Regional responses to the Covid-19 crisis: a comparative study from economic, policy, and institutional perspectives

A joint Regional Financing Arrangement staff project

This study compares responses to the Covid-19 crisis across six regions covered by Regional Financing Arrangements (RFAs), outlining the pandemic's economic impact, policy measures implemented by authorities to limit its economic damage, and the institutional actions by the RFAs to support members through the initial stages of the crisis. It is the result of a joint effort by RFA staff and underscores the institutions' continuous efforts to cooperate closely through the sharing of crisis experiences.

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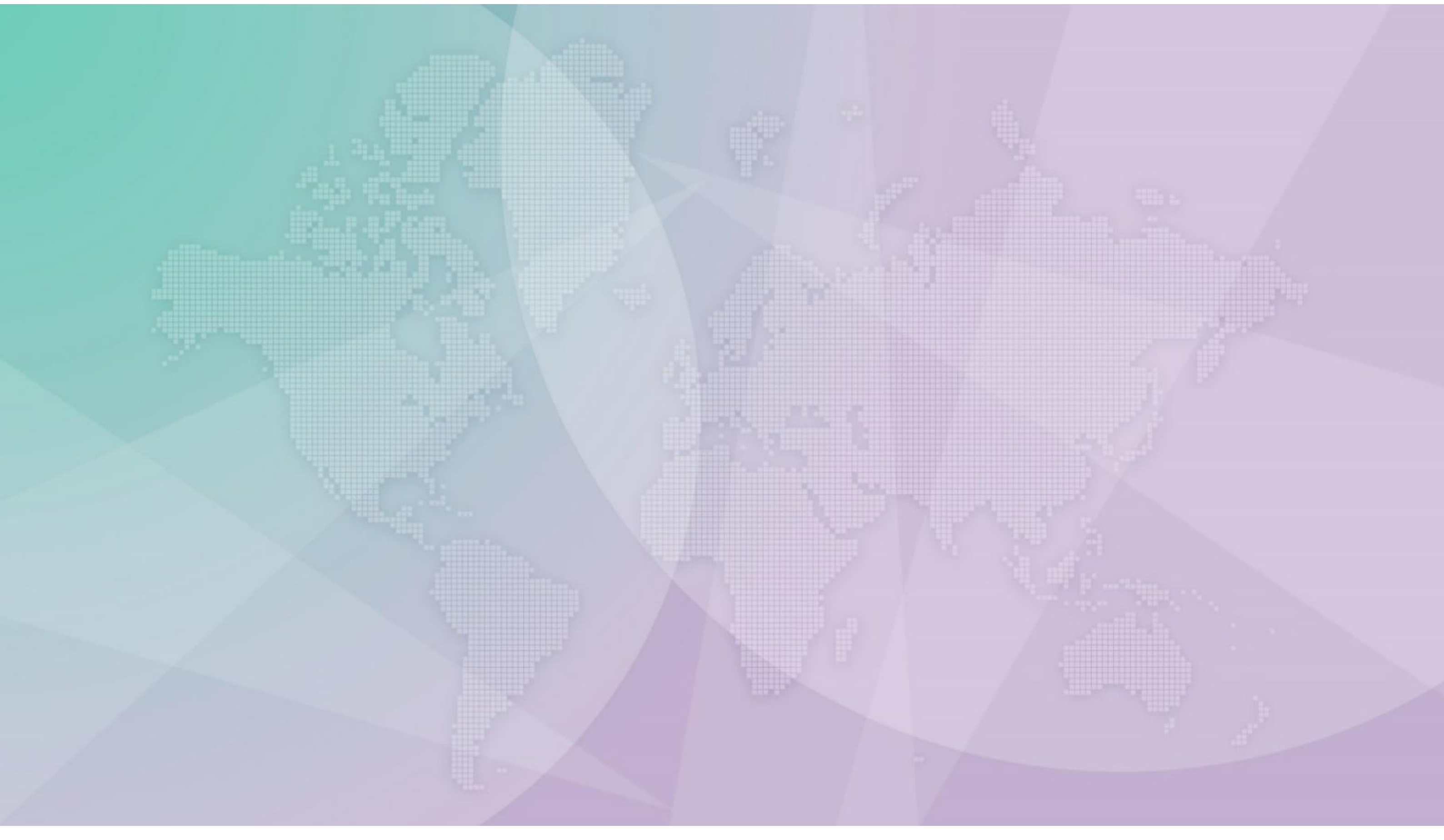

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Introduction

A once-in-a-century health crisis struck in early 2020 inflicting severe global human suffering and prompting widespread lockdown measures by governments. The World Health Organization's 11 March 2020 declaration that Covid-19 was officially a pandemic spurred governments around the world to restrict people's movements and interactions to slow the spread of the virus and reduce strains on their healthcare systems.[1]

The containment measures caused a deep contraction in economic activity in 2020, impacting some sectors and individuals more than others. Tourism and other industries reliant on social interactions were hard hit, as were sectors sensitive to supply chain disruptions like manufacturing. The burden on small and medium-sized enterprises (SMEs), important contributors to job creation and global economic development in most countries, was particularly acute. Small firms are typically in a more precarious financial position than larger businesses, and Organisation for Economic Co-operation and Development (OECD) analysis shows their above average representation in sectors acutely affected by the pandemic (OECD, 2021a). While no one was immune to the virus, its economic impact struck vulnerable groups with weaker safety nets hardest, including migrant workers and those with informal and low paying jobs who tend to work in contact-intensive sectors.

Many countries also faced diverse challenges associated with downturns and periods of stress. The onset of the pandemic triggered investors' flight to safety, with portfolio flows, an important though volatile funding source for emerging market economies, reaching a record high USD 83 billion in outflows in March 2020 alone (Fortun and Hilgenstock, 2020). As the demand for cash and safe assets increased, global financial conditions tightened, pushing up borrowing costs in some cases (Avdjiev et al., 2020). Countries more dependent on commodities for revenues faced plummeting export prices, with the International Monetary Fund's (IMF) primary commodity index falling almost 36% between January and April 2020. Remittance flows, the largest source of external financing in low- and middle-income countries, plunged in the second quarter of 2020 as migrant workers lost employment or saw the US dollar value of their wages fall (Ratha et al., 2021). Throughout the turmoil, observed starkly in the first half of 2020, foreign exchange markets exhibited marked swings with sharp currency depreciations across numerous economies (OECD, 2020).

Policymakers responded swiftly to this multi-faceted global shock on several fronts. Governments announced sizable fiscal packages targeting affected businesses and households, while monetary authorities cut rates and injected massive liquidity to maintain the flow of credit to the real economy and limit the amplification of the pandemic shock. The expansionary stance of major central banks, including the deployment of bilateral swap lines between central banks, also helped alleviate funding pressures while international financial institutions provided a crucial external lifeline for those with less firepower and policy space to combat the Covid-19 outbreak. The IMF, at the centre of the Global Financial Safety Net (GFSN), played a vital role in cushioning vulnerable economies. However, these general trends mask significant

[1] For the announcement, see World Health Organization (2020).

heterogeneity in responses as countries neither entered nor went through the crisis alike.

The RFAs around the globe were part of the comprehensive response and took immediate steps to support members.[2] As soon as the crisis hit, they reviewed instruments and policies to boost their readiness, fast-tracked lending requests, and helped authorities with tailored policy advice or technical assistance, among other contributions. The RFAs also intensified their collaboration with the IMF, leveraging on the inter-institutional ties that they had developed over recent years. The approaches varied according to the needs of members and institutional contexts.

Against this backdrop, this study compares regional responses to the Covid-19 crisis. We describe the responses along three lines: economic impact, policy actions by domestic/regional authorities to limit the economic impact, and RFA institutional actions to support members through the crisis. This paper considers the period from the beginning of 2020 through mid-2021, to the extent that the timeframe is necessary for the analysis and that data is available.[3] It is difficult to delineate stages of the Covid-19 crisis, partly because these vary across regions and countries, but the aim is to capture the responses during the immediate, emergency phase, which should be distinguished from actions taken to buttress economic recoveries after stabilisation. As such, the analysis offers a snapshot in time and is broadly backward-looking.

Six major RFAs are the object of the study. These are: the Arab Monetary Fund (AMF), the ASEAN+3 Macroeconomic Research Office (AMRO), which is the surveillance unit of the Chiang Mai Initiative Multilateralisation (CMIM), the Eurasian Fund for Stabilization and Development (EFSD), the EU's Macro-Financial Assistance (MFA), which is administered by the European Commission, the European Stability Mechanism (ESM), and the Latin American Reserve Fund (FLAR).[4]

Correspondingly, we consider six regions, which we define in this study to establish comparative descriptions and graphical representations. This gives us the following set: AMF region consisting of AMF members; ASEAN+3 consisting of AMRO/CMIM members; EFSD region consisting of EFSD members; MFA beneficiaries which, for the sake of this study, is represented by the Covid-19 MFA package beneficiary countries;[5] euro area consisting of EU countries that have adopted the euro as their single currency and which are also ESM members; and FLAR region consisting of FLAR members.[6] Together, this group of countries accounts for more than half the world's gross domestic product (GDP) and population, though there is a high degree of diversity between the countries and the institutions considered. Table A.1 and Figures A.1 and A.2 in the Annex present selected features to give a sense of this variation.

This stocktaking exercise is a joint RFA staff effort that aims to increase awareness on policy and institutional responses. The RFAs have been cooperating closely with one another since 2016 to share crisis prevention and management experiences and stimulate collective

[2] For simplicity, when referring to the memberships of RFAs and other institutions, the study uses the term members, as opposed to member states or member countries, in lowercase.

[3] For the policy responses, we use – to the extent possible – data from the IMF (World Economic Outlook and Fiscal Monitor) and the Bank for International Settlements to minimise comparability issues. The sources used do not always have data for all the countries in our dataset.

[4] We do not cover the EU Balance of Payments (BoP) facility administered by the European Commission, which was neither used nor institutionally adjusted in response to Covid-19. Policy steps taken by the European Commission at the EU level to support all EU Member States (i.e. that are either ESM members or EU BoP beneficiaries) are included in Section 2.

[5] Jordan and Tunisia are AMF members that are also part of the Covid-19 MFA package by the European Commission. To avoid double counting, graphical representations report Jordan and Tunisia only as part of the AMF region, unless otherwise stated.

[6] Regional labels should be understood solely as herein described.

reflections on how best to support members. RFA leaders tasked their staff with preparing this study at the 5th High-level RFA Dialogue in October 2020, to enhance such mutually enriching efforts (AMRO et al., 2020). This is the second joint RFA staff endeavour of its kind.[7]

The study is structured as follows. Section 1 outlines some aspects of the pre-existing economic landscape and the evolving pandemic to contextualise the various measures implemented. Section 2 describes the impact on members' economies and the fiscal and monetary policy steps taken across the regions. Section 3 presents an overview of the RFA responses, within a wider network of cross-border support, and examines the crisis-time cooperation between the RFAs and the IMF. Section 4 outlines the main takeaways and concluding remarks.

[7] In 2018, RFA staff issued a joint paper on practices of IMF-RFA cooperation (Cheng et al., 2018).

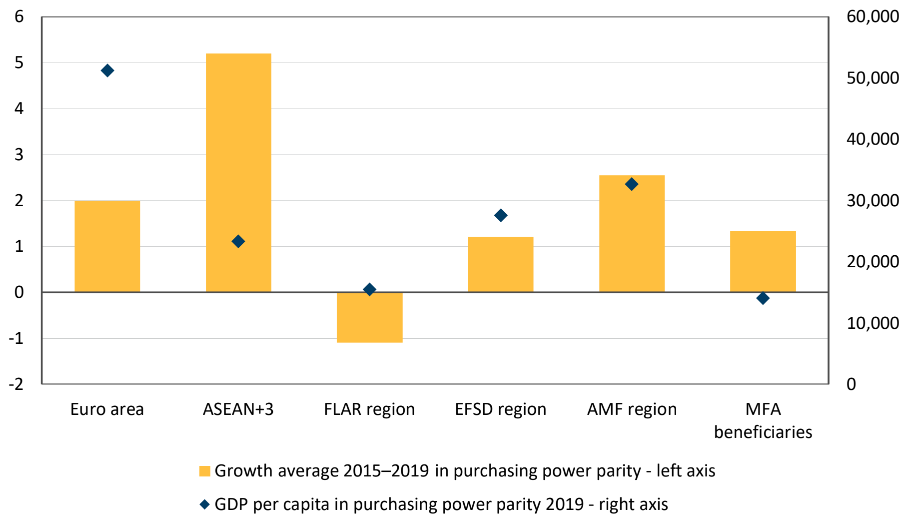
1. Initial conditions and the evolution of the pandemic

The pre-pandemic landscape

Global economic growth gradually moderated in the years before the pandemic. The world entered the pandemic crisis after a moderate recovery following the 2008–2009 global financial crisis. These slow recovery years prompted some economists to revive policy debate about secular stagnation.[8] More recently, in the pre-pandemic period, international goods trade was overall stagnant at best, and widespread uncertainty about trade policies restrained upbeat global economic outlooks.

Plus-3 economies (comprising China; Hong Kong, China; Japan; and Korea) remained the main drivers of growth for the ASEAN+3 and global economic activity. GDP growth in the ASEAN+3 averaged more than 5% in 2015–2019, boosted primarily by solid expansion in the Plus-3 economies (Figure 1). The ASEAN+3 economies have relatively high per capita GDP (USD 20,000 in purchasing power parity), just below that of the EFSD region, which grew at a much slower rate of 1%. The AMF region grew comparatively fast, starting from an already comparatively high average GDP per capita. Euro area economies remain the group of countries with the highest average GDP per capita, albeit recording a fairly slow growth in the pre-pandemic period. The FLAR region entered the crisis in a weaker position, following a period of contraction coupled with a very low per capita GDP, partly associated with the effects of persistent negative terms of trade shock.

Figure 1
Pre-crisis GDP growth and GDP per capita
(left scale in % of GDP, right scale in current USD, weighted average per region)



Sources: IMF World Economic Outlook (April 2021), authors' calculations

The pandemic hit amid high policy uncertainty atop a series of structural factors that further limited growth prospects in a number of regions (Figure 2). The introduction of more inward-oriented trade policies and mounting international tensions raised uncertainty about world growth forecasts. Policy stimuli in several major economies, resilient labour markets, and easier financing conditions – thanks to the accommodative policies of central banks across the world, mitigated risks within the uncertain outlook. The gradual moderation flowed from some cyclical

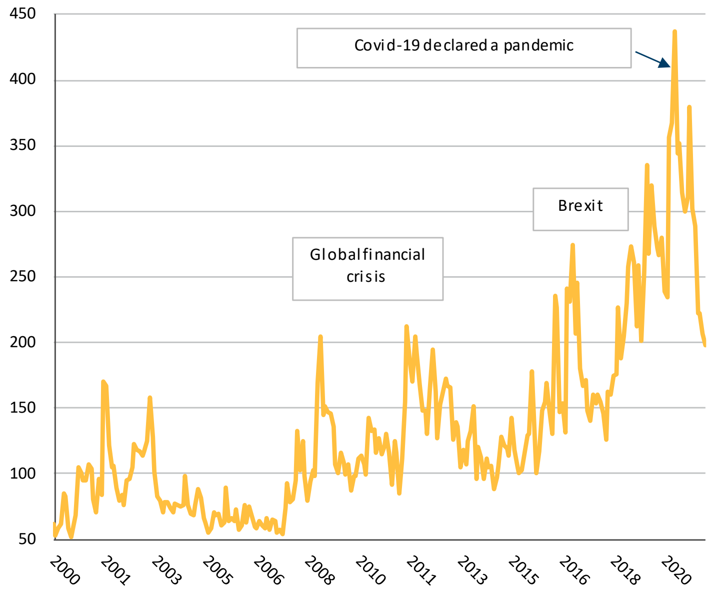
[8] See for instance Summers (2016).

factors such as the slowdown in the US economy after a very long period of expansion, the diminishing demand in the context of the Asian tech cycle, and some structural changes in the global manufacturing chain, like those induced by technological changes in the auto industry, which were most evident in the euro area.

Figure 2

Global economic policy uncertainty index

(average 1997–2015=100)



Note: The index is composed by three types of underlying components. One component quantifies newspaper coverage of policy-related economic uncertainty, another reflects the number of federal tax code provisions set to expire in future years, and the third uses disagreement among economic forecasters as a proxy for uncertainty.

Sources: Authors' elaboration based on data from the Economic Policy Uncertainty index

Overall, the pre-pandemic global outlook was heterogeneous across different geographies. The strengths and weaknesses of economies were important factors in determining the different outcomes that emerged as countries and regions faced the challenges posed by the pandemic.

Evolution of the pandemic across regions

The pandemic spread and escalated rapidly during 2020 and into mid-2021.[9] Across all regions, the pandemic had spread to more than 50 million confirmed infections and caused more than 1 million fatalities by the end of June 2021. A year after the outbreak, the euro area – with 24 million infections and 0.5 million fatalities, and FLAR region – with 8.6 million and 0.3 million respectively, have been hardest hit; followed by the EFSD region with 6.5 million and 0.1 million; the AMF region with 6.9 million and 0.1 million; the ASEAN+3 (excluding China) with 5.9 million and 0.1 million; and MFA beneficiaries with 3.4 million and 0.1 million (Oxford University, 2021).

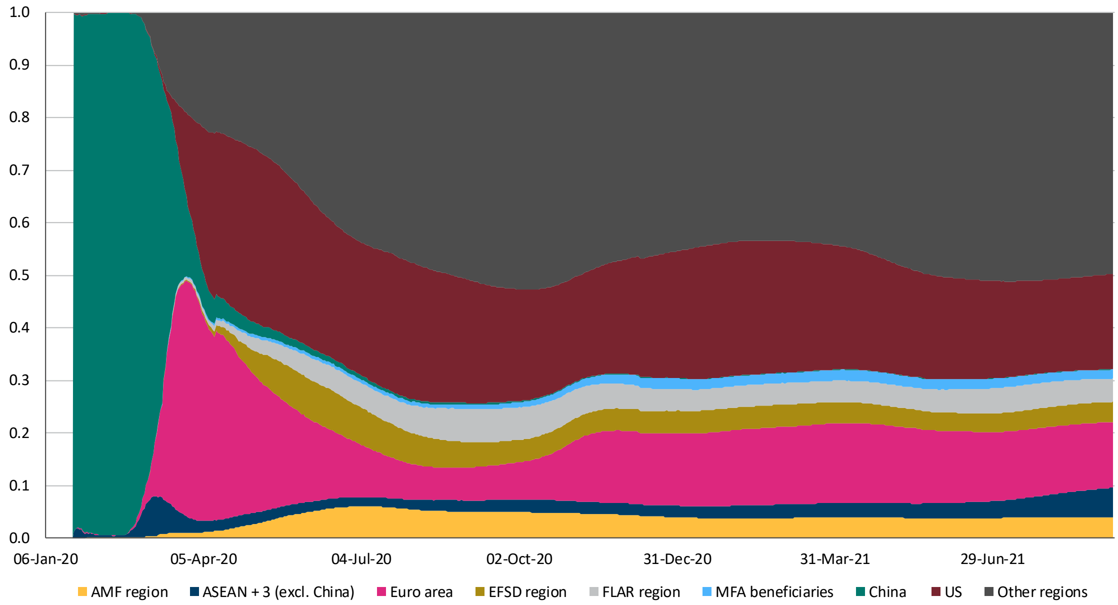
Despite pandemic outbreak variances across and within regions, with countries often at different stages at different points in times, the development of the pandemic can be broadly divided into three waves. The first wave involved the initial outbreak in early 2020 that led to policy measures to protect public health and mitigate the economic impact. The second wave

[9] The pandemic situation is continuously evolving. This part covers only the period until end-June 2021. At the time of writing, there were considerable data gaps for several countries in the study about vaccination trends that limited the scope of the analysis.

coincided with the pandemic resurgence by the end of 2020. The third wave started in early 2021 and it, along with the second wave, is partly attributed to the relaxing of quarantine measures in some cases. The third wave also saw a number of mutations followed by the gradual rollout of Covid-19 tests and vaccination programmes.

The number of confirmed infections and fatalities per million of population until the first half of 2021 clearly indicates the uneven impact across regions. The euro area, MFA beneficiaries, and countries in the FLAR and EFSD regions were hit hardest and only very gradually managed to contain the spread of the virus by the end of the second wave (Figure 3). The ASEAN+3 region was significantly affected during the first wave and, most recently, by the third wave with the spread of the Delta variant.

Figure 3
Contribution to Covid-19 infections
(share of the total)



Sources: University of Oxford, authors' calculations

Regions that suffered the most human losses in the initial phase had to adopt the most stringent quarantine measures. This was the case for the euro area and the FLAR region (Figure 4).[10] Such measures mainly involved mobility quarantines, suspension of local and international flights, temporary border closures, suspended educational activities, and any activities involving large crowds. Traffic congestion trends in 2020 display the toll of containment measures imposed on mobility and the transportation trends across all regions.

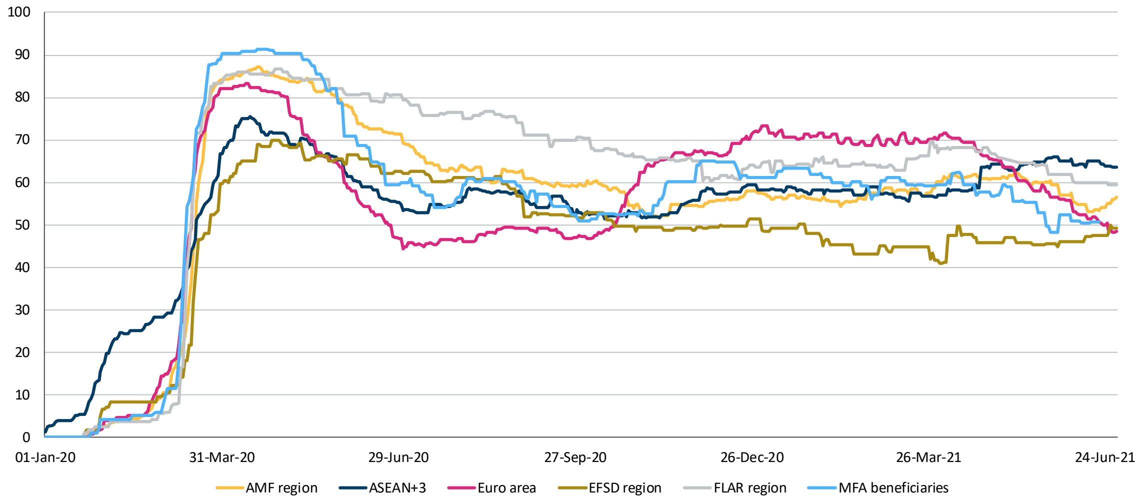
Despite the swift adoption of quarantine measures, factors like high urban density, informal labour markets, ill-equipped healthcare systems, and weak sanitary rules have hindered the control of the pandemic and the effectiveness of quarantine measures.[11] This was the case for

[10] The Stringency index, compiled as part of the Oxford Covid-19 Government Response Tracker, records the strictness of 'lockdown style' policies that primarily restrict people's behaviour. It is calculated using all ordinal containment and closure policy indicators, plus an indicator recording public information campaigns.

[11] This draws from data by the International Labour Organization on the informality of the labour markets across the globe. Bolivia, Colombia, Peru, and Paraguay appear to have had a more significant part of informal employment in 2019 compared to other Latin American economies. In the AMF region and ASEAN+3, Egypt, Myanmar, and Indonesia have a significant part of the workforce in informal employment. The data does not cover all the countries and regions examined in this report.

the FLAR region where the virus became widespread despite the strict measures imposed. The pandemic's spread there has been uneven, and large urban centres suffered more than other areas by mid-2020. During the same wave, economies in the EFSD region witnessed a similar resurgence of around 5,000 new cases per million of population.

Figure 4
Stringency of policies, by region
(index, 100 being the strictest)



Sources: University of Oxford, authors' calculations

After the second wave, prompt testing was a key determinant in the pandemic's diffusion differences across countries. The intensive use of testing in the euro area economies compared to other weaker performing regions partly explains the effectiveness in containing the spread of the virus after the second wave. Although accurate Covid-19 testing figures are not available, Our World in Data's online database provides indicative numbers per country.[12] This database shows that by April 2020 the euro area as a whole managed, on average, to perform tests for its entire population while other regions progressed less well.

[12] Our World in Data collects data on testing for 136 countries from official sources. Several features of the database (e.g. data collection frequency is heterogeneous) limit its use for comparisons between countries.

2. The economic impact and policy responses to the Covid-19 crisis

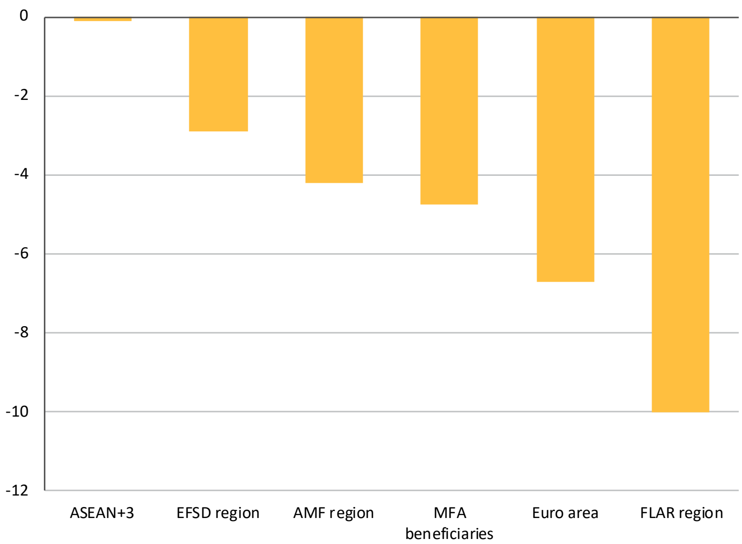
The short- and medium-term outlook

Impact on macroeconomic fundamentals

The pandemic dramatically hindered global production between February and April 2020. Factory shutdowns and travel restrictions to and from China to control the virus triggered the initial shock, then falling global demand depressed commodity prices in some countries. As the wave of infections rippled across the ASEAN+3 region and swept from the East to the West, global supply chains were disrupted and international trade collapsed.

China was first in and first out of the pandemic crisis, driving trends in ASEAN+3 economies. Timely and strict measures taken to limit contagion across China's provinces led to a relatively quick exit from the state of emergency. This is reflected by the fact that China was the only country among major world economies to experience positive real GDP growth in 2020. In turn, this positively affected the aggregate results for the overall region, which registered flat growth (Figure 5).

Figure 5
Economic impact of the pandemic in 2020 across regions
(annual real GDP growth in percentage points, weighted average per region)

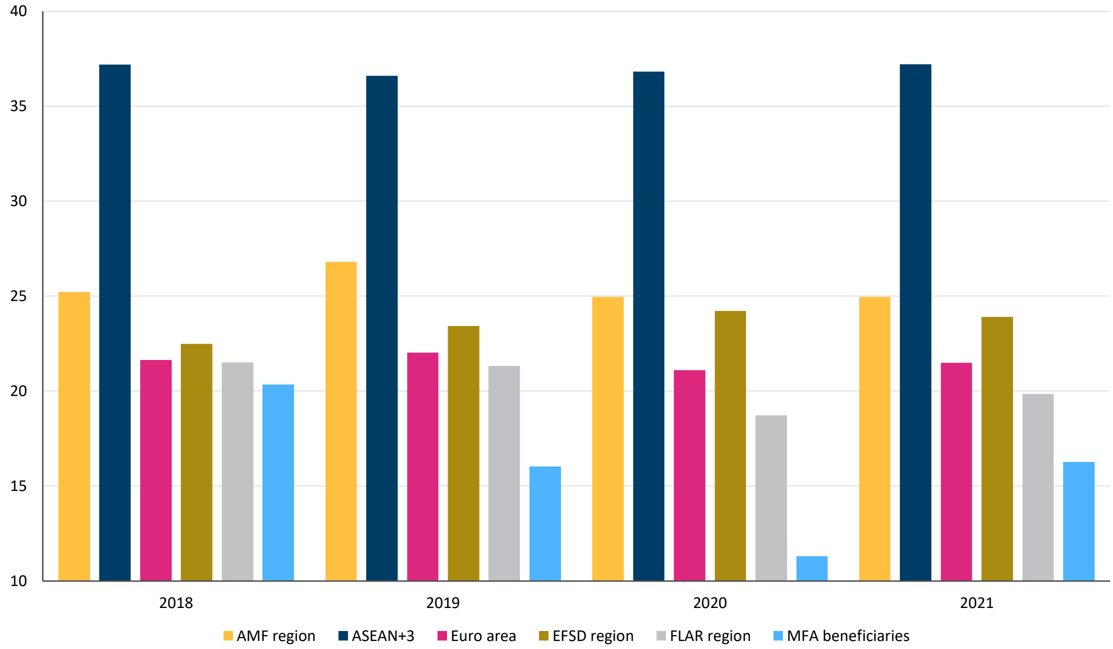


Sources: IMF World Economic Outlook (April 2021), authors' calculations

The temporary disruption in external demand, falling commodity prices, and production disruptions struck the FLAR region and euro area economies hardest. The FLAR region's economy contracted sharply in 2020. The initial shock shrank external demand: exports and commodity prices fell, as did revenues from tourism and remittances. Similarly, the euro area underwent a deep recession provoked by both the burdens of the lockdowns and, to a large extent, the openness of the euro area economy. The euro area's external trade dwindled in the first half of 2020 when a sudden and synchronised drop in global demand interacted with supply-side constraints prompted by lockdowns, border closures, travel bans, and internal restrictions on mobility. High integration in global value chains and high share of tourism to total output further amplified the shock in certain euro area economies. MFA beneficiary countries suffered similar economic hardships. The EFSD and the AMF regions experienced less steep declines in their economies on average. Nonetheless, the AMF region witnessed the worst economic crisis since the Great Depression of the 1930s. Relevant for the economies of both regions has been the sharp fall in oil demand and prices due to the unprecedented decline in global economic activity.

Investment trends followed those of GDP, making the ratio broadly constant throughout the crisis in most regions. The overall impact on total investment (government, business, and household sectors) has by and large not exceeded the overall impact on GDP. This is especially the case for the euro area, ASEAN+3, and EFSD regions, with more sizeable effects on the FLAR region, MFA beneficiaries, and AMF region, which all experienced a more notable retrenchment (Figure 6).

Figure 6
Total investment
(in % of GDP, weighted average per region)



Note: Total investment in percent of GDP is expressed as a ratio of total investment in current local currency and GDP in current local currency. Investment or gross capital formation is measured by the total value of the gross fixed capital formation and changes in inventories and acquisitions less disposals of valuables for a unit or sector weighted by GDP in purchasing power partiy per region in national currencies.
Sources: IMF World Economic Outlook (April 2021), authors' calculations

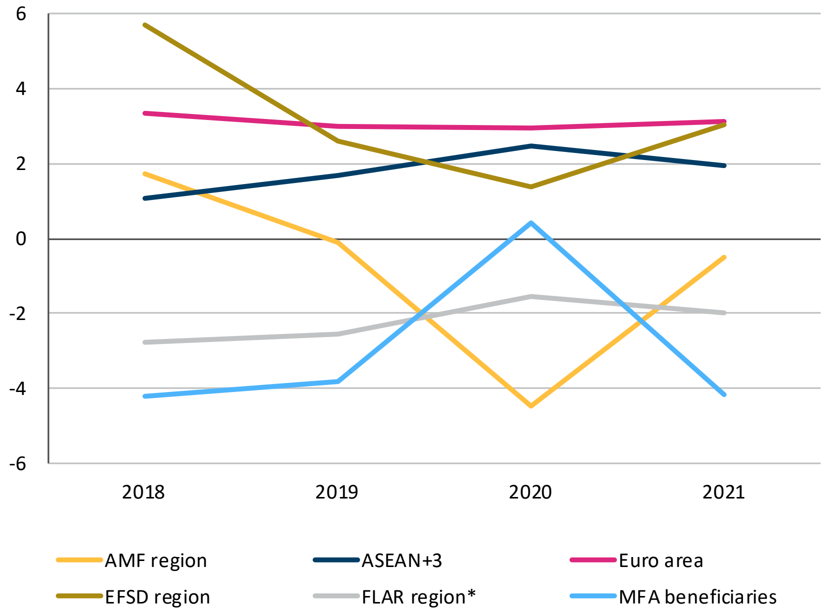
Businesses' support measures may have prompted investment substitution between the private and public sectors. Business sentiment across most euro area manufacturing and service sectors reached record lows, but the unchanged aggregate figures suggest that when the pandemic hit there were signs of substitution in most of the regions between private/business investment and that of the public sector. This effect was the result of policy measures adopted to avoid a deeper collapse of total investment. This involved supporting public investment directly through public investment undertakings and indirectly through liquidity support measures to try and sustain private investment. In some regions, more limited policy responses due to weaker fundamentals, such as the FLAR region and MFA beneficiaries, coincided with a relatively softer fall in total investment, which helped sustain growth.[13]

The crisis hit current account balances across regions and countries distinctively. Countries' relative dependence on hydrocarbons for import or export determined the effect on trade balances, producing mixed outcomes. The fall in oil prices negatively impacted current

[13] The nature of the pandemic crisis is different with respect to the global financial crisis. The key distinction being that during the global financial crisis financial capital eroded quickly, draining liquidity globally, whereas the pandemic crisis hit the real economy harder, with disruptions in economic activity preserving physical capital.

accounts of exporting countries such as some in the EFSD and AMF regions. Conversely, euro area economies maintained a surplus in 2020, benefitting from exports specialised mainly in manufactured goods and cheaper oil costs, which helped reduce production costs. Similarly, the current account balances of MFA beneficiary countries profited from lower oil prices (Figure 7).

Figure 7
Current account balance
(in % of GDP, weighted average per region)

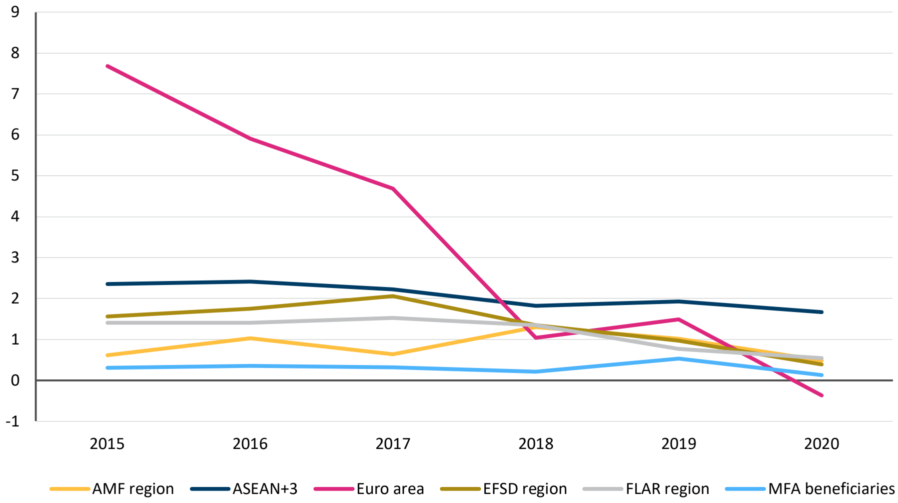


Note: *Venezuela is excluded.
Sources: IMF World Economic Outlook (April 2021), authors' calculations

The pandemic reduced foreign direct investment outflows across countries.[14] World Bank data (based on the United Nations Conference on Trade and Development) for 2020 shows a general decline in foreign direct investment outflows in percentage of GDP across all the areas, more pronounced in euro area economies (Figure 8).

[14] Harmonised data for other components of the capital account were not available at the time of writing.

Figure 8
Foreign direct investment, net outflows
(in % of GDP, weighted average per region)



Note: Although data is missing for a number of countries, general trends depicted in the graph remain valid as major economies per area are generally included.
Sources: World Bank, authors' calculations

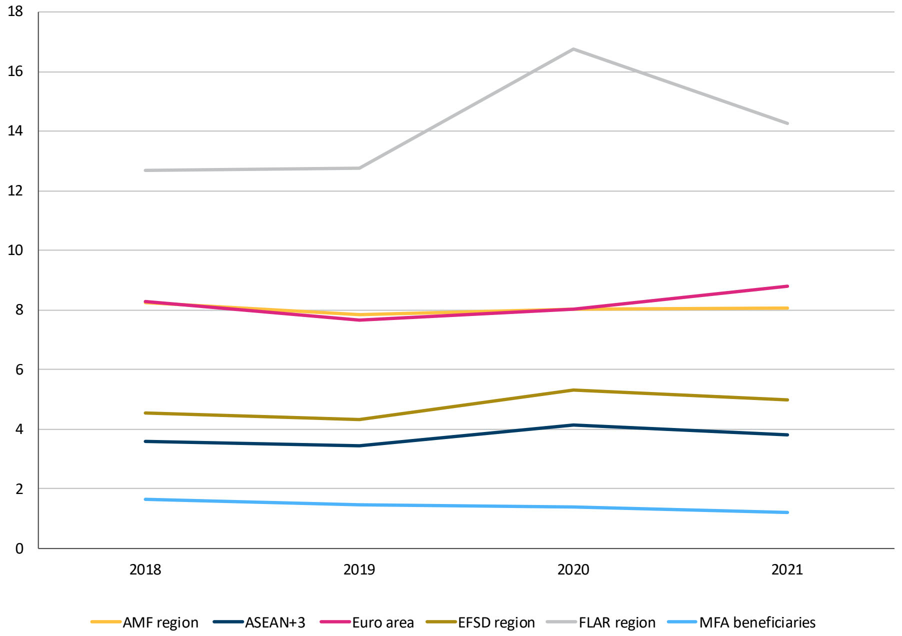
Labour market and other social implications

In general, the crisis exacerbated social conditions more in low- and middle-income countries, which were in a weaker position to mitigate the impact of the pandemic. Despite different pre-pandemic economic conditions, several of these countries share a similar high degree of informality, poverty, income inequality, and weak social safety nets. The crisis may have exacerbated those weaknesses through various channels. First, poorer people are often in the informal sector and so are cut off from any possible declared income assistance; second, low-skilled people were often unable to telework, increasing the risk of unemployment during and after the crisis; and third, the lack of a social safety net due to lower earnings is likely to magnify these effects, causing inequalities and disparities to intensify. Advanced economies were generally better positioned to soften the impact of the pandemic on labour markets. The FLAR region suffered the biggest jump in year-on-year unemployment rates with a four percentage point increase to 16.7% in 2020 from 12.7% in 2019. All other regions, MFA beneficiaries excluded, experienced an increase in unemployment in 2020 (Figure 9).

Figure 9

Unemployment rates

(in % of total labour force, weighted average per region)



Sources: IMF World Economic Outlook (April 2021), authors' calculations

Euro area economies alleviated the negative shock on employment through various social and income support policy measures.[15] Euro area labour markets entered the crisis favourably, but the pandemic induced severe strain. However, thanks to the widespread deployment of ambitious policy measures such as job retention schemes, the impact on the number of employed persons across euro area economies was generally much lower than GDP decline. This is in line with experiences from past recessions.

The ASEAN+3 and EFSD regions also initiated a wide range of labour support schemes. In the ASEAN+3, the crisis triggered a rise in unemployment from the widespread shutdown in business activity. Similar to the euro area, both the ASEAN+3 and EFSD regions were buttressed by massive labour market support schemes. However, once these types of fiscal subsidies for employers and support for businesses are withdrawn, the unemployment trends in all regions could deteriorate given that a number of companies will need to consolidate and rebuild.

While job retention schemes rolled out during the height of the pandemic saved millions of jobs, more advanced economies may face more permanent scars from rising long-term unemployment rates in some labour market segments.[16] There are increasing signs that suggest many low-skilled workers displaced during the pandemic are struggling to find new jobs, which could indicate that many jobs lost during the crisis may never be recovered. The impact is set to be worst felt by the vulnerable, women, and low-skilled workers, who are disproportionately represented in the sectors hardest hit by the pandemic. Young people also face similar challenges because they are more likely to be adversely affected than the wider adult working population (OECD, 2021b).

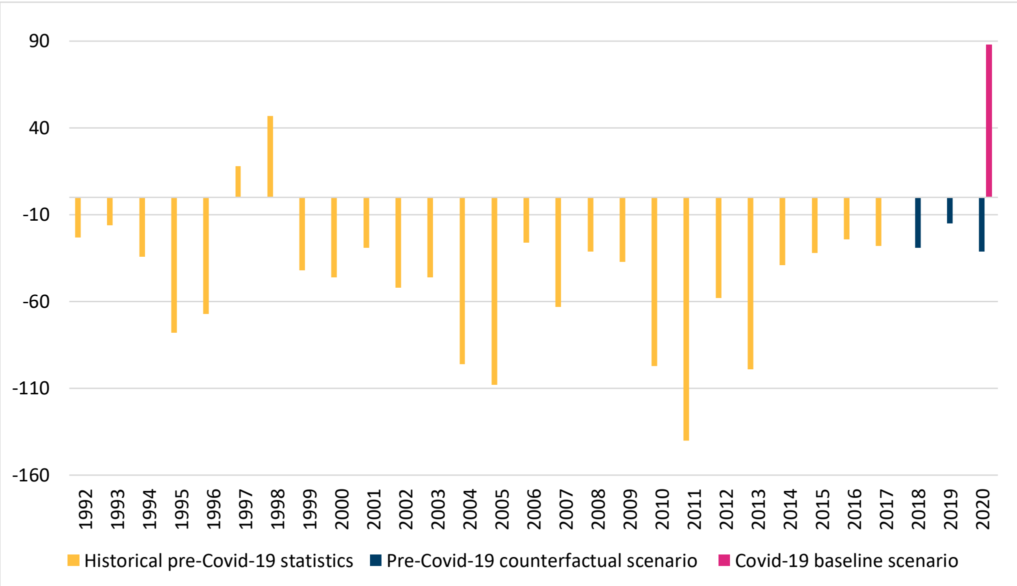
[15] As many as 22 million jobs have been lost in high income economies due to the Covid-19 pandemic according to the OECD (2021b).

[16] The OECD analysis was based on advanced economies only. It is possible that some of these trends are similarly being observed in other country groupings.

Remittance flows to low- and middle-income countries in 2020 as a whole remained resilient, contrary to initial projections and despite having recorded a strong decline in Q2 2020. The latest available data shows remittances are estimated to have reached USD 540 billion in 2020, just 1.6% below the 2019 total of USD 548 billion (Ratha et al., 2021). The decline was smaller than that recorded in 2009 during the global financial crisis. Fiscal measures in migrants' host countries, including cash transfers and employment support programmes implemented in many large economies, the widespread use of remote work, and migrants' commitment to continue providing a lifeline to families by cutting consumption or drawing on savings contributed to this better-than-expected outcome. However, there are important regional and intra-regional differences, including between the countries covered in this study.[17]

Early estimates suggest global poverty increased at an unprecedented rate in 2020. Figure 10 shows the annual change in the world total of extreme poor people from 1992 to 2020. Each bar represents the net difference in the number of people who exited extreme poverty if they were poor the previous year and those that moved into extreme poverty if they were not poor in the previous year. Before Covid-19, the only other crisis-induced increase in the global number of poor over the past three decades was the Asian financial crisis, which increased extreme poverty by 18 million in 1997 and 47 million in 1998. Since 1999, the number of people living in extreme poverty worldwide has fallen by more than one billion. But part of this success is set to reverse due to the pandemic, with poverty poised to increase substantially for the first time in 20 years. On the baseline scenario, extreme poverty is estimated to have increased by 88 million in 2020. The total number of new poor in 2020 rises to between 119 and 124 million when including those who would have otherwise escaped extreme poverty had the pandemic not occurred.

Figure 10
Annual change in the number of extreme poor
(in millions of people)



Note: Data depicts past projections for years 2018–2020 showing the number of people that are expected to move out of extreme poverty had the pandemic not happened (pre-Covid-19 counterfactual scenario) and the number of people pushed into poverty under the Covid-19 baseline scenario. The figure recreates a depiction in Lakner et al. (2021) with small adaptations but no alterations to the data.
Source: Authors' elaboration based on data from Lakner et al. (2021)

[17] Drawing from Ratha et al. (2021), the simple average change in estimated remittances between 2019 and 2020 for each region is as follows: euro area -5.74%; ASEAN+3 -3.96%; FLAR region -5.75%; EFSD region -14.80%; AMF region -4.79%; and MFA beneficiaries 1.83%.

Overview of the economic policy responses

Size and composition of fiscal measures

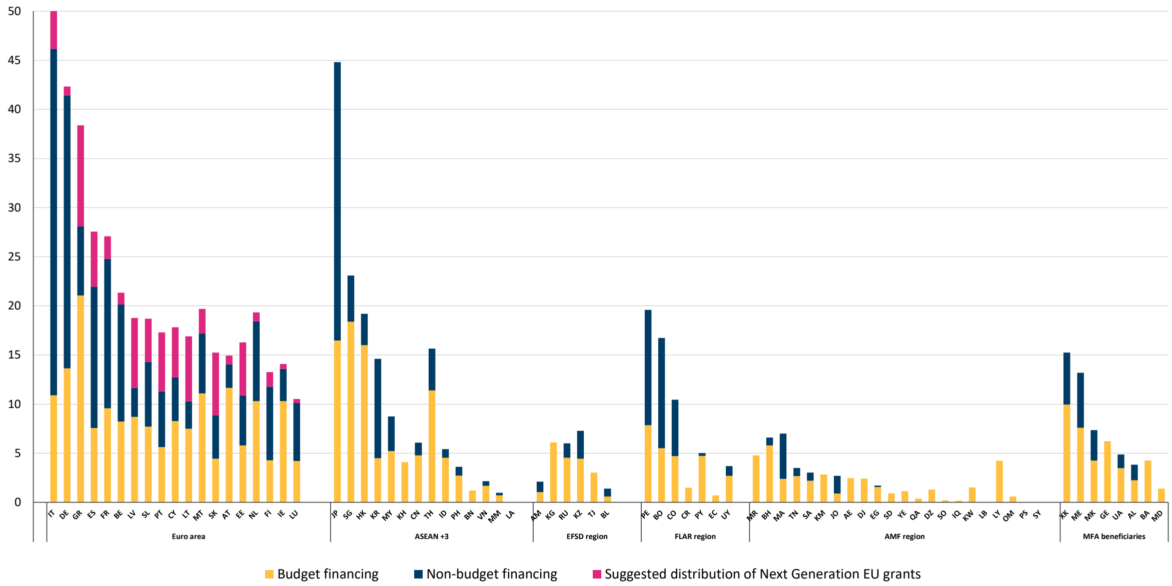
Governments provided unprecedented fiscal stimulus to address the economic fallout from the pandemic. Aided by strong economic fundamentals, the adoption of prudent macro-policies over time allowed policymakers to support their economies effectively. They employed both budgetary and non-budgetary approaches (in the form of below-the-line items, guarantees, and quasi-fiscal transactions) to save lives, protect livelihoods, and shield businesses. And, given the nature of the shock, all stimulus packages devoted sizeable resources to the financial support of the healthcare sector and epidemic control.

The overall fiscal response varied markedly across regions. Drawing from the IMF's Fiscal Monitor database, direct and indirect fiscal measures (e.g. liquidity support, debt moratorium) as of June 2021 were close to 30.2% of GDP on average in the euro area, close to 12.1% of GDP in ASEAN+3, and slightly less in the FLAR region.[18] The remaining three regions were not able to provide as much support, ranging between 7% and 2.5% of their GDP. The fiscal responses varied considerably across countries within regions (Figure 11). In the euro area, for instance, the range varied from around 45% of GDP for Italy to around 10.5% of GDP for Luxembourg. In the ASEAN+3 region, the range stretched from about 45% of GDP for Japan to below 1% of GDP for Lao People's Democratic Republic. Kazakhstan, Peru, Kosovo, and Morocco adopted the largest stimulus in their regions.[19]

Figure 11

Composition of total fiscal responses in 2020–2021

(in % of GDP)



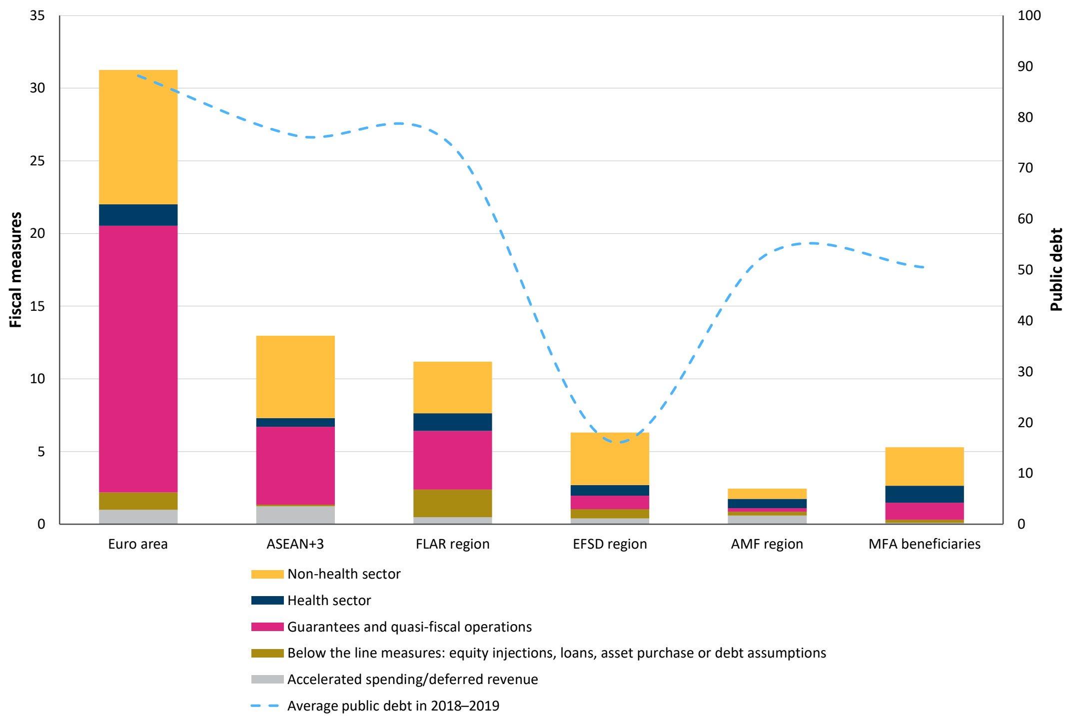
Note: The fiscal measures include resources allocated or planned in response to the Covid-19 pandemic since January 2020, which will cover implementation in 2020, 2021, and beyond. The Next Generation EU funds refer to loans and grants disbursed up until 2027 to the EU Member States. Budget financing includes healthcare and non-healthcare spending, additional spending measures, and foregone revenue as collected by the IMF database of fiscal policy responses. Non-budget financing includes below the line items, guarantees and fiscal transactions. In this graph and throughout the study, countries are abbreviated according to the two letter code ISO-3166 (alpha) classification.
Sources: IMF database of fiscal policy responses to Covid-19, IMF World Economic Ooutlook (April 2021), authors' calculations. Information on grants from European Commission (2021b), Eurostat, authors' calculations

[18] Weighted averages based on GDP in purchasing power parity.

[19] Data by national authorities on fiscal responses could differ from the estimates used in this study.

Starker differences in Covid-19 fiscal responses emerge in the size of discretionary measures and economy supporting guarantees. In the euro area, the discretionary budgetary measures amount to around 11% of GDP, supported by immediate healthcare sector funding of around 1.5% of GDP (Figure 12). These measures are backed by unparalleled guarantees and liquidity facilities of close to 18.4% of GDP. For ASEAN+3 economies, the policy mix differs considerably with discretionary fiscal measures averaging 6.1% of GDP and healthcare costs below 1% of GDP. Guarantee support has been less stark, with the example of Japan standing out more clearly, at over 5% of GDP while accelerated spending and tax deferrals provided support to taxpayers. The FLAR region economies provided a more contained envelope of policy response at an overall 11.2% of GDP, with less in transfers toward ordinary non-healthcare spending (3.5% of GDP). One notable difference is the wider use of below-the-line measures such as equity injections and debt assumptions not so much observed in other regions. Economies in the EFSD region and MFA beneficiaries adopted a similar recipe of direct measures amounting to around 4% of GDP, but still had limp support from other policy tools such as the provision of guarantees or the below-the-line items. Lastly, the AMF region countries provided the smallest overall envelope of Covid-19 support measures, distributed as direct measures for healthcare and non-healthcare initiatives of slightly more than 1% of GDP, and indirect measures amounting to less than 1.5% of GDP. Overall, the euro area's stronger reliance on guarantees reflected the need to mitigate any impact on debt levels, especially when high as is the case in the euro area compared to countries in other regions.

Figure 12
Fiscal responses, by region
(in % of GDP, weighted average per region)



Sources: IMF database of fiscal policy responses to Covid-19 (July 2021 update), authors' calculations

During the pandemic, automatic stabilisers operated more strongly in euro area countries. European countries made more extensive use of automatic stabilisers (such as unemployment and social benefits), which ranged in size between 4% and 5% of GDP (Bouabdallah et al., 2020). By comparison, the role of automatic stabilisers was more limited in most ASEAN+3 economies, at an estimated 1.1% of GDP. Aside from the size of the response, differences also exist in the nature of support measures towards household income. The deployment of direct income support schemes has been effective in many ASEAN+3 and euro area economies. The euro area widely adopted job retention schemes, operating through short-time work compensation, while the ASEAN+3 economies applied effective direct income support schemes with wage co-payments to support employment, though less widespread. The different composition of the fiscal stimuli across regions reflects different economic structures and fundamentals such as the available fiscal space, the size of the social security systems (e.g. in euro area countries), the larger informal economy, and the labour market flexibility in regions like ASEAN+3, MFA beneficiaries, and FLAR.

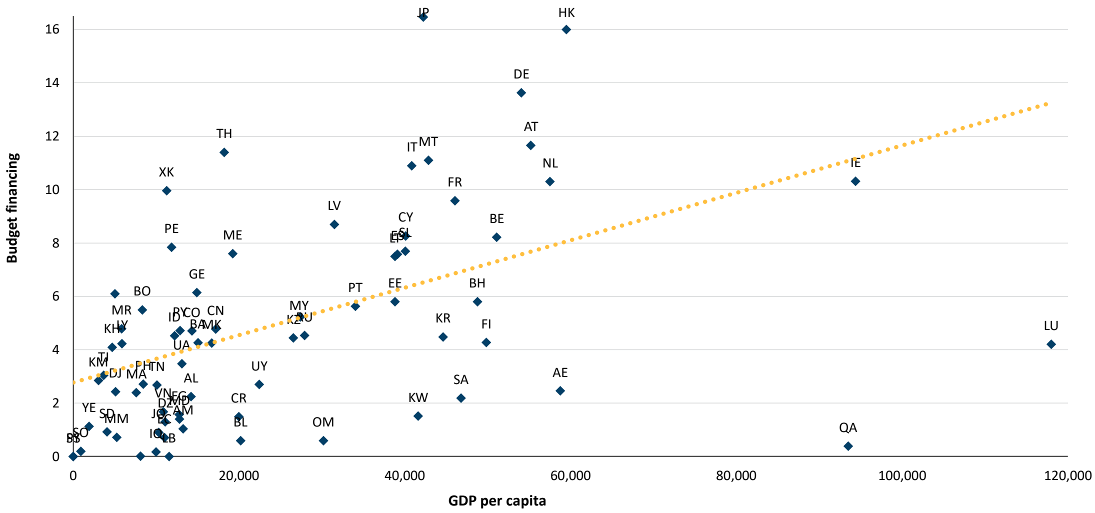
Reflections on the fiscal policy response envelopes

Covid-19 fiscal responses appear more pronounced for high-income countries. As depicted in Figure 13, higher fiscal responses are associated with higher GDP per capita, a finding confirmed also by Balajee et al. (2020) and Hosny (2021). In addition, within the fiscal packages, low-income countries spent a higher share on supporting the healthcare sector, as they had weaker initial healthcare infrastructure and preparedness when entering the pandemic, and therefore needed to spend relatively more on healthcare measures as a percentage of GDP.[20]

Figure 13

Size of budget financing responses and level of GDP per capita

(budget financing in % of GDP, GDP per capita in USD)

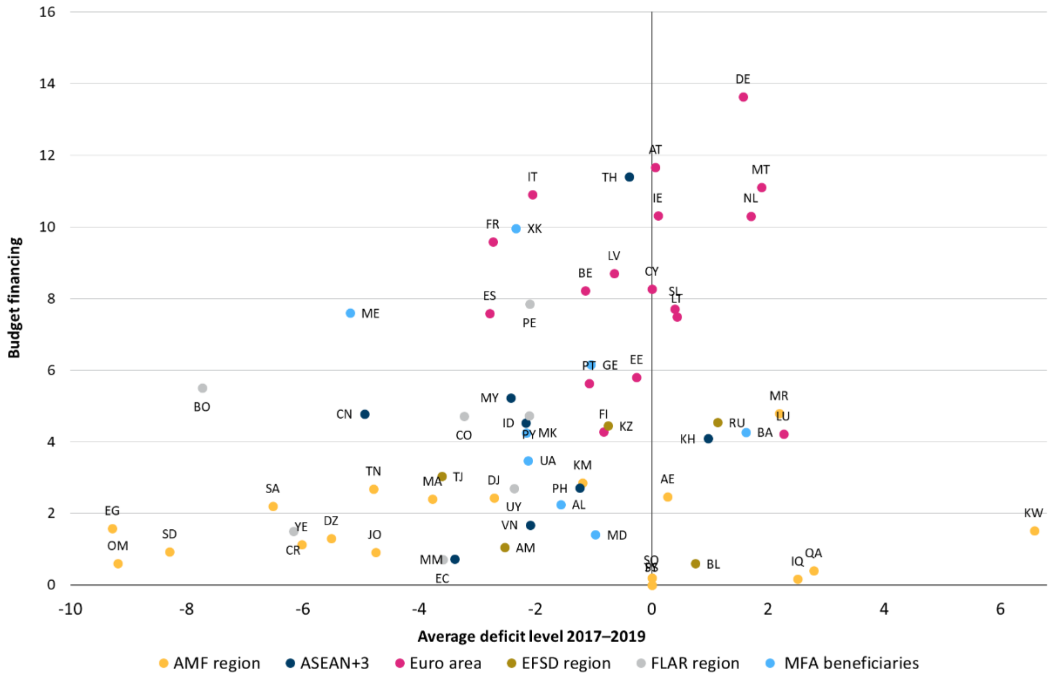


Sources: IMF database of fiscal policy responses to Covid-19 (July 2021 update), IMF World Economic Outlook (April 2021), authors' calculations

The available fiscal space constrained the Covid-19 fiscal response directly and indirectly. Figure 14 shows that economies with a close-to-neutral fiscal position on average during the 2017–2019 pre-pandemic period, as was the case for euro area economies, adopted a larger fiscal stimulus compared to others. The same applies to liquidity support measures meant to indirectly support the economies, such as non-budgetary measures. Similar findings are confirmed by Balajee et al. (2020) who argue that lower credit ratings are associated with lower fiscal stimulus activity during the pandemic crisis. However, relatively smaller fiscal packages could also follow from a reduced need for a large fiscal response, which might apply to countries that did not experience any severe pandemic outbreak or that were able to successfully contain Covid-19.

[20] Fotiou and Lagerborg (2021) also find that more limited fiscal space and access to finance was not a constraint in healthcare spending during the Covid-19 pandemic.

Figure 14
Budgetary fiscal responses and average deficit positions
(in % of GDP)



Note: Budget financing includes healthcare and non-healthcare spending.
Sources: IMF database of fiscal policy responses to Covid-19 (July 2021 update), IMF World Economic Outlook (April 2021), authors' calculations

For some regions and countries, the favourable pre-pandemic interest rate-growth differential coincided with a relatively larger envelope of Covid-19 related fiscal measures. While prudent fiscal positions helped countries adopt more Covid-19 related measures, higher levels of public debt in some regions did not appear to limit the size of the adopted fiscal measures. One possible reason is the magnitude and the positive or negative sign of the difference between the implied interest rate and GDP growth rate, which for some regions was quite accommodative before the pandemic, i.e. 2017–2019 compared to others. This difference helped euro area and a few ASEAN+3 economies swiftly facilitate a larger envelope of pandemic related fiscal measures, despite the high on average level of debt.[21] The accommodative monetary policy before the pandemic, and in some cases asset purchase programmes, in the euro area and some ASEAN+3 economies also played an important role in improving the debt-carrying capacity to finance the Covid-19 national fiscal responses.

Monetary policy responses

Some central banks intensified asset purchase programmes as the main policy tool to support their economies during the pandemic. In advanced economies, quantitative easing had been a policy option for some time, especially after the global financial crisis, and now the pandemic prompted the use of such a tool in emerging economies too.

In the euro area, the European Central Bank (ECB) reacted swiftly to the economic fallout by adopting extensive measures based on a €120 billion expansion of its asset purchase programme. To counter serious risks to monetary policy transmission and the pandemic

[21] Together with policy actions at the central EU level that allowed EU Member States to depart from budgetary requirements normally applied within the European fiscal framework.

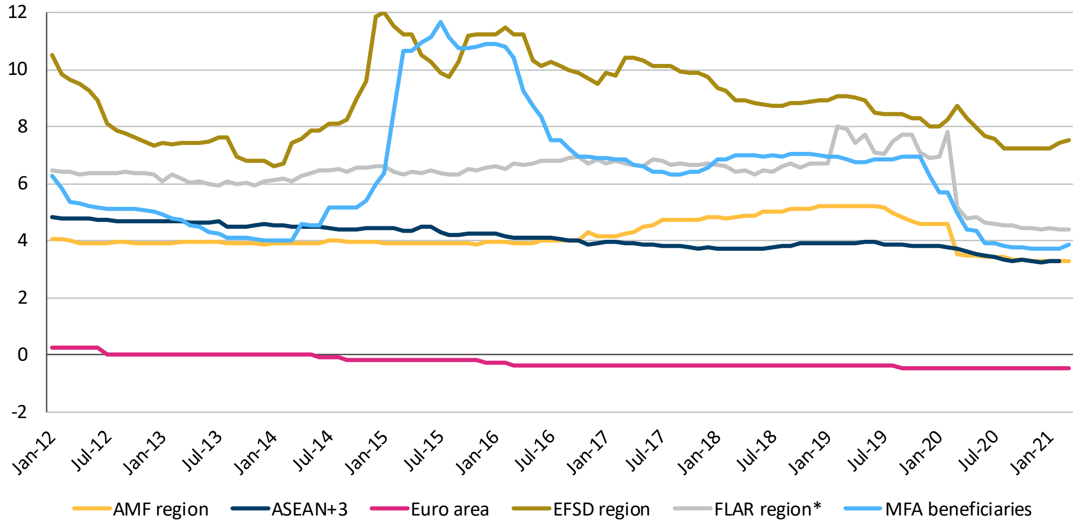
outlook, the ECB boosted the volume of asset purchases and expanded the range of eligible assets with the new temporary €750 billion Pandemic Emergency Purchase Programme. This was later enhanced by €600 billion and then by €500 billion, for a new total of €1.85 trillion.[22] The programme's duration was extended to at least March 2022. Further, the ECB acted to ease the burden on the banking sector and to keep credit flowing, including long-term financing for banks. It eased collateral requirements and increased the flexibility in the use of banks' capital and liquidity buffers. ECB supervisory measures in reaction to the pandemic mainly reflect relief measures around asset quality deterioration, non-performing loans, capital and liquidity requirements of the banks, restrictions on dividends and variable remuneration, and leverage ratio relief that allowed banks to temporarily exclude central bank exposures from their leverage ratio.[23]

Central banks in most ASEAN+3 economies also provided monetary stimulus, in addition to the regulatory forbearance for financial institutions. In the ASEAN+3 region, 11 out of the 14 economies eased key interest rates (Figure 15), although the magnitude differs significantly. Key monetary policy measures among ASEAN+3 economies to support businesses included government guarantees on select bank lending activities, especially lending to SMEs, market interventions to improve liquidity, temporary financing lines in the form of credit subsidies, low-cost and soft loans, and central bank corporate bond purchases. Regulatory forbearance encouraged the well-capitalised banking sector to provide some relief to borrowers, and sector-specific relief measures were offered to support SMEs in tourism, agriculture, and manufacturing. Other conventional monetary policy measures included the injection of liquidity into banking systems via reserve requirements reductions (China, Indonesia, Malaysia, and Philippines), and making available US dollar liquidity assistance to banks. Some of the regions central banks also adopted unconventional measures — some for the first time — such as buying corporate bonds in secondary markets to support the hard-hit corporate sector, and buying government bonds in the secondary markets. In Indonesia, the central bank also bought government bonds in the primary market to support budget financing and shared the interest burden with the government between 2020–2022. With many of the region's banking systems having built strong capital buffers since the Asian financial crisis, regulators have been facilitating the provision of relief to borrowers by easing requirements on banks. More common tools in the region included allowing banks to draw down on capital and liquidity buffers, easing debt classification requirements to facilitate restructuring and enabling more flexible treatment of non-performing loans.

[22] According to the ECB, the new instrument has three main advantages. First, it fits the type of shock: exogenous, detached from economic fundamentals and affecting all countries in the euro area. Second, it allows interventions in the entire yield curve, preventing financial fragmentation and distortions in credit pricing. Third, it is tailored to manage the staggered progression of the virus and the uncertainty about when and where the fallout will be worst.

[23] For more information, see https://www.bankingsupervision.europa.eu/press/publications/html/ssm.faq_ECB_supervisory_measures_in_reaction_to_the_coronavirus~8a631697a4.en.html.

Figure 15
Evolution of central bank rates across various regions
(in percentage points)



Note: See Table A.2 in the Annex for the definition of central bank rates. *Bolivia and Ecuador are excluded.
Sources: Haver Analytics, authors' calculations

Contrary to the euro area and ASEAN+3 regions, the monetary authorities in the other regions resorted more to central bank rate cuts. Interest rate changes were undertaken to support economies during the pandemic because these regions lagged in the adoption of asset purchase programmes or downward revisions of capital requirements for domestic banks compared to policies utilised in the euro area and ASEAN+3. During the pandemic, outright lending operation policy measures can be seen across all the regions (Figure 16).[24]

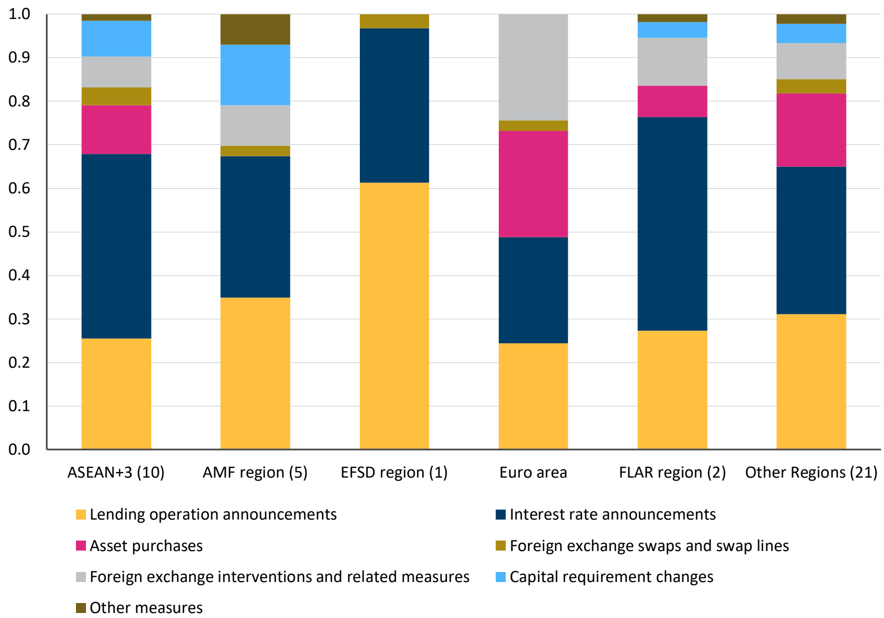
All regions except the EFSD region and euro area softened minimum reserve requirements and rolled out significant support measures to increase liquidity for economic recovery. For some of the regions that include emerging economies, the accommodative stance was relatively more contained due to the threat of uneven exchange rate adjustments, potential inflation surges, and implications for financial stability. Further, US dollar liquidity became scarce during the early phase of the pandemic. However, the US Federal Reserve took crucial steps, including the establishment of bilateral swap lines with several central banks and monetary authorities around the world that helped stabilise US dollar funding conditions in global markets (see also Section 3).

[24] These facilities refer to among other conditional funding facility, liquidity credit line, reverse repurchase operations, special re-lending funds, lender of last resort facility, refinancing operations.

Figure 16

Monetary policy reactions during Covid-19, February 2020–April 2021, by region

(share of the total number of reactions per region, number of countries in parenthesis)



Note: The figure represents the share of measures taken as reported by the number of announcements in the Bank for International Settlements database. It provides some indication on the approach of the measures taken by the countries covered in the data. The figure does not reflect the magnitude nor the impact of a monetary policy reaction. The parentheses indicate the number of countries reported by the Bank for International Settlements data per region.
Sources: Bank for International Settlements data, authors' calculations

Box 1. A coordinated European response to the coronavirus pandemic

In April 2020, European finance ministers approved a first support package of three EU safety nets amounting to €540 billion, to alleviate the burden of the Covid-19 catastrophe for EU Member States. They comprise the European Commission's temporary Support to mitigate Unemployment Risks in an Emergency programme to provide loans to EU Member States to address sudden public expenditure increases to preserve employment; the European Investment Bank's European Guarantee Fund to mobilise loans to SMEs; and the ESM's Pandemic Crisis Support to help euro area countries, which is explained in more detail in Section 3. The safety nets that make up the package have been designed to match each institution's expertise and complement national measures.

The second support package of €1.82 trillion consists of the regular seven-year EU budget and the new Next Generation EU recovery instrument. The Next Generation EU recovery plan, adopted in July 2020, aims to underpin Europe's recovery from the Covid-19 pandemic and help build a greener, more digital, and more resilient Europe. Its overall size of €750 billion centres on the Recovery and Resilience Facility of €672.5 billion (in 2018 prices). The Recovery and Resilience Facility allows the European Commission to issue debt to finance grants and loans to EU Member States between 2021 and 2026. The debt incurred by the EU will be repaid between 2028 and 2058. The scheme is intended to target support for regions and sectors that were hit particularly hard by the pandemic, with resources distributed as loans and grants.

Table 1
Next Generation EU: total allocations by instrument
(in € billion, current prices)

NextGeneration EU breakdown	
Recovery and Resilience Facility	723.8
Of which, grants	338.0
Of which, loans	385.8
React EU	50.6
Horizon Europe	5.4
InvestEU	6.1
Rural Development	8.1
Just Transition Funds	10.9
RescEU	2.0
Total	806.9

Source: European Commission (2021a)

The Recovery and Resilience Facility is designed to revive growth through investment and reforms. The purpose of this facility is to pave the way for a sustainable, resilient recovery, while promoting the EU's green and digital priorities. The remaining part of the Next Generation EU will mainly be used to reinforce EU-wide spending programmes under the 2021–2027 Multiannual Financial Framework. To receive financial support under the Recovery and Resilience Facility, EU Member States prepare national recovery and resilience plans setting out their reform and investment agenda for the years 2021–2023. These plans should strengthen the growth potential, job creation, and economic and social resilience of the Member State concerned.

The financial support will be disbursed in instalments when milestones and planned targets are reached. The Next Generation EU financial support for euro area countries amounts to almost 5% of euro area GDP for 2019 and is weighted towards more vulnerable countries. Countries are entitled to draw loans up to 6.8% of their gross national income, as a rule, with grants committed upon approval of recovery and resilience plans in 2021–2023. In 2021–2022, 70% of the funds will be allocated according to a backward-looking key, which will allocate more resources to countries with a lower GDP per capita, a larger population, and a higher unemployment rate in the period 2015–2019.

3. The global response to the Covid-19 crisis and the role of Regional Financing Arrangements

This section outlines the RFAs' contribution to the global and regional initiatives to help countries during the Covid-19 crisis. Based on the stocktaking, we describe how the RFAs cooperated with the IMF during the pandemic. We start by outlining a wider network of cross-border support, recognising that the RFAs are just one component of collective efforts to help countries insure against and mitigate the Covid-19 shock. In this context, we take a closer look at the IMF's role during the crisis, focusing on financial assistance-related aspects. We also present selected developments on the other two non-regional layers of the Global Financial Safety Net (GFSN), international reserves held by national central banks and bilateral swap lines between central banks, which are both at the discretion of national authorities. In addition, we overview how Multilateral Development Banks (MDBs) mobilised to deliver vital assistance to clients.

The Regional Financing Arrangements in a wider network of cross border support

Activation of the non-regional layers of protection of the Global Financial Safety Net

The role of the IMF during the pandemic

The IMF responded to the pandemic crisis with quick financial assistance to countries around the world. When the outbreak emerged, it put its USD 1 trillion lending capacity, four times more than at the outset of the global financial crisis, at the disposal of members (Georgieva, 2020). Between March 2020 and end-June 2021, it approved 82.3 billion in special drawing rights (SDR), equivalent to USD 114 billion, in financial assistance to 85 countries through various lending facilities, including augmentations of existing programmes (Figure 17). The demand for support was most acute in the second quarter of 2020 (Figure 18), coinciding with the period of heightened global uncertainty and turmoil in markets. In line with the sudden, external nature of the Covid-19 shock, members made extensive use of the IMF's Rapid Financing Instrument and the Rapid Credit Facility. These instruments give fast, though relatively low, access to emergency financing without ex-post conditionality.

The IMF's response helped protect affected countries, including the poorest and most vulnerable. More than half of the 85 IMF members that received Covid-19 financial assistance between March 2020 and end-June 2021 are low-income countries. In addition, during the same timeframe, for 29 of the poorest countries, the IMF provided debt service relief amounting to SDR 519.6 million (USD 726.8 million) on their IMF obligations through the Catastrophe Containment and Relief Trust. In similar fashion, and in cooperation with the World Bank, the IMF supported the Debt Service Suspension Initiative of the Group of Twenty (G20), which suspended debt service payments falling due between May 2020 and end-2021 from requesting countries. In parallel, the IMF worked with donors to replenish the Catastrophe Containment and Relief Trust and augment the resources of the Poverty Reduction and Growth Trust. Most recently, in mid-2021, it made a new general allocation of SDRs equivalent to USD 650 billion. While the SDR allocation benefits all members, and can foster the resilience of the international monetary system as a whole, it is particularly important for low- and middle-income countries in need of additional liquidity to support health recovery efforts. The allocation may also help expand the IMF's concessional financing capacity through further contributions to the Poverty Reduction and Growth Trust using rechannelled SDRs.

Figure 17
Breakdown of IMF Covid-19 financial assistance approved in Q1 2020–Q2 2021
(in SDR billions)

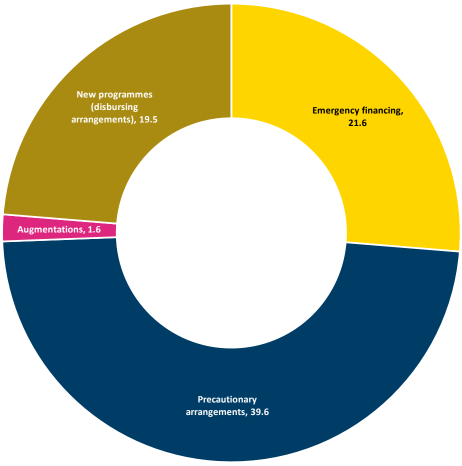
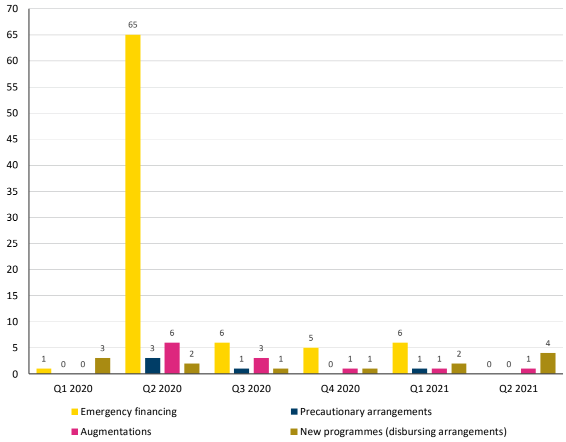


Figure 18
Number of approvals of IMF Covid-19 financial assistance by type of operation
(in total number of observations)



Note: Emergency financing comprises Rapid Financing Instrument and Rapid Credit Facility loans. New programmes (disbursing arrangements) comprises Stand-By Arrangements, Extended Fund Facility, Standby Credit Facility, and Extended Credit Facility. Augmentations comprises increases in access for existing disbursing arrangements. Precautionary arrangements comprises Flexible Credit Lines and Precautionary Liquidity Lines intended to be treated as precautionary at the time of the approval. It also includes an augmentation for Flexible Credit Lines.
Sources: IMF Covid-19 lending tracker, IMF Financial Data Query Tool, authors' calculations

The IMF's pandemic financial support so far has been relatively more frontloaded and broad-based when compared to the last global crisis, albeit smaller in magnitude. Using August 2008 to July 2009 as an example, the IMF approved about SDR 105 billion in assistance to 31 countries. Approximately a quarter of the total committed amount was disbursed. For comparison, between March 2020 and February 2021, the IMF disbursed slightly more than 40% of SDR 75 billion in support committed for more than twice as many countries.[25] The frontloading during the pandemic becomes even more evident when excluding precautionary arrangements, due to the strong use of emergency financing, which involves outright disbursements. The fact that the bulk of the Covid-19 lending has been through the Poverty Reduction and Growth Trust and as emergency financing helps explain the relative lower lending volume.

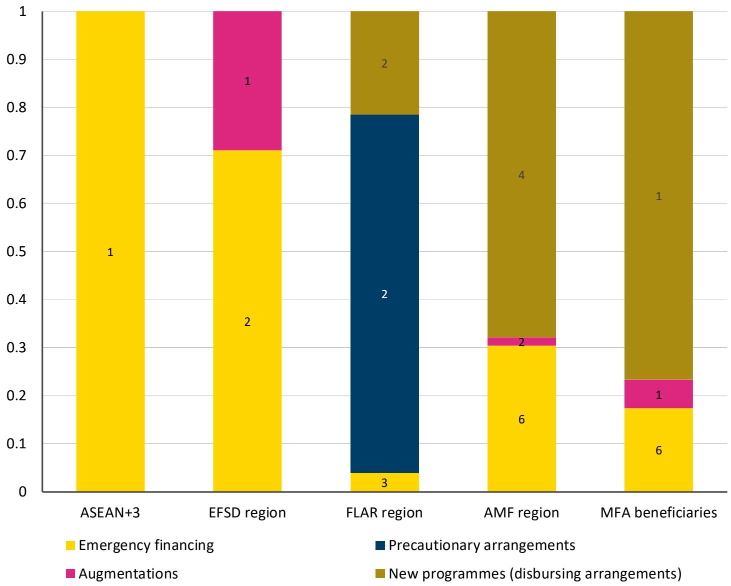
The IMF underpinned its agile reaction on a series of policy measures implemented, to a large extent, within weeks of the onset of the pandemic. To meet members' urgent financing needs, it temporarily doubled access to the two emergency facilities, the Rapid Financing Instrument and Rapid Credit Facility (IMF, 2020a). To rapidly provide debt relief, it broadened the qualification criteria of the Catastrophe Containment and Relief Trust to include fast-spreading epidemics (IMF, 2020b). These actions were complemented by the streamlining of internal procedures to accelerate the processing of members' requests under the Rapid Credit Facility, Rapid Financing Instrument, and Catastrophe Containment and Relief Trust (IMF, 2020c). For countries with very strong fundamentals and policy frameworks that face short-term and moderate Balance of Payment (BoP) needs, the IMF established a new instrument called the short-term liquidity line (IMF, 2020d). This swap-like liquidity support offers a credit line with revolving access to eligible members to strengthen buffers. A few months later, in the summer of 2020, the IMF introduced temporary increases in annual access limits on regular lending

[25] Calculations by the authors based on data from the IMF Financial Data Query Tool.

instruments to prepare for countries' transition out of emergency financing (IMF, 2020e).[26]

Twenty-five countries analysed in this study received IMF financial assistance through various lending facilities between March 2020 and end-June 2021. Five of the eight FLAR members, three of the four EFSD recipient states, eight AMF members, and all 10 MFA beneficiaries (including Tunisia and Jordan, which are also AMF members) received help from the IMF (Figure 19). In addition, three members from AMF and one from the EFSD obtained debt service relief from the IMF. Overall, the breakdown underscores significant differences between the regions since no euro area country and only one ASEAN+3 economy sought the IMF's help.

Figure 19
Breakdown of Covid-19 IMF financial assistance approved in Q1 2020–Q2 2021
(share of the total amount per region, number of countries in data label)



Note: Several countries accessed more than one type of support facility.
Sources: IMF Covid-19 lending tracker, IMF Financial Data Query Tool, authors' calculations

Generally, the need to address funding constraints has been an important component of IMF pandemic financial assistance in the various regions. Eighteen countries received emergency financing through the Rapid Financing Instrument and Rapid Credit Facility. Four requested an augmentation of access under existing IMF-supported programmes, which helped create space to address higher spending needs stemming from the crisis. Several newly approved traditional IMF-supported programmes were, to some extent, used more flexibly to help countries effectively respond to the pandemic and underpin the stabilisation. For instance, Jordan's Extended Fund Facility, designed before the Covid-19 outbreak, was amended to support emergency spending on such items as medical supplies and equipment. Another example is the Extended Fund Facility extended to Ecuador in September 2020, which allowed for an immediate disbursement of almost a third of the total approved amount directly to the budget. The two arrangements, intended to be treated as precautionary at the time of approval, are an exception, though even in that context Colombia drew on part of its Flexible Credit Line in December 2020 to address higher fiscal financing needs.

[26] While the overview on the IMF's role focuses on financing activities, it should be noted that, alongside financing, the IMF supported members through real-time policy advice, and focused on crisis-related priorities and capacity development, which was similarly adapted to meet the challenges of the pandemic.

Selected developments regarding bilateral swap lines and international reserves

A tightening of global market conditions in early 2020 prompted major central banks, led by the US Federal Reserve, to boost international liquidity access through bilateral swap arrangements.[27] Within days of the World Health Organization declaring Covid-19 a pandemic, the Fed re-established the temporary US dollar swap lines extended in the global financial crisis era with nine other monetary authorities around the world.[28] It also enhanced its unlimited standing US dollar swap lines with five other major central banks.[29] The steps, part of a wider package of actions by monetary authorities, were effective in reducing stress in financial markets (Cetorelli et al., 2020; Perks et al., 2021). The combined uptake of the Fed lines peaked in late May 2020 at USD 449 billion, slightly below the USD 583 billion reached during the global financial crisis (Aldasoro et al., 2020). As in the case of the global financial crisis, these critical swap lines became available mainly to a select group of advanced economies with only two emerging markets being covered. Using our dataset as example, no economy from the FLAR, EFSD, and AMF regions is on the beneficiaries list.

However, the Fed undertook an unprecedented step of establishing an additional temporary backstop during the pandemic, available to a wider group of foreign central banks. The Foreign and International Monetary Authorities Repo Facility makes it possible for monetary authorities to obtain US dollars by pledging US Treasury securities as collateral.[30] Colombia; Hong Kong, China; and Indonesia are examples of economies without Fed swap lines that have reportedly obtained access to it.[31] Even though the Repo Facility does not augment the resources available within the GFSN, it can play a stabilising role by providing reassurances on the availability of US dollars, thereby effectively strengthening a country's liquidity buffers. Admittedly, the facility primarily caters to countries that already hold large foreign reserves.

The Fed's actions, and those of other major central banks, reinforced an existing global network of central bank bilateral swap lines that has expanded significantly over the last decade.[32] China emerged as an important player in this respect as part of a strategy to promote bilateral trade and investment, and the internationalisation of the renminbi more generally. Notwithstanding varying objectives behind the swap lines, existing arrangements in place before the Covid-19 outbreak can still support investors' confidence in liquidity conditions during periods of financial stress and help avoid severe market disruptions.

Countries generally entered the Covid-19 crisis with stronger international reserve buffers, which can constitute an important form of self-insurance against external shocks. The stock of worldwide foreign exchange reserves at the end of 2019 stood at around USD 11.8 trillion, which is 76% more than in 2007.[33] This trend is broadly observed across the regions considered in this study, with the exception of the EFSD region (Figure 20). However, marked differences exist in

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[27] The Fed took centre stage in these efforts given the US dollar's dominant role in the international financial system. However, other major central banks also extended or reinforced existing bilateral swap lines during the Covid-19 crisis. See Perks et al. (2021) for an overview. In addition, in the GFSN the focus is usually on bilateral lines between central banks but, during the pandemic, several countries in this study (Georgia, Ukraine, and Moldova) obtained access to currency swap facilities through the European Bank for Reconstruction and Development (see Williams, 2020; and Rosca, 2020).

[28] The temporary swap lines support the provision of US dollar liquidity to the central banks of Australia, Brazil, South Korea, Mexico, Singapore, Sweden, Denmark, Norway, and New Zealand, with USD 30–60 billion limits per country (Federal Reserve Board, 2020b).

[29] The standing swap arrangements are with the central banks of Canada, England, the euro area, Japan, and Switzerland. The enhancements reduced the pricing, increased the frequency, and extended the maturity of the swap operations (Federal Reserve Board, 2020a, 2020c).

[30] Most of the 200 account holders at the Federal Reserve Bank of New York are eligible to apply to use the facility.

[31] Examples taken from the IMF Covid-19 policy tracker and Central Banking Institute (2021).

[32] See Han (2021) for an overview of existing bilateral swap arrangements in the ASEAN+3 region.

[33] Calculations by the authors based on IMF International Financial Statistics data.

regional relative shares of total foreign reserves, with ASEAN+3 economies leading this. As a share of GDP, both ASEAN+3 economies and the AMF region, which includes several oil-exporting countries, have high international reserve buffers (Figure 21).

Figure 20
Q4 2019–Q4 2007 change in foreign reserves
(ratio in %)

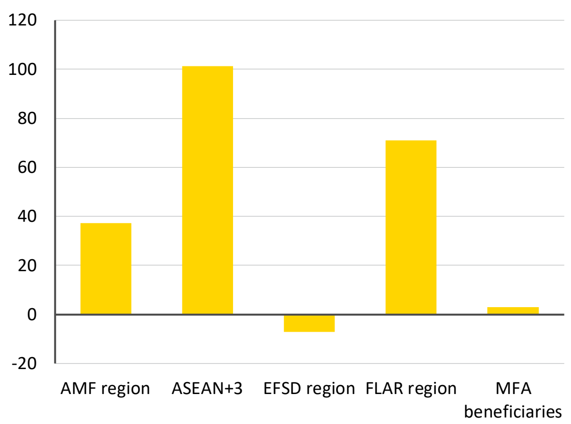
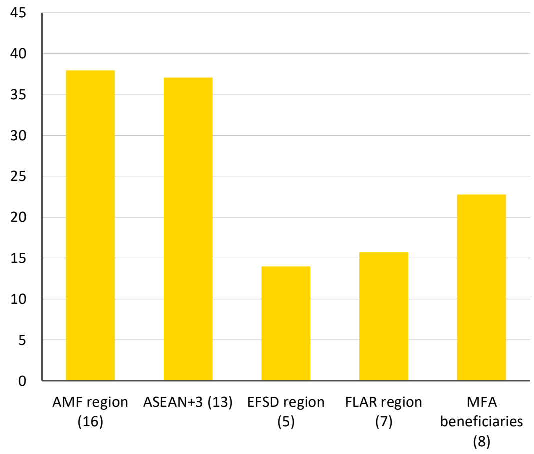


Figure 21
Foreign Reserves to GDP ratio in Q4 2019*
(in % of GDP)



Note: The euro area and Japan are excluded because they issue their own reserve currencies. *Only countries for which we had data for Q4 2019 foreign reserves and 2019 GDP are included. The parentheses indicate the number of countries included in each region.
Sources: IMF data, authors' calculations

Several countries, including some of interest in our study, reported using reserves during the pandemic to cushion their economies against external pressures. Uses included mitigating excessive exchange rate volatility, stemming currency depreciation pressures, and providing foreign currency liquidity to a domestic financial system.[34] In general, according to the IMF, while many countries intervened globally, foreign exchange operations for the median country as a share of total reserves was about one third lower than the level reached during the global financial crisis (IMF, 2020f). The relatively short duration of the stress period might explain the more limited use, which could also be attributed to the fact that emerging market economies have allowed exchange rates to adjust to a larger extent (Mühleisen et al., 2020).

A look outside the Global Financial Safety Net: Covid-19 emergency support from Multilateral Development Banks

We now look beyond the GFSN to review the MDBs' contributions to combat the pandemic. MDBs are excluded from the GFSN definition, even if some have instruments to extend BoP or budget support to members facing macroeconomic vulnerabilities, because their core business is to provide development financing. However, some have experience responding to natural and health disasters. Equally important, the pandemic infringed on several areas at the heart of MDBs' missions, such as reducing poverty and promoting private sector investment, which made it imperative that they mobilise much-needed relief. We focus here on the MDBs most active in our regions of interest, namely: the African Development Bank (AfDB); the Asian Development Bank (ADB); the Asian Infrastructure Investment Bank (AIIB); the Development Bank of Latin America (CAF); the Inter-American Development Bank (IDB) and its private sector arm IDB Invest; the Islamic Development Bank (IsDB); the European Investment Bank (EIB); the European Bank for Reconstruction and Development (EBRD); and the World Bank and its private-sector

[34] A few concrete cases can be found in the IMF's Covid-19 policy tracker.

sister organisation, the International Finance Corporation (IFC). The list comprises a varied group of institutions in terms of structures, operations, and the type of clients and their needs.

In early 2020, all MDBs announced targeted Covid-19 financial assistance packages. In some cases, they introduced tailored frameworks; in others they established financing envelopes to fight the pandemic (see below and Table A.3 in the Annex with an overview of the early announcements).[35] The MDBs often collaborated with each other, the IMF, other international financial institutions and multilateral organisations, bilateral partners, or the private sector to align or mobilise supplementary resources. Overall, the actions demonstrated that the work to shield members from the pandemic crisis would dominate their 2020 agendas.

At the global level, the World Bank Group took immediate action on two fronts. First, it established a dedicated USD 14 billion fast-track facility, including USD 8 billion from the IFC, to support companies and countries in their efforts to detect, prevent, and respond to the virus' rapid spread. Then, when countries needed more support, it announced a few weeks later that it would deploy up to USD 160 billion between April 2020 and June 2021 to address the shocks that countries were facing.

Regional and specialised development banks also mobilised to deliver prompt financial assistance to clients. The AfDB Group and AIIB created Covid-19 crisis facilities worth up to USD 10 billion and USD 13 billion respectively to assist governments and the private sector. The ADB launched a USD 20 billion response package, including about USD 2 billion for the private sector. The IsDB Group approved a USD 2.3 billion Strategic Preparedness and Response Facility for sovereign and private sector support. The IDB earmarked USD 12 billion towards the health crisis and its consequences, with IDB Invest, its private sector arm, contributing another US 7 billion. The CAF originally assigned USD 4.5 billion of its portfolio to help members protect their populations and countries, raising the amount as the crisis worsened. The EBRD unveiled a Resilience Framework of up to €4 billion to fast-track support to existing private sector clients; it later announced it would devote the entirety of its 2020–2021 activities to addressing the Covid-19 crisis. The EIB instigated a €25 billion guarantee fund to mobilise up to €200 billion of additional financing for companies, thereby preserving a credit channel to avoid major liquidity constraints. This was atop an immediate €28 billion response that involved refocusing operations, frontloading lending capacity, and special healthcare sector initiatives.

Contrary to non-crisis practice, several MDBs leaned towards rapid disbursement budget support in their pandemic responses, in some cases by design.[36] The AfDB's Covid-19 Facility official documentation states that budget support would be provided as a matter of priority (AfDB Group, 2020, p. 22). The ADB's Covid-19 response package includes up to USD 13 billion (65% of the total) for a new Covid-19 Pandemic Response Option to help governments implement effective countercyclical expenditure programmes. The AIIB, which does not have a regular instrument for policy-based financing, made an exception under its Covid-19 facility to extend budget support to projects co-financed with the World Bank or the ADB.[37] The CAF's Covid-19 resources included a new emergency credit line of up to USD 2.5 billion for countercyclical financing, which the CAF expanded to USD 4.1 billion upon rising demand. The

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[35] We centre on the early financial responses by the MDBs, drawing from publicly available information. As the pandemic progressed, several development partners took additional steps, adapting to changing circumstances and evolving needs of members. This includes actions to support vaccines' purchases.

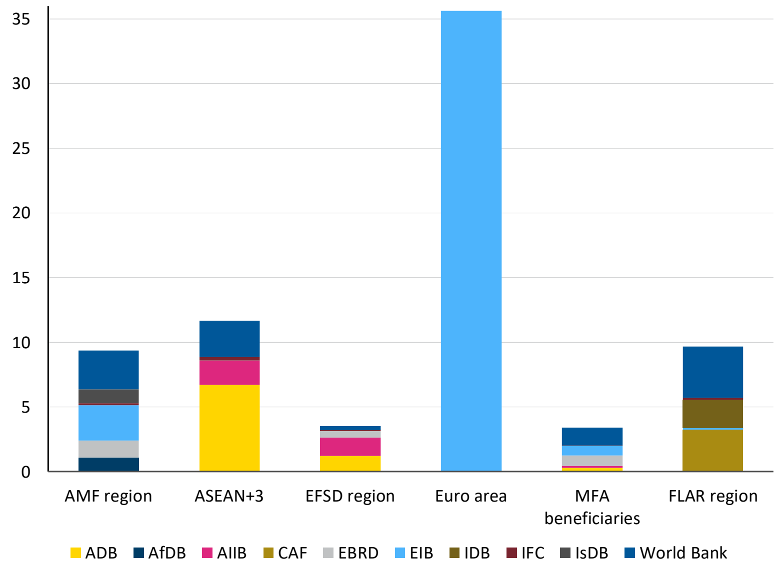
[36] In line with G20 (2018), we use budget support and policy-based lending or financing interchangeably.

[37] Though not covered in this section, the New Development Bank, established by Brazil, Russia, India, China, and South Africa, also announced a Fast Track Covid-19 Emergency Assistance Response Facility of up to USD 10 billion. The financing can be used for urgent needs including healthcare and social safety net-related expenditures, and to support economic recovery. For more information, see https://www.ndb.int/wp-content/uploads/2020/07/Policy-on-Fast-track-Emergency-Response-to-COVID-19.pdf.

IDB and the World Bank recorded an increase in the use of budget support loan instruments, while not making explicit commitments.[38]

The countries in this study are among those that benefitted from the MDBs' pandemic responses. Figure 22 presents estimates of the MDBs' commitments to counter Covid-19 that were approved in 2020 in the various regions, including sovereign and non-sovereign sectors where applicable (see Table A.4 in the Annex for information on the approach used to collect the data, including important accuracy and comparability limitations). Relative to GDP, several economies in the FLAR, EFSD, and AMF regions are among those that benefitted the most (Figure 23). These visual representations are not intended for comparison purposes but rather to demonstrate that development institutions were part of the safety net at the disposal of countries to mitigate the effects of the pandemic with targeted emergency investment and countercyclical support.

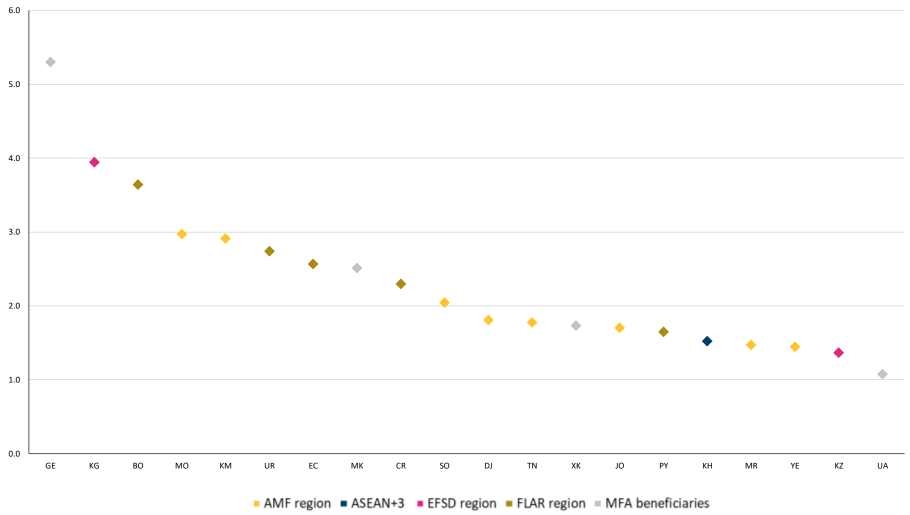
Figure 22
MDBs' Covid-19 financing operations approved in 2020
(in USD billion)



Note: See the Annex for information on the data collection, including important limitations. The data has not been verified by the MDBs. Covid-19 projects by IDB Invest are not included. For the euro area, only EIB projects are shown.
Sources: MDBs' websites, authors' calculations

[38] Drawing data from financial statements, budget support accounted for 43% of IDB's loan approvals in 2020 compared to almost 33% on average in the previous five years (IDB, 2020, 2019). The volume of policy-based lending by the World Bank reached 30% in the 2020 fiscal year, up from an average of 25% over the 2015–2019 fiscal year (World Bank, 2020).

Figure 23
MDBs' Covid-19 financing operations to GDP approved in 2020
(in % of GDP, only the first 20 countries shown)



Note: See the Annex for information on the data collection, including important limitations. The data has not been verified by the MDBs.
Sources: MDBs' websites, IMF World Economic Outlook (April 2021) , authors' calculations

The wide array of MDBs' Covid-19 operations across regions in 2020 group into four themes, with specific MDB's actions depending on the institution's focus. The first set of activities targeted an immediate healthcare response, including improving testing capacity, virus detection and treatment, procuring medical supplies and equipment, and strengthening the capacity of healthcare services. The second aimed to boost social protection, particularly for vulnerable populations and households, through cash-transfers and other methods. Third, MDBs worked to sustain companies and jobs, especially for SMEs and sectors vulnerable to Covid-19, revitalise supply chains, and support vital infrastructure and industries. The fourth theme focused on enhancing government efforts to ensure macroeconomic stability, by helping them deploy adequate resources to contain the spread of the virus and address its effects. This theme includes budget support operations.

Role of the Regional Financing Arrangements in the Covid-19 crisis

In tandem to national authorities, the IMF, MDBs, and others, the regional line of defence of the GFSN acted decisively to help members mitigate the impact of the Covid-19 pandemic on their economies. The actions ranged from revising instruments and policies to enhance lending readiness, to providing financial assistance and efforts to tailor economic monitoring and capacity building. We outline in the following section each of these activities, with a focus on toolkit and policy revisions and the provision of financing, and offer some observations on similarities and differences.

Overview of the institutional responses

Revision of instruments and policies

Most RFAs took specific steps that enhanced crisis readiness during the pandemic. They proactively revised lending toolboxes and policies or accelerated internal policy processes to prepare to respond effectively and quickly should a member request financial assistance, and some went on to provide pandemic financing.

The ESM established a new Pandemic Crisis Support instrument, based on an existing precautionary line instrument, tailored to the needs of sovereigns during the coronavirus emergency.[39] Pandemic Crisis Support is available to all euro area countries at favourable lending terms with no macroeconomic conditions attached. The only requirement is that the member uses it to finance direct and indirect healthcare, cure, and prevention related costs due to the Covid-19 crisis. Access amounts to 2% of each country's GDP as of end-2019, which would correspond to around €240 billion in the unlikely event of all members using it. Members can request the support until end-2022, serving as an important continuous liquidity guarantee against possible renewed bouts of uncertainty. While no country has applied for it to date, the agreement on this support instrument, in conjunction with the other safety nets within the first European Covid-19 support package (see Box 1 in Section 2), contributed to calming markets (Anev Janse & Ruhl, 2020).

The European Commission, as administrator of the MFA, and the EFSD made temporary adjustments to existing lending instruments, simplifying some of the requirements in similar fashion to the ESM. The EFSD's financial credit instrument, used to deal with members' BoP or budgetary pressures, is meant to be multi-tranche. Disbursements usually require structural reforms and the preservation of sound macroeconomic policies. However, in the Covid-19 environment, EFSD shareholders exceptionally allowed for a commitment-based rather than an implementation-based approach to policy conditions, and the EFSD Council endorsed simpler programme policy matrices for the provision of the single-tranche pandemic financing. The European Commission adopted a substantial Covid-19 MFA package that allowed for exceptional MFAs for countries benefiting only from IMF emergency financing. Traditionally, MFAs, which cater to EU partner countries experiencing a BoP crisis, are conditional on the existence of a disbursing adjustment and reform programme agreed with the IMF. These new "crisis MFAs" are shorter in duration (12 months instead of 2.5 years) and involve two disbursements, with only the second tranche conditional on the fulfilment of country-specific policy conditions.[40] The EFSD and European Commission eventually provided financial support under these revised instruments (see below).

Uncertainty about the duration and depth of the Covid-19 shock motivated FLAR to design a facility for longer-term support and search for ways to increase its lending capacity.[41] FLAR introduced an exceptional and temporary credit line called External Covid-19 Support with a longer maturity of up to five years compared to the three-year maturity offered in FLAR's standard BoP support line. The new credit line, which at the time of writing remained unused, is available until end-2021 and intended to help members address BoP problems arising from the pandemic. In addition, as a precaution, FLAR increased its leverage level to 162% from 65% of paid-in capital, the maximum the institution can hold, meaning it could mobilise up to USD 7.1 billion in resources thus effectively allowing it to provide loans to all its members if needed. In this context, the FLAR Board authorised the Executive President to set up a Medium Term Note Program to be ready to raise funds in international markets if needed.

In the ASEAN+3 region, AMRO helped CMIM members advance and make effective three recent amendments to the CMIM to upgrade it as a more reliable self-help mechanism in the region. The first upgrade increased the IMF De-Linked Portion to 40% from 30% of each member's maximum arrangement amount to allow members to obtain greater financial support

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[39] The credit line was made operational on 15 May 2020. For an explainer with more details, see https://www.esm.europa.eu/content/europe-response-corona-crisis.

[40] These reforms typically aim to make a contribution to the country's governance, resilience, and/or growth potential. For an overview of the main policy conditions agreed with eight of the partners, see https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1457.

[41] The steps were approved on 25 May 2020.

without having an IMF programme in place. The increased portion was supported by members' growing confidence in AMRO's surveillance and analytical capacity in supporting CMIM operation. The second change institutionalised the use of members' local currencies, in addition to the US dollar, within CMIM's total financing capacity of USD 240 billion, on a voluntary and demand-driven basis. This change seeks to broaden the financing options for members, adding to the CMIM's flexibility. The third established a more coherent and overarching framework for conditionality design in the event of CMIM activation with or without having linkage to the IMF programme, which will contribute to ensuring smooth and swift activation without causing excessive burden on the requesting country. While these enhancements did derive from reviews started before the pandemic, their implementation around mid-2020 and early 2021 boosted the CMIM's operational readiness at a crucial time.[42]

Provision of financial assistance

Three of the six RFAs approved Covid-19 financial assistance programmes to respective members in 2020 (see also Table A.5 in the Annex). The AMF approved six new loans and disbursed tranches from another two existing programmes for a total amount of Arab Accounting Dinar (AAD) 304 million (USD 1.3 billion) to address countries' urgent financing needs and support financial, banking, and public finance sector reform programmes. Through its affiliated Arab Trade Financing Program, it also provided USD 1 billion to national agencies for eligible trade transactions. The EFSD approved a total of USD 650 million in three financial credits for budget support. Moreover, it approved USD 9 million in social grant support to Armenia, Kyrgyzstan, and Tajikistan to strengthen healthcare systems. Finally, the European Commission Covid-19 MFA package helped EU enlargement and neighbourhood partners cover immediate financing needs for a total approved amount of €3 billion. The assistance is on highly favourable terms, with partners paying an annual coupon rate barely above zero.

RFA pandemic financial support was largely frontloaded and expedited when possible to address the spending urgency brought on by the health crisis. Two out of the three EFSD programmes were fully disbursed in 2020. Political turmoil in Kyrgyzstan meant the availability period of the funds for the third EFSD programme expired without disbursement. Of the €3 billion MFA package, slightly more than a third was already disbursed by end-2020. The bundling of 10 beneficiary countries into an 'omnibus' MFA proposal and the use of an exceptionally swift adoption process contributed to prompt support. Half of the loans the AMF approved in 2020 were under its Automatic Loan instrument, which is a single tranche instrument without policy conditions. In addition, the AMF processed all the financing requests through expeditious procedures, including those conditional on the implementation of a reform programme.

Tailored economic monitoring and capacity building

The RFAs closely monitored macroeconomic and financial developments and the pandemic's impact on their regions and members. This helped them identify challenges and risks and provide advice where needed. As part of these efforts, they deepened policy dialogue with key stakeholders and national authorities, bilaterally or through high-level group meetings. The format and intensity of these activities, however, varied widely across the RFAs, depending on, among other things, their respective mandates.

It is worth presenting a few examples of RFA undertakings in the context of the pandemic. Some intensified internal preparation processes amidst the fast evolving and uncertain

[42] The changes came into effect on 23 June 2020 and 31 March 2021. For more information, see https://www.amro-asia.org/the-amended-chiang-mai-initiative-multilateralisation-cmim-comes-into-effect-on-31-march-2021/.

environment. For instance, EFSD staff conducted exercises to estimate potential financing gaps for recipient states, under the assumption that all may request budget or BoP support. The assessments informed shareholders' discussions and helped expedite the support when requests arrived. In addition, some RFAs searched for ways to disseminate Covid-19 information efficiently to members. For example, AMRO developed a dedicated Covid-19 in Focus page on its corporate website to provide timely analyses on how the health crisis was affecting macroeconomic and financial stability in the region, and give policy recommendations to address the challenges.[43] Similarly, the AMF issued sets of principles and guidelines to support central banks in dealing with the implications of Covid-19 on financial stability and for ensuring smooth, safe, and effective transitions to digital financial transformation.

Regional rescue funds moved the sharing of technical expertise with members online to avoid lengthy disruptions. FLAR and AMF redesigned the content of their capacity building initiatives to target key emerging topics in the field of macroeconomic and financial stability, debt sustainability, and other pertinent issues. The AMF, which has a long established practice in providing trainings to its members, launched a distance learning platform in September 2020 and delivered 23 online courses from September to December that catered to government officials' technical assistance needs. The number of Arab staff participating in the training programmes in 2020 reached 969, and the AMF has now established as a top priority continued online training during 2021, with 52 courses already planned.

Reflections on the institutional responses

The overview of activities above shows the varied nature of the RFA responses during the acute phase of the crisis, in line with the economic needs and institutional settings. As noted in Sections 1 and 2, countries entered, were impacted, and responded differently to the crisis. The RFAs' aim to support members and address their needs reflect this heterogeneity. In fact, the RFAs' adaptability to regional circumstances is one of their strengths. Still, we can make a few common observations when considering the actions through the lens of the Covid-19 crisis.

The RFAs' nimbleness and versatility to enhance their preparedness emphasised their role as regional financial backstops in times of stress. The institutions regularly reflect on the suitability of their activities and tools, evolving in tandem to the changing needs of members and policy landscapes. However, the fast spreading external health shock and the unprecedented uncertainty about the economic outlook it generated, presented some challenges to the RFAs' ability to offer appropriate and timely support to members. The RFAs reactions ranged from FLAR's increased financial capacity to the AMF's refocusing of technical assistance. This demonstrates a great capacity to act quickly, that the mere existence of a strong RFA is crucial, whether liquidity is provided or not, and that strengthening the safety net has a purpose in and of itself.

In their actions, RFAs' paid particular attention to revising lending frameworks. The immediate Covid-19 financial assistance needed to be quick, and have limited conditions and broad eligibility appropriate for the type of shock being targeted. The toolkits of some RFAs were not fully prepared to address such need. The ESM, EFSD, and European Commission (with regards to MFA) responded by temporarily amending existing facilities, drawing inspiration from the IMF's instruments, to better reflect the needs. Such changes arguably shifted the tools closer in design to the IMF's emergency financing instruments (see Table A.6 in the Annex for a comparative overview). However, the individual adjustments were customised to meet regional and institutional specifics. For instance, the ESM's Pandemic Crisis Support is cheaper than the IMF's Rapid Financing Instrument because it aims to help members maintain continuous access

[43] The page can be found here: https://www.amro-asia.org/covid-19-in-focus/.

to market financing.

Most RFAs' Covid-19 financial operations aimed directly or indirectly to help countries cope with urgent spending needs. The nature of Covid-19 as a health and economic shock made fiscal policy, supported by accommodative monetary policy, the main tool for governments to buttress their economies. Section 2 showed that the fiscal response was indeed significant, particularly in advanced economies, so the role of RFA pandemic financing was more akin to providing relief to address domestic pressures. This is different than, for instance, replenishing reserves mainly to meet an external source of pressure or incentivising adjustment policies to address economic misalignments stemming from past policy mistakes. The bulk of the RFAs' reactions in that sense were comparable to the IMF's actions and pandemic-related emergency support from MDBs. This does not exclude the fact that some AMF programmes also supported beneficiary members' reform efforts or that the second instalments under MFA arrangements were conditional on the fulfilment of policy conditions.

The interplay between how countries entered the crisis, their policy space, and RFAs' individual mandates may help explain the demand for RFA financial support, or lack thereof. In the euro area, for instance, countries entered the crisis with a more robust institutional framework and general economic/financial position compared to before the global financial crisis. Moreover, the strong ECB response helped governments increase fiscal spending under very favourable market conditions. The mere existence of an easily accessible backstop like the ESM's Pandemic Crisis Support may have made that even easier. For their part, most ASEAN+3 economies entered the pandemic in a relatively comfortable position, with ample foreign reserves and adequate policy space, and growth in the region as a whole did not contract compared to other areas. This reduced individual country needs to draw on external financing lines, underscored by the fact that only one ASEAN+3 country requested emergency financing from the IMF. The FLAR region economies perhaps stand out because several of them sought the IMF's help, without resorting to the RFA. In practice, FLAR is allowed to lend to central banks to help countries address BoP difficulties. This means that the type of support needed during the pandemic crisis stretched beyond its mandate. Foreign exchange markets remained broadly stable in the region, apart from Q2 2020, and low interest rates and access to international liquidity facilitated the necessary adjustment. Adjustments of current account balances in most countries from a decline in private expenditure also reduced external financing needs and, as a result, most FLAR region economies did not experience BoP problems.

International Monetary Fund and Regional Financing Arrangement cooperation during the Covid-19 pandemic

The regional and global crisis fighters have taken several steps in recent years to improve their collaboration. The marked expansion of the RFA component of the GFSN after the global financial crisis underlined the need to efficiently mobilise the resources and expertise available within the GFSN. One important initiative in this was the establishment in 2016 of a regular policy dialogue between RFA leaders and the IMF to facilitate knowledge sharing about crisis prevention and resolution. Created by AMRO, the ESM, and FLAR, this multilateral platform served as a springboard for various other RFA ventures, such as the launch of an annual RFA research seminar series. These RFA-led initiatives built on and complemented extensive work by the IMF and the G20 in this field, and the pandemic offered the first opportunity to launch these efforts into action during trying times.[44]

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[44] See, for instance, IMF (2017) where the IMF outlines a framework to facilitate systemic collaboration with RFAs across various regions.

From the onset of the Covid-19 crisis, the regional rescue funds intensified cooperation with the IMF, collectively and individually. Bilateral cooperation can be particularly useful in crisis times when a country requests financial assistance as one way, among others, to ensure the complementary use of regional and global resources and avoid moral hazard. The nature of the pandemic shock, however, rendered group collaboration especially valuable also. The pandemic caused immediate cross-country spillovers, with the virus spreading from one region to the next and containment measures in one country suddenly impacting other parts of the world through, among other things, global value chains. A crisis of such scale and scope was arguably unknown territory for the rescue funds, creating fertile ground for them to learn from one another.

Group-level meetings fostered a joint reading of the fast evolving uncertain nature of the crisis, and deepening awareness on global and regional economic developments and policy actions. In April 2020, RFA leaders and the IMF Managing Director took stock of the global and regional crisis responses as a first step, followed in June 2020 by a more granular discussion between chief economists about the pandemic's impact on economic outlooks, especially on challenges and pressure points at the global level and across the various regions. Days later, RFAs participated in an IMF webinar aimed to broaden staff understanding of the IMF's crisis response strategy and find complementarities between lending instruments. In October 2020, the RFA and IMF leaders turned their attention to emerging risks threatening global and regional economic and financial stability during the expected recovery. Expanding on that exchange, the annual Joint RFA Research Seminar at the end of 2020 offered an opportunity to delve into emerging global and regional risks to financial stability, and policy options to build a more resilient, sustainable, and inclusive financial landscape in a post-Covid-19 environment. This was an RFA-led event, but the seminar benefitted from IMF expertise with speakers from various departments. In June 2021, the RFAs organised a roundtable with the IMF to exchange updates on institutional developments and activities.

Bilateral interactions centred on issues targeting regional and institutional needs during the Covid-19 crisis. One important aspect of collaboration related to some RFAs and the IMF extending parallel financing to common members. Communication here aimed to establish mutual understanding of the macroeconomic position in countries of interest, including regarding budget and BoP gaps, and discuss assistance plans and programme negotiations while fully respecting internal disclosure agreements. For MFA beneficiaries, discussions between the European Commission and the IMF covered country-specific commitments within individual Memorandums of Understanding. For the EFSD, cooperation also involved dialogues with development partners (see Box 2). In addition, the RFAs enhanced bilateral engagements as a way to collect intelligence from IMF experts and exchange views on thematic issues. For instance, AMRO undertook fruitful discussions with the IMF on the pandemic's impact on ASEAN+3 economies and ways to better support their common membership. The ESM, for its part, benefitted from a seminar initiated by the IMF European Department on vulnerabilities in the corporate sector. As last example, the AMF and IMF jointly organised the Arab Fiscal Forum that examined issues related to lifeline support and how to maintain social protection. Beyond these examples of collaboration, RFA and IMF staff continued regular technical exchanges on other policy topics.

Box 2. EFSD cooperation with donors during the pandemic

During 2020, the EFSD had frequent dialogues with the governments of its members, IMF staff, and other donor partners. The case of Tajikistan exemplifies how coordination works in practice. Discussions at these regular consultations focused on assessments and forecasts of macroeconomic developments and the economic outlook, especially estimates for potential budget and BoP gaps. The assessments enhanced coordination within the donor community, including the incorporation of global economic assumptions and modelling of country projections. As a result, several key development partners extended assistance to support the government's Covid-19 response. In 2020, the IMF approved USD 189.5 million in emergency financing to Tajikistan and provided grants for relief on debt service payments owed to the IMF; the EFSD approved a USD 50 million financial credit; and the ADB committed USD 50 million for budget support through the ADB's Covid-19 countercyclical support facility (see also Vinokurov et al., 2021).

4. Conclusions and considerations for the future

While the Covid-19 pandemic was a common shock, the economic impact varied substantially across regions. The economies covered in this study entered the crisis at different levels of preparedness depending on socioeconomic conditions, existing fiscal buffers, and the degree of economic diversification. The sector-specific nature of the crisis also meant those heavily reliant on contact-dependent services and services related to the movement of people were severely hit. Where present, a solid manufacturing production base played an important counterbalancing role. Overall, the FLAR region was the most affected, followed by the euro area that also underwent a severe recession. ASEAN+3 economies in aggregate posted flat growth, underpinned by a positive contribution from China, the first country to enter and exit the Covid-19 crisis in 2020.

Responses to the crisis consisted of unprecedented fiscal stimulus and monetary policy support. Aided by strong economic fundamentals, the adoption of prudent macro-policies over time allowed policymakers to effectively support their economies. They adopted budgetary and non-budgetary measures, such as guarantees, to support the economy, contributing to saving lives and protecting livelihoods. The fiscal responses appear more pronounced in high-income countries because a lack of available fiscal space constrained many others. Euro area countries on average adopted the largest envelope of direct and indirect fiscal measures followed by ASEAN+3 and FLAR region economies. The remaining three regions were able to provide less support. However, the averages conceal a high variation in the magnitude of fiscal responses within the regions. In general, low interest rates created a supportive environment for economic stabilisation, easing fiscal constraints in some cases. For monetary policy, the intensification of asset purchase programmes, in addition to rate cuts, was the main policy tool used by a number of central banks and monetary authorities to support economies across all the areas.

The RFAs responded to the Covid-19 crisis with agility and adaptability. Where necessary, they proactively revised tools and policies to enhance their readiness amidst an uncertain environment. When financial assistance was requested, they took steps to expedite the support. From the start, they closely followed macroeconomic developments and provided targeted policy and technical advice to country authorities if applicable. In total, the regional layer of protection of the GFSN approved USD 5.4 billion in pandemic financial assistance in 2020, including disbursements from existing programmes. The bulk of the operations, undertaken by the AMF, EFSD, and European Commission through MFA aimed to help countries cope with urgent spending. This reflects the nature of Covid-19 as a shock to the real economy and is broadly in line with the IMF's lending actions in the regions. Overall, while the responses varied across the regional rescue funds, depending on the needs of their membership and institutional-specific contexts like mandates, a strong spirit of solidarity permeated all their actions.

The RFAs increased cooperation with the IMF to share experiences and help create synergies when supporting common members. They efficiently exchanged information and technical expertise, both collectively and bilaterally, within the scope of internal requirements, including some instances with parallel financial assistance. The intensified group dialogue conveyed a strong message of multilateral cooperation, which should not be underestimated in times of uncertainty. It will be important to maintain this open and constructive dialogue in the future, using multilateral and bilateral avenues for collaboration whenever useful. Tailored bilateral engagements would be especially relevant given the diverging recovery paths. In some instances, further financial support will be necessary. In this context, close IMF-RFA cooperation on common members would facilitate consultations on financing gaps and programme design, as countries increasingly move towards regular, non-emergency, lending instruments, contributing to an effective use of available resources.

More than a year after the start of the pandemic, the crisis legacies are increasingly clear, in some cases morphing into deepening disparities across and within regions. Global poverty in 2020 increased sharply, the worst deterioration registered in the last 20 years. In parallel, income distribution within countries widened because the pandemic was more detrimental to vulnerable parts of the population, notably to low-skilled workers and those active in the informal economy. These scars risk becoming even more persistent in all regions when support measures unwind and affected sectors chart the difficult path to normality. At the macro-level, the unprecedented fiscal support extended by governments implies that countries will generally emerge from the Covid-19 episode with increased debt burdens at the time when medium-term growth is expected to remain subdued.

The RFAs should reflect on how they could support members to address these and other crisis legacies within their mandates during a recovery phase headed towards a green and digital transition and higher and more inclusive growth. This could involve activities that reach beyond lending. For instance, the regional rescue funds could look for ways to offer more guidance to members through technical assistance and policy advice, and benefit from closer collaboration with development partners based on respective comparative advantages. During the pandemic, MDBs played a central role in expanding fiscal space for Covid-19 spending, particularly in low-income countries, and by mobilising investment finance. As RFA members embark on the long ascent to an inclusive and sustainable recovery, the MDBs' experience in fighting inequality and promoting private sector development could be of particular interest. This knowledge-sharing could help complement the RFAs' perspectives with the MDBs' sectoral and developmental expertise.

RFAs could benefit from drawing lessons from the crisis as they prepare for the aftermath and reflect on the suitability of policies and instruments. In some cases, this may involve exploring possible enhancements to economic monitoring capabilities to better account for vulnerabilities exposed or deepened during the pandemic. In others, it could be about assessing whether the flexibility in lending frameworks during the pandemic would be sufficient to effectively address future external shocks, or whether reforms should be introduced if within the purview of the respective mandates. This could be of value in regions that are often exposed to natural disasters, or where shocks that members may face would likely be too sudden or idiosyncratic to make it practical to adopt any ad-hoc approach to revising an instrument.

Uncertainty is best tackled by exploring international synergies. Against the backdrop of continuing uneven access to vaccines and chances of new viral mutations, it remains unclear if the most acute phase of the Covid-19 crisis is behind us. The pandemic has clearly emphasised the interdependency of countries on a global scale. International cooperation to ensure broad-based recovery and boost resilience against future shocks will be of utmost importance, given the lurking spillovers associated with financial globalisation and the long-lasting scarring effects the pandemic carries. RFA staff remain dedicated to working closely with each other and the IMF to best serve their members and contribute to a stronger GFSN.

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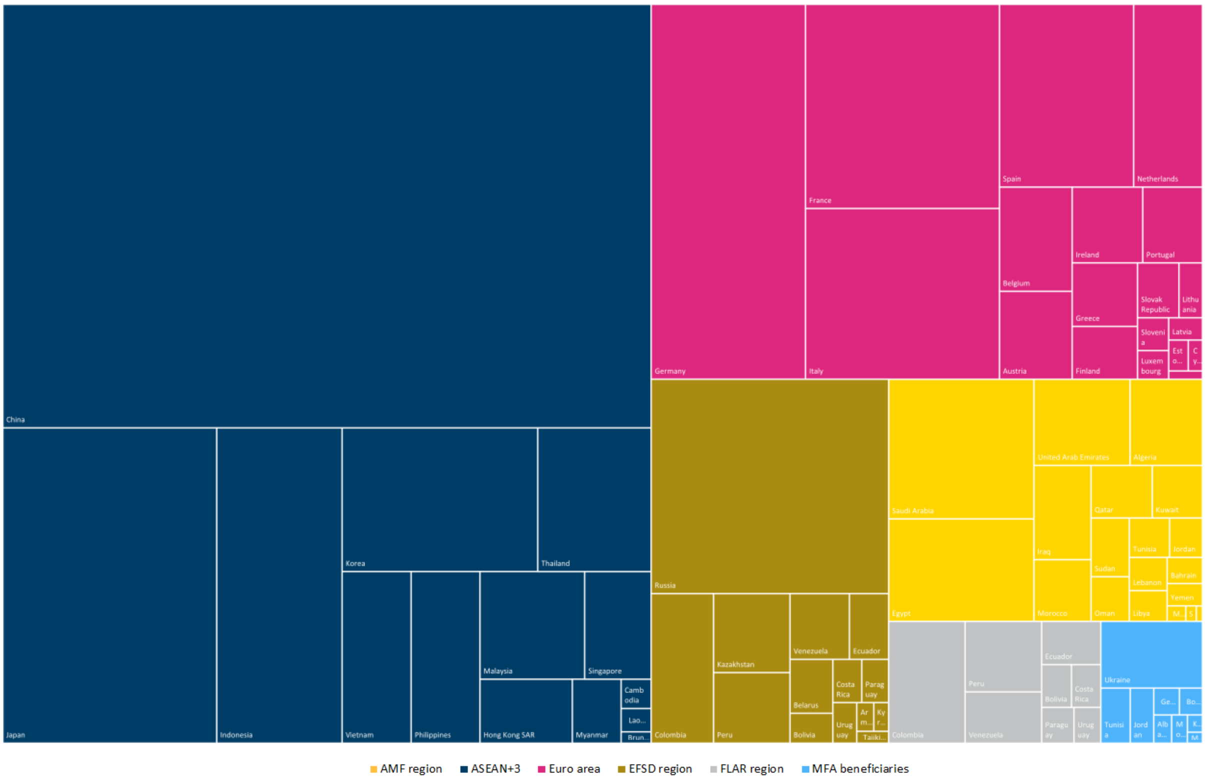
Annex

Table A.1
Selected features of the RFAs

Region label	RFA	RFA members/countries	RFA mandate/objective(s)	RFA lending capacity
AMF region	Arab Monetary Fund (AMF)	Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, UAE, Yemen	Correct disequilibria in the BoP; foster the removal of restrictions on current payments between member States; establish policies and modes of Arab monetary cooperation; render advice with regard to policies related to the investment of the financial resources of member States in foreign markets; promote the development of Arab financial markets; pave the way towards the creation of a unified Arab currency; promote trade among member States	AAD 841 million (USD 3.6 billion) as of June 30, 2021
ASEAN+3	ASEAN+3 Macroeconomic Research Office (AMRO) / Chiang Mai Initiative Multilateralisation (CMIM)	Brunei Darussalam; Cambodia; Indonesia; Lao PDR; Malaysia; Myanmar; Philippines; Singapore; Thailand; Vietnam; China; Hong Kong, China; Japan; Korea	The CMIM aims to address BoP and/or short-term liquidity difficulties in the ASEAN+3 region; and supplement existing international financing arrangements AMRO is the surveillance unit of the CMIM	USD 240 billion
EFSD region	Eurasian Fund for Stabilization and Development (EFSD)	Armenia, Belarus, Kazakhstan, Kyrgyz Republic, Russia, Tajikistan	Help member countries ensure their long-run economic stability and foster economic integration between them	USD 8.5 billion
Euro area	European Stability Mechanism (ESM)	Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, Spain	Provide stability support on the basis of a strict conditionality, appropriate to the financial assistance instrument chosen if indispensable to safeguard euro area financial stability as a whole and of its member states	€500 billion
MFA beneficiaries	EU Macro Economic Financial Assistance (MFA) administered by the European Commission	2020 Covid-19 MFA package beneficiary countries: Albania, Bosnia and Herzegovina, Georgia, Jordan, Kosovo, Moldova, Montenegro, North Macedonia, Tunisia, Ukraine	Designed for countries that are geographically, economically, and politically close to the EU that are dealing with serious BoP difficulties. Its objective is to restore a sustainable external financial situation while encouraging economic adjustments and structural reforms. Intended strictly as a complement to IMF financing	Annual lending capacity of €2 billion (indicative)
FLAR region	Latin American Reserve Fund (FLAR)	Bolivia, Colombia, Ecuador, Peru, Venezuela, Costa Rica, Uruguay, Paraguay	Provide BoP support through loans or credit guarantees; improve the investment conditions for member countries' international reserves; and contribute to the harmonisation of the member countries' exchange rate, monetary and financial policies	USD 7.1 billion

Source: Authors' elaboration

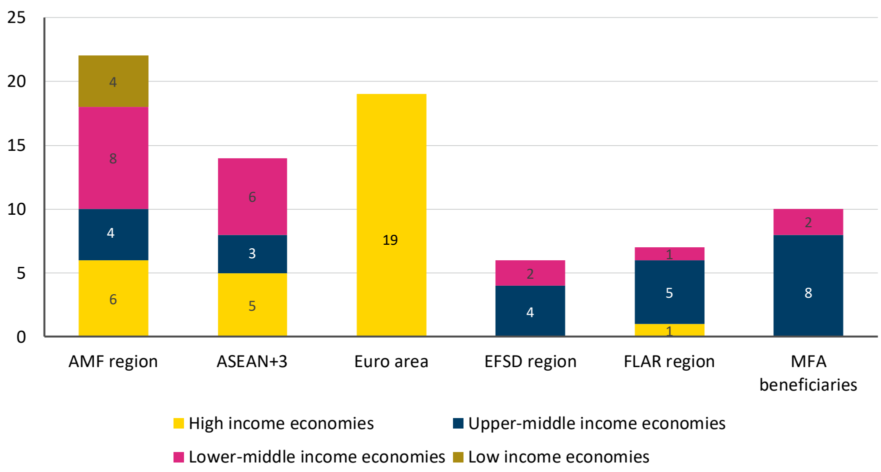
Figure A.1
Geographic representation according to GDP in purchasing power parity



Sources: IMF World Economic Outlook (April 2021), authors' calculations

Methodological note
To aggregate statistics by region, the authors summed purchasing power parity weights as reported in the IMF World Economic Outlook for each region and used the implied total to rescale the weight of each individual country within that region. In this way, the sum of the rescaled weights adds up to 1 rather than to the share of the region in world GDP. The weights were then used to compute weighted averages for each variable of interest throughout the document, as applicable. The weight and the variable of interest have the same reference year.

Figure A.2
Country classification by income level
(in number of economies)



Note: Venezuela is not included since it is "unclassified"; Jordan and Tunisia are included in AMF region and MFA beneficiaries.
Sources: World Bank Country Classification, authors' calculations

Table A.2
Definitions of central bank rates

Region/country	Monetary policy instrument
Euro area	Deposit Facility on Effective Date (EOP, percent)
Japan	1-yr London Interbank Offered Rate: based on JPY [LIBOR] (avg., percent)
Brunei	Deposit Rate: 1-year (percent per annum)
Cambodia	Deposits in Riel: 12 month [DISC] (NSA, percent per annum)
Hong Kong, China	Interest Rate: Best Lending Rate (avg., percent per annum)
Indonesia	Repo Rate: lending facility (NSA, percent per annum)
S Korea	International Rates on Outstanding Loans & Discounts (percent per annum)
Lao PDR	Central Bank Policy Rate: 2 weeks to 1 year (avg., percent per annum)
Malaysia	Overnight Policy Rate (avg., percent)
Singapore	Prime Lending Rate (EOP, percent per annum)
Thailand	Commercial Banks Lending Rate (percent per annum)
Vietnam	Interbank Interest Rate: 9 month (percent)
China	Prime Lending Rate (avg., percent per annum)
Colombia	BDLR Intervention Rate (percent)
Costa Rica	Monetary Policy Rate (avg., percent)
Paraguay	Overnight Policy Rate [Política Monetaria] (EOP, percent)
Peru	Reference Rate [Tasa de interés de referencia] (EOP, percent)
Venezuela	Commercial Bank Loan Rate (percent)
Kyrgyz Republic	NBKR Discount Rate (EOP, percent)
Kazakhstan	Base Rate (avg., percent)
Russia	Central Bank of Russia Policy Rate (EOP, percent)
Tajikistan	Refinancing Rate (EOP, percent)
Bahrain	One Week Deposit Rate [CBB Key Policy Rate] (EOP, percent)
Egypt	Overnight Deposit Rate (EOP, percent per annum)
Iraq	Interest Rates: Policy Rate (EOP, percent)
Kuwait	Central Bank Discount Rate (EOP, percent)
Lebanon	Repo Rate (EOP, percent per annum)
Morocco	Advances on Calls for Tenders [Key Rate] (EOP, percent)
Oman	Repo Rate (avg., percent)
Qatar	Repo Rate (EOP, percent)
Saudi Arabia	Repo Rate (EOP, percent)
Tunisia	Call for Bids Rate [Policy Rate] (EOP, percent per annum)
United Arab Emirates	Central Bank CD Rate (EOP, percent)
Albania	One Week Repurchase Agreement (EOP, percent)
Georgia	Monetary Policy Rate (EOP, percent)
Moldova	Base Rate [Main Short-Term Monetary Policy Operations] (EOP, percent)
North Macedonia	Central Bank Bill Rate (EOP, percent)
Ukraine	Discount Rate (EOP, percent per annum)

Source: Authors' elaboration based on information obtained from Haver

Table A.3

MDBs' announcements on Covid-19 financing packages in Q1–Q2 2020

MDB	Financing package/Facility
World Bank Group	• Established a Fast Track Covid-19 Facility to provide up to USD 14 billion in immediate support to assist companies and countries*, of which USD 8 billion comes from the IFC focused on the private sector. • The package aims to strengthen national systems for public healthcare preparedness. • Announced that it expected to deploy USD 160 billion through June 2021, including working with countries to redirect existing projects to fight Covid-19 through, for example, restructuring, reallocation, and triggering of emergency components of existing projects.
AfDB Group	• Announced a Covid-19 Rapid Response Facility of up to USD 10 billion to help regional member countries fast-track their efforts to fight the pandemic, of which USD 1.35 billion is for private sector operations.
ADB	• Announced a Comprehensive Response to the Pandemic committing up to USD 20 billion to address immediate needs of developing member countries of which around USD 2 billion is to support the private sector. ○ Includes a new financing instrument, the Covid-19 Pandemic Response Option (available from April 2020 until July 2021) to provide quick-disbursing budget support of up to USD 13 billion.
AIIB	• Announced a Covid-19 Crisis Recovery Facility (in place from April 2020 to October 2021) offering up to USD 13 billion of financing to public and private sector entities. • Areas of focus: immediate healthcare sector needs, liquidity support to address working capital and liquidity shortages in infrastructure and other productive sectors, and economic resilience, including the possibility of providing financing to supplement government productive expenditures.
CAF	• Introduced a Regional Contingency Credit Line of up to USD 2.5 billion for Covid-19 Countercyclical Emergency Support, which was later raised to USD 4.1 billion. • Made available USD 300 million to address the healthcare emergency. • Gave a non-reimbursable grant of USD 0.4 million to each member country.
EBRD	• Announced a Resilience Framework of up to €4 billion to streamline the provision of liquidity support and short-term capital to existing clients. • The Resilience Framework is a key pillar of the EBRD's Solidarity Package that consists of a series of measures to help companies deal with the impact of the pandemic. The latter include increases in trade finance limits and support for essential infrastructure. • Announced that it expected to dedicate the entirety of its investments (up to €21 billion) in 2020 – 2021 to the pandemic response.
EIB Group	• Launched an immediate €28 billion response to relieve liquidity and working capital constraints for SMEs and medium-sized companies hit by Covid-19. • Established the €25 billion pan-European guarantee fund to enable it to scale up its support for European companies up to an additional €200 billion. This fund is part of the joint European response package to the Covid-19 crisis. ○ Operative since October 2020. Operations under the fund will be initially approved until end-2021 but the period can be extended by the member states. • Made available €6.5 billion for projects related to Covid-19 outside of the EU and €6 billion for investments in the healthcare sector.
IDB Group	• Made available up to USD 12 billion to help members respond to the health crisis and its consequences. The amount includes reprogramming of the existing portfolio of healthcare projects, directing additional lending to Covid-19 related projects, and redirecting of projects underway in other sectors. • Areas of focus: immediate public healthcare response, safety nets for vulnerable populations, economic productivity and employment, and fiscal support for governments. • IDB Invest targets up to USD 7 billion for projects that alleviate healthcare constraints, maintain jobs, restore supply chains, and sustain sources of income.
IsDB Group	• Announced a USD 2.3 billion package for the IsDB Group Strategic Preparedness and Response Programme for the Covid-19 pandemic to support countries' efforts to prevent, contain, mitigate, and recover from the impact of the Covid-19 pandemic. • The financing is for sovereign projects and programmes, private sector lending, trade finance, and insurance coverage.

Note: Announcements made in the early stages of the pandemic. Later in 2020, several MDBs took specific action to inter alia help countries procure and deliver vaccines. *The World Bank Group's Multilateral Investment Guarantee Agency launched a separate fast-track facility to help investors and lenders tackle Covid-19.

Source: Authors' elaboration based on information taken from MDBs' websites; content has not been verified by the MDBs

Estimations of MDBs' Covid-19 operations

The analysis on MDBs' Covid-19 operational support draws from publicly available sources such as press releases, project documentation, or special portals in MDBs' websites on Covid-19-related financial assistance. It has not been verified by the corresponding MDBs and could be subject to error. The authors exercised judgement at times as to what to count as a Covid-19 operation. In addition, the collection approach differs in each case since the source of information is not the same across MDBs (see also Table A.4). The amounts are therefore not comparable across institutions. Estimates refer to approved operations in 2020 considered as part of the MDB's Covid-19 responses. Only the respective MDB commitment is included, and not additionally mobilised resources from other partners. For financing in a currency other than the US dollar, the authors used the US dollar equivalent provided in the project's documentation or applied the exchange rate on the day of approval to the extent possible. Multi-country projects are excluded unless the amount assigned to an individual country is clearly communicated. Estimates do not take into account disbursements' schedules. Though MDBs streamlined processes and oftentimes used tools to ensure quick disbursements, this approach could still overestimate actual Covid-19 assistance in 2020. On the other hand, the focus on Covid-19-related operations undercounts the total amount approved by MDBs since MDBs have also been active with non-pandemic related projects during 2020.

Table A.4
Data sources on Covid-19 operations per MDB

MDB	Main data source
AfDB	Press releases listed on a dedicated page on the AfDB's Covid-19 Response Facility
ADB	Annexes to the 2020 Annual Report
AIIB	Project portal on the AIIB's webpage and press releases. Only projects that mention the AIIB's Covid-19 Facility or Covid-19 response are included
CAF	Various sections (mainly press releases) of the CAF's website
EBRD	Project summary section on the EBRD's website. Only projects that refer to being under or part of the "Resilience Framework" or "Solidarity Package", or given "in the context of EBRD response to the pandemic" or as "part of EBRD response for coronavirus" are included. Announcements not listed in the project section e.g. on trade finance limits are not included
EIB	Covid-19 project list on the EIB's website with data as of 31 August 2021. Approval dates were extracted from the minutes of the meetings of the Board of Directors. A number of projects for which the authors could not find approval dates are included under the assumption that they were signed in 2021 but approved in 2020. Multi-country projects are included only insofar as they involve solely euro area countries. This results in undercounting of the support extended in the euro area
IDB	IDB's dashboard on the IDB's website on operational response to Covid-19
IFC	List of IFC Covid-19 response projects on the IFC's website. Amounts correspond to IFC investments as approved by the Board
IsDB	Dedicated page with Covid-19 updates on the IsDB's website
World Bank	Dedicated page on the World Bank's website covering the World Banks' group Operational Response to Covid-19. The first part of the list consists of projects supported by the Covid-19 Fast-Track Facility. The second part is projects with components responding to Covid-19. The authors exercised judgement in this part. Generally, they included a project if it had words that pointed to at least part of the financing being provided to "support the Covid-19 crisis response", "support Covid-19 relief", "mitigate/address the impact of the pandemic crisis" or similar. In some cases, the authors carved out the Covid-19 component within the total financing with the help of an interactive map on the bank's website and press releases. Overall, the choice of key words for including projects and the carving out of relevant amounts implies that the project list is not picking up projects/amounts that mainly focused on growth-enhancing reforms and/or the Covid-19 recovery phase

Source: Authors' elaboration

Table A.5
RFA Covid-19 financial assistance programmes approved in Q1 2020 – Q2 2021
(in millions)

RFA	Country	Approval date	Amount committed	Instrument*	Objective
AMF**	Jordan	7 May 2020	USD 43	Automatic Loan	Provide financial support to strengthen the country's financial position and meet emergency needs
	Morocco	27 April 2020	USD 133		
	Tunisia	13 May 2020	USD 62		
	Egypt	21 January 2020	USD 664	Structural Adjustment Facility	Support reform programme in the public finance sector
	Morocco	21 May 2020	USD 222		Support reform programme in the public finance sector
	Tunisia	27 May 2020	USD 104		Support reform programme in the financial and banking sector
EFSD***	Belarus	9 October 2020	USD 500	Financial credit temporarily adapted in the context of the Covid-19 crisis to a commitment-based programme	Secure budget financing to mitigate the impact of Covid-19 on the economy and the financial and social sectors, and support the economic recovery
	Kyrgyzstan	7 October 2020	USD 100		
	Tajikistan	31 July 2020	USD 50		
MFA	Albania	MFA package adoption: 25 May 2020 Agreement and ratification of individual Memorandums of Understanding followed thereafter	€180	Macro-Financial Assistance programme with temporary adaptations in the context of the Covid-19 crisis	Contribute to enhancing macroeconomic stability and create space to allow resources to be allocated towards protecting citizens and mitigating the negative socio-economic consequences of the pandemic
	Bosnia and Herzegovina		€250		
	Georgia		€150		
	Jordan		€200		
	Kosovo		€100		
	Moldova		€100		
	Montenegro		€60		
	North Macedonia		€160		
	Tunisia		€600		
	Ukraine		€1,200		

Note: *For an overview of RFAs' lending toolkits, see Cheng et al. (2020). **Excludes disbursements to Jordan and Sudan under arrangements already in place when Covid-19 hit (about USD 85 million) and financial support provided for trade transactions. ***Excludes social grants.
Source: Authors' elaboration

Table A.6

Selected features IMF Rapid Financing Instrument and Rapid Credit Facility, and RFA lending tools amended during Covid-19

	IMF		EFSD	ESM	MFA
Tool	Rapid Financing Instrument	Rapid Credit Facility	Financial credit instrument adapted in the context of Covid-19	Pandemic Crisis Support based on existing precautionary instrument	Macro Financial Assistance adapted in the context of Covid-19
Eligibility	All IMF members	Poverty Reduction and Growth Trust - eligible IMF members		All ESM Members	All eligible partners should need arise
Access level	Limit temporarily increased to 100% of IMF quota per year	Limit temporarily increased to 100% of IMF quota per year	All EFSD loans are extended within country access limits	2% of country's GDP as of 2019	
Policy requirements	No conditionality. Prior actions may be required	No conditionality. Prior actions may be required	No conditionality. Prior actions may be required	No macroeconomic conditions attached. Only requirement is to use the funds for Covid-19 healthcare-related costs	Country-specific policy conditions apply only for the disbursement of the second tranche
Disbursements	Outright one-off disbursement	Outright one-off disbursement	Outright one-off disbursement	15% of the total support per month	Two-tranche disbursement
Lending terms	SDR interest rate, margin of 100 basis points, service fee of 50 basis points on each amount drawn, repayment within 3¼ to 5 years	Zero interest rate; grace period of 5½ years; final maturity of 10 years	Floating or fixed (depends on the country)	ESM cost of funding, margin of 10 basis points, one-off service fee of 25 basis points, and annual service fee of 0.5 basis points; 10 years maximum average maturity	Annual coupon of barely above 0% on a 15-year maturity
Availability	Instrument part of the IMF's lending toolkit	Instrument part of the IMF's lending toolkit	Temporary	Temporary Available until end-2022	Temporary

Note: Does not include FLAR's temporary External Covid-19 Support facility which targets longer term BoP support.
Source: Authors' elaboration

Acronyms

AAD	Arab Accounting Dinar
ADB	Asian Development Bank
AfDB	African Development Bank
AIIB	Asian Infrastructure Investment Bank
AMF	Arab Monetary Fund
AMRO	ASEAN+3 Macroeconomic Research Office
ASEAN+3	Association of Southeast Asian Nations + China, Japan, and Korea
BoP	Balance of Payments
CAF	Corporacion Andina de Fomento (Development Bank of Latin America)
CMIM	Chiang Mai Initiative Multilateralisation
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EFSD	Eurasian Fund for Stabilization and Development
EIB	European Investment Bank
ESM	European Stability Mechanism
FLAR	Latin American Reserve Fund
GDP	Gross domestic product
GFSN	Global Financial Safety Net
G20	Group of Twenty
IDB	Inter-American Development Bank
IFC	International Finance Cooporation
IMF	International Monetary Fund
IsDB	Islamic Development Bank
MDB	Multilateral Development Bank
MFA	Macro-Financial Assistance
OECD	Organisation for Economic Co-operation and Development

RFA	Regional Financing Arrangement
SDR	Special Drawing Rights
USD	United States dollar