Rwanda is among 28 low-income countries to benefit from the third tranche of Covid debt relief on IMF loans. This follows a European Union contribution of €170 million (RWF 200 billion) announced on Monday, 5 April under the IMF's Catastrophe Containment and Relief Trust (CCRT).

This EU contribution enabling the IMF to disburse the third tranche of the CCRT will help the poorest countries to reduce their debt service on IMF loans, due for payment in the period April 14, 2021 through October 15, 2021.

Rwanda will benefit with EUR 16, 905,666 (over RWF 19 billion) which will create fiscal space for the Government to implement its Covid-19 programmes on economic recovery, social protection and health.

With this contribution, the EU becomes the largest donor to the CCRT with a share of 28%. Total #TeamEurope contributions and pledges stand at € 335.9 million, corresponding to 51% of the CCRT (funded with USD 781.1 million).

The EU is supporting partner countries in maintaining their commitment to achieving the Sustainable Development Goals despite the pandemic and resulting tensions on public finances, in line with European Commission President's Global Recovery Initiative.

Debt levels were already high before the crisis, and are becoming unsustainable in many countries, due to costs involved in fighting the Covid-19 pandemic. More than half of low-income countries are in high risk or already in debt distress, while the IMF's assessment for Rwanda evolved from "low" to "moderate" distress levels.

The established CCRT framework enables the EU to channel funds with the requirement that the freed-up resources are used for COVID-19 crisis response.

By simultaneously contributing to countries' macroeconomic stability and priority, spending there is also a reduction of transaction costs.

The EU's contribution also brings an added value to the CCRT. The majority of CCRT-eligible low-income countries (21 out of 29) have ongoing EU budget support programmes. The EU has been closely engaging with partner countries on macroeconomic issues (incl. debt) public finance management reforms, budget transparency and public policies.

In the current COVID-19 crisis context, the EU places particularly strong emphasis on the dialogue on COVID-19-related expenditures, their proper accounting, monitoring and control. The ongoing EU's dialogue with partner countries, especially in the framework of budget support programmes, reinforces the CCRT framework and its monitoring capacities.

IMF's Catastrophe Containment and Relief Trust (CCRT) allows the repayment of debts owed to the IMF for eligible low-income member countries that are hit by the most catastrophic natural disasters or battling public health disasters—such as epidemics or global pandemics.

CCRT enables the Fund to provide immediate debt service relief for its poorest and most vulnerable members affected by the current COVID-19 pandemic for a period of up to 2 years subject to the availability of CCRT resources.

This allows countries to free up resources to meet exceptional balance of payments needs created by the disaster.