicaragua	
27. Uganda	56. Papua New Guinea	
28. Yemen, Republic of	57. Samoa	
29. Zambia	58. Sao Tome & Principe	
	59. Senegal	
	60. Solomon Islands	
	61. St. Lucia	
	62. St. Vincent and the Grenadines	
	63. Tajikistan, Republic of	
	64. Timor-Leste, The Democratic Republic of	
	65. Tonga	
	66. Tuvalu	
	67. Uzbekistan, Republic of	
	68. Vanuatu	
	69. Zimbabwe	

Source: Authors' elaboration based on IMF Eligibility criteria and WB statistics.

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