**Safety for Whom? The Scattered Global Financial Safety Net and the Role of Regional Financial Arrangements**

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## Annex I: Case Studies on Regional Financial Arrangements in Latin America, Asia, and Africa

### a. Latin American Reserve Fund (FLAR)

**FLAR**
**Date of Foundation**: 1978 as Andean Reserve Fund (FAR), 1991 transformed into FLAR
**Website**: http://www.flar.net/
**Legal form**: legal entity of public international law (FLAR Agreement: Art.1)
**Headquarters**: Bogotá, Colombia
**Member States (year of access)**: Bolivia (1988), Colombia (1988), Costa Rica (2000), Ecuador (1988), Peru (1988), Uruguay (2008), Venezuela (1988), Paraguay (2015)
**Objectives**: Support the member countries' balance-of-payments by providing credits or guaranteeing third-party credits. Improve investment conditions of international reserves made by member countries. Contribute to the harmonization of member countries exchange, monetary, and financial policies (FLAR 2013; see also FLAR Agreement: Art.3)

The regional liquidity fund, FLAR, has a comparatively long history. It was founded first in 1978 as a regional reserve fund based on the Pacto Andino (today's Andean Community). In 1991, after the experience of severe debt crises in Latin America during the 1980s, FAR expanded to FLAR in order to invite new member countries from all over Latin America. However, so far, only Costa Rica, Uruguay, and Paraguay have joined. FLAR offers several short-term and medium-term (from one-day treasury up to three-year) financing and guarantee schemes to its member countries with the objective of providing liquidity in times of balance-of-payments crises and improving investment conditions in its member countries (see Table A1; FLAR 2013). The two major medium-term financing schemes are balance-of-payments and foreign debt restructuring support. Since accession of the most recent member country Paraguay in 2015, the FLAR has a volume of about USD 3.9 billion, of which about USD 2.9 billion is paid in capital (see Table A1).

Decisions are made by a three-quarter qualified majority at the Board of Directors consisting of the central bank governors and the Executive President (the latter has no vote). Each member country has one vote (IMF 2013).

The fund's overall size in terms of credit disbursement and member countries is comparatively small, however. At its current size, the fund has not been able to respond to liquidity demands of the larger member countries to the same extent as it could service liquidity demands from smaller member countries (Culpeper 2006: 60; see also Rosero 2014). For the smaller member countries, maximum borrowing amounts resemble or exceed their annual maximum for borrowing from the IMF (see Table A1, Figure 1). Total disbursements by the FLAR on average amounted to about two-thirds of total IMF financing for the smaller member countries

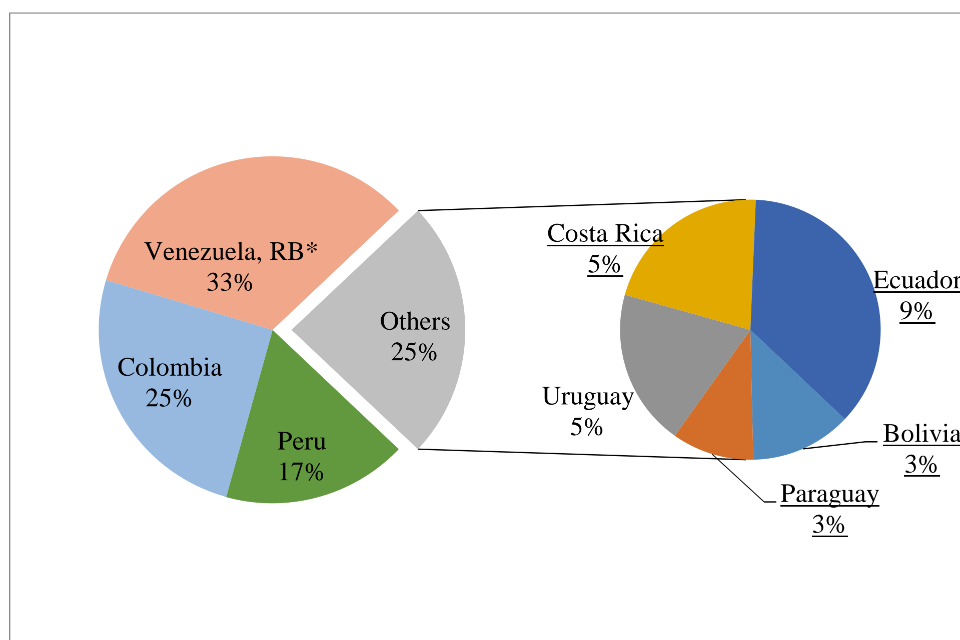
(Ecuador borrowed more than twice as much from the FLAR as from the IMF). Larger member countries find only a fraction of possible IMF borrowing volume in their possible drawing amounts from the FLAR (see Figures 2 and 3 on the use of the FLAR and on the volume of regionally drawn emergency financing as share of the region's total emergency financing).

Ocampo and Titelman (2012: 28) explore the possibility of expanding the FLAR into a so-called "Latin American Fund": "A minimum step in the case of FLAR is obviously to increase the quotas of its members, which are smaller than those in the IMF, particularly for its largest members, and now minute relative to their foreign exchange reserves." However, any expansion of the fund's volume and membership would need to take into consideration a change in the current voting mechanism of one vote per member country – especially if larger Latin American economies, such as, for example, Brazil, are about to join. At the same time, it is precisely such egalitarian governance structures that may be an important ingredient to the strong ownership that characterizes FLAR and its membership, and that may explain the absence of any arrears in repayment ever since. The debate about a possible expansion of FLAR to further member countries is fueled by new proposals for enlargement criteria, potential new member countries, distribution of shares, and checks and balances to provide adequate incentives for small and large member countries alike and an appropriate mechanism to avoid moral hazard (Titelman et al. 2014).

Apart from Venezuela, the member countries' macroeconomic situation has improved considerably when compared to the end of the 1990s. Inflation rates have decreased to single-digit levels and external debt stocks have been reduced, while some countries, in particular Peru, managed to stockpile foreign exchange reserves. While Colombia has qualified for a pre-conditional IMF loan in the aftermath of the financial crisis, the case of the remaining members is less clear.

As mentioned above, FLAR lending volume exceeds the ones of the IMF in two cases, Bolivia and Paraguay, while in other cases, accessible financing volumes from FLAR come relatively close to IMF maximum drawing amounts. Only for the two big members in terms of economic size, Colombia and Venezuela, would the FLAR not be a sufficiently big source of emergency finance.

**Figure 1: Share of Regional GDP**




Source: World Bank n.d.
Note: Countries that find equal to or more than 80 percent of their immediately accessible IMF access limit regionally are underlined.

## Table A1: Key Macroeconomic Variables and Relative Access Limits, FLAR Members, 2014

| Country | Current account balance (% of GDP) | Short-term debt (% of total external debt) | External debt (% of exports) | GDP (bill. USD) | GDP growth (annual %) | Reserves (bill. USD) | Access limit FLAR (bill. USD) | Access limit IMF (bill. USD) | FLAR/ IMF access limit (%) | FLAR access limit/ GDP (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Bolivia**** | -0.05 | 3 | 64 | 33.0 | 5.46 | 15.1 | 0.82 | 0.48 | 170.0 | 2.49 |
| **Colombia** | -5.24 | 12 | 151 | 377.7 | 4.55 | 46.8 | 1.64 | 5.75 | 28.5 | 0.43 |
| **Costa Rica** | -4.58 | 10 | 128 | 49.6 | 3.50 | 7.2 | 1.64 | 1.04 | 157.9 | 3.31 |
| **Ecuador***** | -1.36 | 3 | 91 | 100.9 | 3.67 | 3.9 | 0.82 | 0.98 | 83.8 | 0.81 |
| **Paraguay*** | 2.10 | 14 | 93 | 30.9 | 4.70 | 7.0 | 0.82 | 0.57 | 144.8 | 2.66 |
| **Peru*** | -4.52 | 10 | 143 | 202.6 | 2.35 | 62.5 | 1.64 | 3.75 | 43.7 | 0.81 |
| **Uruguay** | -4.37 | .. | .. | 57.5 | 3.50 | 17.6 | 0.82 | 1.21 | 68.0 | 1.43 |
| **Venezuela** | .. | .. | .. | 371.3 | -4.00 | 20.3 | 1.64 | 7.48 | 21.9 | 0,44 |

Sources: World Bank n.d.; IMF 2016f; FLAR n.d.-b.
Notes: * data from 2013
** 2.6 times paid-in capital while other member countries have access to a maximum of 2.5 times paid-in capital; IMF annual access limit is 200 percent of a country's quota.

**FLAR Capital Structure**

| | Subscribed Capital (mill. USD) | Paid-in Capital (mill. USD) | Maximum Drawing Amount (mill. USD) | Paid-in Capital / total Capital (%) |
|---|---|---|---|---|
| **Bolivia** | 328.1 | 245.3 | 820 | 8.4 |
| **Colombia** | 656.3 | 490.6 | 1,640.1 | 16.8 |
| **Costa Rica** | 656.3 | 466.8 | 1,640.1 | 16.0 |
| **Ecuador** | 328.1 | 245.3 | 820 | 8.4 |
| **Paraguay** | 328.1 | 244.9 | 820 | 8.4 |
| **Peru** | 656.3 | 490.6 | 1,640.1 | 16.8 |
| **Uruguay** | 328.1 | 245.8 | 820 | 8.4 |
| **Venezuela, R.B.** | 656.3 | 490.8 | 1,640.1 | 16.8 |
| **Total** | 3,937.5 | 2,920.1 | | 100 |

Source: Deloitte 2016; FLAR n.d.-b.

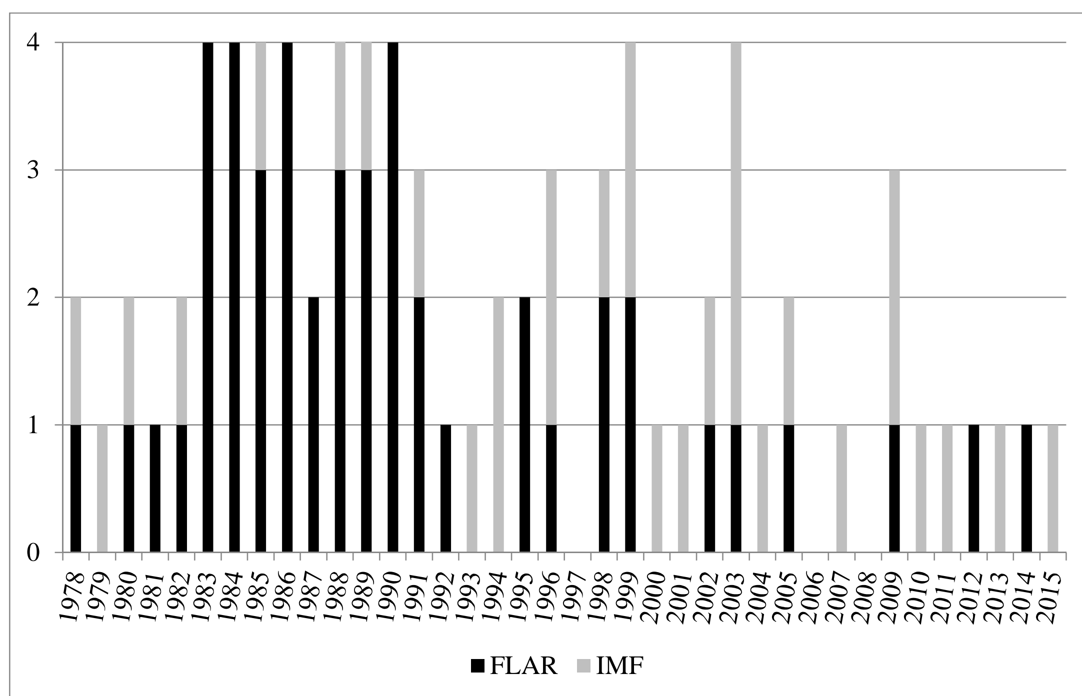
**FLAR Credit Lines and Conditions**

| Conditions | Balance of Payments | Liquidity | Debt Restructuring | Contingency | Treasury |
|---|---|---|---|---|---|
| **Maturity** | 3 Years of grace for capital subscriptions | Up to 1 year | 3 years of grace for capital subscriptions | 6 months renewable | 1-30 days |
| **Access Limits** | 2,5 times paid-in capital | Paid-in capital | 1,5 times paid-in capital | 2 times paid-in capital | 2 times paid-in capital |
| **Interest Rates** | 3-month LIBOR + 400 bp | 3-month LIBOR + 150 bp | 3-month LIBOR + 400 bp | 3-month LIBOR + 150 bp | |
| **Prepaid commission** | 30 bp | 10 bp | 30 bp | 10 bp | |
| **Attribution for approval** | Board | Executive President | Board | Executive President | Executive President |

* In the case of balance-of-payments credits, debt restructuring, liquidity, and contingency, central banks from Bolivia and Ecuador have 0.1 additional access relative to paid-in capital compared to the other members.

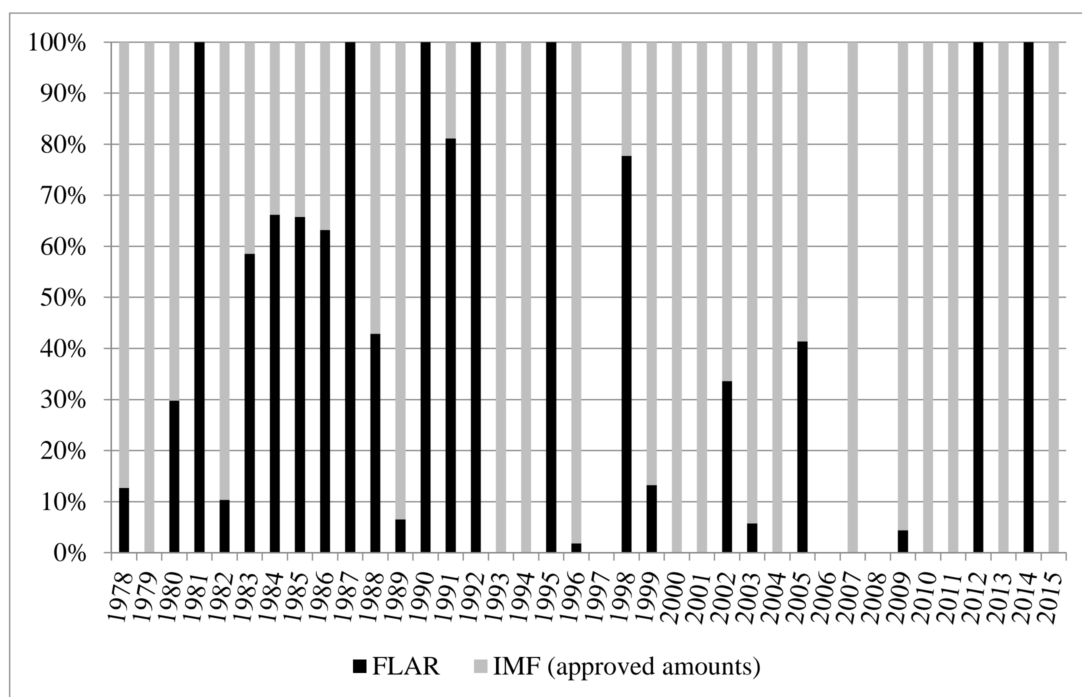
Source: FLAR n.d.-a.

**Figure 2: Number of Agreements by FLAR Member Countries**




Sources: Authors' compilation based on IMF; n.d; FLAR n.d.-b; central bank websites; Garcia-Herrero/Xia 2013; Destais 2014; Eichengreen/Kawai 2014.

**Figure 3: Share of Total Volume of Approved FLAR and IMF Programs**




Source: Authors' compilation based on IMF n.d; FLAR n.d.-b; central bank websites; Garcia-Herrero/Xia 2013; Destais 2014; Eichengreen/Kawai 2014.

### b. Arab Monetary Fund (AMF)

**AMF**
**Date of Foundation**: 1976 by Economic Council of the League of Arab States
**Website**: http:// http://www.amf.org.ae/
**Legal form**: juridical person (AMF 1976: 5)
**Headquarters**: Abu Dhabi, United Arab Emirates
**Member States**: People's Democratic Republic of Algeria, Kingdom of Bahrain, Union of the Comoros, Republic of Djibouti, Arab Republic of Egypt, Republic of Iraq, Kingdom of Jordan, State of Kuwait, Republic of Lebanon, State of Libya, Islamic Republic of Mauritania, Kingdom of Morocco, Sultanate of Oman, State of Palestine, State of Qatar, United Arab Emirates (UAE), Kingdom of Saudi Arabia, Federal Republic of Somalia, Republic of the Sudan, Syrian Arab Republic, Republic of Tunisia, Republic of Yemen
**Objectives**: The AMF has the objective of (1) correcting disequilibria in the balance-of-payments of member states by providing short-term and medium-term credit facilities, (2) striving for the removal of restrictions on current payments between member states, (3) establishing policies and modes of Arab monetary co-operation, (4) rendering advice, whenever called upon to do so, with regard to policies related to the investment of the financial resources of member states in foreign markets, (5) promoting the development of Arab financial markets, (6) paving the way towards the creation of a unified Arab currency, and (7) promoting trade among member states (AMF n.d.-c)

The Arab Monetary Fund has multiple objectives – among others, to provide liquidity in times of balance-of-payments deficits. It provides short-term and medium-term financing with a maturity of up to seven years. Furthermore, financial support is provided for reforms of the financial system. The long-term objectives of the AMF include developing Arab financial markets, monetary cooperation, and the introduction of an Arab currency (AMF n.d.-c). With a total amount of subscribed capital of about AAD 900 million (Arab Accounting Dinars) equivalent to about USD 3.8 billion, the AMF is even smaller than FLAR.

Like FLAR, the AMF provides very flexible emergency credit lines to its members. Except the fast-track facilities, the lines of credit include the agreement on a stabilization or structural adjustment program, mainly if lending volumes exceed 100 percent of the quota of a member country. Disbursements are conditional on the fulfillment of the agreed program. The time up until the disbursement is comparatively short.

The AMF is managed by a Board of Governors and a Board of Executive Directors. Each member country holds a fixed amount of 75 votes plus one additional vote for each share held (see Table A.2). Decisions are taken by absolute majority (IMF 2013). Out of the eight seats in the Executive Board, three are single seats held by the largest member countries Saudi Arabia, Algeria, and Iraq. Together, they hold about one third of the voting power (McKay et al. 2011).

A lean decision structure allows rapid response to requests for automatic loans with a volume of up to 75 percent of quota, and the 2009 newly introduced short-term liquidity facility allows prompt borrowing with a volume of up to 100 percent of

quota. For other loan categories, McKay et al. (2011: 21) report a time of one to six weeks between request and disbursement. Decision-making on all other loan categories requires a country mission and a final decision by the Executive Board.

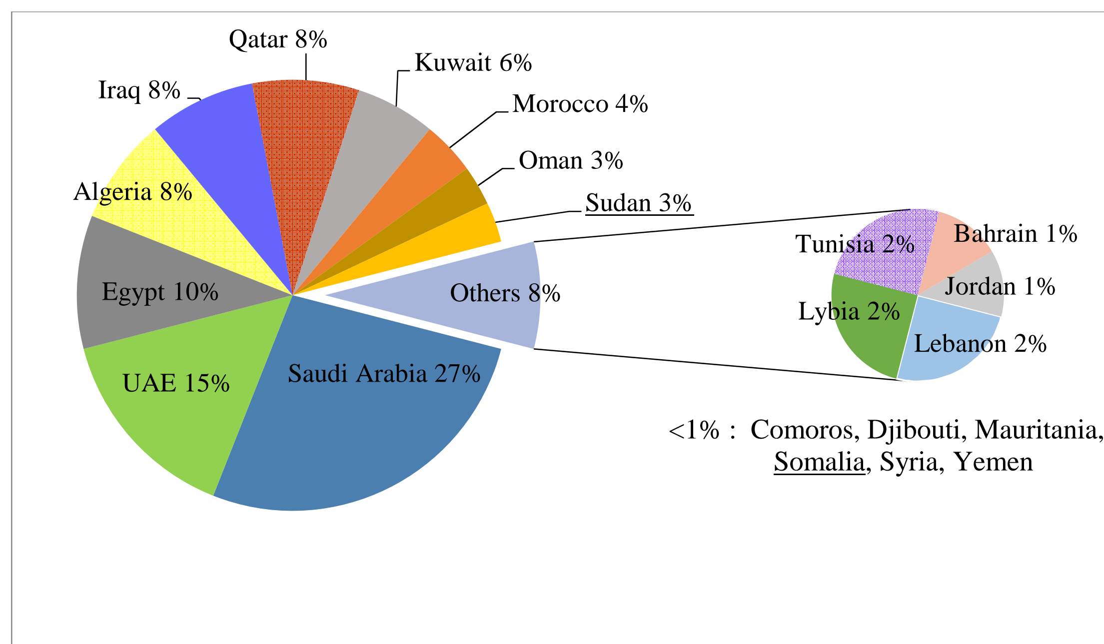
The AMF developed several own lines of credit with different lending terms, all of which include the agreement on and fulfillment of a reform program that the disbursement is conditional on. The only exceptions are the above-mentioned fast-track credit lines, the automatic loan, and the short term liquidity facility.

The AMF came into being in 1977, with 22 West Asian and African countries within the framework of the League of Arab States, founded in 1945. At the end of the 1960s, "… [oil-rich] Arab countries were encouraged to promote Arab regional financial agencies and to supply them with adequate resources to enable them to reduce the bilateral lending that was now being provided not only to other Arab countries but also to other developing countries that were suffering from the rise in oil prices" (Corm 2006: 294). The oil price boom in the early 1970s provided the economic and political context of the AMF's foundation (Corm 2006). Such favorable conditions did not last long but the AMF "survived the sharp downturn in oil prices during the 1980s and 1990s, and operations continued, albeit at lower levels than in the 1970s. Although the sharp upturn in oil prices beginning in 2000 led to an increase in funding, funding did not return to the levels of the second half of the 1970s and early 1980s" (Corm 2006: 291).

During the Arab Spring, the IMF provided short-term liquidity assistance to several AMF member countries, i.e. to the newly elected democratic governments in Tunisia (USD 500 million) and Yemen (USD 550 million). In 2012, Morocco has been included in the IMF's Precautionary Credit Line (PCL) (USD 6.2 billion). Meanwhile, the AMF in 2012 and 2013 disbursed a total number of four loans, including to Tunisia, Yemen, and Morocco, three of them with a volume of about USD 180 million (see Figures 5 and 6).

The macroeconomic stance of the member countries is very heterogeneous, ranging from rich and stable oil exporters to very poor and developing economies partially dealing with economic crises. For a joint liquidity fund, such heterogeneity provides excellent conditions since the likelihood that all member countries draw on the fund's resources at the same time is less than in a perfectly harmonized group of countries. At the same time, the largest member countries seem to have successfully stockpiled national foreign exchange reserves. They can only draw on comparatively small amounts of liquidity at the regional body, relative to their size. Hence, the AMF does not seem to be highly relevant for these countries. Only for two of the very small countries like Somalia and Sudan can AMF provide volumes similar to the IMF access limits (see Table 2.A, Figure 4). In most cases, AMF funding is used as a supplement to IMF loans (see Table A.2).

**Figure 4: Share of regional GDP**




Source: World Bank n.d.
Note: Countries that find equal to or more than 80 percent of their immediately accessible IMF access limit regionally are underlined.

## Table A.2: Key Macroeconomic Variables and Relative Access Limits, AMF Members, 2014

| Country | Current account balance (% of GDP) (2013) | Short-term debt (% of total external debt) | External debt stocks (% of exports) | GDP (bill. USD) | GDP growth (annual %) | Reserves (bill. USD) | Access limit AMF bill. USD | Access limit IMF (bill. USD) | AMF/ IMF access limit (%) | AMF access limit/ GDP (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Algeria** | 0.41 | 36 | 8 | 213.5 | 3.8 | 186.4 | 1.23 | 5.49 | 22.4 | 0.57 |
| **Bahrain** | 7.78 | .. | .. | 33.9 | 4.5 | 6.2 | 0.15 | 1.11 | 13.1 | 0.43 |
| **Comoros** | .. | 1 | 160 | 0.6 | 2.1 | 0.2 | 0.01 | 0.05 | 14.5 | 1.28 |
| **Djibouti** | -21.20 | 9 | 140 | 1.6 | 6.0 | 0.4 | 0.01 | 0.09 | 8.1 | 0.46 |
| **Egypt** | -1.30 | 8 | 84 | 282.2 | 2.2 | 14.9 | 0.93 | 5.70 | 16.2 | 0.33 |
| **Iraq** | .. | .. | .. | 223.5 | -2.1 | 66.4 | 1.23 | 4.66 | 26.3 | 0.55 |
| **Jordan** | -10.00 | 45 | 148 | 35.8 | 3.1 | 16.0 | 0.16 | 0.96 | 16.3 | 0.44 |
| **Kuwait** | 40.92 | .. | .. | 163.6 | -1.6 | 35.2 | 0.93 | 5.41 | 17.1 | 0.57 |
| **Lebanon** | -24.76 | 14 | 154 | 45.7 | 2.0 | 50.7 | 0.15 | 0.75 | 19.4 | 0.32 |
| **Libya** | -0.17 | .. | .. | 41.1 | -24.0 | 93.6 | 0.39 | 4.40 | 8.8 | 0.94 |
| **Mauritania** | -24.95 | 5 | .. | 5.1 | 6.4 | .. | 0.15 | 0.36 | 40.2 | 2.99 |
| **Morocco** | -7.31 | 18 | 135 | 110 | 2.4 | 20.4 | 0.43 | 2.50 | 17.3 | 0.39 |
| **Oman** | 6.54 | .. | .. | 81.8 | 2.9 | 16.3 | 0.15 | 1.52 | 9.5 | 0.18 |
| **Qatar** | 30.92 | .. | .. | 210.1 | 4.0 | 43.2 | 0.29 | 2.06 | 14.1 | 0.14 |
| **Saudi Arabia** | 18.20 | .. | .. | 746.3 | 3.5 | 744.4 | 1.40 | 27.98 | 5.0 | 0.19 |
| **Somalia** | .. | 27 | .. | .. | .. | .. | 0.12 | 0.12 | 93.3 | 0.19 |
| **Sudan** | -8.12 | 24 | 369 | 73.8 | 3.1 | 0.2 | 0.29 | 0.36 | 80.3 | 0.39 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Syria** | .. | 11 | .. | .. | .. | .. | 0.21 | 0.82 | 25.4 | 0.52 |
| **Tunisia** | -8.27 | 26 | 119 | 48.6 | 2.7 | 7.5 | 0.20 | 1.53 | 13.3 | 0.42 |
| **UAE** | .. | .. | .. | 399.5 | 4.6 | 78.4 | 0.56 | 2.11 | 26.4 | 0.14 |
| **Yemen** | -4.26 | 4 | 65 | .. | .. | .. | 0.45 | 1.36 | 32.7 | 1.18 |

Sources: World Bank n.d; IMF 2016f; AMF 2016.
Notes: No data available for Palestine; IMF annual access limit is 200 percent of a country's quota.

**AMF Capital Structure**

| | Subscribed Capital (mill. USD) | Paid-in Capital (mill. USD) | Paid-in Capital / total Capital (%) | Executive Board voting power (%) |
|---|---|---|---|---|
| **Algeria** | 491.0 | 441.8 | 13.2 | 12.27 |
| **Bahrain** | 58.0 | 52.1 | 1.6 | |
| **Comoros** | 2.9 | 2.5 | 0.1 | |
| **Djibouti** | 2.9 | 2.5 | 0.1 | |
| **Egypt** | 370.4 | 333.5 | 9.9 | 19.65 (together with Yemen, Somalia, Sudan, Djibouti, Comoros) |
| **Iraq** | 491.0 | 441.8 | 13.2 | 12.27 |
| **Jordan** | 62.6 | 56.3 | 1.7 | |
| **Kuwait** | 370.4 | 333.5 | 9.9 | |
| **Lebanon** | 58.0 | 48.3 | 1.4 | 7.07 (together with Syria, Jordan, Palestine) |
| **Libya** | 155.4 | 139.9 | 4.2 | |
| **Mauritania** | 58.0 | 52.1 | 1.6 | |
| **Morocco** | 173.5 | 156.2 | 4.7 | 12.87 (together with Lybia, Tunisia, Mauritania) |
| **Oman** | 58.0 | 52.1 | 1.6 | |
| **Palestine** | 24.8 | 0.0 | 0.0 | |
| **Qatar** | 115.9 | 104.2 | 3.1 | 6.77 (together with Qatar, Barain) |
| **Saudi Arabia** | 560.3 | 504.4 | 15.0 | 13.96 |
| **Somalia** | 46.2 | 38.6 | 1.2 | |
| **Sudan** | 115.9 | 96.6 | 2.9 | |
| **Syria** | 83.6 | 69.7 | 2.1 | |
| **Tunisia** | 81.1 | 72.7 | 2.2 | |
| **United Arab Emirates** | 222.6 | 200.3 | 6.0 | 15.13 (together with Kuwait) |

| Yemen | 178.5 | 154.6 | 4.6 |
|---|---|---|---|
| **Total** | 3,780.0 | 3,353.0 | 100 |

Source: AMF 2016.

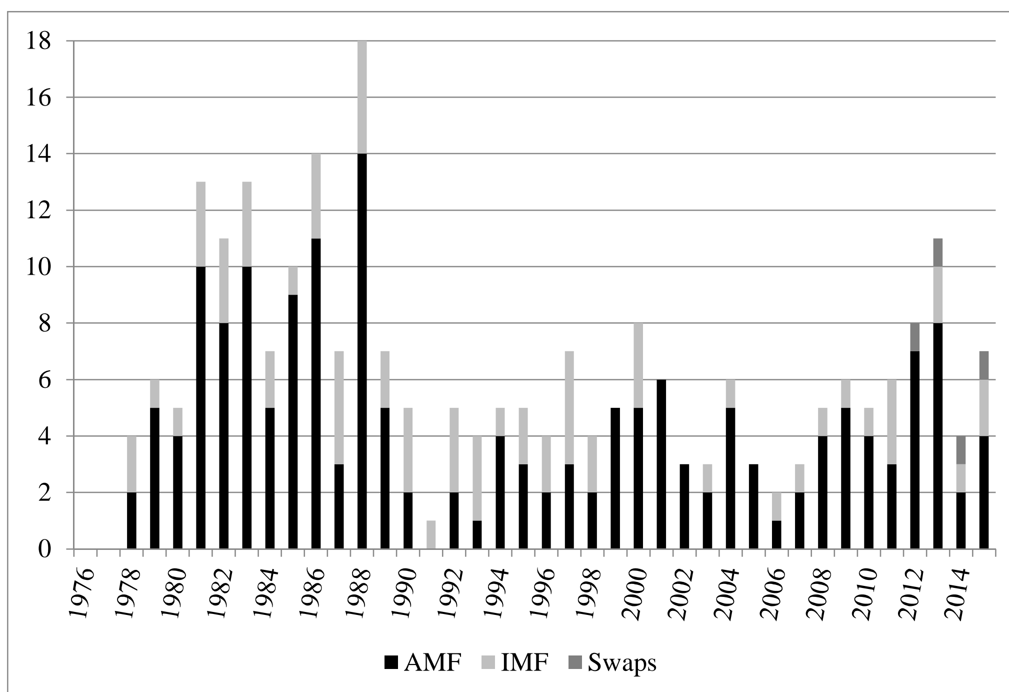
**AMF Loan Conditions**

| Instrument | Duration | Grace / Rollover period | Access limit (% of subscribed capital) |
|---|---|---|---|
| **Automatic loan** | 3 years | 1,5 years | 75 |
| **Ordinary loan** | 5 years | 2,5 years | 100/175* |
| **Extended loan** | 7 years | 3,5 years | 175/250* |
| **Compensatory loan** | 3 years | 1,5 years | 100 |
| **Structural adjustment facility** | 4 years | 2 years | 175 |
| Trade reform facility | 4 years | 2 years | 175 |
| Oil facility | | | |
| **without reform program** | 6 month | 18 month | 100 |
| **with reform program** | 6 month | 18 month | 200 |
| **Short-term liquidity** | 6-18 month | 2 times renewable | 100 |

Interest Rates: Announced interest rates in December 2015 between 0.99% (6 months) and 1.75% (7 years). Interest rates more concessionary on borrowing by a member to finance deficit from trade within Arab States. Trade in petroleum excepted from this preferential treatment (Art. 25(b)).
Limits of Lending:
Loans issued to a member over a period of twelve months shall not exceed twice the amount of its paid-up subscription (Art. 21(a)).

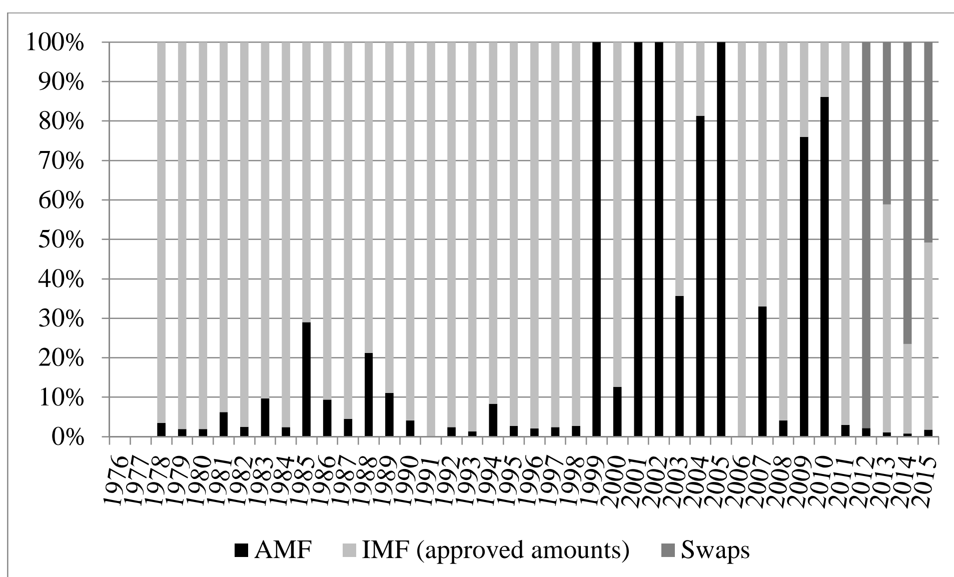
Source: AMF n.d.-b; AMF n.d.-d; AMF 2016; Rhee et al. 2013: 11; AMF 1976.
Note: * accessible in combination with an automatic loan.

**Figure 5: Number of Agreements by AMF Member Countries**




Source: Authors' compilation based on IMF n.d; AMF 2016; Garcia-Herrero/Xia 2013; Destais 2014; Eichengreen/Kawai 2014; various media reports.

**Figure 6: Share of total Volume of Approved AMF and IMF Programs and Swap Agreements**




Source: Authors' compilation based on IMF n.d; AMF 2016; Garcia-Herrero/Xia 2013; Destais 2014; Eichengreen/Kawai 2014; various media reports.

### c. Chiang Mai Multilateralization Initiative (CMIM)

**CMIM**
**Date of Foundation**: The CMIM Agreement was signed on 24 December 2009 and entered into force on 24 March 2010. CMIM evolved from the Chiang Mai Initiative (CMI), the first regional currency swap arrangement launched by the ASEAN+3 countries in May 2000
**Website**: http://www.amro-asia.org/overview-of-cmim/
**Legal form:** Contract, multilateral swap arrangement (Bank of Japan 2009)
**Headquarters**: Not defined, ASEAN Headquarters in Jakarta, Indonesia
**Member States (year of access)**: ASEAN+3 partner countries (2000/2009): China (incl. Hong Kong), Japan, Korea; ASEAN member countries (2000/2009): Indonesia, Thailand, Malaysia, Singapore, Philippines, Vietnam, Cambodia, Myanmar, Brunei, Lao PDR
**Objectives**: The core objectives of the CMIM are (1) to address balance-of-payments and short-term liquidity difficulties in the region and (2) to supplement the existing international financial arrangements (Bank of Japan 2009)

The CMIM was initially set up as a network of bilateral swap arrangements in 2001 among the member states of the Association of Southeast Asian Nations (ASEAN) and its plus-three partner countries China (incl. Hong Kong), South Korea, and the northern partner country Japan (named Chiang Mai Initiative, CMI) in reaction to the Asian financial crisis. In 2010, in reaction to the financial crisis, the CMIM was established as a multilateral arrangement that comprises about USD 240 billion today (cf. Kawai 2004; Henning 2009; Eichengreen 2012; see also Mühlich 2014). In addition, a CMIM Precautionary Line was set up for crisis prevention for countries with strong fundamentals. In essence, the CMIM creates a multilateral currency swap arrangement governed henceforth by only one contractual arrangement. The CMIM represents a swap fund in the sense that each country's foreign exchange contributions are made not in advance but on demand.

The decision-making structure of the CMIM consists of a ministerial and an executive level. The former's decisions are taken in consensus while the latter's decisions are taken by a two-thirds majority rule. Each country is given basic votes (except Hong Kong). Additionally, each country holds votes depending on its contributions. A contribution of USD one billion gives a country one vote. The system has been designed in a way that no country holds a veto power. The large plus-three partner countries, however, hold a majority of about 70 percent of votes (see Table A.3).

Historically, CMI countries could draw on up to 20 percent of the maximum amount of the entitled disbursement volume without conditionality. Access to more than 20 percent of the maximum drawing volume was conditional on the existence of an IMF-supported program. Later on, the unconditional lending limit has been raised to 30 percent with the prospect of the ceiling of non-IMF-linked disbursements being further increased to 40 percent of the maximum amount of drawings for each country. Such delinked liquidity provision can be distributed

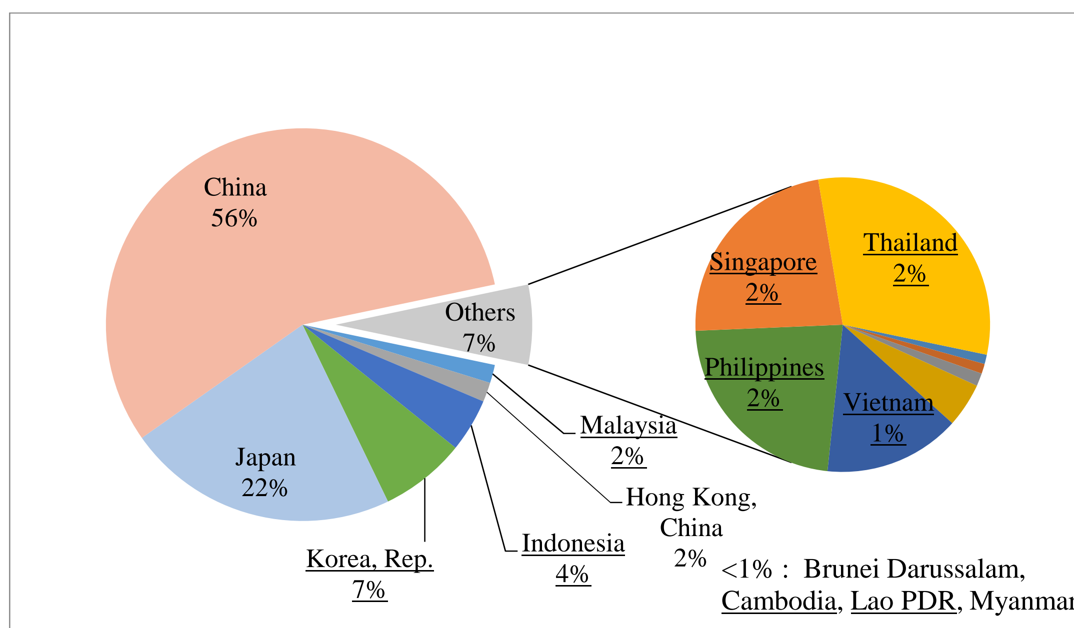
upon demand depending on the decision of a two-thirds majority (Grimes 2011). However, further delinking from the IMF has not yet been realized.

Currently, the CMIM is developing more forceful regional surveillance capacities. Since 2011, the member states developed an independent regional surveillance unit based in Singapore, the ASEAN+3 Macroeconomic Research Office (AMRO) (for a detailed description of AMRO see Siregar/Chabchitrchaidol 2013). AMRO was officially founded as an international organization at the beginning of 2016. AMRO's advisory role requires asserting its independence and distinction from IMF advice in order to build up a truly regional liquidity-providing mechanism.

Among the ASEAN-5 countries, Singapore's level of economic development compares to industrialized countries, its inflation rate is comparatively low, and its macroeconomic conditions are favorable and stable, including the current account surpluses. Malaysia and Thailand are comparable to Singapore in terms of economic strength. In general, inflation rates among the ASEAN-5 countries have harmonized to a similarly low level and economic growth is similarly dynamic. Debt structures have equally improved, except for rising shares of short-term debt in Malaysia and Thailand. The remaining economies, Cambodia, Laos, Vietnam, and Myanmar, clearly lag behind in these terms, despite increasingly dynamic economic growth, in particular in Vietnam.

It is remarkable that, due to the big size of the CMIM, almost half of the member countries could count on access volumes higher than their IMF access quota, as Figure 7 shows. At the same time, for the two largest members, Japan and China, CMIM funds alone would be far too small to tackle a crisis when taking IMF access quota as a reference. Figures 8 and 9 show that none of the member countries used the CMIM.

**Figure 7: Share of regional GDP**




Source: World Bank n.d. Note: Countries that find equal to or more than 80 percent of their immediately accessible IMF access limit regionally are underlined.

## Table A.3: Key Macroeconomic Variables and Relative Access Limits, CMIM Members, 2014

| Country | Current account balance (% of GDP) | Short-term debt (% of total external debt) | Exter-nal debt (% of exports) | GDP (bill. USD) | GDP growth (annual %) | Reserves (bill. USD) | Access limit CMIM (bill. USD) | Access limit IMF (bill. USD) | CMIM/ IMF access limit (%) | CMIM access limit/ GDP (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Brunei Darussalam** | .. | .. | .. | 17.1 | -2.34 | 3.6 | 0.3 | 0.8 | 35.6 | 1.75 |
| **Cambodia** | .. | 16 | 60 | 16.8 | 7.07 | 6.1 | 1.2 | 0.5 | 244.9 | 7.15 |
| **China** | .. | 71 | 35 | 10354.8 | 7.27 | 3900.0 | 38.4 | 85.4 | 45.0 | 0.37 |
| **Hong Kong** | 1.87 | .. | .. | 290.9 | 2.50 | 328.5 | .. | .. | .. | … |
| **Indonesia** | -2.86 | 16 | 146 | 888.5 | 5.02 | 111.9 | 22.8 | 13.0 | 174.9 | 2.56 |
| **Japan** | 0.52 | .. | .. | 4601.5 | -0.10 | 1260.7 | 38.4 | 86.3 | 44.5 | 0.83 |
| **Korea. Rep.** | 6.33 | .. | .. | 1410.4 | 3.31 | 362.8 | 38.4 | 24.0 | 159.8 | 2.72 |
| **Lao PDR** | .. | 8 | .. | 11.7 | 7.52 | 1.2 | 0.3 | 0.3 | 101.3 | 2.56 |
| **Malaysia** | .. | 49 | 95 | 338.1 | 5.99 | 116.0 | 22.8 | 10.2 | 223.7 | 6.73 |
| **Myanmar** | .. | 12 | .. | 64.3 | 8.50 | .. | 0.6 | 1.4 | 41.5 | 0.93 |
| **Philippines** | 4.44 | 21 | 95 | 284.8 | 6.13 | 79.6 | 22.8 | 5.7 | 397.9 | 7.99 |
| **Singapore** | 19.09 | .. | .. | 307.9 | 2.92 | 261.6 | 22.8 | 10.9 | 208.9 | 7.39 |
| **Thailand** | 3.31 | 42 | 47 | 404.8 | 0.87 | 157.2 | 22.8 | 9.0 | 253.1 | 5.62 |
| **Vietnam** | .. | 18 | 45 | 186.2 | 5.98 | 34.2 | 10.0 | 3.2 | 309.7 | 5.37 |

Sources: World Bank n.d; IMF 2016f; CMIM 2014.
Note: No IMF access limit data available for Hong Kong since Hong Kong, China, is not a member of the IMF. IMF annual access limit is 200 percent of a country's quota.

**CMIM Contributions, Purchasing Multiples and Voting Power Distribution**

| | | | **Access Limit** | | **Purchasing Multiple** | **Basic Votes** | **Votes based on contribution** | **Total voting power** | |
|---|---|---|---|---|---|---|---|---|---|
| **Country** | **Bill. USD** | **(%)** | **Bill. USD** | **(%)** | | **(no. of vote)** | **(no. of vote)** | **(no. of vote)** | **(%)** |
| China (incl. Hong Kong) | 76.8 | 32 | 38.4 | 15.91 | 0.5 | 3.2 | 76.8 | 80.00 | 28.41 |
| *Hong Kong* | *8.4* | *3.5* | *4.2* | *1.74* | 2.5 | *0* | *8.4* | *8.40* | *2.98* |
| Japan | 76.8 | 32 | 38.4 | 15.91 | 0.5 | 3.2 | 76.8 | 80.00 | 28.41 |
| Korea | 38.4 | 16 | 38.4 | 15.91 | 1 | 3.2 | 38.4 | 41.60 | 14.77 |
| ***Plus-Three*** | ***192*** | ***80*** | 115.2 | 47.72 | - | 9.6 | 192.0 | 201.6 | 71.59 |
| Indonesia | 9.1 | 3.8 | 22.76 | 9.43 | 2.5 | 3.2 | 9.1 | 12.30 | 4.369 |
| Thailand | 9.1 | 3.8 | 22.76 | 9.43 | 2.5 | 3.2 | 9.1 | 12.30 | 4.369 |
| Malaysia | 9.1 | 3.8 | 22.76 | 9.43 | 2.5 | 3.2 | 9.1 | 12.30 | 4.369 |
| Singapore | 9.1 | 3.8 | 22.76 | 9.43 | 2.5 | 3.2 | 9.1 | 12.30 | 4.369 |
| Philippines | 9.1 | 3.8 | 22.76 | 9.43 | 2.5 | 3.2 | 9.1 | 12.30 | 4.369 |
| Vietnam | 2 | 0.8 | 10.0 | 4.14 | 5 | 3.2 | 2.0 | 5.2 | 1.847 |
| Cambodia | 0.24 | 0.1 | 1.2 | 0.5 | 5 | 3.2 | 0.24 | 3.44 | 1.222 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Myanmar | 0.12 | 0.05 | 0.6 | 0.25 | 5 | 3.2 | 0.12 | 3.32 | 1.179 |
| Brunei | 0.06 | 0.03 | 0.3 | 0.12 | 5 | 3.2 | 0.06 | 3.26 | 1.158 |
| Lao PDR | 0.06 | 0.03 | 0.3 | 0.12 | 5 | 3.2 | 0.06 | 3.26 | 1.158 |
| ***ASEAN*** | ***48*** | ***20*** | 126.2 | 52.28 | | **32.00** | **48.00** | **80.00** | **28.41** |
| **Total** | **240** | **100** | 241.4 | 100 | - | **41.60** | **240** | **281.6** | **100** |

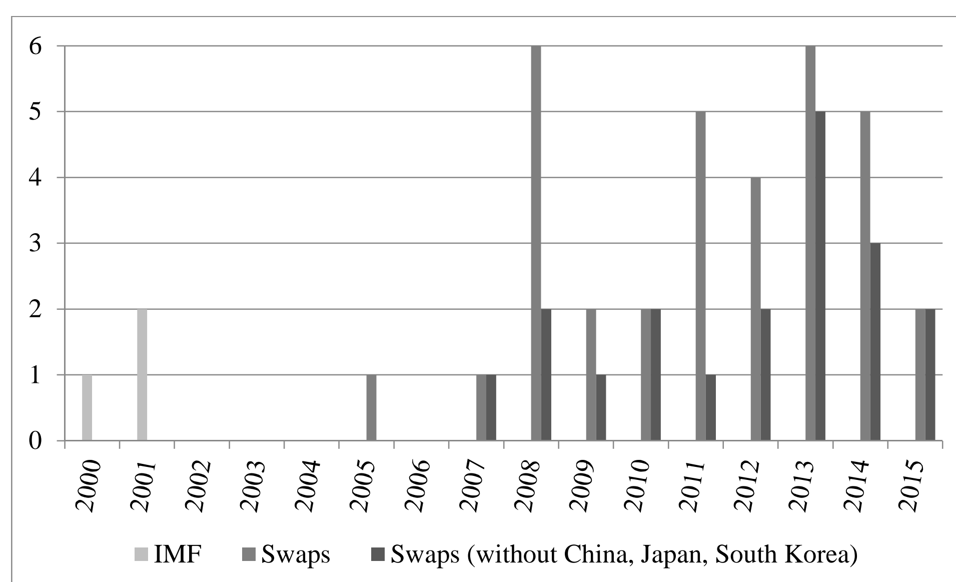
* Hong Kong, China's purchasing is limited to IMF de-linked portion because Hong Kong, China, is not a member of the IMF.

Source: CMIM 2014; AMRO n.d.

| **CMIM Instruments & Terms** | | |
|---|---|---|
| **Instrument** | **Maturity** | **Grace / Rollover period** |
| ***Swap, Precautionary line (CMIM-PL)*** | | |
| IMF – delinked | 6 months | Renewable up to 2 years |
| IMF – linked | 1 year | Renewable up to 3 years |
| ***Swap, Stability Facility (CMIM-SF)*** | | |
| IMF – delinked | 6 months | Renewable up to 2 years |
| IMF – linked | 1 year | Renewable up to 3 years |
| **Conditions**: Beyond 30 of country's allotment, disbursements must be linked to IMF program. | | |

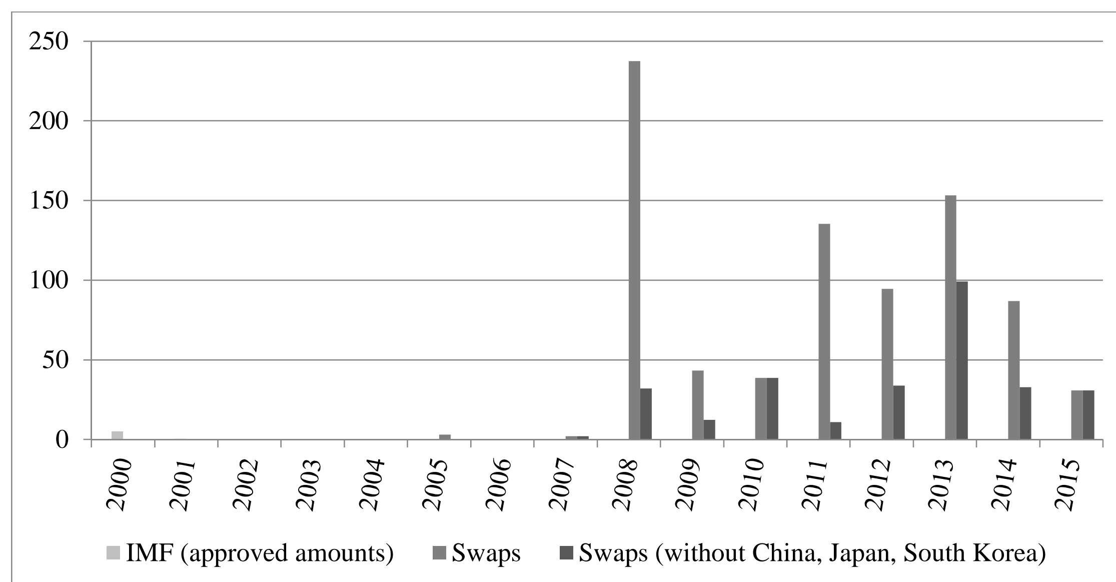
Source: Rhee et al. 2013.

## Figure 8: Number of Agreements by CMIM Member Countries




Sources: Authors' compilation based on IMF n.d; central bank websites; Garcia-Herrero/Xia 2013; Destais 2014; Eichengreen/Kawai 2014; Hill/Menon 2014; various media reports.

**Figure 9: Volumes of Approved IMF Programs and of Swap Agreements (bill. USD)**




Source: Authors' compilation based on IMF n.d; central bank websites; Garcia-Herrero/Xia 2013; Destais 2014; Eichengreen/Kawai 2014; Hill/Menon 2014; various media reports.

### d. Eurasian Fund for Stabilization and Development (EFSD)

**EFSD**
**Date of Foundation**: June 2009
**Website**: http://eabr.org/e/acf/
**Legal form**: Treaty (EDB 2009)
**Headquarters**: Operations Management Department of EurAsEC Anti-Crisis Fund (ACF), Eurasian Development Bank (EDB) Office in Moscow, Russia
**Member States** (year of access): Armenia (2009), Belarus (2009), Kazakhstan (2009), Kyrgyz Republic (2009), Russia (2009), and Tajikistan (2009)
**Objectives**: "To overcome the detrimental consequences of world financial and economic crisis, ensure economic and financial stability, and facilitate further integration of the member economies" (EDB 2009)

In 2009, some of the member countries of the Commonwealth of Independent States (CIS), namely Armenia, Belarus, Kazakhstan, Kyrgyz Republic, Russia, and Tajikistan, established the Eurasian Fund for Stabilization and Development (EFSD) (until 2015 known as the Anti-Crisis Fund of the Eurasian Economic Community (ACF))1 with a funding volume of about USD 8.5 billion. Its funds are managed by the Eurasian Development Bank (EDB) that was founded in 2006 by Russia and Kazakhstan. EDB member states are the same as those in the EFSD. The Russian Ministry of Foreign Affairs acts as the fund's depository. The EFSD decisions are taken in the Council that consists of the finance ministers of the

[1] The fund has been renamed because the Eurasian Economic Union (EAEU) was established as a successor of the EurAsEC. In accordance with the protocols, the EurAsEC Integration Committee will pass its functions of the fund's secretariat to the EDB.

member states. Neither the EDB nor the EFSD provides information on the voting system of the fund. Russia holds about 88 percent of total capital and can thus be assumed to have a veto power in the governing bodies (see Table A.4).

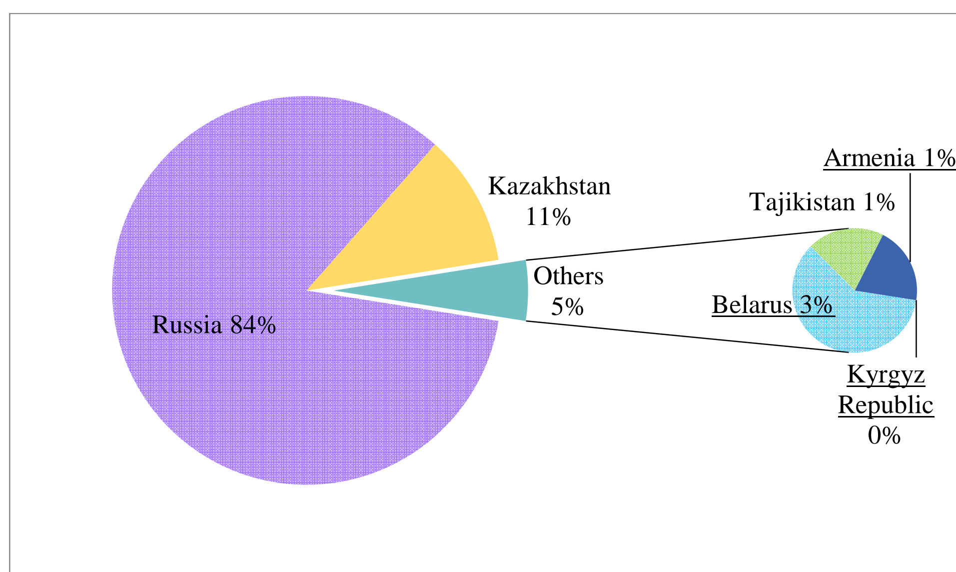
The EFSD essentially provides only one line of credit for emergency financing that requires a reform program whose implementation is rigorously monitored for disbursement decisions. The EFSD conditions its lending upon the debt history of the requesting country with the EFSD, its member countries, or other financial institutions. The borrower should not be in arrears with any of those.

The fund aims at achieving its objectives by disbursing financial credits and investment loans. Financial credits are intended to finance budget deficits, support in case of balance-of-payments problems, or stabilize national currencies. Investment loans are intended to finance interstate investment projects. The EFSD plans to also provide grants from the fund's net profit to finance social programs of the member states' governments. The highest decision-making body is the Council, which is composed of the member states' Finance Ministers and chaired by the Finance Minister of the Russian Federation. Lending decisions are based on the perceived urgency of a country's financing needs as well as a country's creditworthiness and long-term debt sustainability (EFSD n.d.-c). While emergency financing in times of balance-of-payments difficulties is one of its objectives, the EFSD is not oriented towards further regional monetary cooperation.

Until today, the EFSD has disbursed five financial credits, three of them in 2015 (see Figures 11 and 12).

While in terms of economic size the EFSD is clearly dominated by Russia, which accounts for 85 percent of the regional GDP (see Figure 10), in macroeconomic terms, the members are less divergent. As former members of the Soviet Union, all of them demonstrate a low degree of productive differentiation, and most of them are heavily dependent on natural resources exports, with high external deficits and debt levels. For some of the members, like Armenia and the Kyrgyz Republic, the EFSD could substitute the IMF in terms of volume of funding, while especially for Russia the quota would be far too small to tackle a crisis.

**Figure 10: Share of regional GDP**




Source: World Bank n.d.;
Note: Countries that find equal to or more than 80 percent of their immediately accessible IMF access limit regionally are underlined.

## Table A.4: Key Macroeconomic Variables and Relative Drawing Volumes, EFSD Members, 2014

| Country | Current account balance (% of GDP) | Short-term debt (% of total external debt) | External debt stocks (% of exports) | GDP (bill. USD) | GDP growth (annual %) | Reserves (bill. USD) | Access limit EFSD (bill. USD) | Access limit IMF (bill. USD) | EFSD/ IMF access limit (%) | EFSD access limit/ GDP (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Armenia** | -4.31 | 10 | 175 | 11.6 | 3 | 1.6 | 1.1 | 0.4 | 307.0 | 9.51 |
| **Belarus** | -6.61 | 5 | 171 | 76.1 | 0 | 1.7 | 1.8 | 1.9 | 93.8 | 2.35 |
| **Kazakhstan** | -24.15 | 4 | 257 | 217.9 | 4 | 2.0 | 2.0 | 3.2 | 63.0 | 0.94 |
| **Kyrgyz Republic** | -22.96 | 5 | 217 | 7.4 | 11 | 2.2 | 0.3 | 0.2 | 102.6 | 3.44 |
| **Russia** | -25.36 | 4 | 204 | 1860.6 | 0 | 2.1 | 3.2 | 36.1 | 8.7 | 0.17 |
| **Tajikistan** | -9.57 | 3 | 174 | 9.2 | 6 | 1.8 | 0.2 | 0.5 | 34.9 | 1.84 |

Sources: World Bank n.d; IMF 2016f; EFSD n.d.-b.
Note: IMF annual access limit is 200 percent of a country's quota.

**EFSD Capital Structure**

| | Authorized Capital (mill. USD) | Paid-in Capital (mill. USD) | Share of total Capital (%) | Fund Access Limits* (mill. USD) | % of Access Limit |
|---|---|---|---|---|---|
| **Armenia** | - | 1.0 | 0.04 | 1,106.7 | 13.0 |
| **Belarus** | 8 | 2.0 | 0.07 | 1,787.7 | 21.0 |
| **Kazakhstan** | 503.2 | 496.8 | 17.74 | 2,043.1 | 24.0 |
| **Kyrgyz Republic** | 0.8 | 0.2 | 0.01 | 255.4 | 3.0 |

| | | | | | |
|---|---|---|---|---|---|
| **Russian Federation** | 4,942 | 2,298 | 82.10 | 3,149.8 | 37.0 |
| **Tajikistan** | - | 1.0 | 0.04 | 170.3 | 2.0 |
| **Total** | 5.454 | 2,799.0 | | 8,513.0 | 100 |

* Country access limits for the fund resources, established by the EFSD Council proportionately to the countries' GNI per capita

Source: KPMG 2016; EFSD n.d.-b; n.d.-c; n.d.-d.

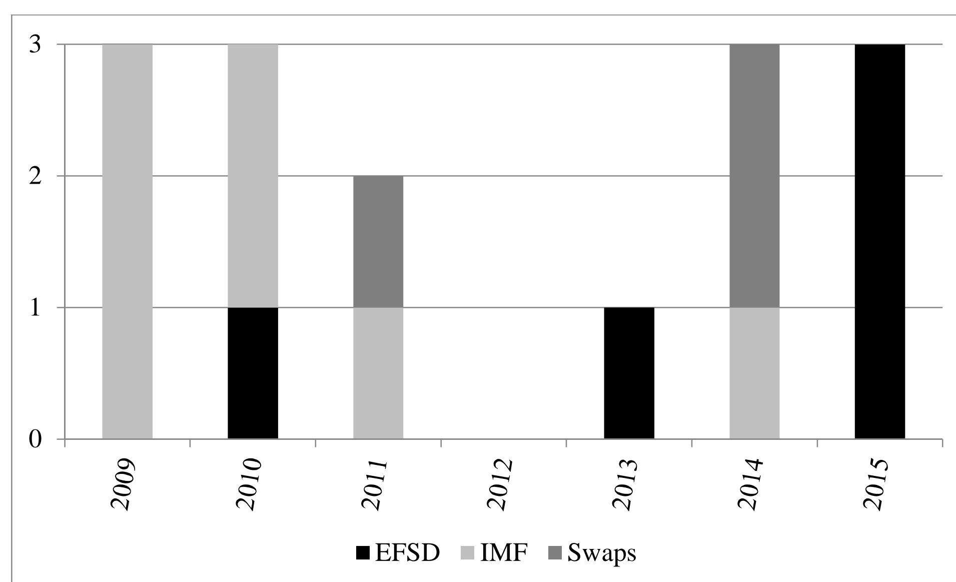
**EFSD Instruments & Terms**

| Instrument | Maturity | Grace / Rollover period | Interest Rate |
|---|---|---|---|
| *Financial Credits (FC)* | | | |
| **Stabilization credit (low inc)** | 20 years | 5 years | 1-3% (Fixed) |
| **Sovereign loans (middle inc)** | 10 years | 5 years | Floating Rate* |
| *Investment Loans (IL)* | | | |
| **Contracted by an EFSD member state** | 15 years | 5 years | Floating Rate** |
| **Contracted by a Project Company** | 10 years | 5 years | Floating Rate** |

* Rate calculated for each six-month interest accrual and equal to the cost of borrowing for Kazakhstan and Russia on international markets.
** For low income countries terms consistent with the requirements of IFIs sovereign loans.
Note: Requirement for co-financing by recipient: No less than 20% of the amount of the project.

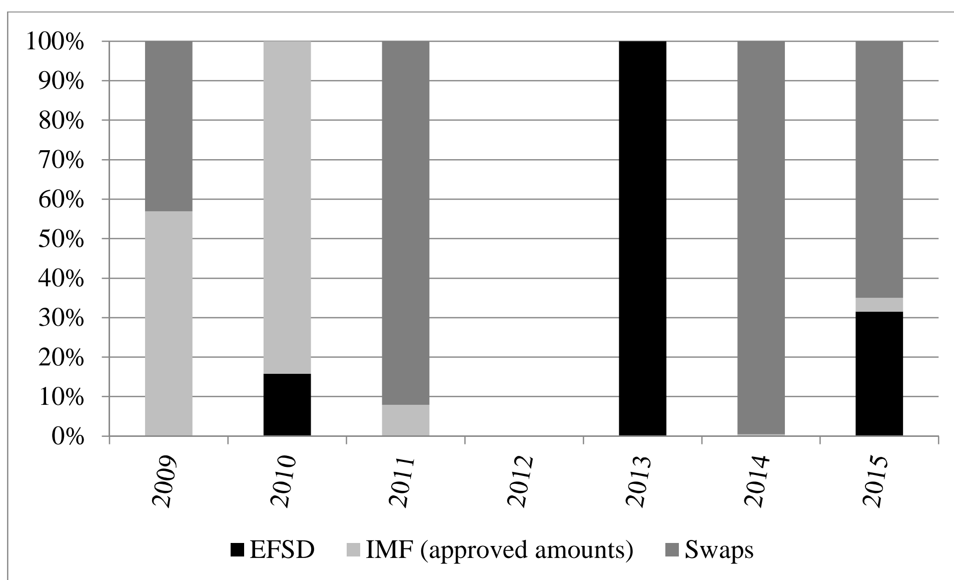
Source: Rhee et al. 2013; EDB 2013.

## Figure 11: Number of Agreements by EFSD Member Countries




Source: Authors' compilation based on IMF n.d.; EFSD n.d.-a, n.d.-b; Garcia-Herrero/Xia 2013; Destais 2014; Eichengreen/Kawai 2014; various media reports.

**Figure 12: Share of Volumes of Approved EFSD, IMF Programs, and of Swap Agreements**




Source: Authors' compilation based on IMF n.d.; EFSD n.d.-a, n.d.-b; Garcia-Herrero/Xia 2013; Destais 2014; Eichengreen/Kawai 2014; various media reports.

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