



IMF Cancels Debt Payments

Why in News

Recently, the [International Monetary Fund \(IMF\)](#) approved a \$500 million grant to cancel six months of debt payments for 25 of the world's most impoverished countries.

Key Points

- This will provide grants to the poorest and most vulnerable member countries of the IMF to tackle the [Covid-19 pandemic](#).
- Many of these 25 countries have less than 50 critical care unit beds per country. They will be able to channel more of their scarce financial resources towards vital emergency medical and other relief efforts.
- The money will come from the IMF's revamped **Catastrophe Containment and Relief Trust (CCRT)** which will use recent pledges of **185 million from the United Kingdom** and **100 million from Japan**.
 - The IMF urged other donors to help replenish the trust's resources.
- The IMF approved the immediate debt service relief for **19 African countries including Afghanistan, Haiti, Nepal, Solomon Islands, Tajikistan and Yemen**.

Catastrophe Containment and Relief Trust (CCRT)

- The CCRT **allows the IMF to provide grants for debt relief for the poorest and most vulnerable countries hit by catastrophic natural disasters or public health disasters**.
- The relief on debt service payments frees up additional resources to meet exceptional balance of payments needs created by the disaster and for containment and recovery.
- It was established in February 2015 during the [Ebola outbreak](#) and modified in March 2020 in response to the Covid-19 pandemic.

International Monetary Fund (IMF)

- The IMF came into existence after the **UN conference in Bretton Woods** in 1944.
- The 44 countries at that conference sought to build a framework for economic cooperation to avoid a repetition of the competitive devaluations that had contributed to the **Great Depression of the 1930s**.
- IMF currently has 189 member countries, each of **which has representation on the IMF's executive board** in proportion to its financial importance. The **most powerful countries in the global economy have the most voting power**.

Objective

- Foster global monetary cooperation
- Secure financial stability
- Facilitate international trade
- Promote high employment and sustainable economic growth
- And reduce poverty around the world

Functions

- **Provides Financial Assistance:** To provide financial assistance to member countries with balance of payments problems, the IMF lends money to replenish international reserves, stabilize currencies and strengthen conditions for economic growth. Countries must embark on structural adjustment policies monitored by the IMF.
- **IMF Surveillance:** It oversees the international monetary system and monitors the economic and financial policies of its 189 member countries. As part of this process, which takes place both at the global level and in individual countries, the IMF highlights possible risks to stability and advises on needed policy adjustments.
- **Capacity Development:** It provides technical assistance and training to central banks, finance ministries, tax authorities, and other economic institutions. This helps countries raise public revenues, modernize banking systems, develop strong legal frameworks, improve governance, and enhance the reporting of macroeconomic and financial data. It also helps countries to make progress towards the **Sustainable Development Goals (SDGs)**.

[Source: IE](#)

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