

Web Box 3.1 Emergency financing

Since 1962, the IMF has provided emergency assistance from the General Resources Account to member countries afflicted by natural disasters such as floods, earthquakes, hurricanes, or droughts. In 1995, the IMF's policy on emergency assistance was expanded to cover countries in post-conflict situations. Emergency financial assistance, which is intended to assist countries with urgent balance of payments financing needs, is designed to be disbursed rapidly and is supported by policy advice and, in many cases, technical assistance.¹

Both types of emergency financing have been offered in recent years to eligible low-income countries at a concessional rate; the Rapid Credit Facility under the Poverty Reduction and Growth Trust, introduced in FY2010 as part of the IMF's reforms to help low-income countries (see "Enhancing IMF Financing" in Chapter 4), replaces subsidized use of emergency assistance for countries eligible for aid under the PRGT.

The IMF has provided just under US\$1.1 billion (based on the SDR/U.S. dollar exchange rate at end-April 2010) in post-conflict assistance to 15 member countries since 1995. In FY2010, the Executive Board approved SDR 1.775 million (about US\$2.7 million) in post-conflict assistance for Guinea-Bissau to support the country's 2009 economic program.² Natural-disaster-related assistance totaling about US\$1.3 billion (again, based on the end-April 2010 exchange rate) has been offered to 12 member countries since 1995. In FY2010, a request for SDR 2.225 million (approximately US\$3.4 million) was approved to assist St. Kitts and Nevis in dealing with the balance of payments impact of Hurricane Omar, which struck the nation in October 2008.³ Additionally, an SDR 65.5 million (approximately US\$102 million) augmentation of Haiti's existing arrangement under the Fund's Extended Credit Facility was approved shortly after the devastating January 12 earthquake, to help meet the country's urgent liquidity needs in the aftermath of the disaster.⁴

Early in FY2011, the Executive Board approved a proposal for the establishment of a Post-Catastrophe Debt Relief Trust Fund, separate from the Poverty Reduction and Growth Trust, that will allow the Fund to respond quickly to future catastrophic events, ensuring uniformity of treatment and permitting the use of the Fund's own resources to finance debt relief for Haiti and other eligible members facing a similar situation. Executive Directors underlined the Fund's role in complementing, not substituting for, other bilateral and multilateral initiatives.

¹For additional information on the IMF's assistance in this area, see "Factsheet: IMF Emergency Assistance—Supporting Recovery from Natural Disasters and Armed Conflict" (www.imf.org/external/np/exr/facts/conflict.htm).

²See PR 09-224, "IMF Executive Board Approves US\$ 2.737 Million Purchase under Emergency Post-Conflict Assistance for Guinea-Bissau" (www.imf.org/external/np/sec/pr/2009/pr09224.htm).

³See PR 09-167, "IMF Executive Board Approves US\$3.4 Million in Emergency Natural Disaster Assistance for St. Kitts and Nevis" (www.imf.org/external/np/sec/pr/2009/pr09167.htm).

⁴See PR 10-17, "IMF Executive Board Approves US\$114 Million in Aid to Haiti" (www.imf.org/external/np/sec/pr/2010/pr1017.htm).