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Strengthening the Global Financial Safety Net

Moving relations between the IMF and Regional Financing Arrangements forward

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Contents

Abstract

Since the global financial crisis, the Global Financial Safety Net (GFSN), traditionally consisting mainly of countries' own foreign exchange reserves with the International Monetary Fund (IMF) acting as a backstop, has expanded significantly with the continued accumulation of reserves, the sharp increase of swap lines between central banks, and the further development and creation of new Regional Financing Arrangements (RFAs). RFAs have expanded, reaching an aggregate size comparable to that of the IMF and becoming an integral layer of the safety net. Enhancing the cooperation between the IMF and RFAs so that they play complementary roles in case of global distress, becomes critical in order to further strengthen the multi-layered GFSN, while paying attention to issues such as moral hazard, stigma or exit strategies in connection with IMF-RFA cooperation. This paper presents recent experience and lessons learned in IMF-RFA cooperation and proposes how to improve their future interaction.

Keywords: Global Financial Safety Net, Regional Financing Arrangements, International Monetary Fund, moral hazard, stigma, exit strategies

JEL codes: F33, F34, F53, F55

Non-technical summary

Revisiting the scope for cooperation between the IMF and regional financing arrangements (RFAs) is a timely exercise. In 2011, the G20 agreed on a set of general principles to guide the relationship between the IMF and RFAs. Since then, the Global Financial Safety Net (GFSN) has continued to grow, becoming more multipolar. RFAs have expanded, reaching an aggregate size comparable to that of the IMF and becoming an integral layer of the GFSN. In this context, enhancing the cooperation between the IMF and RFAs so that they play complementary roles in case of global distress becomes critical to further strengthening the GFSN. In fact, achieving a more effective cooperation between the IMF and RFAs has become part of the G20 agenda and has been included in the IMF work programme, as also recommended by its Independent Evaluation Office (IEO).

This paper is an attempt to provide some background for the ongoing debate[1]. The paper assesses the current state of RFAs and their collaboration with the IMF and explores ways in which IMF-RFA interaction could strengthen the GFSN. First, the paper maps the IMF and RFAs within the wider context of the GFSN, devoting special attention to comparing them in terms of resources, governance, policies and lending tools. It then reflects upon the recent experiences of IMF-RFA cooperation in the European sovereign debt crisis, the Chiang Mai Initiative Multilateralisation (CMIM) 'test-run' and the IMF technical assistance provided to Spain in its banking sector restructuring programme. Third, the paper deals with issues such as moral hazard, stigma and exit strategies in connection with IMF-RFA cooperation. Finally, it proposes ways to move forward in IMF-RFA relations, building on the G20 principles, but also exploring the possibility of moving towards a more structured framework.

Cooperation between the IMF and RFAs is not starting from scratch. The substantial cooperation between the IMF and European RFAs during the European sovereign debt crisis remains the most important example of IMF-RFA cooperation. But there are also signs of a closer relationship, albeit more limited and gradual, with other RFAs, for example the CMIM-IMF test-run and recent FLAR-IMF cooperation in capacity building. A first high-level meeting organised by several RFAs, with the participation of the IMF, took place in 2016 to serve as a forum for discussion and exchanging experiences. Future such meetings are being planned[2].

Efforts to strengthen IMF-RFA cooperation have to take into account the wide heterogeneity of existing RFAs. This implies that a framework for cooperation that takes on board the comparative advantages of both sides should have a sufficient

1 This paper was prepared before the July 2017 IMF Executive Board discussion on IMF-RFA collaboration (IMF, 2017a;b). It has since been updated to reflect the IMF discussion and conclusions. It also updates some important elements in the relationship between the IMF and RFAs occurred after the closing date of this report, during the editing phase, namely, the second RFA/IMF meeting in 2017, the signing of the MoU between AMRO, the EC proposal in December 2017 to transform the ESM into a European Monetary Fund, and the IMF policy paper on document exchanges with RFAs in January 2018.

2 A second one took place in 2017.

degree of flexibility to accommodate the specific features of each RFA and that a 'one-size-fits-all' model is unrealistic. It is also important to notice that the guidance provided by the G20 principles agreed in 2011 to effectively anchor a deeper cooperation between the IMF and individual RFAs is probably too general and not necessarily accepted by all RFAs, as the principles were agreed only by G20 members[3].

There are, of course, different options for deepening IMF-RFA cooperation. One possibility would be to build on the G20 principles to define a formal and structured common framework for collaboration valid for all RFAs, that would cover all the areas of cooperation – surveillance, lending, capacity building and information sharing. This would provide more transparency about countries' access to external financing. But although such a common framework may be suitable for some types of activity such as capacity building assistance, where cooperation can be fairly standardised, it would prove unworkable in other cases, such as lending, and could foster moral hazard.

In any case, it seems beneficial to establish a regular and formal dialogue among all institutions in order to share technical knowledge and to gradually develop the mutual trust that should be the basis for a solid, long-term relationship. This regular dialogue could be used by the IMF and the RFAs to formulate a more detailed set of principles, starting from the G20 formulation. In particular, these could develop into an IMF-RFA 'understanding on enhanced principles' for their future cooperation.

Surveillance and lending activities appear much more difficult to standardise across RFAs. Here, cooperation will need to be built on a more flexible, tailor-made basis. This could be embodied in bilateral Memoranda of Understanding (MoU) or action plans that take into account the characteristics of each RFA. The MoU or action plans would be guided by general IMF-RFA principles. This would not preclude an even more formalised and structured approach to cooperation, where feasible and wanted by both parties, aimed at attaining a more effective engagement on a bilateral basis.

Turning to the content of MoUs, it would be important to safeguard the independence of the IMF and the corresponding RFA for their respective activities. As regards lending, a cooperation agreement could address issues such as the division of labour between the IMF and the RFA, the adaptation of programmes' goals and policies to new developments, conflict resolution, confidential information sharing and external communication rules, while respecting the diversity and autonomy of both institutions, as well as their legal mandates and responsibilities. The agreement should also detail a plan for cooperation in tranquil times with the overarching aim of making it easier to take early action when a crisis arises.

3 Table 2 in Annex 2 shows RFA's G20 members.

All in all, cooperation between the IMF and RFAs could develop gradually along three complementary lines:

- Establish regular institutional dialogue between the IMF and the RFAs so that they meet to discuss technical matters, share general information and develop a trusting relationship with each other. This platform can also provide an efficient way to discuss capacity building.
- As experience is gained through this dialogue, the IMF and the RFAs could formulate a more detailed set of principles, starting from the G20 formulation. In particular, these could develop into an IMF-RFA 'understanding on enhanced principles' of their future cooperation.
- The IMF and each RFA could agree on bilateral MoUs or action plans, with specific details and operational issues. The understanding on enhanced principles would usefully feed into such MoUs.

The ongoing debate on IMF-RFA cooperation should not be seen as an isolated discussion. It touches several issues that are relevant for the functioning of the GFSN – i.e. the adequacy of IMF resources or the introduction of the new Policy Coordination Instrument in its lending toolkit – that are being addressed by the IMF Executive Board[4]. These issues, as well as the discussion on programme design in currency unions, will be very relevant in view of future bilateral agreements for cooperation between the IMF and RFAs.

[4] The Policy Coordination Instrument was approved by the Executive Board on 14 July 2017 (IMF, 2017).

1 Introduction

Revisiting the scope for cooperation between the International Monetary Fund (IMF) and Regional Financing Arrangements (RFAs) is a timely exercise. In November 2011 the G20 agreed on some general principles to guide the relationship between the IMF and RFAs[5]. At that moment the sovereign debt crisis in Europe was at its height, and the European Union (EU) was strengthening its framework for crisis management while developing its relationship with the IMF on those matters on an intense learning-by-doing basis. Since then, the situation in Europe has become more tranquil and several programmes with the participation of the IMF have been completed. More generally, since 2011 the Global Financial Safety Net (GFSN), of which both the IMF and RFAs are important layers, has continued to expand and has become more multipolar[6]. All this requires taking a new look at the relationship between the IMF and RFAs from a global perspective, taking stock of the experience of the last 5 years.

Indeed, as part of their efforts to strengthen the GFSN, the G20 and the IMF are looking for ways to improve cooperation between the IMF and RFAs. The IMF reviewed this issue in a 2013 stocktaking paper[7] and when assessing the GFSN in 2016[8]. Also in 2016, the Independent Evaluation Office (IEO) of the IMF published a report focused on European programmes[9]. The 2016 IMF report on the GFSN came to the following conclusions:

- Coverage of the GFSN is uneven and some systemic emerging market economies that are the main suppliers of liquidity to their RFAs may be underinsured, given the risk of region-wide shocks.
- The weak links between the different GFSN elements raise uncertainties about their interaction. Cooperation between the IMF and RFAs in providing financial support has been mostly limited to Europe.
- There is scope for more effective cooperation between the IMF and RFAs, with better-designed joint surveillance and lending strategies.
- A non-connected network of protection may affect potential debtor moral hazard and encourage facility shopping. Stigma concerns may contribute to a disjointed GFSN.

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5 See Annex 1.

6 Including institutional changes; see Garrido et al. (2016).

7 IMF (2013).

8 IMF (2016a).

9 In 'The IMF and the crisis in Greece, Ireland and Portugal', the IEO recommends that the Fund establishes a policy on cooperation with RFAs. The need of flexibility is emphasised, given the different mandates, policies and institutional arrangements of RFAs.

The IMF Board discussions in June/July 2017, such as the review of the IMF lending toolkit[10], touched on the issue of IMF-RFA cooperation. Furthermore, the issue has been discussed in the G20 International Financial Architecture (IFA) Working Group. The communiqués by the International Monetary and Financial Committee (IMFC) and the G20 in 2016 and 2017 support the work undertaken, specifically welcoming the test-run on cooperation between the IMF and the Chiang Mai Initiative Multilateralisation (CMIM).

The IMF Executive Board formally discussed IMF-RFA cooperation in July 2017 on the basis of an IMF policy paper[11].

Against this backdrop, this paper assesses the current state of RFAs and their collaboration with the IMF and explores ways in which IMF-RFA interaction could strengthen the GFSN. The aim is to contribute to building a view on how to move forward in strengthening IMF-RFA cooperation.

The paper is structured as follows: Section 2 maps RFAs within the wider context of the GFSN, and compares the IMF and RFAs on the basis of their resources, governance, policies and lending instruments, including the new IMF facilities under discussion. Section 3 reflects on the experience and lessons learned from IMF-RFA cooperation in three cases: the European sovereign debt crisis, the CMIM test-run and the technical assistance to Spanish financial sector restructuring. Section 4 deals with the implications of interaction between the IMF and RFAs for moral hazard, stigma and exit strategies, issues that are relevant for the functioning of the GFSN. Section 5 proposes avenues to move forward in IMF-RFA cooperation, building on the 2011 G20 principle-based approach and exploring the possibility of more structured IMF-RFA coordination.

10 IMF 2017; IMF 2017a.

11 For more details see IMF press release No 17/310.

2 Mapping RFAs as part of the GFSN: an update

2.1 Coverage of the different layers of the GFSN across countries

Traditionally, the GFSN consisted mainly of countries' own foreign exchange reserves, with the IMF acting as a backstop. However, since the global financial crisis, the GFSN has expanded significantly with the continued accumulation of reserves as well as the sharp increase of swap lines between central banks, and the further development and creation of new RFAs. GFSN resources now comprise four broad categories each having its particular country coverage, characteristics, strengths and weaknesses: foreign exchange reserves, bilateral swap lines, the IMF and RFAs.[12]

The stock of foreign exchange (FX) reserves held by countries continues to dominate GFSN resources. Reserves constitute a first line of defence against external liquidity shocks for many countries. A key feature of FX reserves is that the owner has full discretion over their usage. Their availability is certain, they can be deployed almost immediately and their use is not subject to conditionality. It could be argued, however, that FX reserves are a relatively costly way for individual countries to insure themselves against crises than other, less expensive, parts of the GFSN[13]. Moreover, reserves cannot provide full insurance in all cases. Indeed, reserves below a certain level will not be sufficient to reassure markets[14].

Bilateral central bank swap lines usually cover very short-term foreign exchange funding needs; indeed, they provided critical liquidity support during the crisis. Since the global financial crisis, there has been a sharp increase in the number of swap lines which were primarily used by central banks to provide foreign currency liquidity to their domestic banking systems. Swap lines are a low-cost form of FX liquidity insurance and can be deployed for a short period for potentially large (even uncapped) amounts of FX currency. However, swap lines are limited in their scope and in terms of access, which is restricted to the specific countries/regions whose central banks negotiated a swap agreement. They depend on the decisions made by the central banks providing the FX currency and need to be consistent with these central banks' mandates (typically focused on domestic monetary and financial stability, although they may vary according to country or currency area and political tradition), which limits their availability and the circumstances in which they can be used.

12 For more details on GFSN resources, see for e.g. Scheubel and Stracca (2016).

13 For an analysis of this aspect, see e.g. Chițu (2016).

14 Findings on the costliness of reserves held for precautionary motives differ, also given indirect benefits such as lower borrowing costs.

The IMF, with its quasi-universal membership and its large amount of resources available (through quotas and borrowed resources), is the widest layer of the GFSN. In theory, the IMF is the most effective risk-sharing mechanism as it distributes the costs of crisis financing across all its 189 member countries. The IMF has cross-country experience, a global perspective and strong surveillance and analytical capacity, all of which give strong credibility to its crisis management programmes. However, the perception of stigma attached to IMF programmes may deter some members from requesting IMF support in time. The cost of IMF lending may also be high compared to other financial sources, especially when the amounts borrowed are large and have a long duration. In a crisis, IMF financing is made available with some delay due to the need to agree programme-related conditions. Individual arrangements remain largely time-bound, with a need for discussion on approval and review of each successive arrangement. A 'too generous' IMF could create moral hazard both for debtors and creditors, but the ability of the IMF to apply conditionality (either ex ante or ex post) significantly reduces this risk.

RFAs are agreements between groups of countries to pool resources, so that in crisis times their members may have access to more resources than their contributions[15]. RFAs can be a valuable source of additional financing, in particular in the case of idiosyncratic shocks, and are a more efficient way of accessing insurance than relying heavily on FX reserve accumulation.

There is no single model for an RFA. Existing RFAs are extremely varied in terms of resources, governance and lending, as described in the next section. In most RFAs, the credit risk is shared across members. Their local ownership and understanding, and their ability to tailor support to the needs of countries in the region increase their appeal. Accordingly, there may be less stigma associated with seeking financial support from an RFA than from the IMF (see Section 4 below). To the extent that RFAs have specific financial instruments in their toolkit, they can play a complementary role to the IMF's lending role (for example by providing financing where large and longer-term fiscal resources are needed to support a structural adjustment process that exceeds the duration implied by an IMF programme). On the other hand, RFAs may be less suitable for dealing with systemic crises which simultaneously impact multiple countries within a region.

The amount of GFSN resources has increased considerably. Chart 1a shows the boosting of GFSN total resources since 2000. Reserves increased more than fivefold and totalled close to USD 12 trillion in 2015, although some countries have since notably reduced their reserves, meaning the GFSN has far above the combined resources of the IMF and RFAs (almost USD 2.6 trillion). The framework of swap lines expanded considerably in number and size since 2008, to an estimated USD 2.5 trillion, as measured by Denbee et al. (2016)[16]. The use of funds – measured by volumes approved and disbursed – has also expanded markedly, especially in the case of the European RFAs (Chart 1b).

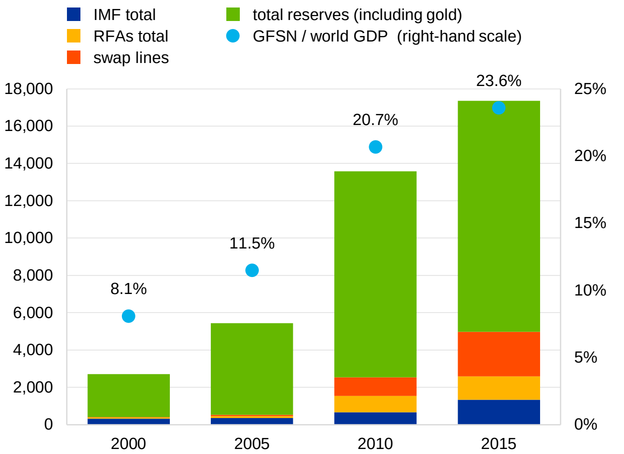
[15] See map for RFAs' country coverage in Annex 2.

[16] See note in Chart 1a for a methodological explanation.

Chart 1a

Size of the layers of the GFSN (2000-2015)

(USD million and percentages of world GDP)

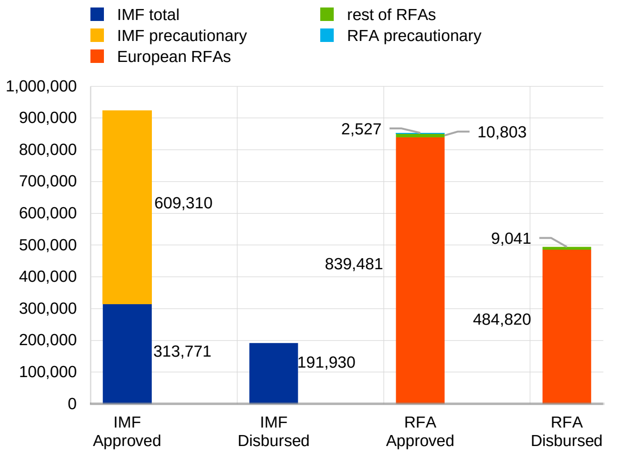


Sources: IMF and RFAs (Annual Reports) websites; CRA Treaty, Denbee et al. (2016).
Notes: Exchange rates are end-year data. World GDP from October 2016 World Economic Outlook database. Swap lines include all bilateral swap line arrangements — reciprocal (two-way) arrangements are counted twice, one for each currency provided, that is: swap lines with fixed limit and for AE swap lines, the figure includes maximum past usage plus an estimation of unused swap lines (based on the average past drawings of those lines which have relative to their GDP).

Chart 1b

IMF / RFAs use of funds* (2008-2017)

(USD million)



Sources: IMF and RFAs (Annual Reports) websites; CRA Treaty, Denbee et al. (2016).
Notes: Disbursed amounts for IMF programmes as of April 2017. Exchange rates at the end of the year of approval of each programme.
*includes all amounts approved / disbursed in the period. Approved amounts include amounts that have not been disbursed as in precautionary loans or loans that have not been entirely drawn, both because needs were eventually smaller or loans were superseded by new ones.

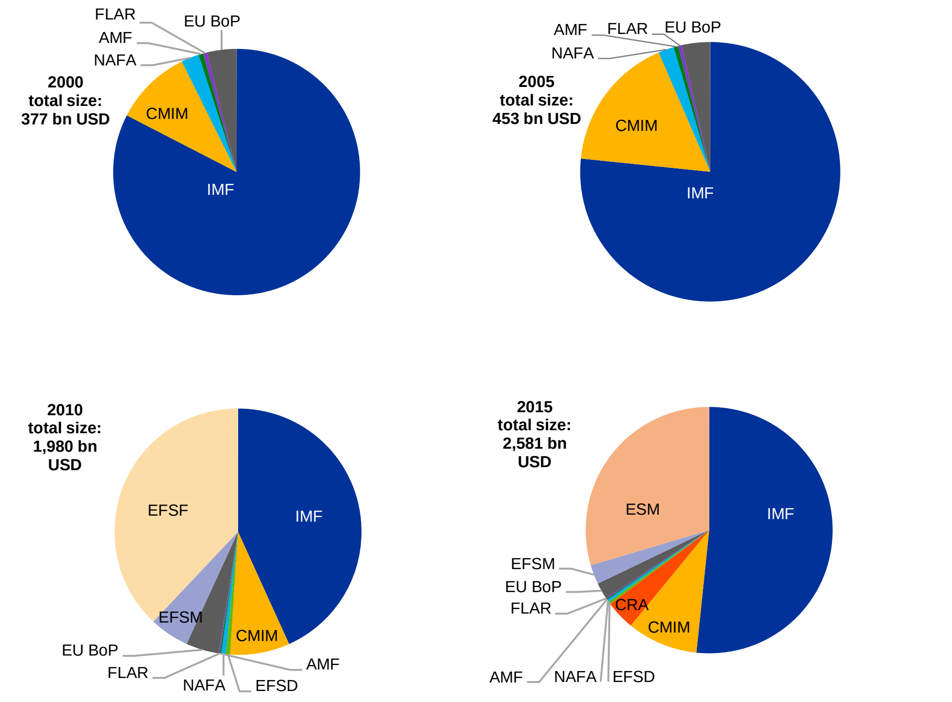
A greater tendency to regionalisation is reflected in the increased size of RFAs, whose aggregate scale has matched that of the IMF's resources since 2015 (Chart 2). Overall, IMF and RFA resources accounted for 3.5% of global GDP in 2015, well above the 1.1% of GDP they represented in 2000. European initiatives currently account for almost 71% of total RFAs, with the European Stability Mechanism (ESM) being the largest RFA (representing more than 61% of all financial resources of RFAs), while the Asian CMIM and the BRICS' Contingency Reserves Agreement (CRA) represent 19% and 8%, respectively.

Finally, in case of a global financial distress – according to different scenario exercises[17] – the overall size of the GFSN seems sufficient to cover global needs except in the case of the very extreme scenarios. Nonetheless, as previously seen, it should be borne in mind that access and coverage can vary substantially across regions.

[17] Denbee et al. (2016).

Chart 2

IMF and RFAs' relative sizes (2000-2015)



Sources: IMF, Annual Reports, RFAs websites and CRA Treaty.
Notes: Latest data on reserves is at end-2015. Exchange rates taken at end year in 2000-2015. IMF size includes quotas, New Arrangements to Borrow (NAB), General Agreements to Borrow (GAB) and bilateral arrangements. The European Financial Stability Facility is included in 2010 (it was agreed in 2010 and entered into force in 2011) and ESM is included in 2015 (it entered into force in 2012).

2.2 Comparison of IMF/RFAs: resources, governance and policies

2.2.1 Institutional mandates and objectives

The IMF is an international organisation whose aim is to promote the stability of the international monetary system. The Fund's financing role has been traditionally restricted to crisis resolution, to help address balance of payments (BoP) needs through the temporary disbursement of financial support under an adjustment programme that is subject to conditionality. Meanwhile, the Fund's role in crisis prevention has concentrated on risk analysis and policy recommendations provided in the context of its surveillance. The approval of precautionary lending arrangements to address potential external pressures has also become a more relevant issue recently.

The institutional set-up and the goals of RFAs are heterogeneous[18]. Several RFAs – the ESM, Arab Monetary Fund (AMF) and Fondo Latinoamericano de

[18] IMF (2013), (2016a).

Reservas (FLAR) – are independent multilateral organisations based on intergovernmental treaties; by contrast, the CMIM and CRA are not legal entities. The CMIM and CRA were set up by agreements of their member states, with the resources remaining under direct control of the members. The Eurasian Fund for Stabilisation and Development (EFSD) is managed by the Eurasian Development Bank. The North American Framework Agreement (NAFA) is part of the North American Free Trade Agreement (NAFTA). The European Financial Stabilisation Mechanism (EFSM) and the EU Balance of Payments Facility (EU BoP)[19] are based on EU Council regulations.

While most RFAs aim to alleviate liquidity and BoP pressures, some also pursue other goals, such as facilitating adjustment processes or enhancing economic cooperation and development. In particular, the older and smaller RFAs have multiple goals: FLAR extends credit for BoP support, liquidity provision, credits for public debt restructuring, precautionary contingency credits and treasury support[20]. Economic development and support of sectorial reforms are among the goals pursued by the AMF and the EFSD[21]. The ESM also has multiple goals since it provides loans for macroeconomic adjustments as well as resources for indirect or direct recapitalisation of financial institutions[22]. The CMIM and the CRA swap arrangements are characterised by a stronger focus on short-term liquidity needs and balance of payment problems[23].

2.2.2 Financial assistance tools

The lending toolkit of the IMF[24] is diverse and has developed considerably since the global financial crisis to comprise both crisis resolution and crisis prevention tools. The IMF's traditional crisis resolution instruments, the Stand-By Arrangement [25] and the Extended Fund Facility (EFF) are subject to programme conditionality. Two precautionary instruments – the Flexible Credit Line (FCL) and the Precautionary and Liquidity Line (PLL) – were created in the wake of the global financial crisis; they enable qualifying members to draw on IMF resources at any time within a pre-specified period at relatively short notice. The Rapid Financing Instrument (RFI) was set up for quick and low-access financial assistance to member countries facing an urgent BoP need without the need to have a fully-fledged programme in place. There is an ongoing discussion about further improving and adapting the lending toolkit (Box 1). Access limits differ by instrument, ranging from a

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19 Introduced in the 1970s, the Medium-term Financial Assistance and Community loan mechanisms provided mutual financial support for Member States facing serious BoP difficulties. In 1988, they were merged into the BoP facility. From 2002, this financial assistance has been for Member States that have not adopted the euro.

20 FLAR (2016).

21 AMF (2013); EFSD (2016).

22 ESM (2015).

23 Brazilian Ministry of Foreign Relations (2015); AMRO (2016).

24 The Fund's concessional lending tools that disburse resources from the Poverty Reduction and Growth Trust is a separate matter and beyond the scope of this paper.

25 Stand-by arrangements are also available on a precautionary basis.

cumulative limit of 75% for the RFI, to a no ex ante cap for the FCL. All IMF facilities are in principle available for any member country, subject to the IMF lending policies. Eligibility for the FCL and PLL is subject to pre-set qualification criteria ('ex ante conditionality'). Ex post conditionality is usually applied to all facilities, with the exception of the FCL, the PLL under a six-month window and the RFI[26].

Likewise, financial assistance of RFAs can take different forms, with some RFAs offering both crisis prevention and crisis resolution instruments. Financial assistance is usually given in the form of loans; however the CMIM and CRA extend swaps to their members, and the CMIM is unique as it pools some of the reserves of the member countries[27]. The ESM, EU BoP, CMIM, CRA and FLAR all have both resolution and precautionary instruments in their toolkit[28]. Of all the precautionary instruments, like in other fields, the ESM arguably has the most advanced set-up with two instruments – the Precautionary Conditioned Credit Line and the Enhanced Conditioned Credit Line – that are similar in structure and intent to the IMF's FCL and PLL, respectively. The precautionary instrument of the CMIM is loosely modelled on the PLL.

2.2.3 Financial resources

The IMF's resources come from three different sources. As of mid-February 2017 the Fund had a total resources envelope slightly in excess of USD 1,200 billion. Of this, more than half, USD 650 billion, are permanent resources provided by the quotas of the member states. Close to another USD 245 billion come from the New Arrangements to Borrow[29] which are often referred to as the 'second line of defence' of IMF resources. The 'third line' of defence is the bilateral credit lines, which can be divided into those which were pledged in 2012, currently amounting to around USD 54 billion, and which will run out by mid-2018, and those pledged in a new round of bilateral credit lines since 2016, of which currently USD 278 billion are effective[30].

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26 IMF (2016c).

27 While the swaps of the other RFAs are bilateral swaps, for the CMIM, resources are to be provided according to the shares of pledged reserves. However, each member has the right to opt out should a drawing occur, see Bangko Sentral ng Pilipinas (2016).

28 There have been no disbursements under the precautionary instruments. In the case of the EU BoP it would be more appropriate to speak of a possible precautionary use of the facility rather than having in place a stand-alone precautionary instrument.

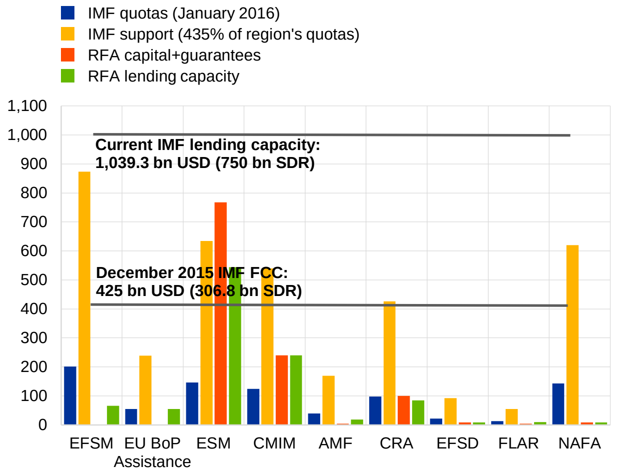
29 Including the General Arrangements to Borrow. The figures above are without countries that have ongoing credit arrangements, see IMF (2016d).

30 Commitments under the 2012 agreement will cease when a country's new credit line becomes effective. On the IMF website the total amount pledged for the newest bilateral credit lines was given with USD 400 billion as of April 2017, see IMF (2016e).

Chart 3a

Contribution to and potential support from IMF and RFAs, December 2015

(USD billion)

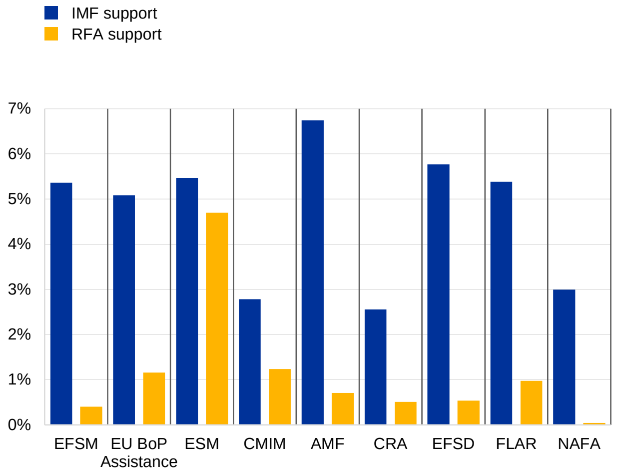


Sources: IMF ,RFAs websites and ECB calculations.
Notes: Lending capacity is notional for those RFAs sourced by FX reserves or disbursed capital of their members without market leverage.
SDR rate considered: 1 USD = 0.7216410 SDR (as of December 31, 2015)
USD/EUR rate considered: 1 USD = 0.9185 EUR (as of December 31, 2015)

Chart 3b

Contribution to and potential support from IMF and RFAs, December 2015

(% of each region's GDP 2015*)



Sources: IMF and RFAs websites;
Note: 2015 GDP from October 2016 WEO database. Data for Syria refers to the last available data, i.e. 2010.
SDR rate considered: 1 USD = 0.7216410 SDR (as of December 31, 2015)
USD/EUR rate considered: 1 USD = 0.9185 EUR (as of December 31, 2015)

RFAs' resources vary considerably and are typically smaller in relation to regional GDP than those of the IMF. While acknowledging limitations in the exercise[31], Chart 3a compares members' contributions to each RFA and to the IMF (measured by the current distribution of quotas) and the potential access to RFAs' and the IMF's resources for each 'region' (i.e. the countries belonging to each RFA) in absolute terms. Chart 3b shows these same contributions relative to each region's GDP (2015 data). Access to IMF resources is measured at the ordinary limit of 435% of quota. As already mentioned, the ESM is by far the largest RFA, followed by the CMIM. The ESM could technically provide potential support up to 4.7% of the euro area's GDP and more than 85% of IMF's support to the region. The rest of the RFAs have far smaller resources than those potentially available through the IMF. Lending capacity ranges from 1.4% (NAFA) to 22.8% (EU BoP) of IMF's support to each region – apart from CMIM with 44.5%. Table 2 in Annex 2 shows the amounts for individual countries consistent with the regional data included in Chart 3. For an overview of RFAs' member countries see the map in Annex 2.

Taken together, current RFAs' resources are about USD 1.3 trillion, similar to the IMF's total current resources[32]. However, the capital available through the

[31] This chart does not intend to show whether both Fund/RFAs resources would be sufficient to cope with the whole set of financing scenarios envisaged (i.e. a resource adequacy exercise), but to give a notion of 'nominal contributions to' v 'nominal returns from' each institution. Current levels of IMF's lending capacity and Forward Commitment Capacity are provided as an indication only.

[32] Actual lending resources are lower due to leveraging liquid asset buffers, capital buffers, etc.

different RFAs is very unevenly distributed[33]. By far the largest are the European arrangements, with the ESM having a subscribed capital of approximately USD 745 billion[34] and the EFSM and the EU BoP being able to utilise about USD 65 billion and USD 54 billion respectively[35]. The CMIM is also sizeable, with USD 240 billion committed in swap lines while the BRICS' CRA has capital subscriptions of USD 100 billion. All others have capital of less than USD 10 billion (see Annex 2).

2.2.4 Programme conditionality

As a monetary institution, the IMF needs strong safeguards regarding the use of its resources. Provided mostly by the member countries' central banks, contributions to the IMF's resources need to fulfil all the criteria of reserve assets. The Fund has developed a range of policies to safeguard the proper use of its resources, foremost its lending policies and conditionality that accompany financial support. This includes for instance access limits, programme reviews and disbursements in tranches, the structure of fees and charges, as well as precautionary balances. These tools and policies are regularly reviewed.

Many RFAs have limited expertise to couple support with conditionality and some of them require IMF involvement when providing financing support to their members. The ESM, EFSD and AMF all require adjustment programmes with conditionality as a prerequisite for disbursing financial support[36]. The CMIM and CRA outsource the associated review process by requiring an IMF adjustment programme for larger access. The conditionality imposed by the ESM – also in coordination with the IMF – is probably the most comprehensive. The terms of conditionality by the EFSD and AMF are decided by the RFA in consultation with its member(s). The EFSM stipulates a need for an IMF agreement independent of the arrangement size. For the ESM and EU BoP, IMF involvement is not legally required but provision for it is made for all stability support programmes. The FLAR in Latin America is unique in that it does not require a link with the IMF and does not impose conditionality on its own.

2.2.5 Surveillance and technical assistance

In addition to its lending activities, the IMF's other two core functions are conducting surveillance and providing technical assistance. Under its

33 The capital structure of RFAs differs. While several have subscribed or authorised capital, part of which might be paid in, the smaller European arrangements, the EU BoP and the EFSM, have only upper limits regarding the capital that can be raised by the European Commission on capital markets. CMIM members have issued promissory notes, while for the CRA and EFSD the resources remain with the members themselves. See EU Commission (a) and (b), Bangko Sentral ng Pilipinas (2016).

34 This translates into a lending capacity of around USD 527 billion, see ESM (2016a).

35 All figures on European RFAs are converted from euro into USD at end-2016 exchange rates (1.054 USD/euro).

36 If the loan exceeds 75% of the paid in quota, see AMF (2013), p. 17.

surveillance mandate, the IMF monitors the economies of all of its member states and provides policy advice intended to identify weaknesses that may cause financial or economic instability. Fund surveillance takes the form of a regular – usually annual – bilateral exchange of views with each member country, known as the Article IV consultation. Surveillance also involves monitoring and analysing global and regional economic trends and spillovers under the IMF's flagship reports – the World Economic Outlook, Global Financial Stability Report, and Fiscal Monitor – and regional economic reports. The IMF also conducts a large range of technical assistance and training operations, focusing on strengthening skills in institutions such as finance ministries, central banks and statistical agencies. Mostly donor funded, the work on technical assistance is managed inter alia through a network of regional technical assistance and training centres. In recent years the IMF has also provided technical assistance directly to RFAs, by incorporating RFA officials in its training programmes.

RFAs, in contrast, have far less sophisticated capabilities for surveillance and capacity building, or none at all. The ESM can rely on the competence of European institutions in these areas, while the CMIM is in the process of strengthening its surveillance capabilities, after the creation of the ASEAN+3 Macroeconomic Research Office (AMRO). The other RFAs have no significant capabilities for conducting surveillance. Judging by the limited publicly available information on technical assistance provision by RFAs, this function also seems to be in a rudimentary stage, if it exists at all.

In sum, no RFA compares to the IMF in its range of tasks, expertise and experience. The ESM is arguably the most developed RFA, since it can draw on extensive human and financial resources with clear and structured regulations and has gone through a steep – albeit short – learning curve and experience in conducting these businesses. While some of the older RFAs (AMF, FLAR) and the EFSD have ample lending experience, they remain very limited in size. By contrast, with the creation of AMRO the CMIM has come closer to the ESM in terms of expanding its institutional capabilities. However, it has never been tested, leaving its actual crisis prevention and crisis resolution capabilities unexplored. The same can be said of the CRA, which is loosely modelled on the CMIM.

Box 1
The review of the IMF toolkit

No doubt, a detailed comparison of the extensive set of IMF facilities for crisis resolution with the available RFAs' lending toolkit would help to unveil incompatibilities and areas for improvement in future cooperation during crisis periods (e.g. burden sharing in co-financing; financing assurances policies, disbursement methods; maturity and repayment, financial terms and conditions; information sharing) but this comparison is outside of the scope of this paper. Instead we refer here to the ongoing revision of the IMF's lending toolkit.

The FCL was introduced in 2009 and the PLL in 2011 to fill a perceived gap in the GFSN by offering flexible access to financial assistance before a crisis materialises. They have not been used as widely as anticipated due to the perceived stigma associated with approaching the IMF, uncertainty about qualification criteria, and the fact that they are only imperfect substitutes for reserve accumulation. Concerns about adverse market signals in case of exit or loss of qualification are likely to have also played a role. In the meantime, emerging market economies have requested that reserve currency central banks do provide swap lines. To address some of these shortcomings, the Fund has considered several times in the past the option of providing short-term liquidity support to members with strong fundamentals facing liquidity shocks, and has recently introduced the Policy Coordination Instrument (PCI) in the IMF toolkit. The focus of this box is only on the impact of the PCI on IMF-RFA cooperation.

The PCI, approved by the IMF Executive Board on 14 July 2017, is a non-financial monitoring programme aimed at signalling and facilitating the adoption of reforms. Hence, it aims at assisting members that do not wish to ask for Fund resources, but may be looking for financing from other sources. There has long been a demand from IMF members for the Fund to provide policy monitoring. Indeed, the Fund is ideally positioned to perform this role given the quality of its information and analysis, and it has already put in place instruments with the primary purpose of signalling and policy monitoring – for instance, the Policy Support Instrument (PSI) for Poverty Reduction and Growth Trust (PRGT) countries.

As a non-financial arrangement, the PCI yields the benefits of the IMF's precautionary instruments, but without the need to commit IMF resources. It would encourage the adoption of sound policies through its signalling effect and unlock financing through its catalytic effect, attracting financing from RFAs, other international financial institutions and private or bilateral donors and creditors, allowing for a more efficient allocation of global resources. In addition, by encouraging sound policies it could help reduce moral hazard.

The PCI can help countries signal the strength of their policies in a more unequivocal way than current Article IV reports. It would be available to all IMF member countries and improve communication and information sharing between the IMF and its members. It can fill a gap in the relationship between the IMF and RFAs, as it would allow RFAs to draw on the Fund's comparative advantage and secure financial assistance from RFAs that require an IMF programme. Thus, it has the potential to improve the coverage, coordination and reliability of an expanded and more multi-layered GFSN. However, as the PCI does not involve any financial commitment by the IMF, a concern is that the financial burden is prone to be shifted to the RFAs.

3 Recent experiences and lessons learned in IMF-RFA cooperation

3.1 General considerations on the set-up of IMF-RFA cooperation

As discussed in Section 2, cooperation between the IMF and RFAs can be important in ensuring the consistency and efficiency of the GFSN and can help enhance global macroeconomic and financial stability.

Cooperation can take place both in tranquil times and in crisis times. In tranquil times, cooperation entails technical assistance and capacity building, and more generally, information sharing and regular joint meetings. In the past, the Fund has coordinated with RFAs to provide technical assistance to member countries or has provided technical assistance directly to an RFA[37]. In addition, in 2016 the ESM, AMRO and FLAR organised[38] for the first time a high-level dialogue and established a regular framework for policy dialogue and coordination at the highest level among RFAs and with the IMF and G20. They have decided to hold a meeting open to other RFAs, the IMF and the G20 IFA Working Group once a year, together with an annual research seminar.

Cooperation on surveillance and monitoring takes place on an ad-hoc basis and could be further developed. The most prominent examples of this cooperation are the monitoring provided by the Fund in the context of European financial assistance for the recapitalisation of the financial sector in Spain (as discussed below), and parallel IMF/EU BoP post-programme monitoring in cases such as Hungary or Latvia.

The most compelling issue is cooperation in times of crisis. Both the IMF and the RFAs provide financial assistance to countries requesting it but they differ in terms of mandates, policies and procedures. It is desirable to harmonise lending terms (interest rates, maturities) and procedures, since too wide differences between the IMF's and RFAs' instruments may complicate programme design and lead to institutional arbitrage and facility shopping (see Section 4). More importantly, the conditionality attached to the programmes of the two institutions should be consistent; even if the IMF takes more of the responsibility for one aspect of the programme and the RFA for another, there is a need for close cooperation on issues such as conditionality, sequencing and speed of implementation of reforms.

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37 For example, the IMF provided technical assistance to AMF on domestic bond market development in Arab countries in the context of the Arab Debt Market Development Initiative, launched in 2009. The IMF has also allowed delegates from the FLAR to participate in its training programmes.

38 Members from the AMF, the CRA, the EurAsian Development Bank, the G20 International Financial Architecture Working Group and the IMF also attended.

Building on Kincaid (2016), three broad options for coordinating conditionality can be identified:

1. the two institutions provide joint or parallel financing, agreeing on a consistent set of conditions;

2. one institution borrows the conditionality from the other, i.e. it links its disbursements to the assessment on the compliance of conditions made by the other;

3. only one of the institutions does not attach conditionality to its loans.

The choice of option depends on the approach taken by the RFA, since the rules and procedures of the IMF are pre-established and do not change with the presence of an RFA as a lending partner. In particular, it has to be noted that the IMF's Guidelines on Conditionality[39] explicitly forbid 'cross-conditionality', i.e. that the use of Fund's resources cannot be submitted to the rules and decisions of other organisations.

The three options described above are currently featured by different RFAs, although not all have been tested yet. The first option requires the highest degree of cooperation and has been applied in the euro area country programmes jointly financed by the Greek Loan Facility/ European Financial Stability Facility (EFSF)/ESM and the IMF from 2010 onwards. The second set-up is used by those RFAs which envisage that a portion of their financial support is linked to an IMF programme. This is the case of the CMIM, under which participating countries can use up to 30% of the resources they are entitled to according to their quotas without the involvement of the IMF (the 'de-linked' portion); amounts over the 30% of quotas are granted if there is an ongoing programme with the IMF. Although this mechanism has not been tested yet, the idea is that the CMIM would rely on IMF policy conditionality and assessments where the two institutions co-finance a programme. AMRO has in any case been bolstered as an independent international organisation with full legal capacity, and the purpose to conduct regional surveillance and 'support the implementation of the regional financing arrangement'. The third set-up requires no cooperation in lending and is the arrangement chosen by the FLAR, which provides financial assistance when a country presents its adjustment plan. Further, the AMF does not envisage a specific role for the IMF.

It is not possible to determine in advance which cooperation arrangement works better, since each one of them poses its challenges. In particular, the parallel financing requires a level of coordination or harmonisation which is not easy to reach, leading to challenges in a number of areas such as programme design and decision-making process. In a situation where an RFA anchors its programme to the IMF's conditionality, the RFA and the IMF's independence should be respected. Such a situation could be problematic because it contradicts one of the rationales for the creation of an RFA – becoming more independent from the IMF – and raises

39 IMF (2002).

governance issues[40]. There is also the risk of the RFA being contaminated by the IMF's perceived stigma (see Section 4). The set-up in which the RFA refrains from applying conditionality may give rise to facility shopping and moral hazard, without providing sufficient safeguards for the RFA's resources (see Section 4).

3.2 Recent experiences and lessons drawn from IMF-RFA cooperation

Most of the analyses that have been published recently on the relationship between the IMF and RFAs refer to crisis management in the aftermath of the global financial crisis. The main experiences in crisis management with the participation of an RFA in this period have been European[41]. A number of authors have argued that the ad hoc nature of cooperation between the IMF and the EU entailed risks on several fronts[42]. For example, the crisis highlighted the fact that there is no institutional mechanism for the IMF to commit itself in advance to a hypothetical contingency, not to mention one of such unprecedented magnitude. The IMF also had no formal mechanism for negotiating directly with the European Commission (EC). Moreover, the focus was different: while the IMF was more concerned with debt sustainability and the success of programmes in individual countries, European authorities were more concerned with contagion, financial stability and the sustainability of the euro area.

In most euro area country programmes as the crisis was overcome, the country returned to market access. Staff of the Troika institutions cooperated in a good and fruitful manner[43]. However, according to some authors, in some instances there was indecision and hesitation on the part of European institutions. This led to frustration[44] for some of the parties involved in the cooperation, placing the support among non-European members of the IMF, in particular, at considerable risk[45].

The level of cooperation with the other RFAs has varied. The next largest RFA, the CMIM, has never been activated to date. One interpretation is that the perception of IMF stigma has remained so strong in Asia (and in Latin America) that it is considered politically unacceptable to go to the IMF – to which the CMIM remains linked – unless all other options have been exhausted[46].

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40 Zettelmeyer and Weder di Mauro (2017).

41 The AMF also cooperated with the IMF but the amounts have been small in comparison (see Annex 3).

42 See Henning (2011), Lamberte and Morgan (2012), Pisani-Ferry et al (2013).

43 Outside the euro area, the programmes of Latvia, Romania and Hungary could also be mentioned as successful examples of cooperation.

44 See Henning (2016). In particular, there was much political resistance to large bailouts and intra-regional fiscal transfers, as well as to a full lender-of-last-resort role for the European Central Bank. Lamberte and Morgan (2012).

45 According to Henning (2016),areas of contention were: initial consultations, incomplete division of labour, disagreements on programme designs; debt sustainability –especially on Greece- and regional governance: IMF lamented the style, pace and effectiveness of the decision-making process of the EU institutions.

46 Lamberte and Morgan (2012), Volz (2012).

In the case of the FLAR – an active RFA – no joint lending has taken place recently. Loans from the FLAR appear to have been substitutes rather than complements to the IMF: this may be related to stigma, or to the business model of FLAR. The IMF has been the dominant lender in Latin America only when large-scale funding has been needed.

By contrast, there have been numerous instances of joint lending by the IMF and the AMF. A possible explanation could be that the perception of stigma has not been as important a factor in the Arab region. The other explanation could be related to the lack of AMF resources to conduct its own surveillance activity. Finally, the CRA has never been activated and remains engaged to the IMF with the same linked-portion that applies for CMIM[47].

In the three sub-sections that follow, we analyse specific experiences of cooperation between the IMF and RFAs both in tranquil and crisis times, focusing on an IMF-CMIM test-run, the experience of cooperation between the IMF and the ESM in crisis programmes, and covering technical assistance to Spain to recapitalise its banking sector.

3.2.1 Getting to cooperation: the CMIM test-run

The CMIM, created following the Asian financial crisis of the late 1990s, is the second largest RFA and has not yet been used. While there is no actual experience of coordination between the CMIM and the IMF, the two institutions have recently conducted a joint test-run for cooperation to see how the IMF-linked portion of a CMIM programme would work. The test-run envisaged a scenario of a resilient economy hit by multiple extreme shocks, resulting in urgent short-term USD liquidity needs. The country submitted a mock-request of assistance to the IMF and CMIM, and both institutions provided mock-reports containing:

1. an assessment of the economic and financial situation,
2. a calculation of financing needs, and
3. programme design, including the size of co-financing, timing of disbursement, repayment, etc.

The negotiations were conducted separately, as were the decisions on disbursement.

According to AMRO, the test revealed some key differences between the IMF and the CMIM which might potentially delay the coordination process in a real case. The most important points of divergence regarded burden sharing, the disbursement method, financial terms and conditions, and early information

[47] On the activities by RFAs outside Europe, see Lamberte and Morgan (2012), Ocampo and Titelman (2012), Titelman et.al. (2014), Henning (2016).

sharing[48]. No further details on the nature of those divergences or on the IMF's assessment of the test-run are available. Following the test, AMRO set up a working group to discuss how to nurture a coordination mechanism with the IMF.

3.2.2 Lending – learning-by-doing: IMF cooperation with European RFAs in euro area country programmes[49]

The experience of the IMF cooperation with European institutions is unique in many respects and cannot be easily replicated in other regions. The programme countries are members of a highly integrated monetary union, which is part of a broader, complex and more sophisticated EU governance system. Thus, given the diversity of existing RFAs, any lessons from the euro area experience should not be generalised, but rather treated as a useful example to guide the discussion on how to step up IMF-RFA cooperation.

In Europe, reforms to existing institutions and lending instruments, along with the establishment of the ESM, have created a lending infrastructure conducive to greater collaboration with the IMF. In sum, since 2008, the IMF co-lent with European RFAs on seven[50] occasions, four of which were with the EFSF/EFSM/ESM for euro area countries (Greece, Ireland, Portugal and Cyprus) and three with the EC under the EU BoP (for Hungary, Latvia and Romania[51]). The IMF also provided monitoring and technical assistance to Spain for its banking sector recapitalisation (see subsection (iii) below) and is providing, when possible, similar assistance to the current ESM programme for Greece[52].

The cooperation set-up in euro area country programmes varies (e.g. the different burden sharing of the financing between the IMF and the European RFAs) and has evolved over time from an ad hoc, less structured arrangement towards a more predictable 'Troika' one, comprising the IMF and the EC in liaison with the European Central Bank (ECB). The Troika aimed at acting in agreement and adopted a 'two-step' approach in which the IMF and the European representatives reached a staff level agreement/position prior to discussions with the member country.

The cooperation of the IMF with the EU RFAs has been broadly governed by a common political commitment to financial stability and is in line with the G20 principles. In particular:

48 A key shortcoming that emerged from the test-run related to the maturity and repayment mismatch between IMF financial assistance and CMIM assistance, based on short-term swaps.

49 Most of the cooperation with the IMF was undertaken by the EC staff, in liaison with ECB staff. Until recently the ESM had no active role beyond providing financing and was not part of the Troika.

50 Apart from the Greek Loan Facility, which is included in Table 3 Annex 3.

51 In addition, both IMF and EU BoP approved two precautionary lines for Romania.

52 See ESM programme for Greece (http://www.consilium.europa.eu/en/policies/financial-assistance-eurozone-members/greece-programme/).

1. consistency of lending conditions was sought to the extent possible in terms of policy conditionality, facility pricing and lending duration[53],

2. collaboration was sought as early as possible based on complementarity, and

3. joint work relied on rigorous and even-handed surveillance, open sharing of information and joint programme design and monitoring (including joint missions and press conferences, coordinated publications and disbursements).

The RFAs recognised the preferred creditor status of the IMF, and the coordination respected the mandate, independence and decision-making process of each institution, while taking account of regional specificities in a flexible way.

Overall, the cooperation between the IMF and EU RFAs can be assessed as successful, but also challenging[54]. On a positive note, the cooperation pooled extended financing resources and technical expertise, generating synergies among the institutions and increasing programme credibility and assurances. The diversity of expertise and experience among the Troika participants made it possible to produce more thorough assessments that have mostly resulted in a unified and consistent set of macroeconomic and structural parameters. The different perspectives and experiences that the three institutions brought to the table provided for a more complete assessment and minimised possible errors or omissions.

However, a number of issues of contention have also arisen with respect to programme design and conditionality, operational modalities, and the actual decision-making process and governance.

As regards programme design and conditionality, there was no full consistency of mandates and priorities between the IMF and the EU/euro area institutions. There were differences in lending terms and strategies, for example the repayment schedule, the interest rates, the timing and level of private sector involvement and the need or not for official sector involvement. The principle of 'no cross-conditionality' meant separate debt sustainability analyses by each institution, while the lack of a unified analytical framework for structural conditionality resulted in long lists of structural reforms in some cases[55]. This led to difficulties in effectively communicating programme objectives and increased the risk of 'argument shopping' by the local authorities[56].

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53 IMF lending to Greece switched from a Stand-by Arrangement to an EFF in line with the Irish programme, while the rates and timing of European programmes for Ireland and Portugal were realigned to adapt to those of IMF's peer programmes.

54 See, for example, IEO (2016) and Jost and Seitz (2012) in addition to some post-programme monitoring assessment.

55 See IEO (2016), as well as Kopits, (2016) and Eichenbaum et al (2016) for the (at times) inadequate prioritisation of structural reforms and the considerable burden on the local authorities given their weak administrative capacity (recognised by the Troika).

56 In the case of Greece, there was lack of official communication to the public by the Troika, but individual statements and analysis were at times published in the press. Given the complexity and the 'real-time' adjustment needs of the programme, a certain degree of programme opacity was developed (see, e.g. IEO (2016), and Kopits (2016)).

Another challenge for the cooperation between the IMF and the European RFAs was how to deal with the requirements of regional treaties and Union-wide rules in policy design. For the IMF such requirements limited the room for manoeuvre and dynamic response to the country's crisis, and its technical staff may have had a sense of 'political pressure at an early stage'[57]. By contrast, the European institutions tried to ensure consistency with Union-wide rules and may have felt that there was less understanding on the part of the IMF of the institutional constraints of Economic and Monetary Union membership, as well as of the systemic consequences under financial stress[58].

In terms of operational modalities, no clear division of labour among the Troika institutions was feasible in view of their respective mandates and frameworks. According to the IEO, this complicated coordination and prevented the teams from reaping synergies and avoiding duplication of work[59]. Overall, the absence of fully-aligned mandates and sufficient flexibility between institutions led at times to persistently diverging views and protracted negotiations.

Finally, the decision-making process was longer and the governance more complex on the European side, spanning multiple institutions and varying levels, than on the part of the IMF, a single institution. According to some parties, this higher complexity on the European side (which implied more 'red lines' and less delegated authority in European Troika mission chiefs than the IMF's) made it more difficult to reach early agreements and resolve conflicts, and may have affected the programmes' effectiveness and credibility. The broad institutional involvement may also have made it more difficult to keep key sensitive decisions confidential. Finally, on the IMF's side, the lack of early involvement of the Board led to information asymmetry and may have fostered the perception that staff were giving unfairly favourable treatment to the euro area[60], thus challenging the legitimacy of the IMF's involvement in Europe.

3.2.3 Advice and monitoring – the case of Spain

In June 2012, Spain requested financial assistance from the euro area to restructure and recapitalise its banking sector. A maximum financial support of EUR 100 billion (USD 125.9 billion) was approved by the Eurogroup and an 18-month programme was designed by the EC in liaison with the ECB, the European Banking Authority and the IMF. This programme set up the financial sector policy conditionality linked to the financial support approved and was part of the MoU signed by the Spanish government in July 2012. The financial assistance was

57 IEO (2016, pg1).

58 Kincaid (2016).

59 See (IEO 2016). The increase in the size of Troika teams also made coordination more complicated. Large mission teams and duplication of information requests increased the burden on local authorities, complicating the task of coherent surveillance and technical assistance (as also indicated by anecdotal evidence from participants in the negotiations).

60 Pisani-Ferry et.al. (2013).

provided by the EFSF (later the ESM)[61]. Spain exited its ESM programme after one year in December 2013. At the scheduled exit of the programme, no follow-up assistance was requested.

The IMF did not provide any financial support, but the Eurogroup considered it useful to also rely on the technical assistance and monitoring of the IMF. The role assigned to the IMF was to provide independent advice and monitoring, with no other responsibility regarding the conditionality of the programme[62]. The IMF monitoring focused on the financial sector as a whole, and not on the restructuring plans for individual financial institutions. It is worth noting that the analysis and conclusions of the IMF FSAP (Financial Sector Assessment Program) on the Spanish financial sector, carried out in early 2012, were key inputs to the design of the Spanish programme and many of its recommendations were incorporated in the MoU. Nevertheless, the FSAP team was not involved in the programme monitoring; a team from the IMF's European Department assumed this role.

The programme monitoring was structured in regular quarterly discussions of the Troika with the Spanish authorities. Both the EC and the IMF published their own quarterly reports on the progress of the Spanish programme, including assessments of whether conditionality requirements had been fulfilled.

In general, the collaboration on technical assistance and monitoring between the IMF and the European authorities ran smoothly, even if the conditions of such collaboration were not completely explicit and precise. Nevertheless, the IEO report[63] points out that the IMF had less influence in Spain than in other euro area programmes because it did not play a financing role. The IMF's advice and technical assistance provided a high value added, given its knowledge and global perspective of macroeconomic and financial issues. However, the absence of leverage to impose its views in case of disagreement with national or European authorities may have limited the IMF's ability to ensure the implementation of the recommendations derived from its analysis.

The Spanish experience also suggests the need to reflect upon the coordination between different IMF teams, particularly if the IMF's technical or financial assistance is required shortly after the finalisation of the FSAP, as was the case in Spain. The staff involved in the FSAP made a significant effort to deepen their knowledge of structural financial and non-financial issues of Spain. Conducting the technical assistance with a different team implied an additional cost in terms of adaptation and learning, at least in the early stages of the process.

It may also be worth noting that, according to the IEO, the role of the IMF Board in this process was rather narrow, limited to monitor a programme designed by

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[61] This took the form of debt securities with an average maturity of 12.5 years issued by the EFSF to FROB, the bank recapitalisation fund of the Spanish government.

[62] The conditions of such assistance, agreed by the Spanish Ministry of Economy and Competitiveness, the Bank of Spain and the EC, were set up in the Terms of Reference for Fund Staff Monitoring in the Context of European Financial Assistance for Bank Recapitalisation (IMF, 2012).The technical assistance was set up under Article V. Section 2 (b) of the Fund´s Articles of Agreement (IMF, 2016b).

[63] Kincaid (2016).

others[64]. This situation could lead to different and/or more discretional treatment of problems depending on the staff involved without clear unifying criteria across regions/countries.

One additional issue was the publication of almost simultaneous and parallel reports by the EC and the IMF which involved significant overlaps. This can bring inefficiencies since both parties described and analysed similar issues separately but, at the same time, made an attempt not to convey divergent messages. Efforts could be made to avoid this type of duplication. A possibility would be that the IMF subscribed the regional authority report, making additional analysis or opinions without replicating similar analyses in two separate publications.

The IMF technical assistance served to facilitate the financial support provided to Spain by European RFAs, performing a sort of catalytic role. Both the absence of IMF financing and this sort of catalytic role resemble some elements of the new PCI facility, and could provide a useful experience in this regard. As discussed in Box 1, the PCI is a non-financial monitoring programme aimed at assisting members that do not wish to ask for IMF resources but are looking for financing from other sources. Policy monitoring would be provided through the IMF's standard conditionality.

[64] De las Casas (2016).

4 The interplay between the IMF and RFAs: implications for moral hazard, stigma and exit

Moral hazard, stigma and smooth exit are fundamental challenges for a proper and efficient functioning of the GFSN. Before turning to the way forward in the relationship between the IMF and RFAs, this section looks at how the cooperation between the IMF and RFAs may affect these fundamental aspects.

The way the interplay between IMF and RFAs could affect moral hazard is not evident. On the one hand, it could be argued that the possibility of co-financed IMF/RFA programmes might diminish the incentives for a country to take preventive actions by implementing sound domestic macroeconomic policies, thus increasing the probability of adverse outcomes (economic and financial crises). In particular, governments might have incentives to avoid or postpone tough – but necessary – policy decisions[65]. However, some authors also argue that in some circumstances the availability of financing by the IMF or an RFA might actually strengthen countries' incentives to implement desirable but costly policies[66]. IMF/RFA-induced moral hazard also concerns the indirect effects on the behaviour of private creditors, such as foreign bondholders or banks, in their investment decisions. It can be argued that IMF/RFA lending provides indirect insurance to these creditors as well, incentivising them to lend imprudently to vulnerable countries in the expectation that support will be provided in the event of a crisis[67].

Moral hazard can in principle be attenuated both before and after financing is granted. Ex ante tools to that end include for instance good surveillance and identifying and discouraging unsustainable policies prior to the eruption of a crisis. Moral hazard can also be mitigated ex post through conditionality, to ensure that the loans are used to facilitate rather than to postpone needed adjustments[68]. Whether these tools are strong enough is open to debate[69].

It can be further argued that there may be moral hazard attached specifically to IMF-RFA co-financed programmes because of coordination problems or differences in rules and objectives among lenders[70]. In order to avoid 'facility

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65 Dreher and Vaubel (2004).

66 See Corsetti et. al. (2006).

67 The reason is that if markets refuse to roll over maturing debt, the IMF/RFA can be expected to step in to provide resources that can be used to finance investors' exit, under the assumption that restructuring is costly. Since investors take this into account when deciding whether and where to invest and on what conditions, investment decisions may become biased, resulting in too much/too cheap lending, thereby increasing the probability of financial crises.

68 Conditionality may also reduce moral hazard ex ante if the prospect of having to accept conditionality in case of a crisis or resorting to IMF/RFA resources induces more sound policies in the first place.

69 Rey et. al. (2011).

70 The presence of multiple overlapping lenders could cause severe coordination problems (Henning, 2011) and conflict (Eichengreen, 2012).

shopping' across institutions, the G20 principles suggest seeking consistency of lending conditions to the maximum extent possible. As another way to alleviate these concerns, some argue that the IMF and RFAs should specialise in their areas of comparative advantage, refrain from competing in these areas, and be transparent in communication regarding co-financed programmes[71]. Others suggest a division of labour so that the RFAs would focus on smaller, contained crises, while IMF involvement would be required during large, systemic ones[72]. Still others suggest that the IMF Articles of Agreement should be amended to allow direct lending to RFAs in order to promote crisis resolution[73].

While some degree of moral hazard cannot be ruled out in financial support provided by the IMF and RFAs or through IMF-RFA co-financed programmes, the evidence is so far inconclusive given the difficulty in empirically identifying moral hazard in agents' behaviour. This may suggest that concerns about moral hazard risks associated with lending may be somewhat overstated. It could also be argued that moral hazard concerns may be alleviated by the inelastic size of IMF and RFA resources.

Perceived IMF stigma may have mixed implications for the IMF-RFA cooperation going forward. IMF stigma might bolster RFAs as alternative financing providers. But RFAs offering financial assistance on the condition that an IMF programme is in place – or having any other link with the IMF – might be 'contaminated' by IMF stigma, too[74]. Moreover, there is the risk that RFAs become stigmatised independently of their links to the IMF and for the same reasons as the IMF. Members in need might indeed avoid seeking RFA assistance. Countries may also turn to sources of finance with fewer conditions attached, even if at higher costs or in return for political ties ('facility shopping'). In addition, in cases where programme implementation fails to deliver the expected results on time, the credibility of the IMF might be undermined. This in turn may also affect the conditions of IMF-RFA cooperation.

However, one could also argue that there are a number of factors which might help contain RFA stigma: RFAs have fewer members, with more individual influence in decision-making; they are supposed to have better expertise and understanding of regional circumstances, including cultural ones; finally, integration in a common market or with a common currency should mitigate the perception of stigma[75]. Therefore, cooperation with RFAs could also be beneficial for the IMF.

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71 Henning (2011 and 2013).

72 Sussangkarn (2011); Jeanne (2010).

73 Rhee et al (2013).

74 Korea illustrates this point, given that the country did not turn to the CMIM for assistance during the global financial crisis, but preferred instead to seek alternative sources of assistance, including central bank swap lines. From this point of view, there may be repercussions of IMF/RFA stigma for major central banks, as they might face increased pressure to provide liquidity support to ensure stability (e.g. via central bank swap lines). This, however, has not been the case in Europe. On the Korean experience, see also Kawai (2015).

75 The downside of regional membership is that the RFA might be more susceptible to political influence; political difficulties when dealing with neighbours might make it more difficult for RFAs to impose the appropriate level of programme conditionality compared to the Fund.

Indeed, some argue that cooperation with RFAs should be seen as a chance for the IMF to overcome debtor stigma and strengthen its global role[76].

In order to address concerns related to perceived stigma, the IMF has undertaken reforms in a number of areas[77]. Importantly, RFAs could help mitigate stigma concerns if they are not seen as a rival to the IMF but as a partner which can act as an intermediary between the IMF and a country in need.

All this makes it essential to appropriately formulate the principles of enhanced cooperation and bilateral agreements in order to attenuate IMF stigma and contribute to more effective functioning of the GFSN.

Finally, exit strategies have been a key issue for IMF programmes. Prolonged IMF programme engagement is often blamed on the rationale for the programme being too broad[78]. One of the reasons for this could be creditors believing that continued involvement would foster 'good' policies, including by enhancing the leverage for domestic reforms or avoiding slippage. In addition, there is the problem of reverse stigma, understood as the possible adverse financial market reaction from exiting a facility. Repeated use of an instrument can also reflect lenders' financing constraints. The IMF's unique financing mechanism and the resulting revolving character of its resources preclude the provision of financing under long-term arrangements. However, there are cases of extended IMF involvement through repeated programmes in cases where external viability could not be achieved during the lifetime of a given programme[79].

IMF-RFA co-lending could make exit strategies more complex than lending by a single institution. A structured approach to IMF-RFA cooperation could overcome prolonged programme involvement if the details of exit strategies are well coordinated in advance. The appropriate timing, pace and mode of exiting from both crisis-related and precautionary programmes could be decided according to pre-established principles. An explicit exit policy covering both involuntary programme exit and voluntary withdrawal might employ time- and state-contingent conditions[80]. Due to the potential for spillovers and political connections in regions, RFA conditionality alone may be effective in enforcing changes in cases with less political commitment. IMF involvement in a policy monitoring capacity could focus on policy

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76 Volz (2012).

77 These reforms include streamlining of conditionality, a new focus of surveillance in the Integrated Surveillance Decision, a new institutional view on the management of capital flows, an increase in transparency and ex post self-evaluation. To help address stigma related to conditionality, the IMF introduced new precautionary lending tools that require no, or very limited, ex post conditionality, i.e. the FCL and PLL. To address governance-related stigma, in 2008 the IMF agreed on a major reform package to shift quota to emerging market economies so as to strengthen their representation. In 2010, the IMF agreed on another package containing a further alignment of quota shares, a move to an all-elected Board and a reduction in European representation on the IMF board. The IMF is currently looking at how to best address the concerns over the lack of even-handedness in surveillance, as a follow up to the 2014 Triennial Surveillance Review findings.

78 Eichengreen (2012).

79 IEO (2002).

80 As an example of a mixed time- and state contingent exit criteria, the ESM is mandated to provide a Precautionary Conditioned Credit Line or an Enhanced Conditions Credit Line for an initial availability period of 1 year which can be renewed twice, each time for 6 months.

rules or procedures to increase effectiveness[81]. This would also tackle the assertion by Eichengreen (2012) that coordination between multilateral organisations and RFAs faces limitations when there is less than full agreement on the purposes and circumstances under which financial assistance should be extended (or renewed).

Overall, the cost of potential moral hazard, the perceived stigma and the risks for smooth exit associated with IMF/RFA coordinated lending need to be balanced with the benefits of IMF/RFA lending. Measures that could reduce the potential moral hazard, such as increasing conditionality or tweaking programme qualification criteria, may unintentionally increase the perception of stigma. But the same holds true for options to alleviate stigma, as limiting conditionality, for example, might increase the potential for moral hazard. It is important therefore to recognise that moral hazard and stigma may be problems without perfect solutions and managing the trade-off effectively is the best that can be done about it[82].

81 IEO (2016).

82 Fischer (1999).

5 Moving IMF-RFA relations forward

As discussed throughout the different sections of this paper, the world as we knew it before the global financial crisis has evolved into a much more complex system, with increased support mechanisms and buffers, but with the IMF still at the centre of the GFSN. A number of RFAs – old and new – have developed and now have an aggregate financial capacity comparable to that of the IMF. This implies that the IMF and RFAs have to be prepared to play complementary roles as parts of the GFSN, but they need to work together in order to achieve this complementarity. As already mentioned, the scenario exercises that have been developed by different institutions in order to assess the potential liquidity needs in case of global financial distress imply that under certain circumstances – although most extreme and highly unlikely – the resources of the GFSN would have to be used in full to address the liquidity needs of potentially affected countries. In order to be ready to act if the need arises, the G20 and the IMFC have called on the IMF to intensify cooperation with RFAs[83].

There are two important initial considerations to take into account when addressing this task. The first is that existing RFAs vary greatly: in size and targets; in governance and membership; and in analytical capacity and experience. The European case is certainly a special one, with deep economic integration and a monetary union. This means that to deepen cooperation with the IMF a sufficient degree of flexibility to accommodate the specific features of each RFA will be needed. Aiming at a 'one-size-fits-all' operational cooperation model would be unrealistic.

The second consideration is that the guidance provided by the G20 principles as agreed in 2011 is too general to effectively operationalise the cooperation between the IMF and RFAs, in view of the number and nature of the operational aspects and related challenges in IMF-RFA cooperation highlighted in this paper. In what follows we provide some thoughts on a possible framework to make the IMF-RFA cooperation more operational.

It is important to acknowledge that cooperation between the IMF and RFAs is not starting from scratch[84]. Certainly, the European sovereign debt crisis provided the basis for an enhanced relationship between the IMF and European RFAs. But there is also a gradual approach to cooperation in the cases of FLAR and CMIM. For instance, FLAR and the IMF have started to cooperate much more actively in the field of capacity building. Even if co-lending is seen a distant possibility, the IMF is training FLAR staff in surveillance, programme design and monitoring. AMRO, ESM and FLAR are also supporting more cooperation among RFAs and between the RFAs and the IMF through the exchange of experiences at high-level and technical

83 IMFC (2016).

84 Annex 3 gives details of loans from IMF and RFAs since 2008, both overlapping loans (Table 3 and Charts 5a and 5b) and total lending by institution (Charts 4a and 4b).

meetings organised for that purpose. In general, to accomplish the G20 aim of more effective cooperation between the IMF and RFAs, thereby improving crisis management at the global level, all parties involved should strive to build and maintain a working relationship even in non-crisis times.

In view of the heterogeneity of the RFAs and the many different operational aspects that IMF-RFA cooperation entails in areas such as surveillance, lending and technical assistance, the G20 principles provide only general guidance to further develop and operationalise this relationship. To effectively enhance cooperation additional steps could be considered, the first being the strengthening of most RFAs.

One approach, starting from the G20 principles, would be for the IMF and the RFAs to develop a more formal and structured common framework for collaboration, valid for all RFAs and encompassing all possible areas of cooperation: surveillance, lending, capacity building and information sharing. This could provide more transparency and greater certainty that countries would be able to access external financing in case of crisis, probably making this access more expedient. But the wide heterogeneity among RFAs and problems related to issues such as moral hazard make this broad approach unrealistic and unlikely to lead a workable solution for collaboration.

Even if this all-encompassing approach is unlikely to be implemented, for some types of activity a common framework for cooperation and dialogue between the IMF and RFAs may be suitable. The provision of capacity building is one of those areas. Furthermore, establishing a formal dialogue to exchange views and information among these institutions would be beneficial. Such a dialogue would provide a channel to share technical knowledge and to gradually develop the mutual trust that should be the basis for a solid, long-term relationship. Institutionalising annual meetings between the RFAs and the IMF can be one of the channels of this dialogue. In fact, as already mentioned, a first meeting organised by the RFAs and with the participation of the IMF as an observer took place in October of 2016, followed by a second one in 2017. As exchanges of views and discussions progress under this dialogue, the IMF and RFAs could set out to draft a common understanding of IMF-RFA cooperation. The institutional dialogue should also take a long-term perspective aimed at broadening GFSN coverage. In Annex 1, we provide some ideas on how the G20 principles could be developed.

Cooperation on surveillance and lending activities should be built on a more flexible, tailor-made relationship. As already noted, the establishment of an all-encompassing framework that suits all RFAs would be difficult to achieve and would not be operational. Cooperation would be better achieved by establishing flexible relationships, guided by the general principles encompassed in the above-mentioned common understanding, with the aim of attaining more effective and operational mutual engagement on a bilateral basis. Bilateral cooperation in surveillance and lending activities could be captured in agreements – as Memoranda of

Understanding (MoU) – tailored to the specific characteristics of each RFA.[85] Bilateral cooperation agreements should evolve, gradually broadening in scope based on the lessons learned from existing collaboration and ex post evaluations of joint actions. An agreement in the form of a 'Collaboration Protocol', in the spirit of the IMF-WB Concordat, could also be a model and tailor-made to each IMF-RFA relationship (see Box 2 below).

It would be important to safeguard the independence of the IMF and the RFA in these bilateral agreements. As regards surveillance and lending, a cooperation agreement could address issues such as the division of labour[86] between the IMF and the RFA, the adaptation of the programmes' goals and policies to new developments (where possible), conflict resolution, confidential information sharing, external communication rules and exit strategies, while fully respecting the equality, diversity and autonomy of both institutions as well as their respective legal mandates and responsibilities. It could also include principles and safeguards for joint financing operations (including issues with regard to IMF financing assurances policy). This type of agreement would be particularly useful for RFAs that link their financial assistance to an IMF programme and would have the benefit of making access to funding more transparent. The agreement could detail procedures for information sharing and joint crisis scenario exercises, training programmes, joint test-runs, seminars, etc. with the overarching aim to improve the feasibility of early action if a crisis arises.

In summary, the cooperation between the IMF and RFAs could be developed, in full respect of their autonomy and legal frameworks, gradually along three complementary lines (see Figure 1):

- Establish a regular institutional dialogue between the IMF and the RFAs so that they meet regularly to discuss technical matters, share general information and develop trustful relationships with each other. This platform can also provide an efficient way to discuss capacity building (which does not necessarily always have to be delivered by the IMF but could also be delivered by another RFA).
- As experience is gained through this dialogue, the IMF and the RFAs could formulate a more detailed set of principles, starting from the G20 formulation. In particular, these could develop into an IMF-RFA 'understanding on enhanced principles' for their future cooperation. In Annex 1 we develop some ideas on how the G20 principles could be further enhanced for this purpose.

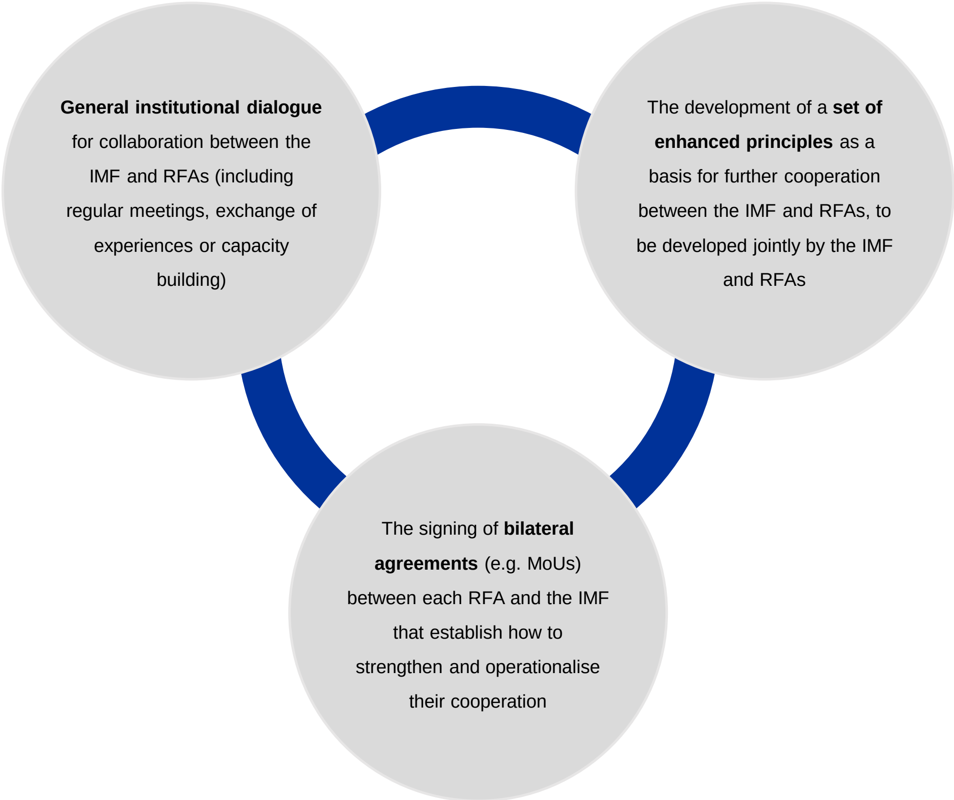
[85] The IMF has signed a MoU with AMRO in October 2017 (see IMF press release 17/395). The IMF also developed a policy framework for the exchange of documents between the Fund and RFAs, see e.g. IMF (2018).

[86] However, a clear division of labour may be difficult to achieve as long as both parties have skin in the game and a need for their own analysis and assessment. Nevertheless, in some areas, mandates permitting, the possibility of a clear division of labour is worth pursuing further. One such area could be structural conditionality. Proper coordination of structural conditionality or unifying parts of the analytical framework and clarifying which institution has primary responsibility would provide additional assurance of success by, first, ensuring conciseness and better prioritising of policies and, second, reducing uncertainty with respect to the capacity of the programme country to implement the measures effectively.

- The IMF and each RFA could agree on bilateral MoUs or action plans with specific details and operational issues. The understanding on enhanced principles would usefully feed into such MoUs.

Figure 1

Cooperation framework for IMF and RFAs



Source: Own elaboration.

Box 2

State of play of coordination between the IMF and Multilateral Development Banks (MDBs): a model for IMF-RFA cooperation?

Multilateral and regional development banks, strictly speaking, do not belong to the GFSN, although they frequently play a complementary role to the IMF and the RFAs in addressing countries' financing needs in times of economic and financial distress. From the outset of the global financial crisis these international financial institutions have shaped a new institutional map by expanding the volume of financial resources available and by establishing new 'regional' banks such as the Asian Infrastructure Investment Bank, and the BRICS' New Development Bank (NDB). MDBs generally require a sustainable macroeconomic position as a precondition for policy-based financing and budget support. In this regard, the Fund is well placed to provide an informed assessment of the macroeconomic context. However, the role of an IMF macroeconomic assessment varies greatly from one MDB to another, since some of them require an assessment as a formal input while others do not.

Coordination between the World Bank and the IMF has long been a concern for both institutions. To address programme overlapping, in 1989 the two institutions signed a Concordat on cooperation which provides specific guidance on the division of labour on the basis of their primary responsibilities. In addition, the 2002 guidelines on Fund conditionality clarified the delineation of responsibilities between both institutions under the ‘lead agency’ approach, guided by the division of labour set out in the Concordat. The staff of the IMF is currently considering the possibility of taking the Concordat as the benchmark for IMF-RFA cooperation on programme design.

At the Hamburg summit in July 2017 the G20 welcomed a set of ‘principles for effective coordination between the IMF and MDBs in case of countries requesting financing while facing macroeconomic vulnerabilities’. Building on current good practices, these principles lay down a series of individual recommendations for MDBs, for the IMF and for both. The recommendations for MDBs include offering emergency financing to a country after having received a positive assessment by the IMF, ensuring consistent policy signalling, and structuring lending in a manner conducive to providing the right incentives to carry through reform commitments. For the IMF, the recommendations boil down to providing a clear and up-to-date assessment of the country’s macroeconomic situation and prospects, and maintaining open lines of communication with MDBs. All institutions should ensure close communication and coordinate at the level of technical assistance and capacity building. While the drafting of these principles by the IMF and MDBs could be an example to follow for IMF-RFA cooperation, the variety of RFAs means the same ‘one-size-fits-all’ approach could not be taken.

6 Final remarks

Cooperation between the IMF and RFAs could be further developed by establishing a regular institutional dialogue between all the parties at stake. This dialogue could lead to an understanding on enhanced principles among these institutions, which could form the basis for bilateral agreements or actions plans to further operationalise the relationship.

One issue that should be taken into account is that, over time, some of the existing RFAs may develop towards a model with stronger governance and stronger monitoring and financial footing. Even in the case of the ESM, which can be considered the strongest and most developed RFA at present, there are some voices suggesting the possibility of strengthening it further and transforming it into a European Monetary Fund[87]. Such a transformation would no doubt have a bearing on the relationship with the IMF and any cooperation agreement between them.

As mentioned in the introduction, the ongoing debate on IMF-RFA cooperation should not be seen as an isolated discussion. It touches several issues that are relevant for analysing the functioning of the GFSN – i.e. the introduction of the new Policy Coordination Instrument in the IMF's lending toolkit and the ongoing discussion on the adequacy of IMF resources. A discussion on programme design in currency unions is also being prepared, that would obviously be relevant to any future bilateral agreement for cooperation between the IMF and RFAs.[88]

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[87] The roadmap, presented by the European Commission on 6 December 2017, for deepening Europe's Economic and Monetary Union contains a proposal to transform the ESM into a European Monetary Fund.

[88] The IMF Executive Board held a meeting on programme design in currency unions on 21 February 2018.

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Annexes

Annex 1 – The G20 principles for cooperation between the IMF and Regional Financing Arrangements and possibilities for further enhancement

G20 Principles for Cooperation between the IMF and Regional Financing Arrangements as endorsed by G20 Finance Ministers and Central Bank Governors[89]

In November 2010, G20 Leaders also tasked G20 Finance Ministers and Central Bank Governors to explore 'ways to improve collaboration between RFAs and the IMF across all possible areas'. Based on contributions by the EU and by ASEAN+3 countries members of the G20, the following non-binding broad principles for cooperation have been agreed. Also, collaboration with the IMF should be tailored to each RFA in a flexible manner in order to take account of region-specific circumstances and the characteristics of RFAs.

1. *An enhanced cooperation between RFAs and the IMF would be a step forward towards better crisis prevention, more effective crisis resolution and would reduce moral hazard. Cooperation between RFAs and the IMF should foster rigorous and even-handed surveillance and promote the common goals of regional and global financial and monetary stability.*

2. *Cooperation should respect the roles, independence and decision-making processes of each institution, taking into account regional specificities in a flexible manner.*

3. *While cooperation between RFAs and the IMF may be triggered by a crisis, ongoing collaboration should be promoted as a way to build regional capacity for crisis prevention.*

4. *Cooperation should commence as early as possible and include open sharing of information and joint missions where necessary. It is clear that each institution has comparative advantages and would benefit from the expertise of the other. Specifically, RFAs have better understanding of regional circumstances and the IMF has a greater global surveillance capacity.*

5. *Consistency of lending conditions should be sought to the extent possible, in order to prevent arbitrage and facility shopping, in particular as concerns policy conditions and facility pricing. However, some flexibility would be needed as regards adjustments to conditionality, if necessary, and on the timing of the reviews. In addition, definitive decisions about financial assistance within a joint*

[89] Source: Group of Twenty, G20 (2011).

programme should be taken by the respective institutions participating in the programme.

6. *RFAs must respect the preferred creditor status of the IMF.*

These G20 principles could be used as a starting point for discussions between the IMF and RFAs. The principles could be gradually developed into a more specific and enhanced set of guidelines framing future bilateral relationships. In any case, it should be borne in mind that the general nature of the G20 principles is a direct consequence of the heterogeneity of RFAs and their different stages of development, and that the process of reformulating them may be protracted. Below we provide some specific comments that could be taken into account in this setting. For this purpose we have separated the principles into five categories:

Governance of cooperation

- *Cooperation between RFAs and the IMF should foster rigorous and even-handed surveillance and promote the common goals of regional and global financial and monetary stability.*
- *Cooperation should respect the roles, independence and decision-making processes of each institution, taking into account regional specificities in a flexible manner.*

There is currently no overarching governance structure for IMF-RFA cooperation in place. Two more formal elements of governance cooperation could be envisaged: a common framework for capacity building and bilateral MoUs for surveillance or lending. Such measures could be beneficial to guide interinstitutional relations, priority setting, actions on surveillance and analysis, and the terms of joint financial assistance. However, they should not prevent the institutions involved from rigorously executing their responsibilities.

RFAs should be encouraged to contribute to the IMF staff's proposal on the cooperation between RFAs and the IMF. RFAs should be actively involved in formulating enhanced principles which incentivise all parties to be committed and ensure that different characteristics and heterogeneous mandates are respected. Furthermore, such enhanced principles would help increase the accountability and predictability of actions taken by individual organisations.

Both the IMF and RFAs should be flexible and agree on operational and governance elements that can help them overcome possible organisational hurdles that might delay action, especially lending.

Dialogue and exchange of experiences

- *While cooperation between RFAs and the IMF may be triggered by a crisis, ongoing collaboration should be promoted as a way to build regional capacity for crisis prevention.*

The IMF and RFAs should maintain a candid dialogue and aim to further cooperate, beyond the current focus on cooperation in crisis lending. Dialogue and cooperation are especially welcomed for the monitoring of macroeconomic and financial conditions in regions, as well as in individual countries. The staff of the IMF and the RFAs should be encouraged to meet regularly to exchange views and initiatives as they did at the margins of the IMF Annual Meetings 2016 and 2017.

Opportunities for technical assistance or capacity building should be discussed regularly.

Joint IMF-RFA interventions should be evaluated after every joint intervention and lessons should be learned and taken on board via specified follow-up actions. While the cooperation is not officially governed, learning-by-doing should be an ongoing feature.

Surveillance and information sharing

- *Cooperation should commence as early as possible and include open sharing of information and joint missions where necessary. It is clear that each institution has comparative advantages and would benefit from the expertise of the other. Specifically, RFAs have better understanding of regional circumstances and the IMF has a greater global surveillance capacity.*
- *The IMF and RFAs should establish procedures for information sharing, identify contact persons and counterparts, and conduct crisis scenario exercises together.*

Cooperation in both fields must not undermine the independence of the individual organisations. The credibility and independence of individual organisations' analyses and assessments, either of macroeconomic and financial conditions or programme implementation, must not be affected. However, it is mainly the responsibility of each individual organisation to ensure its independence.

The aim of sharing information and surveillance should be to improve the overall effectiveness of policy action by both RFAs and the IMF. RFAs and the IMF should both inform each other actively and share information, as this will help avoid unexpected actions to be taken which might result in a loss of accountability. However, information sharing should not be an end in itself.

More importantly, to the extent possible, all processes that are agreed upon should ultimately be distilled into a meaningful and manageable set of practices and policy action, with a clear allocation of responsibilities among the institutions. The monitoring of surveillance could be primarily assigned to those institutions with the comparative advantage, expertise and the availability of human resources. When drafting these processes, a level playing field between the organisations needs to be created to ensure that all parties involved can contribute and consensus is built.

Joint financing and lending

- *Consistency of lending conditions should be sought to the extent possible in order to prevent arbitrage and facility shopping, in particular as concerns policy conditions and facility pricing. However, some flexibility would be needed as regards adjustments to conditionality, if necessary, and on the timing of the reviews. In addition, definitive decisions about financial assistance within a joint programme should be taken by the respective institutions participating in the programme.*
- *RFAs must respect the preferred creditor status of the IMF.*

Cooperation in lending operations should ensure that the terms of financial assistance are aligned as much as possible while fully respecting the independence of the lenders. These agreements should be discussed before negotiating the terms of assistance with a country. The IEO's positive feedback on the efficiency of the two-step negotiating process which has been adopted for some European countries supports this view.

Flexibility in programme design and implementation should be preserved to allow for adjustments in the programmes if circumstances change. However, if an organisation wants to adjust the conditions under which it lends to a country, other organisations that are involved in the financing of the same country should be actively informed and approached for dialogue. Here timeliness is essential, because any disagreement between different lenders on for instance conditionality could aggravate with time and adverse press publicity. Without prejudice to autonomous decision making, organisations could formally commit themselves to reveal early on such adjustments to other organisations involved in the financing. However, a more comprehensive view on how the IMF and RFAs could resolve conflict in a more institutionalised way would be needed.

The design of joint lending operations should seek to provide the borrowing country with the right incentives to pursue rigorously its programme of reform. The IMF and RFAs' programmes should aim for efficient implementation while avoiding cross-conditionality and inconsistencies. The IMF and RFAs should also aim to harmonise their analytical frameworks for structural conditionality or, at least, make them compatible.

Participation by both IMF and RFA staff in coordinated missions will help promote mutual understanding. The IMF and RFAs still need to have the flexibility to act separately, but timely collaboration can be key to containing contagion. This collaboration involves timely information sharing, which is critical to speedy collaboration. Information sharing is also critical in coming to a common view in programme contexts. As far as possible, staff from both the IMF and the RFA should be free to attend any programme meeting with the country. It would be helpful to agree on procedures and schemes for information sharing as well as for the country to give prior consent to the IMF and RFA staff to attend each other's meetings.

Technical assistance

Technical assistance and capacity building should be part of the regular and ongoing cooperation. Assistance could be provided by the IMF but also by RFAs. The IMF and RFAs should exploit the complementarities in the technical assistance provided to countries. The IMF-CMIM test-run is an excellent example of enhanced cooperation.

Annex 2 — Tables and map on the GFSN and RFAs

Table 1
GFSN layers

GFSN main layers and year of establishment	Size in USD bn & (nr. of members)	Funding source	Financial tools: Crisis prevention	Financial tools: Crisis resolution	IMF involvement	Conditionality	Some facts and recent changes in the GFSN landscape
International Monetary Fund (IMF) **1944**	1,227 (189) 650 quotas 245 NAB 332 bilateral loans	Member quotas, financial resources provided by GAB/NAB commitments, and bilateral loans granted by member countries	- Flexible Credit Line (FCL) - Precautionary Liquidity Line (PLL) - Precautionary SBA	- Stand-by Arrangement (SBA) - Extended Fund Facility (EFF) - Rapid Financing Instrument (RFI		Ex ante/ex post (unconditional assistance also available)	Permanent resources were increased threefold, the crisis resolution lending policy was made more flexible (more realistic conditionality and greater access to resources), and new precautionary tools were created since 2009
European Stability Mechanism (ESM) **2012**	745 (19) 85 paid in capital 660 committed capital	Member capital leveraged with capital market borrowing	- Precautionary Conditioned Credit Line (PCCL) - Enhanced Conditioned Credit Line (ECCL) - Secondary market purchases	Loans within a macroeconomic adjustment programme - Loans for indirect bank recapitalisation - Direct recapitalisation of institutions - Primary market purchases - Secondary market purchases	Active participation to be sought, both at technical/financial level	All tools are subject to conditionality	Inter-governmental mechanism of the euro area countries that replaces temporary mechanisms (Greek Loan Facility and EFSF) that had been activated as from 2010. Loans to Greece, Ireland, Portugal and Cyprus. Bank recapitalisation for Spain.
Chiang Mai Initiative Multilateralisation (CMIM) **2000**	240 (14)	FX reserves	Central bank swap lines CMIM Precautionary Line (CMIM PL)	CMIM Stability Facility (CMIM SF)	If access > 30% of maximum	Yes with IMF involvement	The CM Initiative was multilateralised in 2010. The related amount rose from 80 to 120 that year and to 240 in 2012. Also the delinked portion was increased from 20 to 30%. Still untested
BRICS Contingent Reserve Arrangement (CRA) **2014**	100 (5)	FX reserves	Central bank swaps lines. Both precautionary and liquidity instruments		If access > 30% of maximum	Yes with IMF involvement	Pool of reserves of the central banks of the 5 countries identified as BRICS with China as the majority shareholder (40% of the voting power). Still untested
EU European Financial Stabilisation Mechanism (EFSM) **2010**	65 (28)	EU budget leveraged with capital market borrowing	Loans and precautionary financing to all EU countries		Yes	Yes	Contributed around 1/3 to the Ireland and Portugal programmes and a bridge loan to Greece in mid-2015

GFSN main layers and year of establishment	Size in USD bn & (nr. of members)	Funding source	Financial tools		IMF involvement	Conditionality	Some facts and recent changes in the GFSN landscape
			Crisis prevention	Crisis resolution			
EU BoP Assistance Facility **1988**	54 (9)	EU budget leveraged with capital market borrowing	Loans and precautionary financing to non-euro area EU members		Not necessary, but post 2008 programmes jointly with IMF	Yes	Established in 1970 (loans to Italy, Ireland, France and Greece in 1970-90s). After having been inactive from 2002 to 2007, it was activated from 2008 to Hungary, Latvia and Romania with assistance granted in combination with other agencies (IMF, WB, EBRD, and on a bilateral basis)
North American Framework Agreement (NAFA) **1994**	9 (3)	Domestic central banks	Central bank swap lines (to be renewed annually)		US Treasury Secretary requires letter from IMF	Informal and indirect	Established as a parallel financial agreement to the North American Free Trade Agreement (NAFTA) based on trilateral swaps (US-MEX; CAN-MEX & US-CAN)
Eurasian Stabilisation and Development Fund (ESDF) **2009**	8.5 (6)	Fully paid in by members	No	Loans to member governments or for infrastructure projects		Ex ante	Former EURASEC Anti-Crisis Fund. Loans to Tajikistan (2010) and Belarus (2011)
Fondo Latinoamericano de Reservas (FLAR) **1988**	3.9 (8)	Member capital leveraged with capital market borrowing	Contingent Credit Facility	- Liquidity Facility - BoP Credit - Foreign Debt Restruct. - Treasury Credit		Ex ante for some loan types	Former Fondo Andino de Reservas (FAR) founded by 5 countries in 1978. Rest of members joined the FLAR in 2000, 2009 and 2013.
Arab Monetary Fund (AMF) **1976**	3.7 (22)	Member capital leveraged with capital market borrowing	No	8 credit facilities that fall into 2 categories: - Facilities to assist member states in financing their overall BoP deficits - Loans devised to back reforms that are sectorial in their nature		Yes, if loan > 100% of paid-in capital	A new precautionary credit line without conditionality was created recently for countries with sound fundamentals.

Sources: IMF (2013), IMF (2016 c,d,e), AMF (2016), AMRO (2016), Brazilian Ministry of External Affairs (2016), EFSD (2016), ESM (2015), EC, FLAR (2016) and own data.
Pro-memoria: GFSN also includes **FX reserves** (12 000 billion USD; have increased more than fivefold since 2000; no conditionality and with no a priori stigma) and **bilateral swap** lines (currently 2 500 billion USD of permanent standing lines between six core advanced economies' central banks; between 2008 and 2014 they had increased twenty-fold, and the number of agreements almost doubled, with the regional scope of agreements expanding).

Table 2

RFAs and IMF contribution and access. By member countries

RFA	Member Countries	IMF		RFA		2015 GDP[6]
		Quota[1]	Access[2]	Contribution[3]	Access[4]	
		(in USD m)				(in USD bn)
EFSF	Austria	5,448.69	23,701.80	13,327.24		374.26
	Belgium	8,883.92	38,645.03	16,648.60		454.29
	Cyprus	421.26	1,832.49	939.65		19.33
	Estonia	338.12	1,470.81	0.00		22.70
	Finland	3,341.00	14,533.33	8,606.39		232.08
	France (*)	27,929.39	121,492.84	97,610.07		2,420.16
	Germany (*)	36,907.53	160,547.77	129,979.97		3,365.29
	Greece	3,365.94	14,641.83	13,486.49		195.32
	Ireland	4,780.77	20,796.34	7,623.51		283.72
	Italy (*)	20,882.95	90,840.84	85,772.92		1,815.76
	Latvia	460.06	2,001.27	0.00		26.957
	Lithuania	612.49	2,664.34	0.00		41.193
	Luxembourg	1,831.94	7,968.92	1,199.08		57.83
	Malta	232.80	1,012.69	433.78		9.75
	Netherlands	12,107.12	52,665.99	27,373.82		750.70
	Portugal	2,854.60	12,417.53	12,014.22		199.03
	Slovak Republic	1,387.12	6,033.95	4,759.30		86.63
	Slovenia	813.42	3,538.39	2,256.79		42.80
	Spain (**)	13,214.32	57,482.30	56,996.18		1,199.72
	Total area (ea)	**145,813.44**	**634,288.46**	**479,028.00**	**479,028.00**	**11,597.51**
ESM	**Total area (ea)**	**145,813.44**	**634,288.46**	**767,314.34**	**544,350.00**	**11,597.51**
EU BoP Assistance	Bulgaria	1,241.61	5,401.02			48.953
	Croatia	993.57	4,322.02			48.85
	Czech Republic	3,020.89	13,140.88			185.156

RFA	Member Countries	IMF		RFA		2015 GDP[6]
		Quota[1]	Access[2]	Contribution[3]	Access[4]	
		(in USD m)				(in USD bn)
	Denmark	4,765.53	20,730.04			295.091
	Hungary	2,688.32	11,694.18			120.636
	Poland	5,674.56	24,684.35			474.775
	Romania	2,509.56	10,916.57			177.956
	Sweden	6,138.78	26,703.71			493.042
	United Kingdom (*)	27,929.39	121,492.84			2858.482
	Total area (EU non ea)	**54,962.21**	**239,085.61**	**0.00**	**54,435.00**	**4,702.94**
EFSM	**Total area (eu) (*)**	**200,775.65**	**873,374.07**	**0.00**	**65,322.00**	**16,300.45**
CMIM	China (w/HK)	42,241.21	183,749.25	76,800.00	55,200.00	11,490.79
	China (*)	42,241.21	183,749.25	68,400.00	34,200.00	11,181.56
	Hong Kong SAR	0.00	0.00	8,400.00	21,000.00	309.24
	Japan (*)	42,709.58	185,786.69	76,800.00	38,400.00	4,124.21
	Korea (*)	11,893.72	51,737.68	38,400.00	38,400.00	1,377.87
	Indonesia (*)	6,440.87	28,017.80	9,104.00	22,760.00	858.95
	Thailand	4,450.96	19,361.70	9,104.00	22,760.00	395.30
	Malaysia	5,035.74	21,905.48	9,104.00	22,760.00	296.28
	Singapore	5,393.26	23,460.69	9,104.00	22,760.00	292.73
	Philippines	2,831.05	12,315.05	9,104.00	22,760.00	292.45
	Vietnam	1,597.75	6,950.20	2,000.00	10,000.00	191.45
	Cambodia	242.50	1,054.89	240.00	1,200.00	17.79
	Myanmar	716.42	3,116.44	120.00	600.00	62.88
	Brunei Darussalam	417.10	1,814.41	60.00	300.00	12.93
	Lao P.D.R.	146.89	638.96	60.00	300.00	12.56
	Total area (ASEAN+3)	**124,117.06**	**539,909.23**	**240,000.00**	**240,000.00[5]**	**19,426.21**
AMF	Saudi Arabia (*)	13,847.60	60,237.06	554.67	2,634.70	646.00
	Algeria	2,716.03	11,814.73	485.77	2,307.40	166.84
	Iraq	2,305.85	10,030.47	485.77	2,307.40	165.14

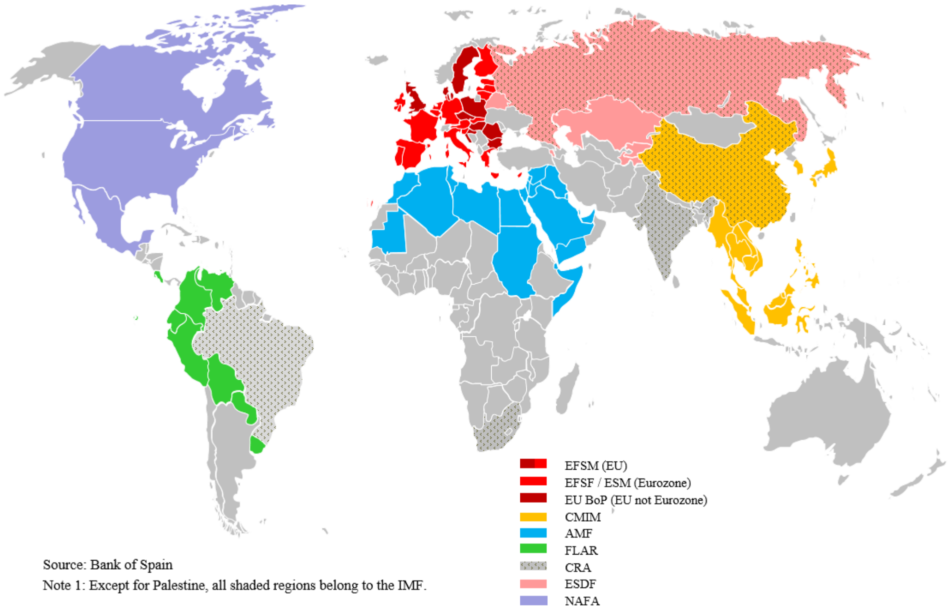
RFA	Member Countries	IMF Quota[1] (in USD m)	IMF Access[2] (in USD m)	RFA Contribution[3] (in USD m)	RFA Access[4] (in USD m)	2015 GDP[6] (in USD bn)
	Kuwait	2,680.00	11,658.01	366.66	1,741.65	114.08
	Egypt	2,822.73	12,278.88	366.66	1,741.65	330.16
	United Arab Emirates	3,202.42	13,930.54	220.12	1,045.59	370.30
	Yemen	674.85	2,935.60	176.47	838.25	37.73
	Morocco	1,238.84	5,388.97	171.80	816.03	100.59
	Libya	2,179.75	9,481.93	153.96	731.32	39.68
	Sudan	873.01	3,797.59	114.74	545.01	81.44
	Qatar	1,018.51	4,430.53	114.74	545.01	166.91
	Syria	1,538.16	6,691.00	82.62	392.46	60.04
	Tunisia	755.22	3,285.22	80.13	380.62	43.58
	Jordan	475.31	2,067.58	61.73	293.24	37.57
	Bahrain	547.36	2,381.03	57.37	272.50	31.12
	Oman	753.84	3,279.19	57.37	272.50	64.12
	Lebanon	878.55	3,821.70	57.37	272.50	50.81
	Mauritania	178.76	777.60	57.37	272.50	4.86
	Somalia	225.87	982.55	45.83	217.71	0.00
	Palestina	0.00	0.00	24.69	117.30	0.00
	Djibouti	44.34	192.89	2.81	13.33	1.73
	Comoros	24.67	107.30	2.81	13.33	0.59
	Total area	**38,981.69**	**169,570.37**	**3,741.47**	**17,771.99**	**2,513.28**
FLAR	Colombia	2833.81785	12,327.11	656.30	1,641.00	292.09
	Peru	1849.94955	8,047.28	656.30	1,641.00	192.11
	Venezuela	5159.07279	22,441.97	656.30	1,641.00	260.09
	Costa Rica	511.33437	2,224.30	656.30	1,641.00	52.90
	Bolivia	332.5752	1,446.70	328.10	820.00	33.24
	Ecuador	967.23954	4,207.49	328.10	820.00	100.87
	Paraguay	278.53173	1,211.61	328.10	820.00	27.71

RFA	Member Countries	IMF Quota[1] (in USD m)	IMF Access[2] (in USD m)	RFA Contribution[3] (in USD m)	RFA Access[4] (in USD m)	2015 GDP[6] (in USD bn)
	Uruguay	594.47817	2,585.98	328.10	820.00	53.11
	Total area	**12,527.00**	**54,492.45**	**3,937.60**	**9,844.00**	**1,012.12**
CRA	Brazil (*)	15301.23066	66,560.35	18,000.00	18,000.00	1,772.59
	China (*)	42241.20759	183,749.25	41,000.00	20,500.00	11,181.56
	India (*)	18172.46322	79,050.22	18,000.00	18,000.00	2,073.00
	Russia (*)	17881.45992	77,784.35	18,000.00	18,000.00	1,326.02
	South Africa (*)	4227.86223	18,391.20	5,000.00	10,000.00	314.73
	Total area	**97,824.22**	**425,535.37**	**100,000.00**	**84,500.00**	**16,667.90**
EFSD	Armenia	178.75917	777.60	1.00	1,106.69	10.53
	Belarus	945.06786	4,111.05	10.00	1,787.73	54.61
	Kazakhstan	1604.67534	6,980.34	1,000.00	2,043.12	184.36
	Kyrgyz Republic	246.65994	1,072.97	1.00	255.39	6.65
	Russia (*)	17881.45992	77,784.35	7,500.00	3,149.81	1,326.02
	Tajikistan	241.11702	1,048.86	1.00	170.26	7.82
	Total area	**21,097.74**	**91,775.17**	**8,513.00**	**8,513.00**	**1,589.98**
NAFA	Canada (*)	15,276.29	66,451.85	765.00	2,000.00	1,550.54
	Mexico (*)	12,351.01	53,726.90	0.00	6,765.00	1,143.80
	United States (*)	115,007.28	500,281.65	8,000.00	0.00	18,036.65
	Total area	**142,634.57**	**620,460.40**	**8,765.00**	**8,765.00**	**20,730.98**

Sources: IMF and RFAs websites.
[1]XIV Quota
[2]435% of quota
[3]EFSF: maximum amount; ESM: maximum guaranteed amounts which are leveraged at markets; EU BoP and EFSM are funded by EU budget; CMIM and CRA]are pooled FX reserves; AMF and FLAR capital contributions leveraged at markets; EFSD fully paid in.
[4]European RFAs: total maximum amount - no individual access limits predetermined; CMIM, CRA and EFSD: individual contributions topped by available resources reduced by committed resources (see also 5 below) ; AMF, FLAR: normal access lending.
[5]Sum of individual access amounts exceeds total resources (USD 240,000 m)
[6]October 2016 WEO
(*) G20 member
(**) G20 permanent guest

Map

Regional Financing Arrangements members



Source: Bank of Spain

Note 1: Except for Palestine, all shaded regions belong to the IMF.

Note 2: EFSM: European Financial Stabilisation Mechanism; EFSF: European Financial Stability Facility; ESM: European Stability Mechanism; EU BoP: EU Balance of Payments Assistance; AMF: Arab Monetary Fund; FLAR: Fondo Latinoamericano de Reservas; CMIM: Chiang Mai Initiative Multilateralization; CRA: Contingent Reserve Arrangement; NAFA: North American Framework Agreement; EFSD: Eurasian Fund for Stabilization and Development.

Annex 3 — IMF and RFAs' loans since 2008

Table 3. Overlapping IMF-RFA loans since 2008

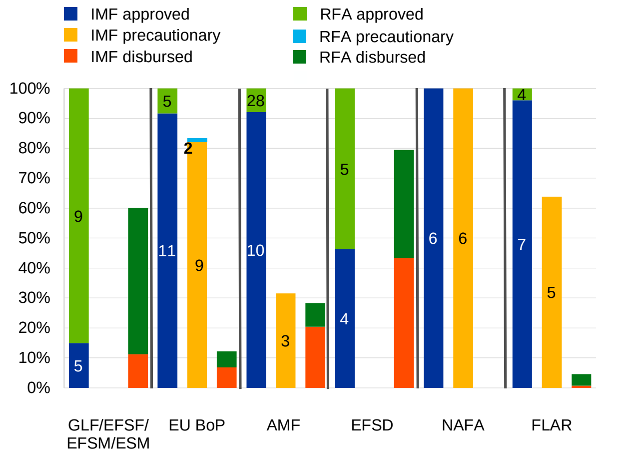
Institution		IMF								RFA						
Year	Country	Type of Agreement		Amount Agreed	Undrawn Balance	% Quota	GDP	Date of Arrangement	Expiration Date	RFA	Type of Agreement	Amount Agreed	Undrawn Balance	% Quota	Date of Arrangement	Expiration Date
2008	Hungary	SBA	-	16,041.40	4,489.42	1,014.78	157,291.00	November 6, 2008	April 05, 2010	EU BoP	-	4,814.80	740.70	-	November 4, 2008	June 1, 2009
	Latvia	SBA	-	2,316.40	834.87	1,070.81	35,763.00	December 23, 2008	March 22, 2011	EU BoP	-	5,555.60	2,592.60	-	December 1, 2008	January 19, 2012
2009	Romania	SBA	-	18,089.20	1,365.18	6,317.21	168,036.00	May 04, 2009	May 03, 2011	EU BoP	-	3,438.80	0.00	-	June 23, 2009	June 22, 2011
2010	Greece	SBA	-	40,683.30	13,831.21	3,211.77	299,919.00	May 9, 2010	March 14, 2012	GLF	-	106,880.00	36,205.60	-	May 1, 2010	March 1, 2013
	Ireland	EFF	-	29,960.10	0.00	2,321.78	221,270.00	December 16, 2010	December 8, 2013	EFSF/ESM	-	23,647.20	0.00	212.20	November 22, 2010	December 1, 2013
										EFSM	-	30,060.00	0.00	-	November 22, 2010	December 1, 2013
2011	Romania	SBA	Precautionary	4,749.30	4,749.30	1,706.19	186,113.00	March 31, 2011	March 30, 2013	EU BoP	Precautionary	1,075.40	1,075.40	-	May 12, 2011	May 12, 2013
	Portugal	EFF	-	36,484.00	1,228.21	2,305.72	245,120.00	May 20, 2011	May 18, 2014	EFSF/ESM	-	33,849.40	0.00	192.70	May 17, 2011	February 8, 2014
										EFSM	-	33,849.40	2,213.23	-	May 17, 2011	June 30, 2014
2012	Jordan	SBA	-	2,101.50	0.00	800.00	30,981.00	August 03, 2012	August 02, 2015	AMF	-	14.41	-	74.75	April 12, 2012	April 12, 2015
	Greece	EFF	-	36,645.80	20,841.86	2,158.77	245,807.00	March 15, 2012	March 14, 2016	EFSF/ESM	-	185,488.58	171,230.29	-	March, 2012	June, 2015
	Morocco	PLL	Precautionary	6,343.60	6,343.60	700.00	98,266.00	August 03, 2012	August 02, 2014	AMF	-	53.26	-	99.34	September 24, 2012	September 24,2015
2013	Romania	SBA	Precautionary	2,700.20	2,700.20	170.00	171,662.00	September 27, 2013	September 26, 2015	EU BoP	Precautionary	2,000.00	2,000.00	-	October, 2013	September 30,2015
	Tunisia	SBA	-	1,766.90	220.60	400.00	46,253.00	June 07, 2013	June 06, 2015	AMF	-	62.27	-	166.02	November 28, 2013	November 28, 2017
	Cyprus	EFF	-	1,373.70	152.46	563.21	25,029.00	May 15, 2013	March 31, 2016	EFSF/ESM	-	12,398.40	3,581.76	-	April 24, 2013	March 1, 2016

Institution		IMF								RFA						
Year	**Country**	**Type of Agreement**		**Amount Agreed**	**Undrawn Balance**	**% Quota**	**GDP**	**Date of Arrangement**	**Expiration Date**	**RFA**	**Type of Agreement**	**Amount Agreed**	**Undrawn Balance**	**% Quota**	**Date of Arrangement**	**Expiration Date**
2014	**Armenia**	EFF	-	119.07	96.35	187.46	11,610.00	March 7, 2014	May 6, 2017	**EFSD**		300.00	-	30,000.00	December 1, 2015	July 24, 2017
	Morocco	PLL	Precautionary	4,727.74	4,727.74	1,153.80	109,881.00	July 28, 2014	July 27, 2016	**AMF**	-	277.20	-	166.00	November 28, 2013	November 28, 2017
2015	**Jordan**	EFF	-	689.50	622.67	150.00	39,453.00	August 24, 2015	August 23, 2019	**AMF**	-	29.75	-	89.46	June 1, 2016	June 1, 2017
2016	**Egypt**	EFF	-	11,517.50	8,908.24	910.94	285,437.00	November 11, 2016	November 10, 2019	**AMF**	-	309.10	-	156.51	May 1, 2015	May 1, 2016

Sources: IMF and RFAs websites.
Notes : All data in USD million (exchange rates at the end of the year of the agreement). No AMF Annual Reports after 2015 (no information about AMF lending available after 2015).
In grey, co-lending according to (IMF, 2017e). In red, estimations.

Chart 4a

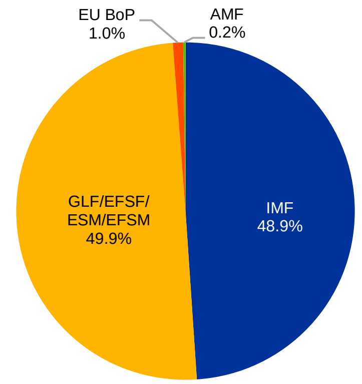
Total lending distribution by institution (2008-2017)



Sources: IMF and RFAs websites.
Notes: Disbursed amounts for IMF programmes as of April 2017. Exchange rates at the end of the year of approval of each programme. Numbers in the bars indicate the number of programmes received by each group of countries. No NAFA program included due to data unavailability.
CMIM and CRA are not included because they have not been activated.
In addition to European RFAs, the Greek Loan Facility is also included.
Calculations are based on USD.
Approved amounts include amounts that have not been disbursed as in precautionary loans or loans that have not been entirely drawn — both because needs were eventually smaller or loans were superseded by new ones.

Chart 4b

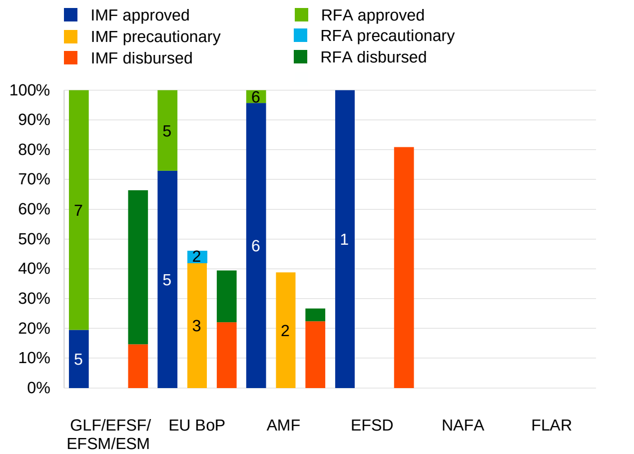
Total lending distribution by RFA (2008-2017)



Sources: IMF and RFAs websites.
Notes: Total lending refers only to loans by the IMF or RFA to countries belonging to any of these RFAs.
CMIM and CRA are not included because they have not been activated.
In addition to European RFAs, the Greek Loan Facility is also included.
Calculations are based on USD.
Approved amounts include amounts that have not been disbursed as in precautionary loans or loans that have not been entirely drawn — both because needs were eventually smaller or loans were superseded by new ones.

Chart 5a

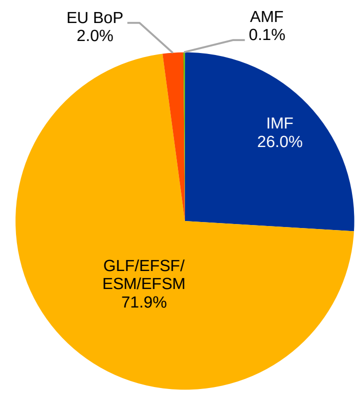
Overlapping loans distribution (2008-2017)



Sources: IMF and RFAs websites.
Notes: Disbursed amounts for IMF programmes as of April 2017. Exchange rates at the end of the year of approval of each programme. Numbers in the bars indicate the number of programmes received by each group of countries. No NAFA program included due to data unavailability.
CMIM and CRA are not included because they have not been activated.
In addition to European RFAs, the Greek Loan Facility is also included.
Calculations are based on USD.
Approved amounts include amounts that have not been disbursed as in precautionary loans or loans that have not been entirely drawn — both because needs were eventually smaller or loans were superseded by new ones.

Chart 5b

Overlapping loans by RFA (2008-2017)



Sources: IMF and RFAs websites.
Notes:
CMIM and CRA are not included because they have not been activated.
In addition to European RFAs, the Greek Loan Facility is also included.
Calculations are based on USD.
Approved amounts include amounts that have not been disbursed as in precautionary loans or loans that have not been entirely drawn — both because needs were eventually smaller or loans were superseded by new ones.

Abbreviations

Countries

BE	Belgium	**HR**	Croatia	**PL**	Poland
BG	Bulgaria	**IT**	Italy	**PT**	Portugal
CZ	Czech Republic	**CY**	Cyprus	**RO**	Romania
DK	Denmark	**LV**	Latvia	**SI**	Slovenia
DE	Germany	**LT**	Lithuania	**SK**	Slovakia
EE	Estonia	**LU**	Luxembourg	**FI**	Finland
IE	Ireland	**HU**	Hungary	**SE**	Sweden
GR	Greece	**MT**	Malta	**UK**	United Kingdom
ES	Spain	**NL**	Netherlands	**US**	United States
FR	France	**AT**	Austria		

In accordance with EU practice, the EU Member States are listed in this report using the alphabetical order of the country names in the national languages.

Others

AMF	Arab Monetary Fund
AMRO	ASEAN+3 Macroeconomic and Research Office
ASEAN	Association of Southeast Asian Nations
BoP	Balance of Payments
BRICS	Brazil; Russia; India; China and South Africa
CMIM	Chiang Mai Initiative Multilateralisation
CRA	Contingent Reserve Arrangement
EC	European Commission
ECB	European Central Bank
EFF	Extended Fund Facility
EFSD	Eurasian Fund for Stabilisation and Development
EFSF	European Financial Stability Facility
EFSM	European Financial Stabilisation Mechanism
ESM	European Stability Mechanism
EU	European Union
EU BoP	EU Balance of Payments Assistance Facility
FCC	Forward Commitment Capacity
FCL	Flexible Credit Line
FLAR	Fondo Latinoamericano de Reservas (Latin American Reserves Fund)
FSAP	Financial Sector Assessment Program
FX	Foreign Exchange
G20	Group of Twenty
G20 IFAWG	International Financial Architecture (Working Group)
GAB	General Agreements to Borrow
GDP	Gross Domestic Product
GLF	Greek Loan Facility
NDB	New Development Bank
IEO	Independent Evaluation Office (of the IMF)
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IRC	International Relations Committee (ESCB)
MDB	Multilateral Development Bank
MoU	Memorandum of Understanding
MTFA	Medium Term Financial Assistance
NAB	New Arrangements to Borrow
NAFA	North American Framework Agreement
NAFTA	North American Free-Trade Agreement
PLL	Precautionary and Liquidity Line
PCI	Policy Coordination Instrument
PRGT	Poverty Reduction and Growth Trust
PSI	Policy Support Instrument
RFA	Regional Financing Arrangement
RFI	Rapid Financing Instrument
SBA	Stand-by Arrangement
SCIMF	Sub-Committee on IMF and related issues (EU)
SDR	Special Drawing Rights
WB	World Bank
WEO	World Economic Outlook

Conventions used in the tables

"-" data do not exist/data are not applicable
"." data are not yet available

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