

IDA Development Policy Loan with Catastrophe Deferred Drawdown (Cat DDO)

Highlights

- *A contingent financing line that provides immediate liquidity following a natural catastrophe including natural disasters and public health emergencies caused by a biological event.*
- *Funds become available for disbursement after the drawdown trigger – typically the country's declaration of a state of emergency – is met.*
- *At approval, a country must have an adequate macroeconomic policy framework and a satisfactory program in place to manage risks of natural disasters and public health emergencies, which the Bank will monitor periodically.*

The Development Policy Loan with a Catastrophe Deferred Drawdown Option (DPF Cat DDO) is a contingent financing line that provides immediate liquidity to countries to address shocks related to natural disasters and public health emergencies caused by a biological event. It enhances countries' crisis preparedness and prevention through policy and institutional actions as well as the requirement for a satisfactory program for managing related risks, which the Bank monitors during implementation.

Approved prior to the disaster, the DPF Cat DDO disburses quickly once the event occurs, the drawdown trigger is met - if the program implementation remains satisfactory. It serves as early budget support while funds from other sources, such as bilateral aid or reconstruction loans, are being mobilized.

The DPF Cat DDO is most effective as part of a broader risk management strategy in countries highly exposed to natural disasters and public health emergencies. The DPF Cat DDO may also be complemented by other risk retention and risk transfer instruments that provide post-disaster liquidity, cover losses, or support reconstruction. Governments determine the mix of disaster risk financing instruments based on an assessment of risks, desired coverage, available budget, and cost efficiency.

Key Features

Access criteria: To access the DPF Cat DDO, the recipients must (i) have an adequate macroeconomic policy framework;

and (ii) have a satisfactory program in place to manage risks of natural disasters and public health emergencies. The World Bank will monitor this program periodically. Both criteria must be met at approval and any potential renewals. Additionally, the effectiveness of the program for managing risks of natural disasters and public health emergencies will be continuously assessed throughout the implementation phase. Progress will be measured against established results indicators and the implementation of the reform program. Failure to maintain a satisfactory implementation of the program may result in the suspension of drawdowns.

Country limit: The country limit for IDA countries is set at a maximum of US\$500 million or 1 percent of GDP, whichever is lower. IDA clients with limits below US\$40 million may request a Cat DDO up to a maximum of US\$40 million.¹

Drawdown trigger: The DPF Cat DDO has a pre-specified drawdown trigger linked to a natural catastrophe, typically the member country's declaration of a state of emergency.

Drawdown period: The drawdown period is three years, which may be renewed once for a maximum of six years in total.

Disbursement criteria: Once the drawdown trigger is met, the satisfactory implementation of the reform program supported by the DPF Cat DDO is required. The assessment of the macroeconomic policy framework is not needed at the time of disbursement.

Scale-up Options: An existing (parent) DPF Cat DDO can be scaled up with new financing (the Scalable DPF) to allow an increase in disbursements of up to 100 percent of the parent DPF Cat DDO financing amount. A request for a Scalable DPF is subject to: (i) compliance with the disbursement conditions for the parent DPF Cat DDO; (ii) due consideration of the availability of IDA resources; and (iii) an assessment that additional funds needed are for disaster response. This additional funding is intended to bridge the gap in situations where the amount available for drawdown in the parent Cat DDO may be small relative to the expected costs associated with the disaster response. An existing DPF Cat DDO may be topped up with up to 10 percent of undisbursed balances across the country's Bank portfolio of Investment Project Financing and Program for Results operations, under the Rapid Response Option (RRO). When the RRO is linked to a DPF Cat DDO, its disbursement conditions are the same as those of the existing DPF Cat DDO.

Sources of Funding and Pricing

IDA Concessional Country Allocation: A country can fund the DPF Cat DDO through its IDA concessional country allocation (25 percent), the crisis response window (25 percent) and general IDA resources (50 percent). The Scalable DPF is funded

¹ IDA resources for DPF Cat DDOs will continue to be capped at US\$3 billion (cumulative).



by the IDA concessional country allocation. Lending rates and repayment terms follow the standard IDA financing terms.

Regular Scale-up Window (SUW): Eligible countries may fund the DPF Cat DDO through the regular SUW, which is a non-concessional credit, following IBRD loan pricing for IBRD Group-A countries.

For current pricing here:

<https://treasury.worldbank.org/en/about/unit/treasury/ida-financial-products/lending-rates-and-fees>

There is a front-end fee of 0.50% on the loan amount and a renewal fee of 0.25% on the undisbursed amount when using the regular SUW.

Repayment terms would follow that of IDA Non-concessional credits.

Other Disaster Risk Financing Products

The Cat DDO is part of a broader crisis management toolkit available from the World Bank, including the Crisis Response Window (CRW), Pandemic Emergency Facility, and intermediation of disaster risk management products such as bonds, derivatives, and insurance.

Major Terms & Conditions

Eligibility	All IDA-eligible clients — including blend countries — upon meeting approval criteria
Approval Criteria	The existence of an adequate macroeconomic policy framework and a satisfactory disaster risk management program, including results indicators defined for implementation of the Program that addresses natural disasters, which may include health-related events, are required for approval.
Currency	<ul style="list-style-type: none"> IDA Concessional Country Allocation option and Undisbursed Balances option: SDR, USD, EUR, JPY, and GBP Regular SUW option: USD, EUR, JPY, and GBP
Drawdown	<ul style="list-style-type: none"> Up to the full loan amount is available for disbursement when a natural catastrophe, including a natural disaster and a public health emergency due to a biological event, occurs and when the pre-defined trigger condition is met at any time prior to the loan closing date. Eligibility for drawdown also requires satisfactory implementation of the reform program. Up to the full commitment amount is available for disbursement at any time within three years from the signing of the financing agreement
Renewal	Drawdown period may be renewed once, for a maximum of six years in total
Repayment Terms	<ul style="list-style-type: none"> IDA Concessional Country Allocation option and Undisbursed Balances option: Repayment terms would follow that of standard IDA concessional credits applicable to the country at time of commitment. Regular SUW option: Repayment terms would follow that of regular SUW credits. They must be determined upon commitment and may be modified upon drawdown within prevailing regular SUW maturity policy limits.
Lending Rate	<ul style="list-style-type: none"> Same as the standard IDA financing terms. For regular SUW, the lending rate consists of a variable market-based reference rate plus a variable spread.
Front-end Fee	<ul style="list-style-type: none"> IDA Concessional Country Allocation option and Undisbursed Balances option: zero percent Regular SUW option: 0.50% of the credit amount is due within 60 days of the effectiveness date; may be financed out of loan proceeds
Renewal Fee	<ul style="list-style-type: none"> IDA Concessional Country Allocation option and Undisbursed Balances option: zero percent Regular SUW option: 0.25% of the undisbursed balance
Commitment Fee	No commitment charge
Recommitment of Undisbursed Balances	The country's IDA Concessional Country Allocation portion of undisbursed Cat-DDO balances may be recommitted upon expiry.

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