

No-one left behind? The shortcomings of the Global Financial Safety Net for developing countries during COVID-19

Laurissa Mühlich, Marina Zucker-Marques, Barbara Fritz, William N. Kring

GFSN tracker project

Boston University – Freie Universität Berlin – UNCTAD

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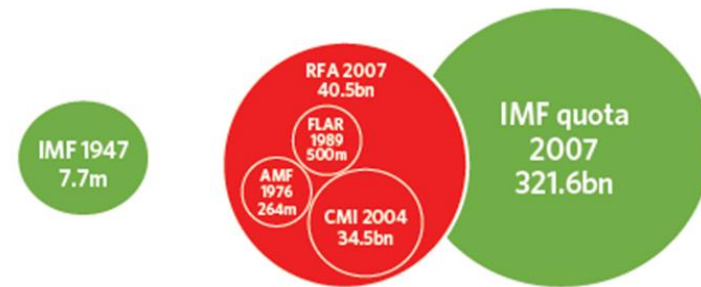
The Global Financial Safety Net

Global Financial Safety Net (GFSN): IMF

IMF 1947
7.7m

1944-1976

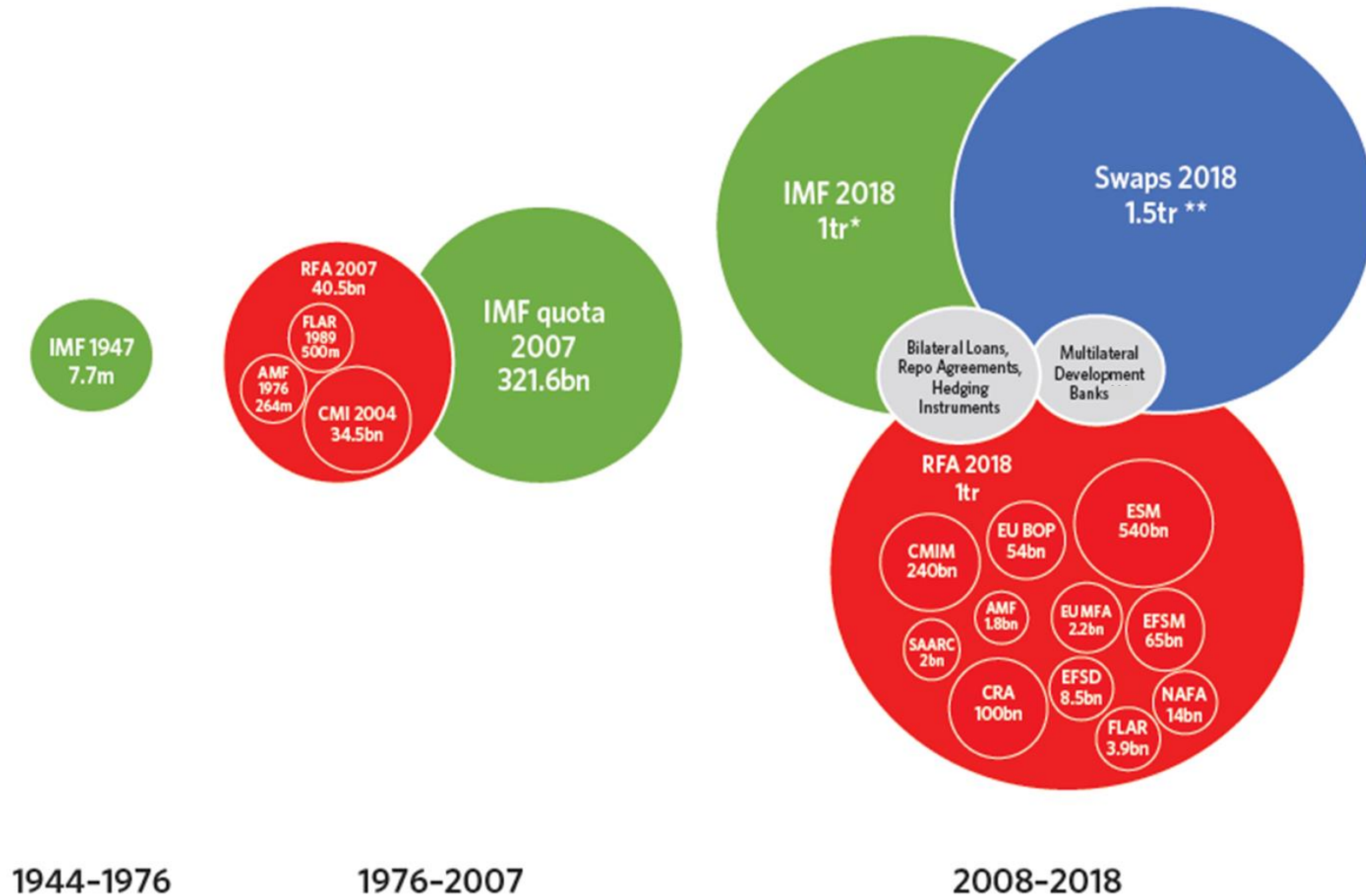
Global Financial Safety Net: IMF & Regional Financial Arrangements (RFAs)



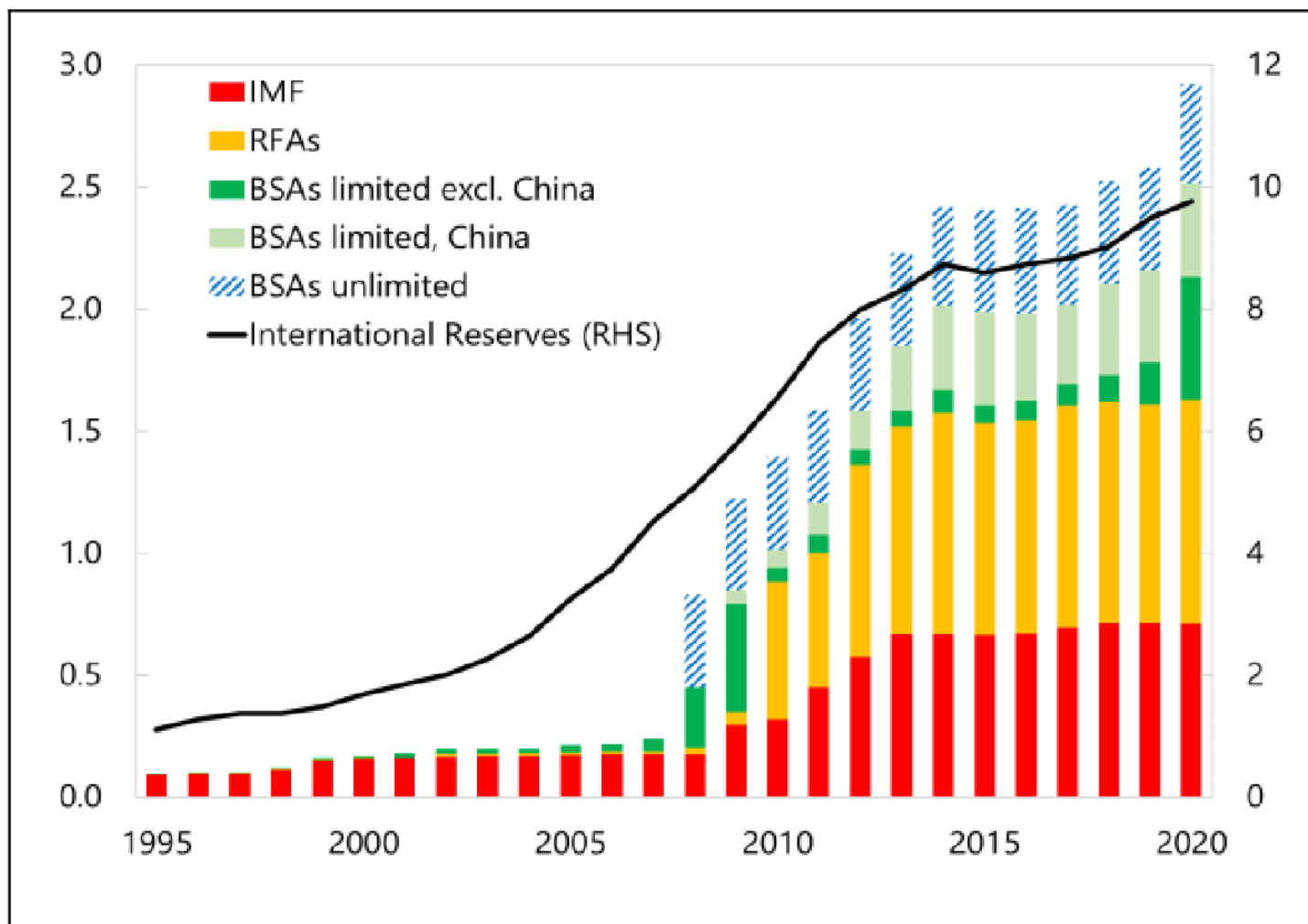
1944-1976

1976-2007

The Global Financial Safety Net Today: IMF & RFAs & currency swaps



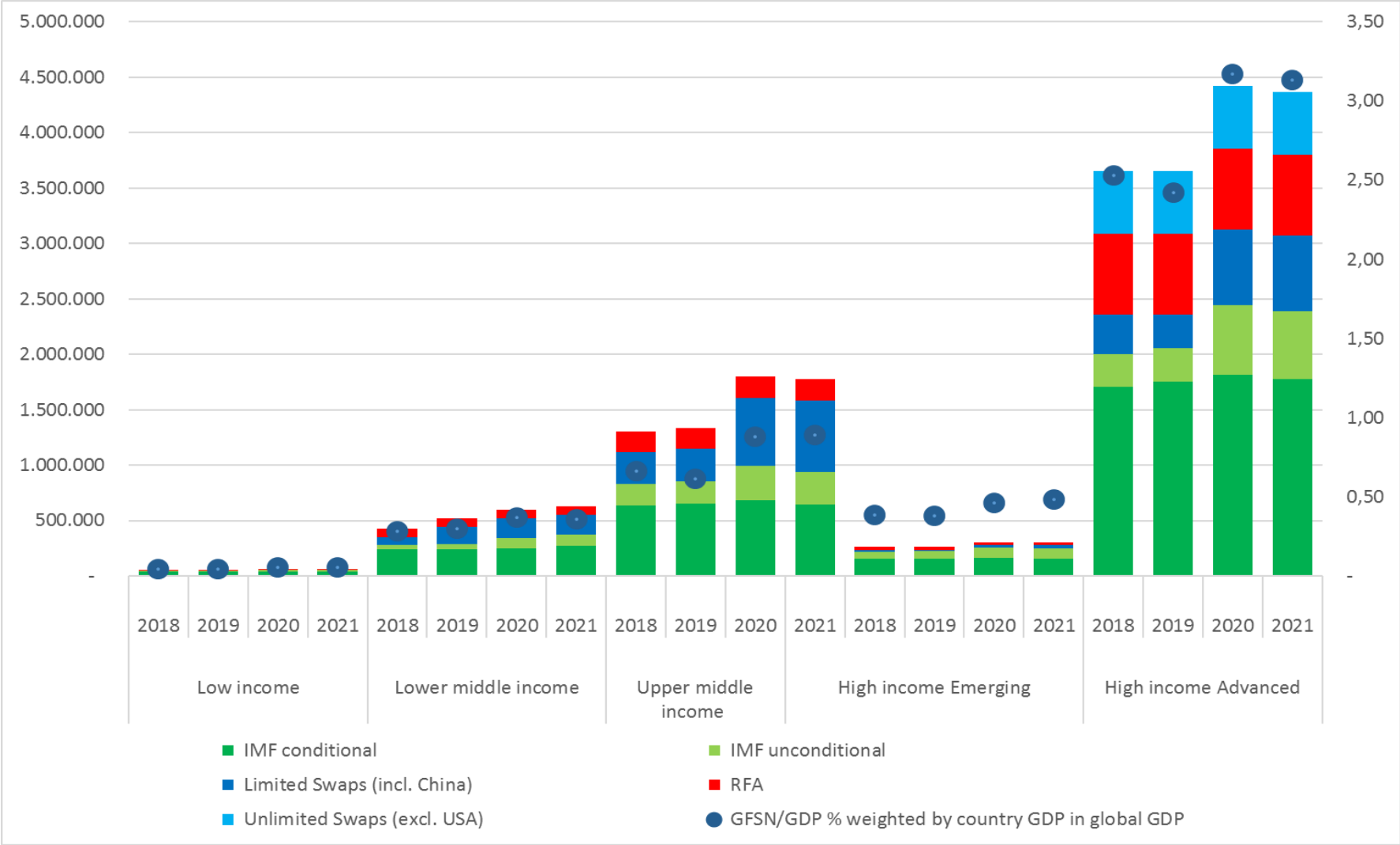
Evolution of the GFSN (Trillions of SDRs)



Source: Iancu et al. 2021 (IMF Strategy, Policy and Review Paper)

GFSN lending capacity by income groups

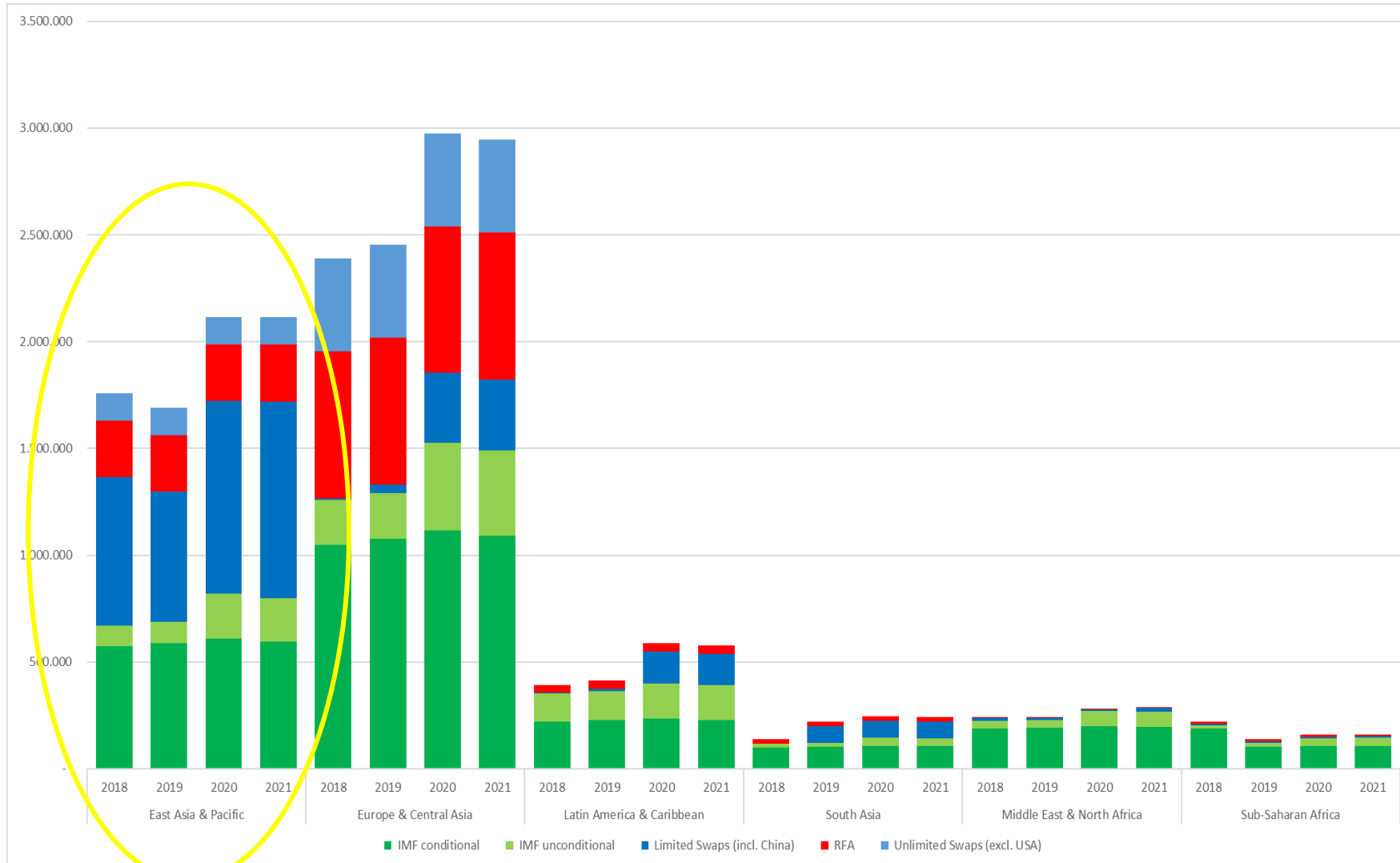
(2018-2021; left scale USD million; right scale: % GDP weighted)



Source: www.gfsntracker.com

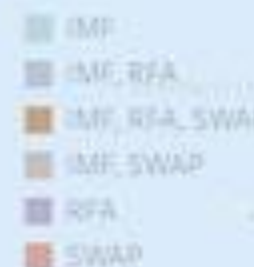
GFSN Lending Capacity of the GFSN by regions

(2018-2021; in USD million, for three years)



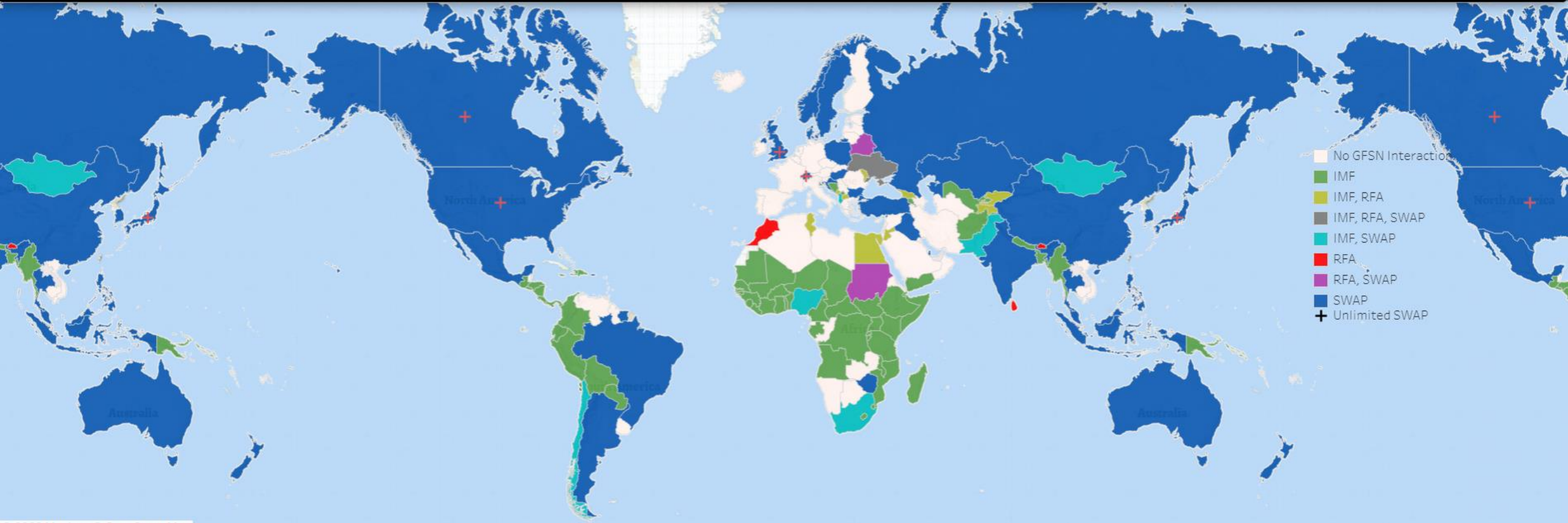
Tracking the GFSN in the pandemic

Global Financial Safety Net Tracker



The Global Financial Safety Net Tracker tracks the annual lending capacity of the IMF, central banks and regional financial arrangements (RFAs), as well as the total amount of financing to combat the COVID-19 crisis via loans from the IMF, RFAs and currency swaps to date.

<https://gfsntracker.com/>

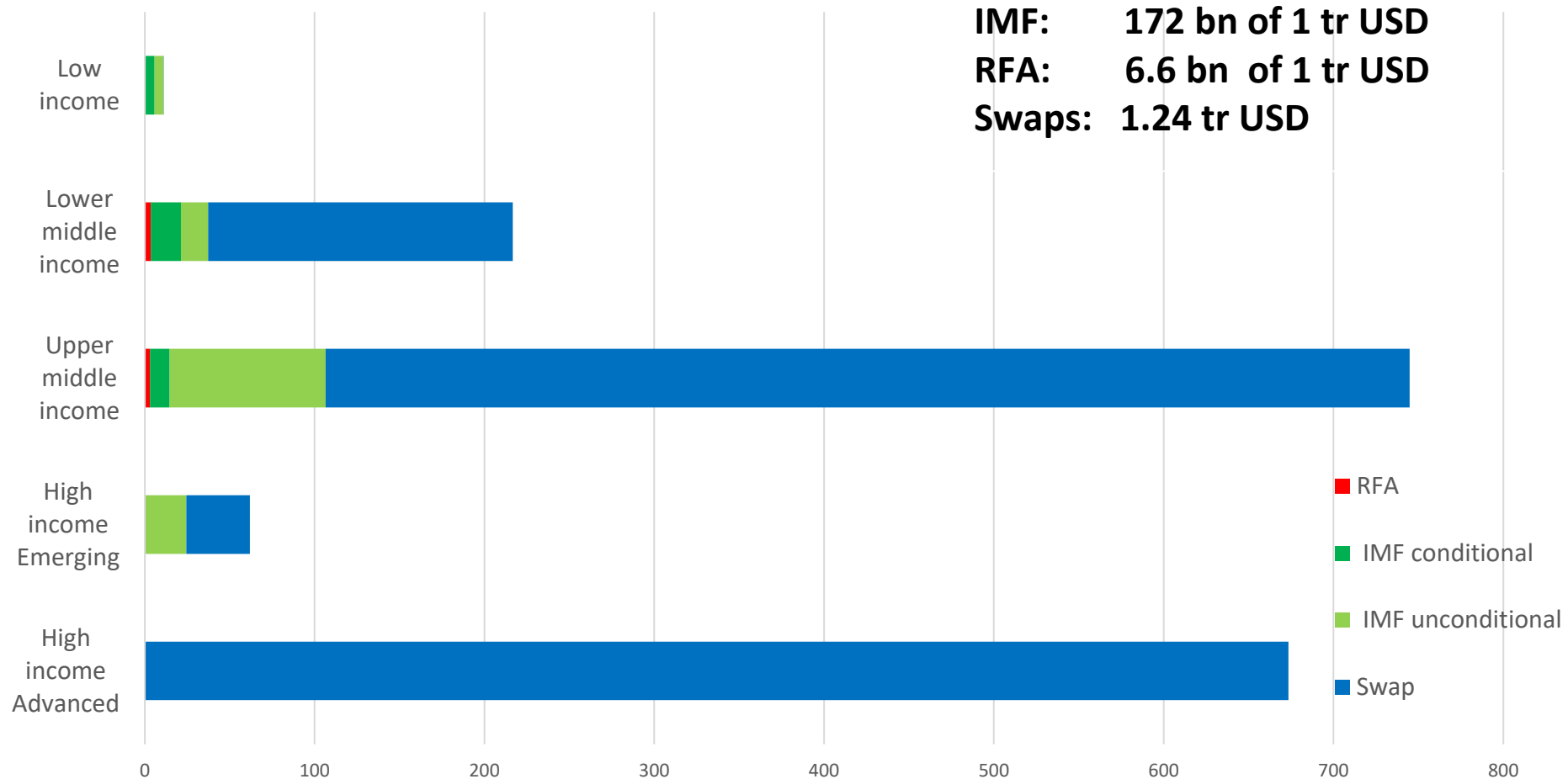


© 2022 Mapbox © OpenStreetMap



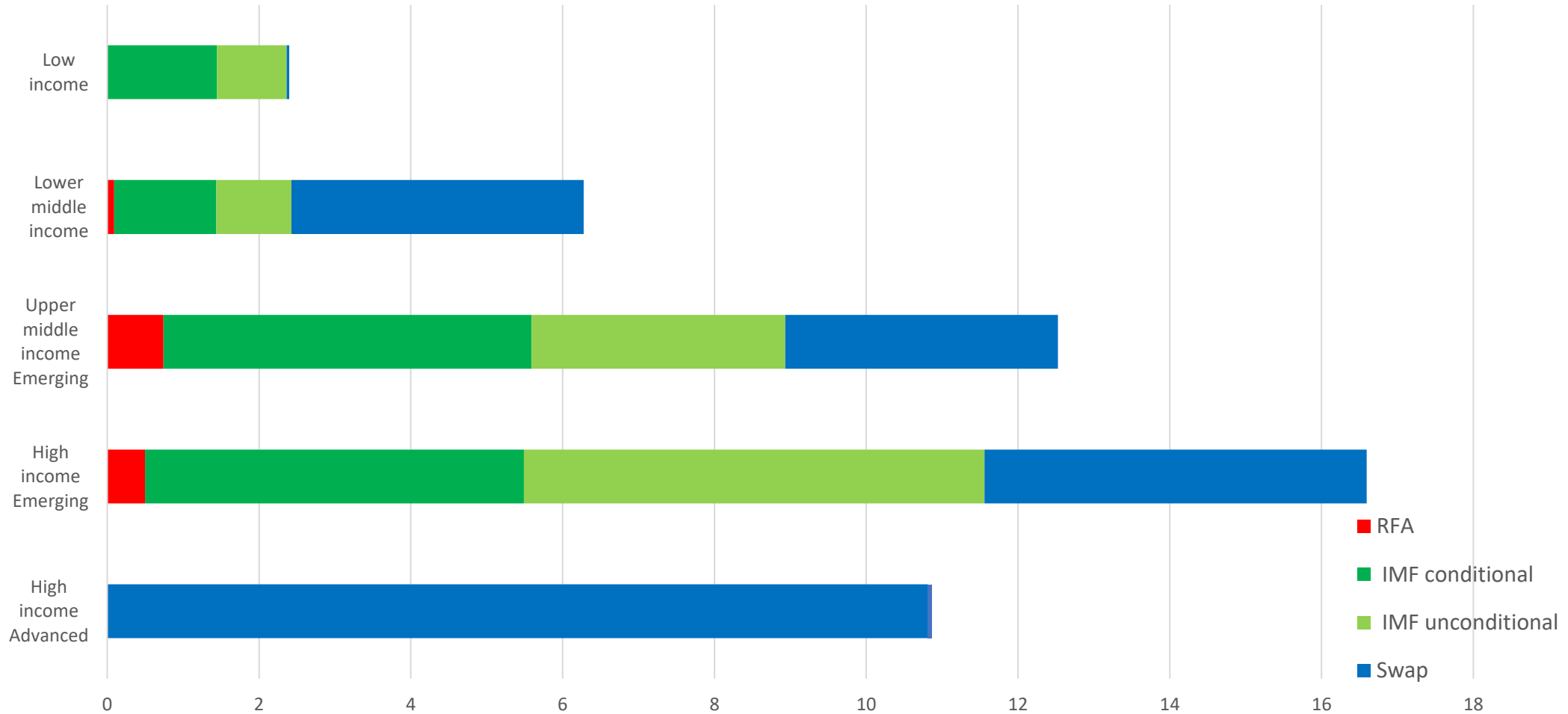
Active GFSN use during COVID

(March 2020 – Jan. 2022, in USD bn)



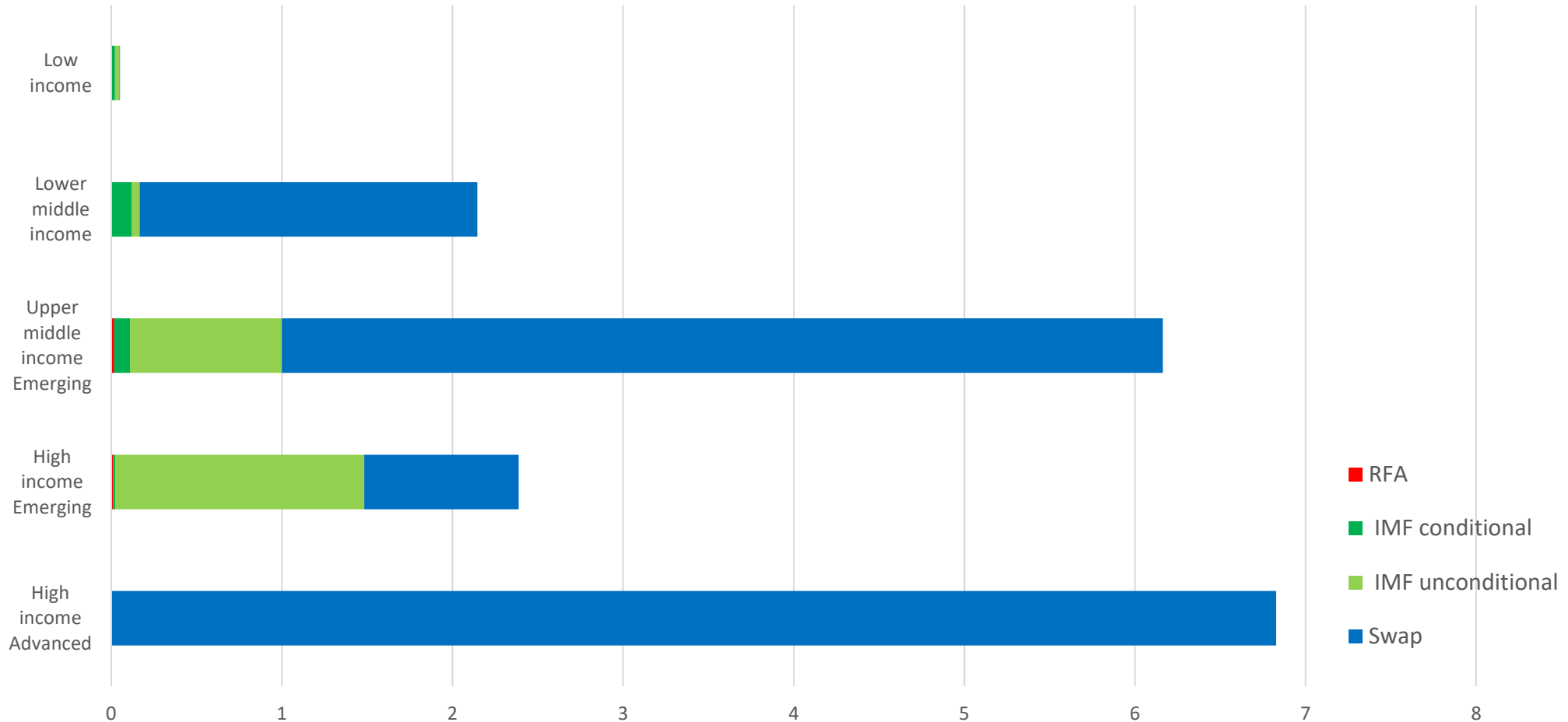
Active GFSN use during COVID

(March 2020 – Dec. 2021, % of GDP)



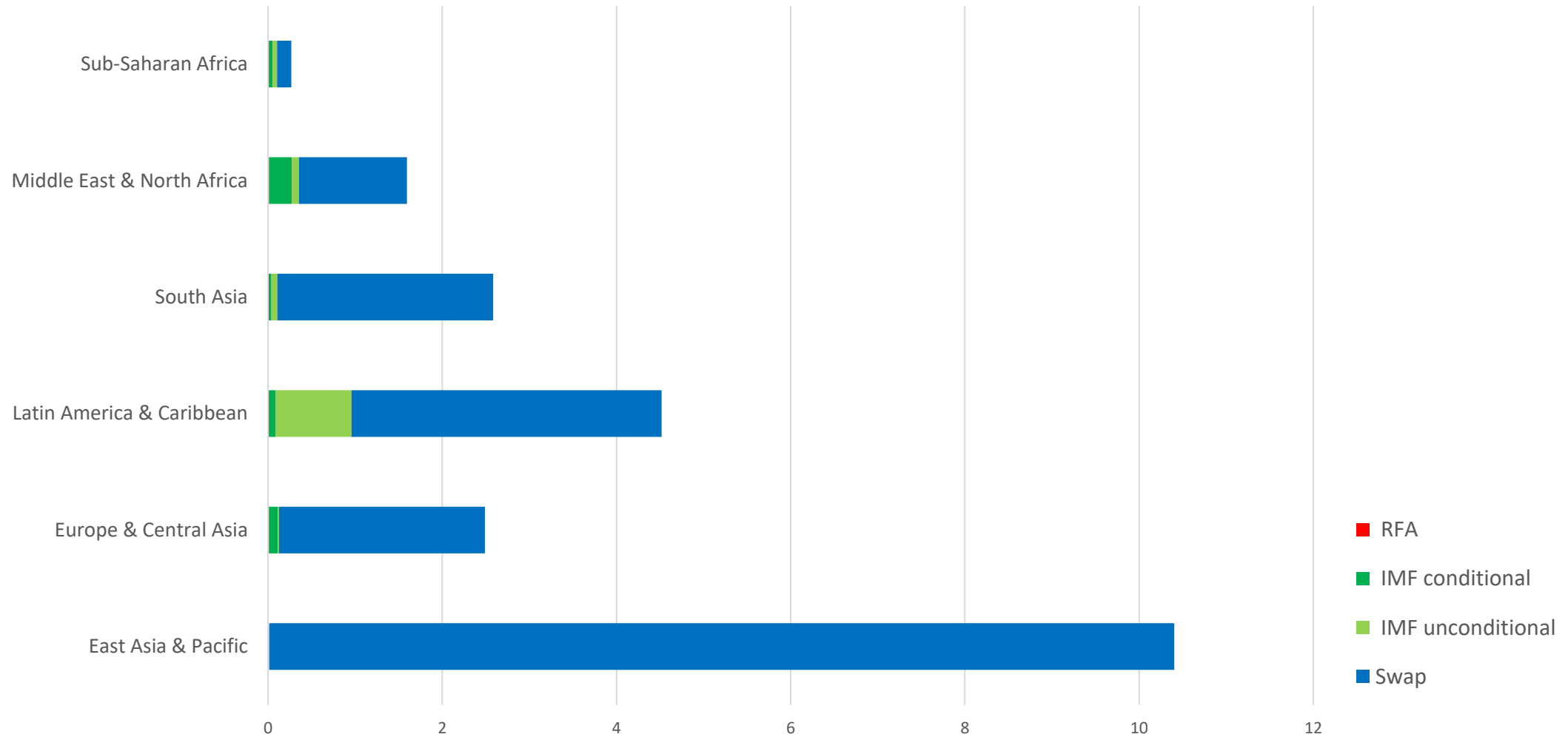
Active GFSN use during COVID

(March 2020 – Dec. 2021, % of GDP weighted per income group)



Active GFSN use during COVID

(March 2020 – Dec. 2021, % of GDP weighted per region)



Conclusions I: Findings

- GFSN inequalities: Lower income groups
 - Less insured
 - With less diversified GFSN sources
 - IMF conditional lending more relevant
 - Increasing level of de-coordination of global emergency finance
 - Liquidity diplomacy
- Currently: Calm before the storm?

Conclusions II: Policy Challenges

Regional funds as untapped resources of the GFSN

- a. Smaller RFAs: is there a way to increase size?
- b. New RFAs, especially Africa?
- c. Make RFAs more autonomous (delinked from IMF)?
- d. Re-think mission beyond balance of payment shortage: fiscal support, climate policy, ...?

IMF reform needed

- a. Stigma still rules
- b. Increase non-conditional lending, overhaul conditionalities
- c. Bolder redistribution of SDR

Currency swap need to become part of GFSN coordination

GFSN coordination to provide choice of voluminous crisis finance

- a. Reduce GFSN inequality
- b. Coordination at eye level, use of comparative advantages of each of the GFSN elements

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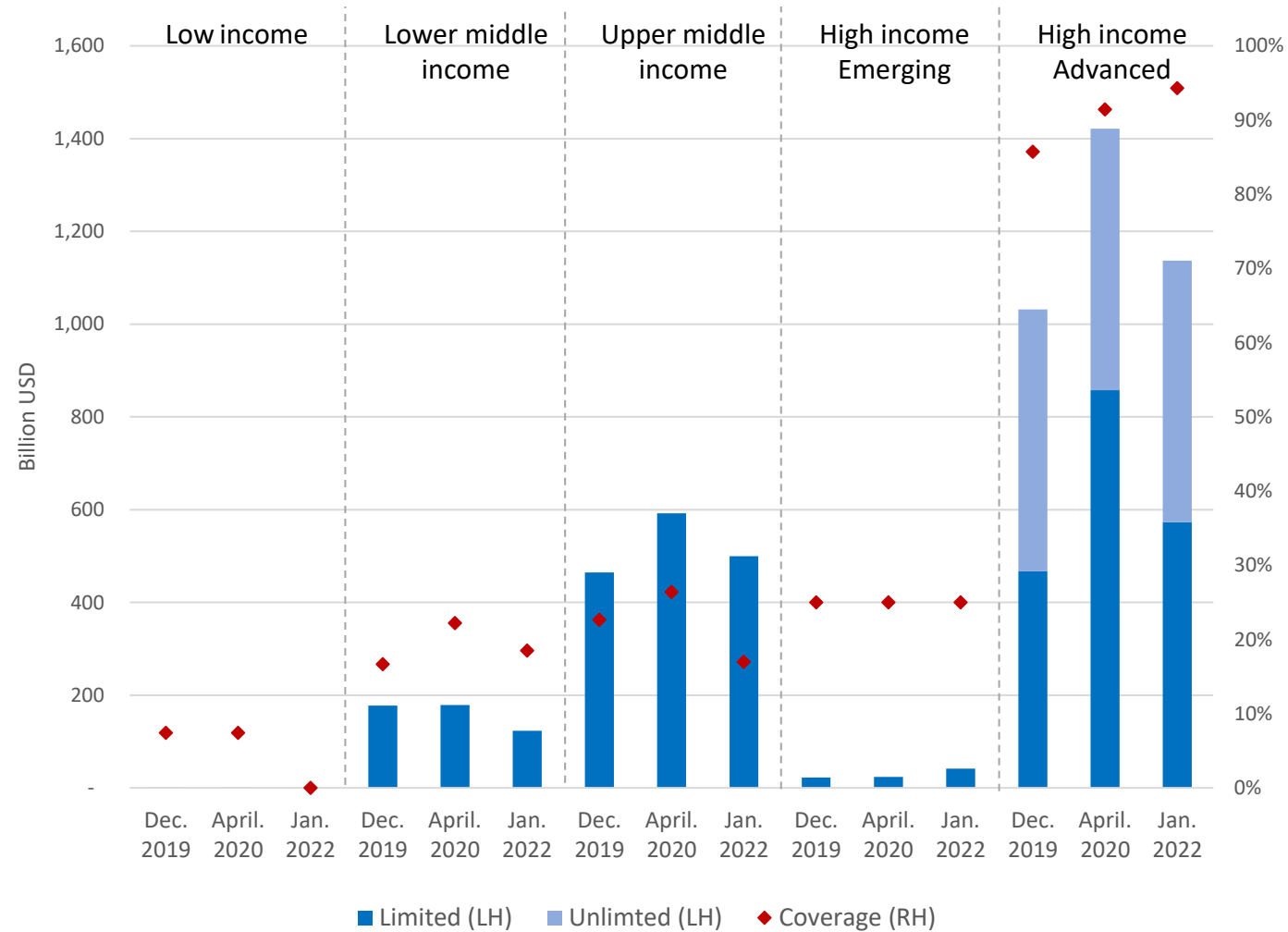
Thank you!

Specific insights:

The role of swaps and regional funds

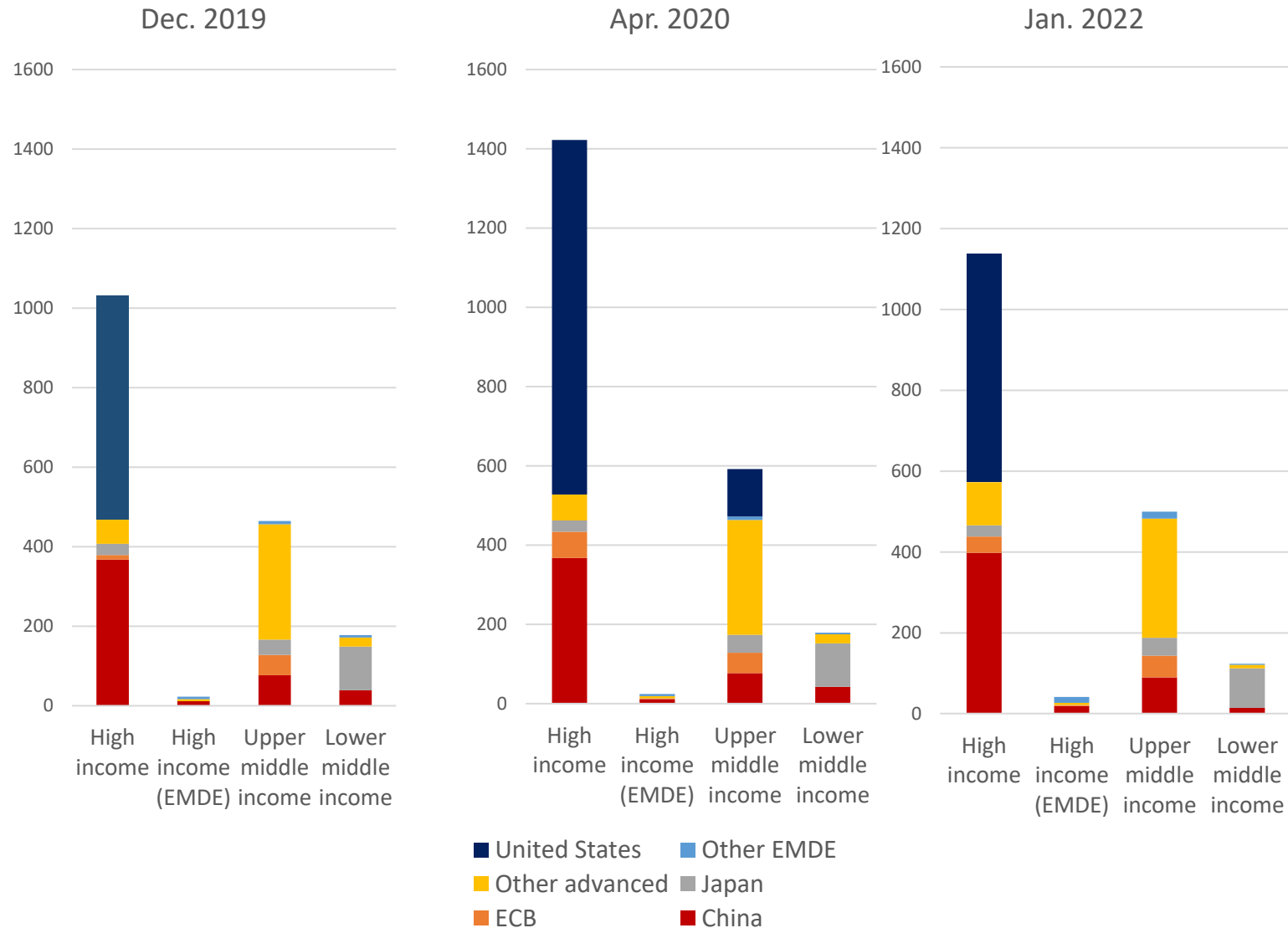
Bilateral currency swap network

(before and during COVID; left scale: USD bn; right scale: coverage)



Bilateral currency swaps by major central banks

(by income groups, USD bn)



The use of RFAs in COVID

(March 2020 – Dec. 2021; % of max. access rights per RFA)

