



# IMF Solacing Global Economic Fallouts of Coronavirus

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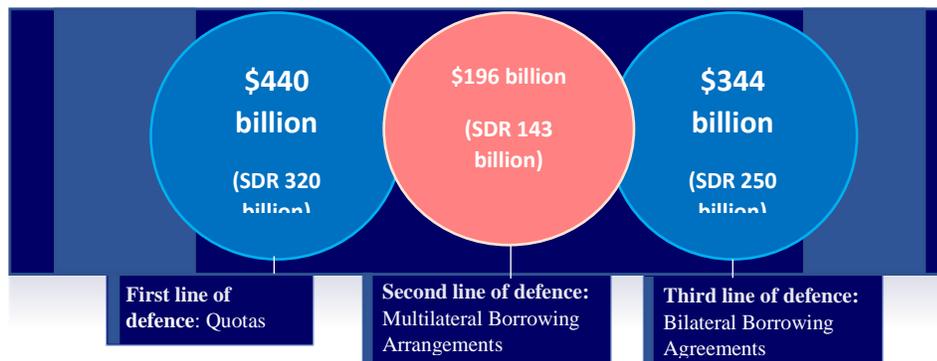
# IMF Solacing Global Economic Fallout of Coronavirus

World is now on the verge of facing another global crisis which will be worse than the great depression of 1930s' and financial crisis of 2008, as warned by IMF chief Kristalina Georgieva. With more than 3.5 million positive cases and 247,752 deaths across 187 countries<sup>1</sup>, IMF has decided to use its \$1 trillion lending capacity along with employing a swift first line of defense, where Fund will deploy its rapid disbursing and flexible emergency response toolkit to help the countries struggling with devastating economic blow from coronavirus.



## IMF at a glance:

The International Monetary Fund (IMF) is able to lend \$1trillion to its member countries by acquiring money through 3 different sources. To finance lending, it normally uses quota as a first priority which is followed by multilateral borrowing arrangements. IMF usually move to this



second line of defense during hard times, previously invoke of financial crisis. Lastly in case of tail risks, IMF supplements quotas

and new agreement borrowings by accessing bilateral borrowing agreements.

## Economic Fallout

With a global loss ranging from \$77bn to \$347bn, the economic impact of coronavirus is already visible in the countries most affected by the outbreak. For example, in China, manufacturing and service sector activity has dramatically declined since the outbreak. While Italy is facing a recession with expected GDP fall of 6.5% at the end of 2020, along Germany's economic

<sup>1</sup> John Hopkins University: Coronavirus Resource Center, Last updated:5/4/2020, 3:32:26 PM.

slowdown. The spillovers of pandemic are worse for developing nations. ADB<sup>2</sup> suggests a \$42,243 million loss under worst case scenario along with a loss of \$19 billion to \$45 billion in tourism receipts for the rest of developing Asia. However, the worst is yet to come, fueling the associated social challenges that will affect masses of people around the world.

## IMF packages to mitigate Economic Impacts of Coronavirus

The world is facing global health crisis, as coronavirus is devastating economies across the world. Inevitably, this virus is disastrously impacting people by snatching off their jobs and lives. Since it is part of the IMF's mandate to assist countries through policy advice and lending, it is now

working closely with world bank, ADB and WHO to provide timely technical assistance and financial support.

### IMF help countries to mitigate economic effects of pandemics through

- Emergency Financing
- Catastrophe Containment and Relief Trust
- Augmentation under existing programs
- New Financing Arrangements
- Capacity development

### IMF: As lender of last resort

As IMF is usually viewed as a lender of last resort but being one of the first out of the gate with policy action and tools, will go a long way to set precedent as President Nicolas Maduro of Venezuela and Irani president asks for \$5bn dollar emergency financing to fight the outbreak. Not only this, over 80 countries seek aid and calls for coordinated spending and almost every emerging and developing country on the globe is now looking up to IMF for relief funds.

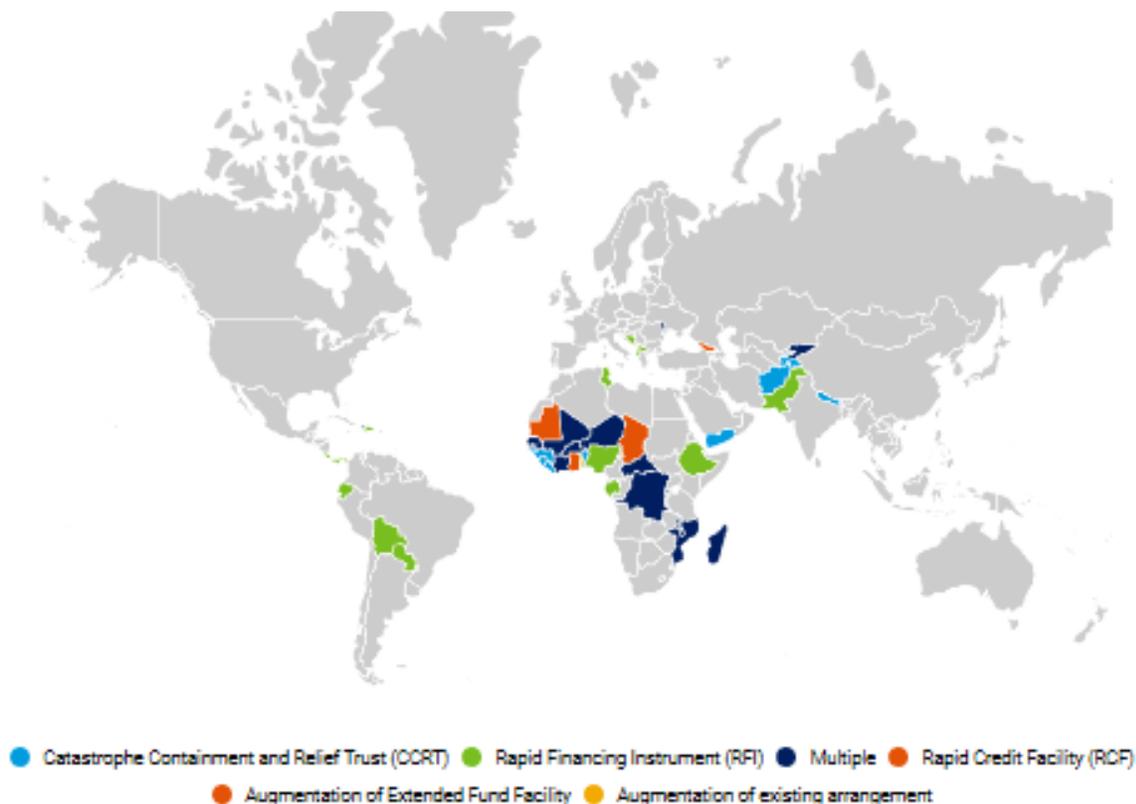
IMF announced \$50bn (£39bn) of emergency funding for countries hit hard by the coronavirus

pandemic. Around \$10bn of the total can be accessed by the poorest countries at zero interest for up to 10 years and other \$40bn at low interest rates for up to five years will be accessed by many middle-income countries.

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<sup>2</sup> ADB briefs, no:128, The Economic Impact of the COVID-19 Outbreak on Developing Asia.

## Countries Receiving Emergency Financing and Debt Relief from IMF



Source: International Monetary Fund

IMF board approved the first emergency financing loan of \$120.9 million disbursement for Kyrgyzstan. Since the outbreak, it is the first loan approved by Fund, consisting of \$80.6 million loan under the Rapid Financing Instrument program and a \$40.3 million loan under the Rapid Credit Facility. Table 1 shows region wise grants disbursement by IMF under its different schemes.

Table:1: IMF country wise disbursement

Sr.	Country	Amount approved in USD\$ (SDR)	Type of Emergency Financing	Date of Approval

<b>Asia and Pacific</b>				
<b>1.</b>	<b>Maldives</b>	US\$ 28.9 million (SDR 21.2 million)	Rapid Credit Facility (RCF)	April 22, 2020
<b>2.</b>	<b>Samoa</b>	US\$ 22.03 million (SDR 16.2 million)	Rapid Credit Facility (RCF)	April 24, 2020
<b>Europe</b>				
<b>3.</b>	<b>Albania</b>	US\$ 190.5 million (SDR 139.3 million)	Rapid Financing Instrument (RFI)	April 10, 2020
<b>4.</b>	<b>Bosnia and Herzegovina</b>	US\$ 361 million (SDR 265.2 million)	Rapid Financing Instrument (RFI)	April 20, 2020
<b>5.</b>	<b>Kosovo</b>	US\$ 56.5 million (SDR 41.3 million)	Rapid Financing Instrument (RFI)	April 10, 2020
<b>6.</b>	<b>Moldova, Republic of</b>	US\$ 78.4 million (SDR 57.5 million) US\$ 156.7 million (SDR 115 million)	Rapid Credit Facility (RCF) Rapid Financing Instrument (RFI)	April 17, 2020
<b>7.</b>	<b>Republic of North Macedonia</b>	US\$ 176.53 million (SDR 140.3 million)	Rapid Financing Instrument (RFI)	April 10, 2020
<b>Middle East and Central Asia</b>				

8.	<b>Islamic Republic of Afghanistan</b>	US\$ 220 million (SDR 161.9 million)	Rapid Credit Facility (RCF)	April 29, 2020
9.	<b>Kyrgyz Republic</b>	US\$ 80.6 million (SDR 59.2 million) US\$ 40.3 million (SDR 29.6 million)	Rapid Financing Instrument (RFI)  Rapid Credit Facility (RCF)	March 26, 2020
10.	<b>Georgia</b>	US\$ 375.60 million (SDR 273.6 million)	Augmentation of Extended Fund Facility	May 1, 2020
11.	<b>Islamic Republic of Mauritania</b>	US\$ 130 million (SDR 95.68 million)	Rapid Credit Facility (RCF)	April 23, 2020
12.	<b>Pakistan</b>	US\$ 1,386 million (SDR 1,015.5 million)	Rapid Financing Instrument (RFI)	April 16, 2020
13.	<b>Tunisia</b>	US\$ 745 million (SDR 545.2 million)	Rapid Financing Instrument (RFI)	April 10, 2020
	<b>Sub-Saharan Africa</b>			
14.	<b>Burkina Faso</b>	US\$ 115.3 million (SDR 84.28 million)	Rapid Credit Facility (RCF)	April 14, 2020
15.	<b>Cabo Verde</b>	US\$ 32 million (SDR 23.7 million)	Rapid Credit Facility (RCF)	April 22, 2020

<b>16.</b>	<b>Central African Republic</b>	US\$ 38 million (SDR 27.85 million)	Rapid Credit Facility (RCF)	April 20, 2020
<b>17.</b>	<b>Chad</b>	US\$ 115.1 million (SDR 84.12 million)	Rapid Credit Facility (RCF)	April 14, 2020
<b>18.</b>	<b>Union of the Comoros</b>	US\$ 4.05 million (SDR 2.97 million) US\$ 8.08 million (SDR 5.93 million)	Rapid Credit Facility (RCF) Rapid Financing Instrument (RFI)	April 22, 2020 April 22, 2020
<b>19.</b>	<b>Democratic Republic of the Congo</b>	US\$ 363.27 million (SDR 266.5 million)	Rapid Credit Facility (RCF)	April 22, 2020
<b>20.</b>	<b>Côte d'Ivoire</b>	US\$ 295.4 million (SDR 216.8 million) US\$ 590.8 million (SDR 433.6 million)	Rapid Credit Facility (RCF) Rapid Financing Instrument (RFI)	April 17, 2020
<b>21.</b>	<b>The Federal Democratic Republic of Ethiopia</b>	US\$ 411 million (SDR 300.7 million)	Rapid Financing Instrument (RFI)	April 30, 2020
<b>22.</b>	<b>Gabon</b>	US\$ 147 million (SDR 108 million)	Rapid Financing Instrument (RFI)	April 9, 2020
<b>23.</b>	<b>The Gambia</b>	US\$ 21.3 million (SDR 15.55 million)	Rapid Credit Facility (RCF)	April 15, 2020

24.	<b>Ghana</b>	US\$ 1,000 million (SDR 738 million)	Rapid Credit Facility (RCF)	April 13, 2020
25.	<b>Republic of Madagascar</b>	US\$ 165.99 million (SDR 122.2 million)	Rapid Credit Facility (RCF)	April 3, 2020
26.	<b>Mali</b>	US\$ 200 million (SDR 146.67 million)	Rapid Credit Facility (RCF)	April 30, 2020
27.	<b>Malawi</b>	US\$ 91 million (SDR 66.44million)	Rapid Credit Facility (RCF)	May 1, 2020
28.	<b>Republic of Mozambique</b>	US\$ 309 million (SDR 227.2 million)	Rapid Credit Facility (RCF)	April 24, 2020
29.	<b>Niger</b>	US\$ 114.49 million (SDR 83.66 million)	Rapid Credit Facility (RCF)	April 14, 2020
30.	<b>Nigeria</b>	US\$ 3,400 million (SDR 2,454.5 million)	Rapid Financing Instrument (RFI)	April 28, 2020
31.	<b>Rwanda</b>	US\$ 109.4 million (SDR 80.1 million)	Rapid Credit Facility (RCF)	April 2, 2020
32.	<b>Democratic Republic of São Tomé and Príncipe</b>	US\$ 12.29 million (SDR 9.03 million)	Rapid Credit Facility (RCF)	April 21, 2020
33.	<b>Senegal</b>	US\$ 294.7 million (SDR 215.73 million)	Rapid Financing Instrument (RFI)	April 13, 2020

		US\$ 147.4 million (SDR 107.87 million)	Rapid Credit Facility (RCF)	
<b>34.</b>	<b>Togo</b>	US\$ 97.1 million (SDR 71.49 million)	Augmentation of ECF	April 3, 2020
<b>Western Hemisphere</b>				
<b>35.</b>	<b>Bolivia</b>	US\$ 327 million (SDR 240.1 million)	Rapid Financing Instrument (RFI)	April 17, 2020
<b>36.</b>	<b>Costa Rica</b>	US\$ 508 million (SDR 369.4 million)	Rapid Financing Instrument (RFI)	April 29, 2020
<b>37.</b>	<b>Dominica</b>	US\$ 14 million (SDR 10.28 million)	Rapid Credit Facility (RCF)	April 28, 2020
<b>38.</b>	<b>Dominican Republic</b>	US\$ 650 million (SDR 477.4 million)	Rapid Financing Instrument (RFI)	April 29, 2020
<b>39.</b>	<b>Ecuador</b>	US\$ 643 million (SDR 469.7 million)	Rapid Financing Instrument (RFI)	May 1, 2020
<b>40.</b>	<b>El Salvador</b>	US\$ 389 million (SDR 287.2 million)	Rapid Financing Instrument (RFI)	April 14, 2020
<b>41.</b>	<b>Grenada</b>	US\$ 22.4 million (SDR 16.4 million)	Rapid Credit Facility (RCF)	April 28, 2020

<b>42.</b>	<b>Haiti</b>	US\$ 111.6 million (SDR 81.9 million)	Rapid Credit Facility (RCF)	April 17, 2020
<b>43.</b>	<b>Panama</b>	US\$ 515 million (SDR 376.8 million)	Rapid Financing Instrument (RFI)	April 15, 2020
<b>44.</b>	<b>Paraguay</b>	US\$ 274 million (SDR 201.4 million)	Rapid Financing Instrument (RFI)	April 21, 2020
<b>45.</b>	<b>St. Lucia</b>	US\$ 29.2 million (SDR 21.4 million)	Rapid Credit Facility (RCF)	April 28, 2020

Moreover, IMF also canceled Congo's debt-service payments to the fund for 6 months, saving the country about \$20.4 million.

On April 13, 2020, IMF allocated USD\$ 227.01 million for 25 countries under Debt Service Relief from the Catastrophe Containment and Relief Trust (CCRT). The managing director of IMF announced debt relief for 25 poor countries under IMF's revamped CCRT as a part of Fund's response to help address the impact of COVID-19 pandemic.

Table:2: Debt Service Relief from the Catastrophe Containment and Relief Trust (CCRT)

<b>Sr.</b>	<b>Country</b>	<b>Amount approved in USD\$ (SDR)</b>
1.	Islamic Republic of Afghanistan	US\$ 3.28 million (SDR 2.40 million)
2.	Benin	US\$ 10.17 million (SDR 7.43 million)
3.	Burkina Faso	US\$ 11.96 million (SDR 8.74 million)

4.	Central African Republic	US\$ 4.05 million (SDR 2.96 million)
5.	Comoros, Union of the	US\$ 1.33 million (SDR 0.97 million)
6.	Congo, Democratic Republic of the	US\$ 20.32 million (SDR 14.85 million)
7.	Ethiopia, The Federal Democratic Republic of	US\$ 12 million (SDR 8.56 million) (on April 30, 2020)
8.	The Gambia	US\$ 2.87 million (SDR 2.10 million)
9.	Guinea	US\$ 22.4 million (SDR 16.37 million)
10.	Guinea-Bissau	US\$ 1.48 million (SDR 1.08 million)
11.	Haiti	US\$ 5.61 million (SDR 4.10 million)
12.	Liberia	US\$ 15.92 million (SDR 11.63 million)
13.	Republic of Madagascar	US\$ 4.19 million (SDR 3.06 million)
14.	Malawi	US\$ 9.85 million (SDR 7.20 million)
15.	Mali	US\$ 9.99 million (SDR 7.30 million)
16.	Republic of Mozambique	US\$ 14.9 million (SDR 10.89 million)

17.	Nepal	US\$ 3.9 million (SDR 2.85 million)
18.	Niger	US\$ 7.72 million (SDR 5.64 million)
19.	Rwanda	US\$ 10.96 million (SDR 8.01 million)
20.	São Tomé and Príncipe, Democratic Republic of	US\$ 0.15 million (SDR 0.11 million)
21.	Sierra Leone	US\$ 18.28 million (SDR 13.36 million)
22.	Solomon Islands	US\$ 0.08 million (SDR 0.06 million)
23.	Republic of Tajikistan	US\$ 10.72 million (SDR 7.83 million)
24.	Togo	US\$ 5.12 million (SDR 3.74 million)
25.	Republic of Yemen	US\$ 19.76 million (SDR 14.44 million)

## **IMF's Disbursement to Pakistan**

Pakistan already having the IMF's \$6 billion Extended Fund Facility loan program, requested an emergency loan disbursement to fight coronavirus. The Executive Board of the International Monetary Fund (IMF) approved a purchase of Pakistan under the Rapid Financing Instrument (RFI) equivalent to SDR 1,015.5 million (US\$ 1.386 billion, 50 percent of quota).

Under Fund's Rapid Financing Instrument (RFI), government will address additional and urgent balance of payments needs and support policies that would make it possible to direct funds swiftly

to Pakistan's most affected sectors including social protection, daily wage earners and healthcare system.

Pakistan will be able to borrow full quota of about \$2.76 billion over two years, or \$1.43 billion over a single year to meet urgent balance-of-payments needs. In addition to this, World bank also provided \$ 238 million and Asian development bank (ADB) provided \$350 million to Pakistan in support for COVID-19 emergency plan and to fight socio-economic disruption associated with pandemic.

## **Suspending debt payments**

Two-thirds of the world's poor population lives in extreme poverty. Out of which a huge proportion resides in profoundly indebted poor economies of Africa and Asia. Recently David Malpass, World

Bank President highlighted that poor countries will take the hardest hit as they were already heavily indebted before the crisis. Hence many regions will need debt relief as it is the only way they can fight the outbreak by utilizing the resources they currently have. With the current pandemic, the life standards will deteriorate coarsely. To provide relief, World Bank (WB) and the IMF called on global creditors for suspension of loan payments from International Development Association (IDA) borrowing countries that requested for such extensions to address their immediate liquidity needs to battle the coronavirus pandemic. As of September 2019, Pakistan's

### **ADB approved additional \$2 million grant for Pakistan**

On March 30, 2020, the Asian Development Bank (ADB) announced an initial package of approximately \$6.5 billion to address the immediate needs of its developing member countries in respond to the COVID-19 pandemic. Moreover, it approved further \$2 million grant to support the Government of Pakistan's efforts to combat COVID-19.

The grant, financed from the Asia Pacific Disaster Response Fund, will help fund the immediate purchase of

- Emergency medical supplies
- Personal protective equipment
- Diagnostic and laboratory supplies

It supplements an initial \$500,000 approved by ADB on 20 March, which is already being deployed to support Pakistan's procurement of emergency supplies through UNICEF. Taken together, this \$2.5 million in approved funding represents ADB's immediate response for Pakistan, with further support to follow.

external debt was 106.9 USD bn and the numbers were rising consistently. Suspension of debt will give an upper hand to the economy to tackle with coronavirus situation.

Moreover, World Bank is also working with 35 countries to address the ongoing pandemic by redirecting the resources. WB has also planned to spend \$160bn over the course of next 15 months.

## **IMF Policy recommendations amid COVID-19**

The IMF also highlighted Vietnam and Thailand as examples of countries introducing new ways of providing cash transfers. IMF also praised Philippines for using a public works program employing informal workers as medical assistants amid virus outbreak. Malaysia was cited for purveying grants to micro-enterprises.

Some of the ‘new deal’ measures proposed by the IMF include:

- Getting health basics right
- Tapping multilateral funding as a necessary measure making
- Clean water as priority
- Expanding safety nets
- Investing in digital economy to draw in more recipients of public aid
- Improving the business environment by reducing regulation and making the tax system more efficient.

### **Limiting the Economic Fallout with Targeted Anti-Coronavirus Fiscal Policies by IMF**

In addition to the financial support and relief provided by IMF, it has also suggested some policy measures to mitigate the impact of this pandemic. It stated that fiscal policy can play a great role to alleviate the shocks with fiscal positions retrogressing to medium term paths uniform with debt sustainability. Other measures include:

Spending to prevent, detect, control, treat, and contain the virus, by providing basic services to quarantined people. Moreover, national governments can allocate money for local governments to spend on mobile clinics and medical personnel in affected places, as China and Korea have done so far.

- Targeted cash transfers to hard-hit sectors such as tourism.
- Paid sick leaves.
- Temporary support for individuals and households under strain.
  - Wage subsidies to people and firms to help curb contagion by staying at home
  - Expand and extend transfers
- Temporary tax relief through targeted reductions and delay in tax payment which can help address cashflow shortfalls for businesses affected by pandemic.
- Easing monetary policy can also complement fiscal efforts, especially by keeping inflation in single-digits in vast majority of countries in the region.
- Financial measures can help minimize disruptions to much-needed credit and liquidity for businesses, including central bank liquidity provision or temporary credit guarantees.
- For countries with flexible exchange rate regimes, the exchange rate should be allowed to act as a shock absorber.

## Conclusion

Due to globally imposed economic, humanitarian and social losses by coronavirus outbreak, it is important to communicate to public that how emergency actions with changes to original budgets are compatible with stability and sustainability of the economy. With the current financial support and effective fiscal support measures by IMF, for the time being countries can limit the spread of the disease and protect the people and firms most affected, by adopting operative policies.

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