The IMF makes funds available in response to the COVID-19 crisis

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On March 27, IMF's Managing Director Kristalina Georgieva revealed that over 80 countries had requested emergency financing from the IMF. The IMF expects the financial needs of emerging markets will be at least $2.5 trillion, and many of these countries already face significant burdens of debt.

About 50 of the requests came from low-income countries and over 30 from middle-income countries. Emerging markets have seen an $83 billion capital outflow, shortages in foreign exchange liquidity, and declines in commodity prices. The IMF aims to expand its emergency financing capacity under its existing facilities and is considering the launch of a new short-term liquidity swap line.

On March 26, Ms. Georgieva asked the G-20 to double the IMF's emergency financing capacity. Under the recently passed CARES Act, the U.S. Treasury may expand the New Arrangements to Borrow (NAB) it can provide to the IMF through loans for up to $28.2 billion. During the 2007-2009 Global Financial Crisis, through strong efforts by the G-20, the International Monetary Fund (IMF) tripled its lending capacity to $750 billion. Since then, the IMF has expanded its mandate to play a more active role in preventing and fighting crises and preserving financial stability. Currently, the IMF forecasts a global recession in 2020 and a rebound in 2021.

During the current Covid-19 crisis, the IMF is increasing its role. Since March 26, the IMF has provided emergency financing and disbursed amounts to over ten member countries. In the IMF's first press release for COVID-19 emergency financing, in relation to the Kyrgyz Republic, the IMF stated that it aims to provide a backstop, increase buffers, and shore up confidence. It also attempts to preserve fiscal space for essential COVID-19-related health expenditures.

The IMF is composed of 189 member countries and its current lending capacity is $1 trillion. A quota is assigned to each IMF member based on its relative position in the global economy. Member quotas are the main source for IMF's members financing. Additionally, through the New Arrangements to Borrow (NAB), a number of members lend to the IMF and supplement IMF financing in order to cope with shocks to the global monetary system.

On March 27, the IMF announced an enhancement of the Catastrophe Containment and Relief Trust (CCRT), which was established in 2015 during the Ebola crisis. The changes expanded the qualification criteria for the facility, which is available to low-income countries and allows the IMF to deliver grants for debt relief during catastrophic natural disasters and major public health emergencies. The IMF asked the stronger members to help replenish the CCRT, which had only $200 million at disposal. The UK, Japan, and China have already made commitments to contribute.

The IMF discussed on a conference call on April 1 its available resources to help countries combat COVID-19. Existing IMF lending facilities include the Flexible Credit Line (FCL), which is uncapped in principle and provides large-scale financing without policy conditions for members with sustained track records of strong policy implementation. The Rapid Credit Facility (RCF) provides financial assistance with limited conditionality to low-income countries facing an urgent need for balance of payments. And the Rapid Financing Instrument (RFI) is available to all members facing an urgent need for balance of payments. Under the RCF and RFI, members are allowed to borrow up to 50% of their quota. The RCF lends at very low interest rates and provides a longer repayment period. The IMF has said that to be eligible for emergency financing, members need to commit to target health policies to combat the COVID-19 pandemic and to remain on a sustainable debt path.

The IMF is considering the launch of a new facility, the Short-term Liquidity Swap (SLS), which was initially discussed in 2016. This facility would operate similarly to existing central bank swap lines. The SLS could be launched upon approval of the IMF Board and would be available for members eligible for the FCL for up to 145% of their quota. This facility would serve members with short-term capital account volatility to obtain resources on a short-term and revolving basis.