

IMF board approves policy reforms to support recovery of low-income nations

written by iasexam.com | 24/07/2021



The executive board of the International Monetary Fund (IMF) has approved a set of policy reforms to the concessional lending facilities to better support the recovery of low-income countries (LICs) from the Covid-19 pandemic.

“These reforms are set to ensure that the Fund has the capacity to respond flexibly to LICs’ needs over the medium term while continuing to provide concessional loans at zero interest rates,” the IMF said recently in a statement.

Key Highlights

- The centrepiece of the policy reforms that were approved by the IMF executive board last week is a 45 per cent increase in the normal limits on access to concessional financing, coupled with the elimination of hard limits on access for the poorest countries
- The IMF executive board also approved a two-stage funding strategy to cover the cost of pandemic-related concessional lending and support the sustainability of the Poverty Reduction and Growth Trust (PRGT), which is tailored to the diverse needs of low-income countries.

- In the first stage, the IMF will seek to secure about \$4 billion in subsidy resources needed to finance zero interest lending from the PRGT.
- Meanwhile, the IMF will seek to mobilize about \$18 billion in new PRGT loan resources from PRGT lenders.
- The move came as the demand from low-income countries for IMF financial support is expected to remain high over the next few years.
- The IMF has provided financial support to 53 of 69 eligible low-income countries in 2020 and in the first half of 2021, with about \$14 billion disbursed as zero percent interest rate loans from the PRGT.

SOURCE: *Business Standard*