The IMF's Response to COVID-19

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What is the Fund doing to help countries during the coronavirus crisis?

The IMF has responded to the coronavirus crisis with unprecedented speed and magnitude of financial assistance to member countries, especially to protect the most vulnerable and set the stage for inclusive and sustainable recovery. As IMF Managing Director Kristalina Georgieva noted ahead of the April 2021 IMF/World Bank Annual Meetings (https://meetings.imf.org/en/2021/Spring): "The global economy is on firmer footing as millions of people benefit from vaccines. But while the recovery is underway, too many countries are falling behind and economic inequality is worsening. Strong policy action is needed to give everyone a fair shot—a shot in the arm to end the pandemic everywhere, and a shot at a better future for vulnerable people and countries." (speech (https://www.imf.org/en/News/Articles/2021/03/25/sp033021-SMs2021-Curtain-Raiser)). In this trying time, the IMF continues to support countries on the path to recovery by providing policy advice, financial support, capacity development, and debt relief for the poorest.

The Fund's actions are focused on the following tracks:

1. **Emergency financing**– The IMF is responding to an unprecedented number of requests for emergency financing. The Fund has temporarily doubled the access (https://www.imf.org/en/News/Articles/2020/10/05/pr20305-imf-executive-board-approves-extension-increased-access-limits-under-rcf-and-rfi) to its emergency facilities—the Rapid Credit Facility (https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/08/Rapid-Credit-Facility) (RCF) and Rapid Financing Instrument (https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/19/55/Rapid-Financing-Instrument) (RFI) —allowing it to meet increased demand for financial assistance from member counties during the crisis. These facilities allow the Fund to provide emergency assistance without the need to have a full-fledged program in place. Emergency financing has been approved by the IMF's Executive Board at record speed – to 80 countries. From June, the IMF has been also approving financial assistance under its other lending arrangements (https://www.imf.org/en/About/Factsheets/IMF-Lending), bringing the total number of countries to 85 (for the most recent detailed data, please see the IMF's COVID-19 Financial Assistance and Debt Service Relief Tracker (https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker)).
2. **Grants for debt relief** – The IMF has extended debt service relief through the Catastrophe Containment and Relief Trust (CCRT) (https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/49/Catastrophe-Containment-and-Relief-Trust) to 29 of its poorest and most vulnerable member countries on their IMF obligations, covering these countries' eligible debt falling due to the IMF for the period between April 2020 and mid-October 2021. This debt relief helps the benefitting countries channel more of their scarce financial resources towards vital emergency medical and other relief efforts while these members combat the impact of the COVID-19 pandemic. IMF staff are working with donors to increase funds for further debt relief through this trust, so that the duration of grant-based debt relief to our most vulnerable members can be extended to up to a two year period, ending April 2022.
3. **Calls for bilateral debt relief –** The IMF Managing Director and the President of the World Bank recognized the heavy burden this crisis is having on Low Income Countries and, on March 25 (https://www.imf.org/en/News/Articles/2020/03/25/pr20103-joint-statement-world-bank-

group-and-imf-call-to-action-on-debt-of-ida-countries), 2020, called on bilateral creditors to suspend debt service payments from the poorest countries. The G20 responded (https://www.imf.org/en/News/Articles/2020/04/15/pr20160-remarks-managing-director-kristalina-georgieva-g20-fin-min-cen-bank-gov-meeting) to this call on April 15, 2020, by agreeing to suspend repayment of official bilateral credit from the poorest countries until the end of 2020, was extended until end 2021. The Debt Service Suspension Initiative (DSSI) means that G20 bilateral official creditors will, during this period, suspend debt service payments from the poorest countries (73 low- and lower middle-income countries) that request the suspension. It is a way to temporarily ease the financing constraints for these countries and free up scarce resources to mitigate the human and economic impact of the COVID-19 crisis.

4. **Calls for a new Special Drawing Rights (SDR) (https://www.imf.org/en/Topics/special-drawing-right) allocation of $650 billion** – In April 2021, the International Monetary and Finance Committee (IMFC) called (https://www.imf.org/en/News/Articles/2021/04/08/communique-of-the-forty-third-meeting-of-the-imfc) on the IMF to make a comprehensive proposal on a new SDR general allocation of US$650 billion to help meet the long-term global need to supplement reserves, while enhancing transparency and accountability in the reporting and the use of SDRs. The IMFC called on the IMF to work with its members to continue exploring ways for voluntary post-allocation channeling of SDRs to support members' recovery efforts.
5. **Enhancing liquidity**– The IMF has approved (https://www.imf.org/en/News/Articles/2020/04/15/pr20163-imf-adds-liquidity-line-to-strengthen-covid-19-response) the establishment of a Short-term Liquidity Line (SLL) (https://www.imf.org/en/About/Factsheets/Sheets/2020/04/17/short-term-liquidity-line) to further strengthen the global financial safety net. The facility is a revolving and renewable backstop for member countries with very strong policies and fundamentals in need of short-term moderate balance of payments support.
6. **Adjusting existing lending arrangements**– The IMF is augmenting existing lending programs to accommodate urgent new needs arising from the coronavirus, thereby enabling existing resources to be channeled to the necessary spending on medical supplies and equipment and for containment of the outbreak.
7. **Policy advice –** As the IMF monitors (https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19) economic developments and the impact of the pandemic at the global, regional, and country levels, it recommends policies (https://www.imf.org/en/Publications/SPROLLs/covid19-special-notes) needed to overcome the crisis, protect the most vulnerable and set the stage for economic recovery.
8. **Capacity Development**– In response to the pandemic, the IMF is providing real-time policy advice and capacity development to over 160 countries to address urgent issues such as cash management, financial supervision, cybersecurity and economic governance. In particular, the Fund has been working with tax administrations and budget offices in many countries to help them restore operations and strengthen support to businesses and individuals, without compromising safeguards and accountability. IMF technical experts are also working with

countries to revise and update their debt management strategies. The IMF has made its online courses available to government officials and members of the general public with extended registration and completion timelines. In addition, the IMF has launched its Learning Channel on YouTube (https://www.youtube.com/channel/UCrSr-v_sSH6MXBopw5VUAUQ), offering short and targeted on-demand microlearning videos.

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Why has the IMF not lent more (out of its US$1 trillion lending capacity)? When will the US$1 trillion balance sheet be deployed?

The IMF provides financing to its members based on the size of the (actual or potential) balance of payments need, strength of the economic program (for instruments that support member programs), record of use of IMF resources in the past, repayment capacity, and other available financing sources. IMF finance is drawn from the following sources:

- **General Resources Account** (GRA), which consists of the IMF's quota and borrowed resources and is available to all IMF members, and
- **Poverty Reduction and Growth Trust** (PRGT), which borrows from IMF members and on-lends these borrowed resources to low income countries on concessional terms. The PRGT's annual lending envelope, which can be supported on a self-sustaining basis, is SDR 1.25 billion and is separate from the accounts of the IMF. To meet the higher demand from low-income countries in response to the COVID-19 pandemic, the IMF is approaching bilateral lenders and donors to augment the PRGT's resources.

Since the beginning of the COVID-19 crisis, the IMF has supported 86 countries with over $110 billion, using a variety of instruments. The lending to Sub-Saharan Africa last year, for example, was 13 times more than the annual average over the previous decade.

The IMF has provided emergency financing to 81 countries, drawing on the GRA and PRGT (for the most recent data, please see the IMF's COVID-19 Financial Assistance and Debt Service Relief Tracker (https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker)). Much of this was provided under emergency financing instruments designed to help countries with urgent balance of payments needs.This emergency financing is disbursed very quickly and without additional conditionality after program approval, up to 100 percent of the country's quota (https://www.imf.org/en/About/Factsheets/Sheets/2016/07/14/12/21/IMF-Quotas) in the IMF. During the current crisis, the IMF was therefore able to quickly approve emergency financing to a large number of countries.

Some countries, however, may need more help, especially as the economic impact of the pandemic persists. For such needs, the IMF stands ready with its other lending instruments, which have a longer duration and can provide larger total amounts. In March 2020, the IMF approved an Extended Fund Facility to Jordan (https://www.imf.org/en/News/Articles/2020/03/25/pr20107-jordan-imf-executive-board-approves-us-1-3-bn-extended-arrangement-under-the-eff) taking into consideration also the emerging needs of the country related to the pandemic. In June 2020, the IMF approved the first stand-by-arrangement since the beginning of the pandemic (to Ukraine (https://www.imf.org/en/News/Articles/2020/06/09/pr20239-ukraine-imf-executive-board-approves-18-month-us-5-billion-stand-by-arrangement)).

Countries with no current balance of payments need, but a potential future one, could also turn to the IMF's precautionary financing and credit lines. One such facility is the Flexible Credit Line (https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/20/40/Flexible-Credit-Line) (FCL) which is available to countries with very strong policy frameworks and track records. Since the start of the crisis, the IMF has approved new Flexible Credit Lines totaling over $51 billion for Colombia, Chile, and Peru.

The IMF has also lent about $3 billion to Morocco (https://www.imf.org/en/News/Articles/2020/04/08/pr20138-morocco-draws-funds-available-under-precautionary-liquidity-line-covid19-pandemic) through the Precautionary and Liquidity Line (https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/20/45/Precautionary-and-Liquidity-Line), which provides financing for the balance of payment needs of countries with sound policies and moderate vulnerabilities. In January 2021, the IMF approved a new $2.7 billion Precautionary and Liquidity Line for Panama (https://www.imf.org/en/News/Articles/2021/01/20/pr2119-imf-executive-board-approves-billion-precautionary-and-liquidity-line-for-panama).

The IMF's total lending commitments stand at over $285 billion with more than one third approved since late March 2020.

For financing through various IMF arrangements, including precautionary lines, the IMF stands ready to fully deploy its lending capacity of about $1 trillion to help member countries weather the crisis.

In the current crisis—which is very different from the global financial crisis—governments provided massive fiscal and monetary support; and most countries have been able to borrow at historically low interest rates. Consequently, they did not request additional support from the IMF, rightly so since our fundamental role is as lender of last resort. The IMF's lending capacity is an invaluable part of the global financial safety net, but its resources should be used only as necessary.

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Will US$1 trillion be enough to meet the unprecedented demands on the IMF's resources? What if it's not enough? What measures will the IMF take to increase its resources?

The IMF is adequately resourced with an overall lending capacity of about US$1 trillion (https://www.imf.org/en/About/Factsheets/Where-the-IMF-Gets-Its-Money), ensuring its ability to respond to its members' needs. Significant progress has been made in implementing a package on IMF resources and governance reform that would maintain the IMF's current size through 2023, including a doubling of the New Arrangements to Borrow (NAB), and a new round of Bilateral Borrowing Agreements (BBAs) (https://www.imf.org/en/About/Factsheets/Where-the-IMF-Gets-Its-Money).

The IMF membership remains committed to revisiting the adequacy of quotas and continuing the process of governance reform in the context of the 16th General Review of Quotas to be completed by December 2023.

The demand on IMF resources remains under further review to ensure that the IMF can lend its full support to its members in managing the economic and social fallout of the COVID-19. If, at some point, the membership decides that more resources are needed, this can be done in various ways. For example, in response to the Global Financial Crisis, the membership agreed to increase the IMF's resources by increasing both IMF quotas and borrowing.

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Where can countries get help if financing provided by the IMF isn't enough?

In most IMF-supported programs, the IMF is not the only source of financing. IMF financing catalyzes external financing from the private and official sectors (that is, the presence of an IMF-supported program reassures other creditors and encourages them to continue to lend). This, together with policy adjustment, enables the member country's economy to return to medium-term external viability.

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What economic policy actions have countries already taken to address this crisis?

The IMF welcomes the decisive actions countries have already taken to address this health crisis and to cushion its impact on the economy.

The April 2021 Fiscal Monitor (https://www.imf.org/en/Publications/FM/Issues/2021/03/29/fiscal-monitor-april-2021) estimates that global fiscal support reached nearly $16 trillion. In 2021, many governments in advanced economies are implementing sizable spending and revenue measures (6 percent of GDP, on average). Support in emerging market economies and especially in low-income developing countries has been smaller and front-loaded, with a large share of measures expiring.

Fiscal support has prevented more severe economic contractions and larger job losses. Meanwhile, such support, along with drops in revenues, has raised government deficits and debt to unprecedented levels across all country income groups. Average overall deficits as a share of GDP in 2020 reached 11.7 percent for advanced economies, 9.8 percent for emerging market economies, and 5.5 percent for low-income developing countries. Countries' ability to scale up spending has diverged. The rise in deficits in advanced economies and several emerging market economies resulted from roughly equal increases in spending and declines in revenues, whereas in many emerging market economies and most low-income developing countries, it stemmed primarily from the collapse in revenues caused by the economic downturn. Fiscal deficits in 2021 are projected to shrink in most countries as pandemic-related support expires or winds down, revenues recover somewhat, and the number of unemployment claims declines.

At the same time, to preserve the stability of the global financial system and support the global economy, central banks across the globe have taken unprecedented monetary measures, including balance sheet expansion by some countries—amounting to about $10 trillion. These measures have significantly eased monetary policy in advanced economies through various combinations of lower policy rates, promises to keep rates low for longer, and expanded asset purchase programs. In emerging markets and lower income countries, about half of central banks have cut policy rates.

Central banks have also provided additional liquidity to the financial system, including through open market operations. Some central banks have agreed to enhance the provision of U.S. dollar liquidity through swap line arrangements. And finally, central banks have reactivated programs used during the global financial crisis and also launched a range of new broad-based programs, including to purchase riskier assets such as corporate bonds. By effectively stepping in as "buyers of last resort" in these markets and helping contain upward pressures on the cost of credit, central banks are ensuring that households and firms continue to have access to credit. Easing of financial conditions has stopped liquidity pressures from morphing into insolvencies, maintained credit flows, and provided support for recovery.

To support information exchange and international cooperation, the Fund has launched a Policy Actions tracker (https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19) that provides updates on fiscal, monetary and financial policy actions taken by countries around the world.

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What more can the international community do?

International cooperation is vital to minimize the duration of the crisis and ensure a resilient recovery. Areas where collective action is key include:

- *Guaranteeing adequate health supplies:* through cooperation on the production, purchase, and fair distribution of effective therapeutics and vaccines, including across borders.
- *Avoiding further ruptures in the global trade system:* countries should do their best to keep global supply chains open, accelerate efforts to reform the World Trade Organization, and seek a comprehensive agreement on international corporate taxation, including digital services.

Ensuring that developing countries can finance critical spending needs and meet debt sustainability challenges. The IMF has called for extending the G20's Debt Service Suspension Initiative and strengthening the international debt architecture (https://blogs.imf.org/2020/10/01/reform-of-the-international-debt-architecture-is-urgently-needed/)

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What is the impact of coronavirus on the global economy?

As IMF Managing Director Kristalina Georgieva noted ahead of the April 2021 IMF/World Bank Spring Meetings (https://meetings.imf.org/en/2021/Spring): "The global economy is on firmer footing as millions of people benefit from vaccines. But while the recovery is underway, too many countries are falling behind and economic inequality is worsening. Strong policy action is needed to give everyone a fair shot—a shot in the arm to end the pandemic everywhere, and a shot at a better future for vulnerable people and countries." (speech (https://www.imf.org/en/News/Articles/2021/03/25/sp033021-SMs2021-Curtain-Raiser)). In this trying time, the IMF continues to support countries on the path to recovery by providing policy advice, financial support, capacity development, and debt relief for the poorest.

The April 2021 World Economic Outlook (https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021) projects a stronger recovery for the global economy in 2021 and 2022 compared to the forecast in last October, with growth projected to be 6 percent in 2021 and 4.4 percent in 2022. Nonetheless, the outlook presents daunting challenges related to divergences in the speed of recovery both across and within countries and the potential for persistent economic damage from the crisis.

Cumulative per capita income losses over 2020–22, compared to pre-pandemic projections, are equivalent to 20 percent of 2019 per capita GDP in emerging markets and developing economies (excluding China), while in advanced economies the losses are expected to be relatively smaller, at 11 percent. This has reversed gains in poverty reduction, with an additional 95 million people expected to have entered the ranks of the extreme poor in 2020, and 80 million more undernourished than before. The divergent recovery paths are likely to create significantly wider gaps in living standards between developing countries and others, compared to pre-pandemic expectations. The adverse impact on low-income people will be particularly acute, imperiling the significant progress made in reducing extreme poverty in the world since the 1990s.

The April 2021 Global Financial Stability Report (https://www.imf.org/en/Publications/GFSR/Issues/2021/04/06/global-financial-stability-report-april-2021) shows that financial stability risks are in check so far, but action is needed to address financial vulnerabilities exposed by the crisis. The measures may have unintended consequences on stretched valuations and rising financial vulnerabilities. Given large external financing needs, many emerging markets face challenges, especially if a persistent rise in US rates brings about a repricing of risk and tighter financial conditions. The corporate sector in many countries is emerging from the pandemic overindebted, with notable differences depending on firm size and sector. Concerns about the credit quality of hard-hit borrowers and profitability are likely to weigh on the risk appetite of banks. Therefore, ongoing support remains necessary, but there is a pressing need to act to avoid a legacy of vulnerabilities while avoiding a broad tightening of financial conditions.

Supporting emerging market and developing countries is an urgent priority. They are already more economically vulnerable than the advanced economies—and now particularly hard hit by a lack of medical supplies, a sudden stop of the world economy, difficulties in accessing global capital markets and, for some, a sharp drop in commodity prices and a reduction in tourism.

As highlighted also in the External Sector Report (https://www.imf.org/~/media/Files/Publications/ESR/2020/English/text.ashx?la=en) published in August 2020, trade barriers will not be effective in reducing external imbalances and countries should avoid tariff and nontariff barriers, especially on medical equipment and supplies.

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How many countries have requested assistance?

The IMF is responding to an unprecedented number of calls for emergency financing – from over 100 countries. The Fund has doubled the access to its emergency facilities—the Rapid Credit Facility (https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/08/Rapid-Credit-Facility) (RCF) and Rapid Financing Instrument (https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/19/55/Rapid-Financing-Instrument) (RFI)—allowing it to meet increased demand for financing during the crisis. These facilities allow the Fund to provide emergency assistance without the need to have a full-fledged program in place. Emergency financing has already been approved by the IMF's Executive Board at record speed for 81 countries.

From June 2020, the IMF has been also approving financial assistance under its other lending arrangements (https://www.imf.org/en/About/Factsheets/IMF-Lending), bringing the total number of countries to 86 (for the most recent detailed data, please see the IMF's COVID-19 Financial Assistance and Debt Service Relief Tracker (https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker)).

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How fast can you provide emergency financing?

We have streamlined our internal review processes and expect to be able in many cases to make financing available within weeks after a request for emergency financing. After a country has formally requested support, staff assesses qualification requirements, works with the authorities to prepare a letter of intent, and prepares a staff report for the IMF Executive Board.

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What do countries need to do to qualify for emergency assistance?

Any IMF member may apply for emergency assistance. There are some requirements for support under the Rapid Credit Facility (https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/08/Rapid-Credit-Facility)(RCF) and Rapid Financing Instrument (https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/19/55/Rapid-Financing-Instrument) (RFI), including that the county's debt is sustainable or on track to be sustainable, that it has urgent balance of payments needs, and that it is pursuing broadly appropriate policies to address the crisis (including safeguards to ensure that IMF funds are used for intended purposes). We also take into account any debt restructuring operation underway and its prospects for success, which underscores the importance of every stakeholder making an effort to support countries in distress.

For countries that have existing Fund arrangements in place, it may be appropriate to augment and/or rephase access under the arrangements, or in cases where that may not be feasible to do on a timely basis, they may request support under the RCF or RFI.

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Why are some countries ineligible for IMF financing? Shouldn't there be exceptions during a pandemic? And why is the IMF concerned about debt sustainability during the crisis?

Under the IMF's Articles, the IMF may only provide its general resources under adequate safeguards and to assist members to solve their balance of payments problems. Debt sustainability is a key safeguard for IMF resources.

Debt sustainability is a key factor for two related reasons. First, IMF lending into an unsustainable debt situation would further exacerbate debt and balance of payments problems rather than resolving them. Second, because IMF lending is revolving, it is essential that members be in a position to repay their loans, so that in the future, sufficient funds exist for the IMF to lend to other countries in need. Therefore, the IMF is required to establish, before it lends, that the borrowing country's debt is sustainable, and that it will be able to repay that debt.

When the IMF determines that a country's debt is not sustainable, it is precluded from lending (including emergency financing) unless the member takes steps to restore debt sustainability over a realistic period. In such cases, it would be critical to resolve the debt burden and not to overburden the economy, for example, by imposing unrealistic fiscal targets through higher taxes and reduced public spending. However, it is the country authorities' decision whether to approach their creditors to begin debt restructuring discussions that would deliver the necessary relief. The IMF can proceed with lending (including emergency financing) once it has adequate assurances that debt sustainability will be restored.

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Shouldn't the IMF ask a country's external creditors to forgive their loans? Can't the IMF force creditors to do this?

The IMF cannot interfere in debt contracts between countries and their creditors. These are contracts to which the IMF is not a party.

It is always the member country's decision whether to restructure its debt or not, and the IMF advises members to stay current on their obligations to the extent possible. The IMF cannot lend if a country's debt is unsustainable unless the country is taking steps to restore debt sustainability.

The debt restructuring negotiations, and the specific terms of the debt restructuring, as well as the decision on what debt to include in the restructuring, are left to the authorities and their legal and financial advisors.

In the context of a sovereign debt restructuring, based on a realistic debt sustainability analysis (DSA), the IMF's role is to determine the financing envelope that needs to be filled with financing/debt relief. The IMF's objectives are that the debt restructuring achieves high creditor participation and restores debt sustainability consistent with the DSA. The IMF does not manage the debt restructuring process.

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Why can’t the IMF provide more debt forgiveness beyond the Catastrophe Containment Relief Trust? The IMF and WB have forgiven debt before—with the Heavily Indebted Poor Countries Initiative—and the crisis now is much greater than then, so why not?

The IMF, under its charter, is not permitted to simply cancel claims or write off debt. Instead, the IMF’s ability to provide debt service relief on its loans to members is based on the availability of grants for the repayment of those loans. The IMF can mobilize these grants from donors, and the IMF does this through trust funds such as the Catastrophe Containment and Relief Trust (CCRT) (https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/49/Catastrophe-Containment-and-Relief-Trust).

The CCRT allows the IMF to provide debt service relief for the poorest and most vulnerable countries hit by catastrophic natural or public health disasters. In April, 2020, the IMF expanded its provision of debt service relief under the CCRT (https://www.imf.org/en/Publications/Policy-Papers/Issues/2020/04/16/Catastrophe-Containment-And-Relief-Trust-Approval-Of-Grant-Assistance-For-Debt-Service-Relief-49330) to cover exceptional balance of payments needs arising from the COVID-19 pandemic, by freeing up financial resources of the Low Income Countries (LICs) to respond to the pandemic.

The CCRT is providing grant-based debt service relief to the 29 most vulnerable LICs with outstanding credit to the IMF, until mid-October 2021. Efforts are underway, through a fundraising campaign, to request grants from a broad range of donors and to extend the duration of grant-based debt relief to these members for another six months until April 2022.

The IMF has also temporarily increased access limits under its concessional (i.e., zero interest) emergency lending facility, the Rapid Credit Facility (RCF) (https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/08/Rapid-Credit-Facility) under the PRGT, to respond more effectively to LICs’ urgent needs. The IMF is currently seeking additional donor support to expand its PRGT concessional lending for low-income countries.

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How do the IMF’s current debt forgiveness efforts compare to previous ones undertaken by the institution?

The Catastrophe Containment and Relief Trust (CCRT) (https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/49/Catastrophe-Containment-and-Relief-Trust) allows the IMF to provide debt service relief for the poorest and most vulnerable countries hit by catastrophic natural disasters or public health disasters. Financed by resources that include donor contributions, it provides grants to pay for debt service to the IMF for a limited time. A new feature in the current CCRT debt relief initiative is to provide grant-based debt relief in tranches so that debt relief can be immediately available to all eligible countries hit by the COVID-19 pandemic without having to wait until the CCRT receives sufficient resources. Upfront grants for three tranches, together covering eligible debt falling due to the IMF during one and a half years ending mid-October 2021, have been disbursed. An additional tranche to extend the debt service relief to cover another six months through April 2022 would be provided, subject to further donor contributions to the CCRT.

In April 2020, the IMF expanded its provision of debt service relief under the CCRT (https://www.imf.org/en/Publications/Policy-Papers/Issues/2020/04/16/Catastrophe-Containment-And-Relief-Trust-Approval-Of-Grant-Assistance-For-Debt-Service-Relief-49330) to cover exceptional balance of payment needs arising from COVID-19, to help low-income countries create space for urgent spending needs to address the pandemic. Debt service relief in response to the COVID-19 pandemic was mobilized faster than under previous debt relief initiatives, and efforts are currently underway to expand CCRT resources for longer periods of up to two years.

Debt relief was previously also provided under the Multilateral Debt Relief Initiative (MDRI), which complemented the Heavily Indebted Poor Countries Initiative (HIPC) by providing additional resources to help eligible countries achieve the United Nations Millennium Development Goals.

The IMF Executive Board adopted the MDRI in November 2005, and it became effective on January 5, 2006. The IMF delivered MDRI debt relief of SDR 2.3 billion to 30 qualifying countries. In contrast to the CCRT, which provides grants to pay for debt service for a limited time, the HIPC Initiative and the MDRI provided grants to cancel the debt (as specified in the respective initiatives). However, it also took much longer to put them in place, both in mobilizing the needed resources and in implementation. There is no longer any outstanding IMF debt eligible for MDRI debt relief, and the MDRI trust accounts have been unwound.

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How is the IMF helping low-income countries struggling to service their debt?

The IMF Managing Director and the President of the World Bank have recognized the heavy burden this crisis is having on Low Income Countries and, on March 25 (https://www.imf.org/en/News/Articles/2020/03/25/pr20103-joint-statement-world-bank-group-and-imf-call-to-action-on-debt-of-ida-countries), 2020, called on bilateral creditors to suspend debt service payments from the poorest countries. The G20 responded (https://www.imf.org/en/News/Articles/2020/04/15/pr20160-remarks-managing-director-kristalina-georgieva-g20-fin-min-cen-bank-gov-meeting)to this call on April 15, 2020, by suspending repayment of official bilateral credit from the poorest countries, through the Debt Service Suspension Initiative (DSSI). The DSSI is serving as a powerful, fast-acting initiative helping to safeguard the lives and livelihoods of millions of the most vulnerable people. On April 7, 2021, the G20 announced final extension of the DSSI through end-December 2021, also agreed by the Paris Club.

Beyond the DSSI, the Common Framework for Debt Treatments (https://www.imf.org/en/Publications/Policy-Papers/Issues/2021/04/01/World-Bank-Group-And-International-Monetary-Fund-Support-For-Debt-Relief-Under-The-Common-50321) will help countries address sovereign debt challenges. The Common Framework aims to address sovereign debt burdens and ensure broad participation of creditors with fair burden sharing. Importantly, it not only brings in official creditors that were previously not part of the established Paris Club process, but also requires that participating debtor countries seek treatment on comparable or better terms from other creditors, including the private sector, thereby enabling more comprehensive and timely debt resolutions. A debtor country must also have or be seeking an IMF program. In early 2021, Chad, Ethiopia, and Zambia became the first countries to request a debt treatment under the Common Framework.

In April, 2020, the IMF Executive Board also approved (https://www.imf.org/en/News/Articles/2020/04/13/pr20151-imf-executive-board-approves-immediate-debt-relief-for-25-countries)immediate debt service relief to 29 countries under the IMF's revamped Catastrophe Containment and Relief Trust (https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/49/Catastrophe-Containment-and-Relief-Trust)(CCRT) as part of the Fund's response to help address the impact of the COVID-19 pandemic. The CCRT provides grants to the Fund's poorest and most vulnerable members to cover their IMF debt obligations and will help them channel more of their scarce financial resources towards vital emergency medical and other relief efforts. Following the first approval, two more tranches were approved in October 2020 and April 2021, altogether covering eligible debt falling due to the IMF within a period of one and a half years ending mid-October 2021. An additional tranche to extend the debt service relief to cover another six months through April 2022 would be provided, subject to further donor contributions to the CCRT.

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How can we be sure the IMF's emergency money is not wasted?

The IMF monitors the implementation of policy commitments made by countries receiving emergency lending, including measures to ensure that disbursements of emergency lending are not wasted.

First, we will be monitoring whether countries receiving emergency financing are re-orienting spending toward crisis-mitigation efforts.

Second, we are assessing which public financial management, anti-corruption, and anti-money laundering measures we can ask members to put in place that will not unduly delay urgently needed disbursements. Commitments are tailored to country-specific circumstances, but include measures such as (i) undertaking and publishing online an independent ex-post audit of crisis-mitigation spending and (ii) publishing procurement documentation for crisis-mitigation spending online, including the names of the companies awarded these contracts, their beneficial owners, and validation of delivery of the contracted goods and services.

Third, all countries receiving emergency financing must commit to undertaking a "**Safeguards Assessment (https://www.imf.org/en/Publications/SPROLLs/Safeguards-Assessments-Documents descending#sort=@imfdate)**". These assessments provide reasonable assurance to the IMF that a central bank's framework of governance, reporting, and controls is adequate to manage resources, including IMF disbursements. Where there are shortcomings, IMF staff make time-bound recommendations and closely monitor their implementation. Given that emergency financing is provided as an upfront disbursement, such assessments will be conducted after the disbursement, but before the approval of any subsequent financing for the member country under a more traditional multi-year financing arrangement.

Fourth, many of the countries receiving emergency assistance now either already have existing multi-year financing arrangements with the IMF or will be seeking such arrangements soon. These multi-year arrangements are better-suited than emergency financing to addressing longer-term structural issues that underpin poor governance and corruption. We will continue to include governance and anti-corruption measures in these programs as part of our ongoing implementation of the **2018 Framework for Enhanced Fund Engagement on Governance (https://www.imf.org/en/News/Articles/2018/04/21/pr18142-imf-board-approves-new-framework-for-enhanced-engagement-on-governance)**.

Country commitments in the area of transparency and accountability are also noted in **the IMF's COVID-19 Financial Assistance and Debt Service Relief Tracker (https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker)**.

More information on this topic can be found in this Factsheet (https://www.imf.org/en/About/Factsheets/Sheets/2020/04/30/how-imf-covid19-financial-help-is-used).

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Why does the IMF not utilize its gold holdings, which have recently increased in value, to finance debt relief for low income- as well as middle

income countries?

Gold provides fundamental strength to the Fund's balance sheet, benefiting both creditors and debtors alike and enabling the Fund to play its effective role as a crisis lender.

This role is particularly important at present when the Fund is undertaking exceptionally large support for its membership in the wake of the COVID-19 pandemic.

Reaching an agreement on gold sales requires a very broad consensus—approval by an 85 percent majority of the total voting power.

The Fund has lending capacity to support middle income countries with debt vulnerabilities.

The Fund is focused on what can be done quickly to help the Fund's poorest members and has been raising additional resources from donor countries to support its capacity to expand concessional lending.

The Fund is working on further options to support low income countries and these will be discussed by the Board in the coming months.

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The IMF is calling for countries to implement green recovery plans. Will there be any conditionality tied to this? If not, how will you be able to enforce it?

In the immediate crisis-containment phase, the scope to implement green recovery plans may be limited, given the overriding priority of providing urgent relief to households and firms, which should not be delayed.

However, as countries move from containment and stabilization to recovery, green recovery plans will likely be reflected in IMF-supported programs where structural reforms are critical for macroeconomic developments.

Reforms could include public investment projects (https://www.imf.org/~/media/Files/Publications/fiscal-monitor/2020/October/English/ch2execsum.ashx?la=en) focused on boosting climate-smart technologies (https://www.imf.org/~/media/Files/Publications/WEO/2020/October/English/ch3.ashx?la=en) or helping adaptation (e.g. irrigation); drafting a medium-term climate plan; or financing additional climate spending with green bonds. The inclusion of specific reforms as conditionality (https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/28/IMF-Conditionality) will depend on the criticality of the reforms for achieving the goals of the program, taking into account the circumstances of the member.

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Would the IMF support withholding loans to countries that refuse to cut or further reduce fuel subsidies?

There is no predetermined set of conditionality applied to countries seeking IMF financial support. Rather, a specific reform would be part of conditionality only if it is deemed critical to achieving the goals of the program, monitoring its implementation, or needed to implement provisions in the IMF Articles of Agreement or IMF policies. Program design and conditionality are tailored to the circumstances of the member country, reflecting its domestic social and political objectives and economic priorities, and aimed at achieving macroeconomic stability. In addition, program design and conditionality also reflect the provisions of the facility under which the financing is being provided. Accordingly, the set of reforms, and their sequence and timing, will vary from program to program.

Although not always part of conditionality, the IMF has often advised countries to remove fuel subsidies. IMF research (https://www.imf.org/en/Publications/WP/Issues/2019/05/02/Global-Fossil-Fuel-Subsidies-Remain-Large-An-Update-Based-on-Country-Level-Estimates-46509) shows that gradually removing fuel subsidies could result in up to 4 percent of global GDP in additional resources over the medium term, which can instead be invested in people, growth, and helping to protect the most vulnerable.

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How will the IMF support countries in their climate action during the recovery?

Climate change is a fundamental risk to economic and financial stability. In April 2021, the International Monetary and Finance Committee (IMFC) stressed (https://www.imf.org/en/News/Articles/2021/04/08/communique-of-the-forty-third-meeting-of-the-imfc) that IMF has an important role in responding to members' diverse needs for guidance on the macroeconomic and financial implications of climate change issues. In line with the Paris agreement, the IMF is committed to helping its members to addressing climate change through measures to accelerate the transitions to greener societies and job-rich economies, while protecting those adversely affected. These comprise a range of fiscal, market, and regulatory actions, mechanisms, and policy mixes, taking into account country-specific factors.

This means actions in four key areas:

First, ***integrating climate in our annual country economic assessments*** – our Article IV consultations. In highly vulnerable countries we focus on adaptation; and we are building up mitigation analysis, including carbon pricing, in our assessments of large emitters.

Second, ***including climate related financial stability risks in our financial sector surveillance*** – through standardized disclosure of these risks, enhanced stress tests and assessments of supervisory frameworks.

Third, ***scaling up climate in our capacity development*** to help equip finance ministries and central banks with the skills needed to take climate considerations into account.

Fourth, ***mainstreaming climate indicators in macroeconomic data***. We have launched a Climate Change Indicators Dashboard (https://www.imf.org/en/News/Articles/2021/04/07/pr21102-imf-launches-climate-change-indicators-dashboard) this year—with indicators to track the economic impact of climate risks and the measures taken to mitigate them.