FINANCIAL TIMES

IMF grants $100m debt relief to Ebola countries

By Shawn Donnan, Elaine Moore and Martin Arnold **February 5, 2015**

The International Monetary Fund has granted debt relief worth about $100m to the three West African nations hit hardest by the Ebola outbreak, taking the money from a newly created trust to help impoverished countries navigate public health crises. The move, announced on Thursday, is part of an international effort to ensure Guinea, Liberia and Sierra Leone are not left crippled by the financial burden of containing the disease.

Christine Lagarde, the IMF's managing director, said the Catastrophe Containment and Relief Trust would be used to cover the three Ebola-affected countries' debt service payments for two years with a grant worth about $100m. The IMF will also offer a further $160m in no-interest loans on top of the $130m it has already provided to help them fight Ebola.

The idea for the trust was first put forward by Jack Lew, the US Treasury secretary at Group of 20 meetings in Brisbane last year and was approved by the IMF board on Wednesday. It will use deposits remaining in a special natural disaster fund created to help Haiti in the wake of the devastating 2010 earthquake.

Ms. Lagarde called on other bilateral creditors to do their part to relieve the Ebola- affected countries' debt burden and said she would be pressing that case during a G20 meeting in Turkey next week. "Those three countries are going through a very, very dramatic ordeal," she told reporters.

The announcement comes after criticism of the IMF by campaign groups, who have argued that past calls for strict fiscal reforms contributed to the severity of the Ebola outbreak in Guinea, Liberia and Sierra Leone by constraining their ability to invest in health infrastructure. Those accusations, made most recently in Lancet, the British medical journal, have been refuted by the IMF and many development experts. But the fact the three countries had been continuing to service their debts in recent months was also seized on by anti-poverty groups.

However, campaigning group Jubilee USA, which has been critical of the IMF's behaviour, praised the new trust, saying that the creation of a permanent facility was innovative. "What has been created is a global safety net," said Eric LeCompte, executive director of Jubilee USA. "The IMF has moved quickly and what they are announcing is a debt relief facility with clear and transparent rules that will allow for immediate action."

The IMF, the World Bank and others have raised concerns over the economic cost of fighting Ebola to the three countries and to West Africa as a whole. The World Bank last October warned that if the outbreak wasn't contained it could result in a $33bn hit to West Africa's economy. The bank's economists have since scaled back their estimates after an accelerated international response to the outbreak and the slowing rate of new cases.

But many remain concerned that the three countries will need extended help to get back on their feet economically with Oxfam, the UK-based charity, last week calling for the creation of a post-Ebola "Marshall Fund" to help Guinea, Liberia and Sierra Leone.

Standard Chartered, the only global bank operating in Sierra Leone, will on Friday announce plans to provide $50m of loans to companies in the West African country in partnership with CDC Group, the UK state-owned development agency. There are $210m of outstanding corporate loans in the country. The London-listed bank, which will share the risk on the loans equally with CDC, said the agreement would allow it to increase its lending to companies in Sierra Leone at a time when many are struggling to cope with the effects of Ebola on the economy.

Diana Layfield, head of StanChart in Africa, said: "This doesn't compromise our lending standards, just increases our capacity. The Sierra Leone market has been greatly constrained — there were almost no loans in the past six months."

The short-term loans will take the form of overdrafts or working capital facilities. StanChart and CDC said many companies in Sierra Leone had been hit by supply chain disruption and slower economic growth due to the Ebola virus. They said this was being compounded by recent "constraints" on the capital bases of African banks.