## Contingent Lines of Credit or Grant



Contingent credit or grants are measures to enhance resilience to economic crises or natural disasters by prearranging lines of grant or credit before shocks occur at competitive borrowing rates. Conditional lines of credit allow governments to access funding immediately after the disaster to meet emergency needs.



## Financing use

Finances all expenditures through general budget support addressing shocks related to natural disasters and health emergencies.

Finances all expenditures through general budget support for the DPF and acts like a Cat DDO for the DDO which enables setting aside funds for post-shock response.

Finances earmarked investment project expenditures, with financing available to be drawn down upon the occurrence of a prespecified trigger event.

## Trigger

National declaration of a state of emergency or a specific parametric trigger.

National request due to economic shock or other fiscal

Specific parametric trigger, a defined market event or contractual obligation, or another trigger for a specific project.

## **Example** Colombia's CAT DDO

and mitigation



Colombia has one of the highest rates of disasters caused by natural and climate-Caribbean region.

■ Disaster and climate risks represent Colombia's largest contingent liability, with an estimated impact of up to 4.4% of GDP



Note: 1) Cat-DDO Development Policy Loan (DPL) with a Catastrophe Deferred Drawdown Option

2) DPF-DDO Development Policy Financing (DPF) with a Deferred Drawdown Option

3) IPF-DDO Investment Project Financing (IPF) with a Deferred Drawdown Option





