

INTERNATIONAL MONETARY FUND

FISCAL MONITOR

CHAPTER 1

Policies to Support People During the COVID-19 Pandemic

(Full Report to Follow in May 2020)

2020
APR



POLICIES TO SUPPORT PEOPLE DURING THE COVID-19 PANDEMIC

Executive Summary	1
Introduction	2
Recent Fiscal Developments and Outlook	3
Fiscal Policies across Economies	15
References	28

Boxes

Box 1.1. Understanding the Implications of Different Types of Fiscal Measures for Public Finances	25
Box 1.2. A Wave of Protests: Economic Reforms and Social Unrest	26

Figures

Figure 1.1. G20 Fiscal Response to the COVID-19 Pandemic and the Global Financial Crisis	3
Figure 1.2. Major Advanced Economies: 10-Year Government Bond Yields	4
Figure 1.3. General Government Gross-Debt-to-GDP and Interest-Expenditure-to-Tax-Revenue Ratios, 2007–20	4
Figure 1.4. Public and Private Investment, 1995–2017	5
Figure 1.5. Contribution to the Change in Global Government Debt and Deficits, 2007–20	5
Figure 1.6. Distribution of Nominal Effective Interest Rates, 2000–19	8
Figure 1.7. Gross Financing Needs, 2020	8
Figure 1.8. Average Remaining Maturity of Government Bonds, 1995–2018	8
Figure 1.9. Fiscal Developments in Advanced Economies	10
Figure 1.10. Fiscal Developments in Emerging Market and Middle-Income Economies	11
Figure 1.11. Fiscal Developments in Low-Income and Developing Countries	12
Figure 1.12. Commodity Terms of Trade and Primary Balances, 2012–19	14
Figure 1.13. Sovereign Spreads	14
Figure 1.14. Common Fiscal Support Measures for Non-Health Sectors in Response to COVID-19	18
Figure 1.15. Some Principles for Instrument Choice in Supporting Firms and Households	19
Figure 1.16. Public Capital Stocks across Selected Countries	22
Figure 1.17. Low-Income Developing Countries: External Debt, by Creditors, 2010–18	24
Figure 1.1.1. Likely Impact of Measures on the Government Budget and Debt	25

Tables

Table 1.1. General Government Fiscal Overall Balance, 2012–20	6
Table 1.2. General Government Debt, 2012–20	7

Online–Only Annex

Special Feature Online Annex 1.1. Fiscal Measures in Selected Economies in Response to the COVID-19 Pandemic	30
--	----

EXECUTIVE SUMMARY

The COVID-19 pandemic has struck against the backdrop of a preexisting sluggish global growth outlook, with low inflation and nominal interest rates. The pandemic has elevated the need for fiscal policy action to an unprecedented level. This issue of the *Fiscal Monitor* discusses the role of fiscal policy to save lives, protect the most-affected people and firms from income losses, unemployment, and bankruptcies, and reduce the likelihood that the pandemic results in a deep, long-lasting slump.

The human cost of the pandemic has intensified at an alarming rate, and the impact on output and public finances is projected to be massive. Government responses should be swift, concerted, and commensurate with the severity of the health crisis, with fiscal tools taking a prime role. The first priority, saving lives, requires fully accommodating spending on testing and treatment, which calls for global coordination—including support to countries with limited health capacity, through grants and concessional financing and the development of a universally low-cost vaccine. Saving lives also requires social distancing—a key component of collective protection domestically and globally—which imposes even larger costs through lower output, lower tax revenues, and the need to protect the most-affected people and firms. This can be done through large, timely, temporary, and targeted measures, such as government-funded paid sick and family leave, transfers, unemployment benefits, wage subsidies, and deferral of tax payments. Likewise, liquidity support to firms can reduce the risk of bankruptcies.

The COVID-19 outbreak and its financial and economic consequences will cause a major increase in fiscal deficits and public debt ratios compared with previous projections. As output drops, revenue will fall even more sharply (revenue is projected to be 2.5 percent of global GDP lower in the baseline scenario for 2020 than what was projected in the October 2019 *Fiscal Monitor*). The necessary health expenditure and the tax and spending measures to support people and firms will also have direct fiscal costs, currently estimated at \$3.3 trillion globally. In addition, although public sector loans and equity injections (\$1.8 trillion) and guarantees and other contingent liabilities (\$2.7 trillion) can support financial and nonfinancial enterprises, they also create fiscal risks.

Based on policy responses to date, fiscal balances in 2020 are expected to deteriorate in almost all countries, with sizable estimated expansions in the *United States*, *China*, and several European and other Asian economies. Although a sizable increase in deficits this year is necessary and appropriate for many countries, the starting position in some cases presents vulnerabilities (global public debt was 83 percent of GDP in 2019). The situation is more concerning for emerging market and developing economies that face multiple shocks that include the pandemic, an abrupt worsening in financing conditions, weak external demand, and (for commodity exporters) lower commodity prices. Even after the global community's efforts to alleviate such financing constraints, these countries will need to reprioritize expenditure toward the health sector while safeguarding key public services (transport, energy, communications) and social protection.

The size of the impact of COVID-19 on public finances is highly uncertain at this time and will depend not only on the duration of the pandemic but also on whether the economic recovery is swift or the crisis casts a long shadow. As public sector support is provided on an extraordinary scale, including vehicles such as loans and guarantees, transparency is crucial to manage fiscal risks. As countries contain the pandemic and shutdowns end, broad-based, coordinated fiscal stimulus—depending on countries' financing constraints—will become a more effective tool to foster the recovery. Exit from the exceptional measures introduced during the crisis will also be appropriate. Once economies recover, achieving progress on ensuring debt sustainability will be needed.

Introduction

The COVID-19 pandemic has struck amid a preexisting sluggish global growth outlook, historically low nominal interest rates, and low inflation. The pandemic has elevated the need for fiscal policy action to an unprecedented level. For some countries, however, high debt levels and tightening financing conditions are constraining the policy response. But whereas in other economic downturns a key goal of fiscal policy is to stimulate demand, this crisis is like no other—and in its early stages the primary objectives are to boost resources for health care and to provide emergency lifelines to people and firms.

The global economy is expected to contract sharply in 2020 by –3 percent, much worse than during the 2008–09 financial crisis, owing to the ongoing health crisis and its economic and financial ramifications (Chapter 1 of the April 2020 *World Economic Outlook*). The pandemic is causing local, regional, and global supply disruptions; local and sectoral demand repercussions; and confidence effects holding back demand. Social distancing efforts necessary to contain the spread of the virus have curtailed demand, particularly in tourism, travel, and hospitality services, and have imposed even larger costs on livelihoods and output. Consumer and business confidence has fallen. Commodity prices have declined as a result of both lower global demand and a decision in early March 2020 by large oil producers to increase supply. Financing has become more costly and scarce for firms and some sovereigns. Disrupted supply and weakened demand adversely affect employment and growth, reduce government revenues, and put further strains on countries' public finances, with elevated debt and associated vulnerabilities constraining the scope for fiscal support for many countries.

Swift and concerted government responses are needed to mitigate the health and economic effects of the coronavirus outbreak, and fiscal policies play a key role. The Group of Twenty (G20) economies have already provided sizable fiscal support through revenue and spending measures of 3.5 percent of GDP on average, as of April 8, 2020, in response to the pandemic. This amount is higher than the stimulus during the global financial crisis that began in 2008. In addition, massive packages of public-sector liquidity support, including loans and guarantees, each above 10 percent of GDP in *France, Germany, Italy, Japan*, and the *United Kingdom*, were announced to support financial and nonfinancial firms, including small and medium-sized enterprises (Figure 1.1). At the global level, spending and revenue measures amount to \$3.3 trillion and loans, equity injections, and guarantees total \$4.5 trillion. Box 1.1 summarizes how various types of fiscal support can have different implications for public finances in the near term and beyond. Key goals of these actions should be to save lives by containing the spread of the disease and treating those who are infected, and to protect people and viable firms from the economic fallout, including by providing unemployment benefits, wage subsidies, income support, and social assistance, as well as limiting layoffs and bankruptcies in affected firms, areas, and sectors. These actions could prevent a health crisis from generating long-lasting demand weaknesses and reducing the well-being of people.

The first policy priority is to fully accommodate spending on health and emergency services. This calls for global coordination to support countries with limited health capacity, including by providing medical supplies and expertise, grants, and concessional emergency financing. Large, timely, temporary, and targeted fiscal measures are needed to protect the most-affected people and viable firms, including in hard-to-reach informal sectors. Such support is likely to provide the most effective cushion to output and essential consumption because it alleviates the drop in incomes for people with limited savings and reduces the likelihood of bankruptcies.¹ Collectively, these measures amount to a sizable emergency lifeline, but the main policy goal during the virus containment and mitigation phases is not to boost

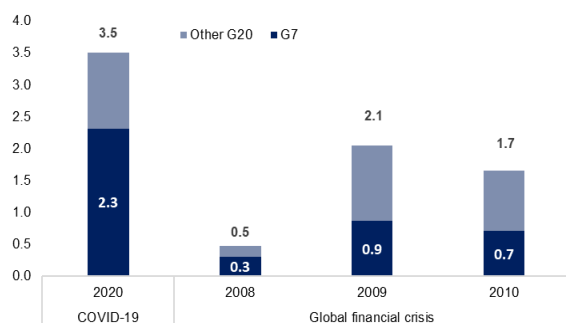
¹ The need for discretionary measures would be sizable, albeit lower, all else being equal, for countries with stronger existing automatic stabilizers and social safety nets.

demand but rather to preserve the web of economic relationships between employers and employees, producers and consumers, and lenders and borrowers. Given their large fiscal costs, these measures should be embedded in a medium-term fiscal framework. Measures that are not included in revenue or expense, such as government guarantees of business loans, should be transparently managed and recorded to mitigate potential fiscal risks. As the virus is contained and people return to work, a broad-based fiscal stimulus becomes more effective. Depending on access to markets and the availability of fiscal space, such broad-based fiscal stimulus could facilitate the recovery.

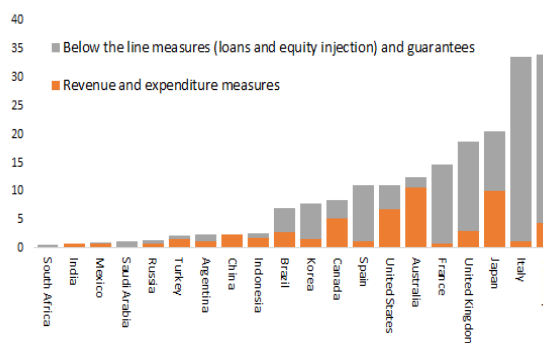
Figure 1.1. G20 Fiscal Response to the COVID-19 Pandemic and the Global Financial Crisis (Percent of G20 GDP, left panel; percent of national GDP, right panel)

Countries are providing sizable fiscal support in response to the COVID-19 pandemic.

1. Above-the-Line Measures



2. Above-the-Line and Below-the-Line Measures, and Guarantees



Sources: IMF 2009a; IMF 2009b; national authorities; and IMF staff estimates as of April 8, 2020.

Note: Panel 1 includes above-the-line spending and revenue measures only, weighted by GDP in PPP-adjusted current US dollars. Panel 2 adds below-the-line measures (loans, equity injections) and government guarantees to revenue and expenditure measures adopted in 2020. These are presented in the same panel for ease of reference but are not additive; see Box 1.1 and Special Feature Online Annex 1.1. The decomposition between loans and guarantees is based on available information as of April 8, 2020. G7 = Group of Seven; G20 = Group of Twenty; PPP = purchasing power parity.

Recent Fiscal Developments and Outlook

The scope, desirability, and effectiveness of fiscal policy in response to the COVID-19 crisis, and even more so during the recovery stage, are influenced by interest rates, inflation, and debt levels.

- *Low nominal interest rates:* Low rates shift the balance of cyclical demand support toward fiscal policy as the effective lower bound on monetary policy rates binds more frequently (Chapter 2).² Many governments can borrow at historically low rates—one-fifth of global bonds traded in negative territory at the end of 2019 (Figure 1.2). Interest rates are expected to remain low in the core advanced economies for a long period (Chapter 1 of the April 2020 *Global Financial Stability Report*), including after the virus-related shutdowns end. However, for many frontier and emerging markets (and, at times, some advanced economies), borrowing costs have risen sharply and have become more volatile since the coronavirus began spreading globally.
- *High public debt:* Global debt (public and private) reached \$188 trillion (226 percent of GDP) in 2018, according to the IMF Global Debt Database. Average public debt of advanced economies had plateaued at about 100 percent of GDP in the 2010s, compared with 74 percent in 2007, and is now set to rise substantially as a result of the crisis. Meanwhile, it had steadily risen in emerging markets and developing economies (Figure 1.3). High debt and rising debt service costs make it more difficult

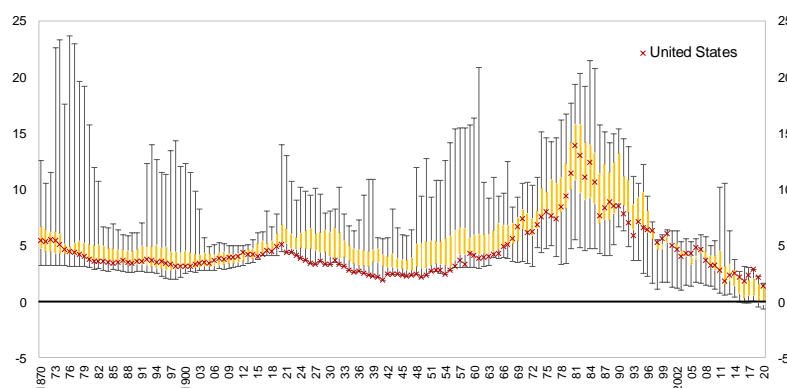
² Nonetheless, at the current juncture, synchronized and significant actions by large central banks, including rate reductions where possible, liquidity facilities, swap lines, and unconventional tools, have helped reduce systemic stress and lower sovereign spreads (Chapter 1 of the April 2020 *World Economic Outlook*).

to conduct countercyclical fiscal policies. Likewise, as access to financing has become challenging for firms, and as the public sector steps in with loans and guarantees, related fiscal risks have risen.

- *Slow growth and low inflation:* Even prior to the current global recession, the real growth rate of GDP per capita had been subdued in advanced economies, and had declined in emerging market and middle-income economies since 2013. There has also been a trend decline in public-investment-to-GDP ratios in advanced economies, and the growth rate of investment per capita in emerging market and developing economies has been slow (Figure 1.4). Moreover, inflation is below targets in two-thirds of inflation-targeting countries. Since the onset of the pandemic and the sharp fall in commodity prices, inflation and inflation expectations have registered further declines in many economies.

Figure 1.2. Major Advanced Economies: 10-Year Government Bond Yields (Percent)

Market interest rates are at their historical lows and negative in several advanced economies.

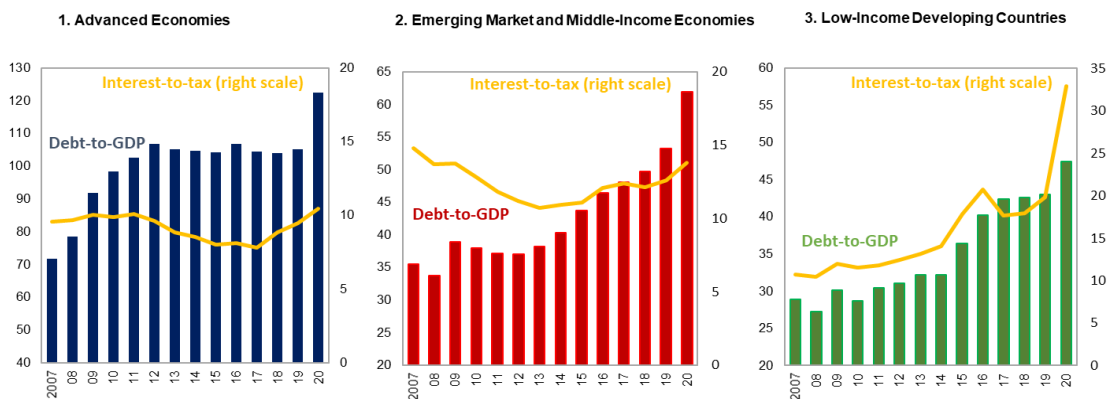


Sources: Jordà-Schularick-Taylor Macrohistory database; and IMF staff calculations.

Note: The sample includes Australia, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The figure shows the interquartile range (yellow bars) and the 10th and 90th percentiles (whiskers). Red markers signify the United States. Data for 2020 are through the end of March.

Figure 1.3. General Government Gross-Debt-to-GDP and Interest-Expenditure-to-Tax-Revenue Ratios, 2007–20 (Percent)

Public debt vulnerabilities persist.

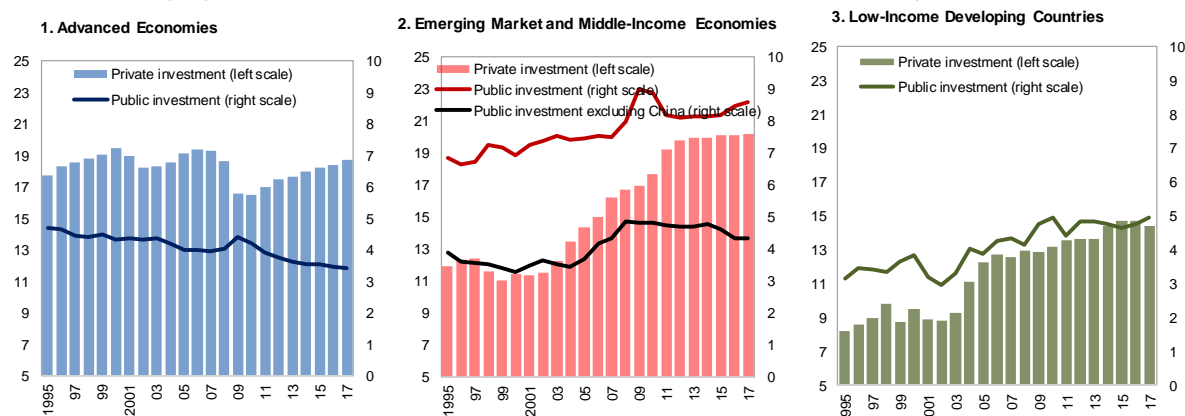


Source: IMF, World Economic Outlook database.

Note: Interest-to-tax ratios are weighted averages among countries in the income group. The rise in the average interest-to-tax ratio of low-income developing countries in 2020 is largely driven by a few countries, such as Nigeria and Zambia, that are expected to experience sizable increases in their ratios.

Figure 1.4. Public and Private Investment, 1995–2017
(Percent of GDP)

Before the pandemic crisis, public investment had been declining in advanced economies and was growing slowly in emerging market and middle-income economies and low-income developing countries.

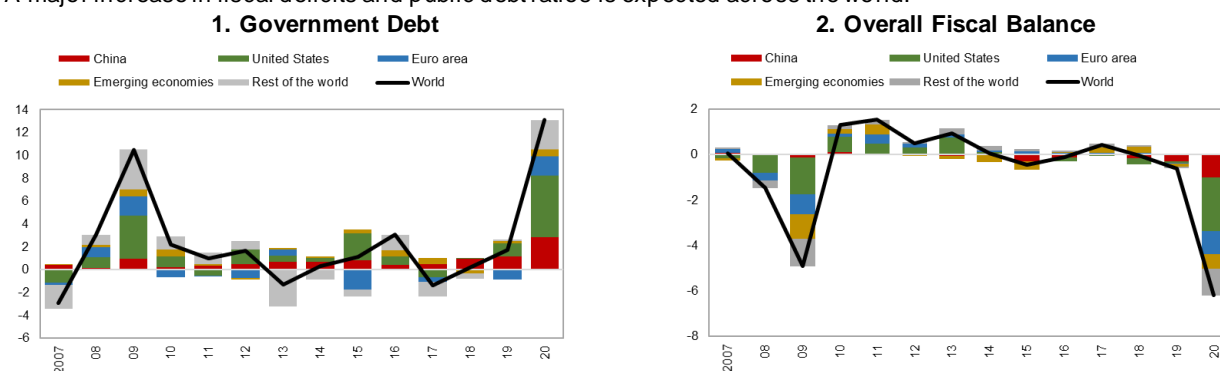


Source: IMF, Investment and Capital Dataset.

The pandemic and its economic consequences will cause a major increase in fiscal deficits and public debt ratios across countries (Figure 1.5). Under the baseline scenario in the April 2020 *World Economic Outlook*, the COVID-19 pandemic is assumed to have a large negative effect on economic activity. Consequently, government revenues, including customs, will fall as activity and trade decline. The experience of the global financial crisis and past epidemics suggests that revenues fall even more sharply than output, as people and firms struggle to comply with their tax obligations (Sancak, Velloso, and Xing 2010). Moreover, spending on health and support to people, firms, and sectors is being ramped up to mitigate the health and economic effects of COVID-19. Fiscal positions in 2020, therefore, are set to become significantly more expansionary across all three country groups (advanced economies, emerging market and middle-income economies, and low-income developing countries) compared with the fiscal outturns at the end of 2019. Overall fiscal deficits are expected to widen more in advanced economies, partly reflecting a more pronounced projected economic contraction in advanced economies than in emerging market and developing economies (April 2020 *World Economic Outlook*, Table 1.1). Global debt is estimated to increase by 13 percentage points to reach 96.4 percent of GDP in 2020 (Table 1.2).

Figure 1.5. Contribution to the Change in Global Government Debt and Deficits, 2007–20
(Percent of GDP)

A major increase in fiscal deficits and public debt ratios is expected across the world.



Source: IMF, World Economic Outlook database.

Table 1.1. General Government Fiscal Overall Balance, 2012–20
(Percent of GDP)

	2012	2013	2014	2015	2016	2017	2018	2019	Projections 2020
World	-3.8	-2.9	-2.9	-3.3	-3.4	-3.0	-3.1	-3.7	-9.9
Advanced Economies	-5.5	-3.7	-3.1	-2.6	-2.6	-2.3	-2.6	-3.0	-10.7
United States ¹	-8.0	-4.6	-4.0	-3.6	-4.3	-4.5	-5.7	-5.8	-15.4
Euro Area	-3.7	-3.0	-2.5	-2.0	-1.4	-0.9	-0.5	-0.7	-7.5
France	-5.0	-4.1	-3.9	-3.6	-3.5	-2.8	-2.3	-3.0	-9.2
Germany	0.0	0.0	0.6	0.9	1.2	1.2	1.9	1.4	-5.5
Italy	-2.9	-2.9	-3.0	-2.6	-2.4	-2.4	-2.2	-1.6	-8.3
Spain ²	-10.7	-7.0	-5.9	-5.2	-4.3	-3.0	-2.5	-2.6	-9.5
Japan	-8.6	-7.9	-5.6	-3.8	-3.7	-3.1	-2.4	-2.8	-7.1
United Kingdom	-7.6	-5.5	-5.6	-4.6	-3.3	-2.5	-2.2	-2.1	-8.3
Canada	-2.5	-1.5	0.2	-0.1	-0.5	-0.1	-0.4	-0.4	-11.8
Others	0.4	0.2	0.2	0.1	0.7	1.4	1.4	0.0	-5.3
Emerging Market and Middle-Income Economies	-0.9	-1.5	-2.5	-4.4	-4.8	-4.1	-3.8	-4.8	-9.1
Excluding MENAP Oil Producers	-1.9	-2.3	-2.7	-4.0	-4.4	-4.0	-4.0	-5.0	-9.0
Asia	-1.6	-1.8	-1.9	-3.3	-3.9	-4.0	-4.5	-6.0	-9.9
China	-0.3	-0.8	-0.9	-2.8	-3.7	-3.8	-4.7	-6.4	-11.2
India	-7.5	-7.0	-7.1	-7.2	-7.1	-6.4	-6.3	-7.4	-7.4
Europe	-0.7	-1.5	-1.4	-2.7	-2.9	-1.8	0.4	-0.7	-6.1
Russia	0.4	-1.2	-1.1	-3.4	-3.7	-1.5	2.9	1.9	-4.8
Latin America	-2.9	-3.2	-5.0	-6.8	-6.2	-5.4	-5.2	-4.0	-6.7
Brazil	-2.5	-3.0	-6.0	-10.3	-9.0	-7.9	-7.2	-6.0	-9.3
Mexico	-3.7	-3.7	-4.5	-4.0	-2.8	-1.1	-2.2	-2.3	-4.2
MENAP	5.6	3.9	-1.5	-8.5	-9.6	-5.8	-2.9	-3.8	-9.8
Saudi Arabia	11.9	5.6	-3.5	-15.8	-17.2	-9.2	-5.9	-4.5	-12.6
South Africa	-4.4	-4.3	-4.3	-4.8	-4.1	-4.4	-4.1	-6.3	-13.3
Low-Income Developing Countries	-2.0	-3.3	-3.2	-3.8	-3.7	-3.6	-3.8	-4.1	-5.7
Nigeria	0.2	-2.3	-2.1	-3.2	-4.0	-5.4	-4.3	-5.0	-6.4
Oil Producers	1.6	0.4	-1.1	-4.2	-4.6	-2.6	-0.6	-1.0	-7.6
Memorandum									
World Output (percent)	3.5	3.5	3.6	3.5	3.4	3.9	3.6	2.9	-3.0

Source: IMF staff estimates and projections.

Note: All country averages are weighted by nominal GDP converted to US dollars (adjusted by purchasing power parity only for world output) at average market exchange rates in the years indicated and based on data availability. Projections are based on IMF staff assessments of current policies. In many countries, 2020 data are still preliminary. For country-specific details, see "Data and Conventions" and Tables A, B, C, and D in the Methodological and Statistical Appendix. MENAP = Middle East, North Africa, and Pakistan.

¹ For cross-country comparability, expenditure and fiscal balances of the United States are adjusted to exclude the imputed interest on unfunded pension liabilities and the imputed compensation of employees, which are counted as expenditures under the 2008 System of National Accounts (2008 SNA) adopted by the United States but not in countries that have not yet adopted the 2008 SNA. Data for the United States in this table may thus differ from data published by the US Bureau of Economic Analysis.

² Including financial sector support.

Table 1.2. General Government Debt, 2012–20
(Percent of GDP)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Projections								
Gross Debt									
World	79.6	78.3	78.6	79.7	82.7	81.3	81.5	83.3	96.4
Advanced Economies	106.7	105.2	104.6	104.2	106.7	104.5	103.9	105.2	122.4
United States ¹	103.3	104.9	104.6	104.8	106.8	105.9	106.9	109.0	131.1
Euro Area	90.7	92.6	92.8	90.8	90.0	87.8	85.9	84.1	97.4
France	90.6	93.4	94.9	95.6	98.0	98.4	98.4	98.5	115.4
Germany	81.1	78.7	75.7	72.1	69.2	65.3	61.9	59.8	68.7
Italy	126.5	132.4	135.3	135.3	134.8	134.1	134.8	134.8	155.5
Spain	86.3	95.8	100.7	99.3	99.2	98.6	97.6	95.5	113.4
Japan	228.7	232.2	235.8	231.3	236.4	234.5	236.5	237.4	251.9
United Kingdom	83.2	84.2	86.2	86.9	86.8	86.2	85.7	85.4	95.7
Canada ¹	85.4	86.1	85.6	91.2	91.7	90.5	89.7	88.6	109.5
Emerging Market and Middle-Income Economies	37.0	38.2	40.3	43.7	46.5	48.0	49.7	53.2	62.0
Excluding MENAP Oil Producers	39.4	40.8	43.1	45.7	48.1	49.5	51.5	54.9	63.5
Asia	39.7	41.4	43.5	44.9	47.1	48.8	50.9	55.1	64.1
China	34.4	37.0	40.0	41.4	44.2	46.1	49.1	54.4	64.9
India	67.7	67.4	66.8	68.8	68.7	69.4	69.4	71.9	74.3
Europe	25.3	26.2	28.2	30.5	31.5	29.7	29.4	29.2	36.5
Russia	11.2	12.3	15.1	15.3	14.8	14.3	13.6	14.0	17.9
Latin America	47.1	47.8	50.1	53.9	57.4	62.2	66.6	70.5	78.0
Brazil ²	62.2	60.2	62.3	72.6	78.3	83.7	87.1	89.5	98.2
Mexico	42.7	45.9	48.9	52.8	56.8	54.0	53.7	53.4	61.4
MENAP	23.4	23.5	23.4	33.0	40.6	40.3	38.8	41.9	51.2
Saudi Arabia	3.0	2.1	1.6	5.8	13.1	17.2	19.0	22.8	34.0
South Africa	41.0	44.1	47.0	49.3	51.5	53.0	56.7	62.2	77.4
Low-Income Developing Countries	31.1	32.2	32.2	36.4	40.2	42.3	42.6	43.0	47.4
Nigeria	17.7	18.6	17.5	20.3	23.4	25.3	27.2	29.4	35.3
Oil Producers	31.6	32.3	33.3	38.9	42.1	42.5	42.3	44.2	54.6
Net Debt									
World	65.8	65.0	65.2	66.8	69.4	68.2	68.6	69.4	85.3
Advanced Economies	76.7	75.9	75.7	75.8	77.5	75.9	76.0	76.6	94.2
United States ¹	80.8	81.6	81.4	81.1	82.1	82.1	83.2	84.1	107.0
Euro Area	73.2	75.7	75.9	74.7	74.3	72.2	70.5	69.1	81.3
France	80.0	83.0	85.5	86.3	89.2	89.5	89.6	89.8	106.7
Germany	59.6	58.6	55.0	52.1	49.3	45.7	42.9	41.3	49.2
Italy	114.6	120.0	122.3	123.2	122.4	122.1	122.9	123.1	142.7
Spain	71.8	80.9	85.2	85.0	86.1	84.5	82.7	81.1	97.7
Japan	145.3	144.7	146.6	146.4	152.0	149.8	153.4	154.3	168.9
United Kingdom	74.8	75.9	78.0	78.4	77.8	76.7	75.9	75.5	85.9
Canada ¹	28.9	29.7	28.5	28.4	28.7	27.9	26.5	25.9	40.7
Emerging Market and Middle-Income Economies	22.7	22.9	24.2	28.6	34.6	36.0	36.8	38.3	45.8
Asia
Europe	32.0	31.6	29.6	28.8	31.0	30.1	30.7	30.6	36.9
Latin America	29.6	29.7	32.3	35.7	41.1	43.3	44.1	45.3	51.7
MENAP	-2.5	-3.4	-0.1	15.3	29.2	29.7	31.1	35.2	46.6

Source: IMF staff estimates and projections.

Note: All country averages are weighted by nominal GDP converted to US dollars (adjusted by purchasing power parity only for world output) at average market exchange rates in the years indicated and based on data availability. Projections are based on IMF staff assessments of current policies. In many countries, 2020 data are still preliminary. For country-specific details, see "Data and Conventions" and Tables A, B, C, and D in the Methodological and Statistical Appendix. MENAP = Middle East, North Africa, and Pakistan.

¹ For cross-economy comparability, gross and net debt levels reported by national statistical agencies for countries that have adopted the 2008 System of National Accounts (Australia, Canada, Hong Kong SAR, United States) are adjusted to exclude unfunded pension liabilities of government employees' defined-benefit pension plans.

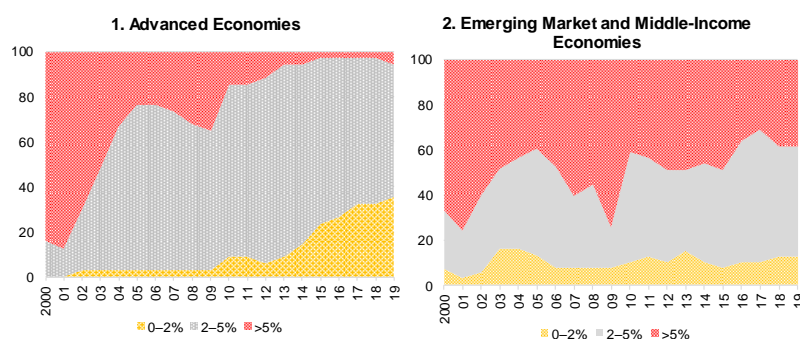
² Gross debt refers to the nonfinancial public sector, excluding Eletrobras and Petrobras, and includes sovereign debt held on the balance sheet of the central bank.

Another notable development is a further widening of sovereign and corporate spreads, with a decline in borrowing costs for sovereigns that are considered to be safe and a simultaneous sell-off of assets that are perceived as risky. Spreads in many advanced and emerging market economies have risen sharply since the declaration of COVID-19 as a global health emergency by the World Health Organization in late January 2020. Many emerging market and middle-income economies have experienced portfolio flow

reversals. Before the first outbreak of COVID-19 in late December 2019, effective nominal interest rates (that is, the average interest paid on existing public debt) were below 2 percent in more than one-third of advanced economies, and in a smaller share (one-tenth) of emerging market and developing economies (Figure 1.6). Those rates are expected to fall further in safe haven countries (for example, the *United States, Japan, Germany*). However, given high levels of public debt—at 83 percent of global GDP in 2019—and large gross financing needs in several countries, the risk of a surge in refinancing costs persists (Figure 1.7). The lengthened residual maturity of debt in advanced economies is a mitigating factor (which increased from six to nearly eight years over the past decade at the general government level). The median residual maturity of debt in emerging markets has declined since 2014, but remains greater than its level before the global financial crisis (Figure 1.8).

Figure 1.6. Distribution of Nominal Effective Interest Rates, 2000–19
(Percent of total countries for each group)

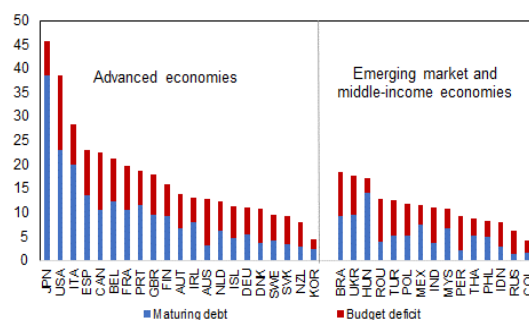
Average interest cost has declined in many countries and is currently below 2 percent in one-third of advanced economies.



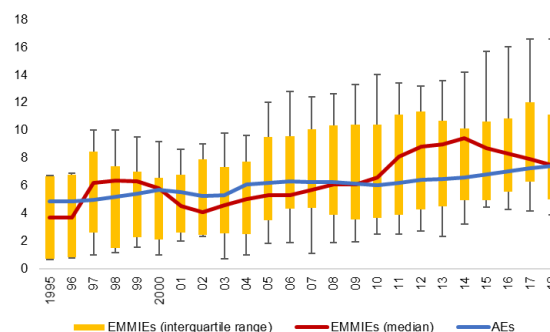
Source: IMF, World Economic Outlook database.

Figure 1.7. Gross Financing Needs, 2020 **Figure 1.8. Average Remaining Maturity of Government Bonds, 1995–2018**
(Percent of GDP) (Years; median across country groups)

Several countries face sizable gross financing needs. Governments in advanced economies have borrowed at longer terms in recent years, but those in emerging market and middle-income economies have not.



Sources: Bloomberg Finance L.P.; IMF, World Economic Outlook database; and IMF staff estimates.
Note: Data labels use International Organization for Standardization (ISO) country codes.



Sources: Haver Analytics; and national authorities.
Note: Boxes and whiskers indicate the interquartile ranges and 10th and 90th percentiles for emerging market and middle-income economies. AEs = advanced economies; EMMIEs = emerging market and middle-income economies.

In response to the COVID-19 pandemic, many countries are allocating more fiscal resources to the health sector by increasing spending on monitoring, containment, and mitigation. On average, advanced economies have pledged an additional 0.5 percent of GDP to health care, whereas emerging market and

middle-income economies have planned for an additional 0.2 percent of GDP. In low-income developing countries, health spending is likely to increase substantially from current pledges of 0.3 percent of GDP, on average. For example, it increased by 4 percentage points of GDP on average in the affected countries during the Ebola outbreak in West Africa.

Most countries are also allocating sizable additional fiscal support to other sectors to mitigate the economic fallout from the COVID-19 pandemic and the necessary social distancing policies. On the spending side, measures include extended unemployment benefits, government-funded paid sick leave, wage subsidies, targeted transfers to affected households and firms, and support to hard-hit sectors such as tourism, hospitality services, and travel. On the revenue side, measures include temporary deferral of corporate and personal income tax payments and social security contributions ranging from three months to one year, as well as temporary tax relief or exemptions, including on medical goods and services, for affected sectors and vulnerable firms and households (*China, France, Italy, Japan, Korea*). Special Feature Online Annex 1.1 provides a detailed overview of revenue and spending measures as well as liquidity support efforts across selected countries as of April 8, 2020. Governments plan to finance these additional fiscal measures by reprioritizing budget items; using emergency funds or buffers; frontloading existing spending plans, external aid, or grants; or undertaking additional borrowing. The following subsections discuss the recent fiscal developments and outlook by country income groups. Fiscal developments in the period ahead are highly uncertain and will depend on how severe the health crisis becomes, how long it lasts, and how it affects the economy and financial markets.

Advanced Economies: Large Fiscal Support Expected

In response to the COVID-19 pandemic, additional fiscal measures have been announced in most countries, with a weighted average of 5.9 percent of GDP among Group of Seven (G7) economies.³ In the *United States*, in addition to health measures approved in early March, the Coronavirus Aid, Relief, and Economic Security (CARES) Act includes an unprecedented \$2 trillion or almost 10 percent of GDP in tax, spending, and liquidity-support measures, including pandemic unemployment assistance to households, payroll tax deferral, and paycheck protection for small and medium-sized enterprises. In the European Union (EU), in addition to relatively large automatic stabilizers, discretionary measures taken by member states amount to 3.1 percent of EU-27 GDP. Further support is provided through the EU-level initiatives, including the coronavirus investment response to help national health sectors, businesses (through working capital or guarantees), and national short-term employment schemes. Liquidity support measures such as loans or loan guarantees to businesses are common, especially in European countries (16.7 percent of EU-27 GDP). In *Japan*, the Emergency Economic Package Against COVID-19 announced on April 7 totals ¥108 trillion (20 percent of GDP) and covers cash handouts to affected households and firms; concessional loans from public and private financial institutions; and deferral of payment of tax and social security premiums for one year. More measures are anticipated in several other countries as governments increase their support to crisis-hit economies. The cyclical effects of a sharp contraction in growth owing to COVID-19 through automatic stabilizers and lower customs revenues are expected to be very large, adversely affecting fiscal balances and debt levels.

The average overall fiscal balance in 2020 is, thus, expected to deteriorate significantly. This is on top of the fiscal easing in 2019, when more than half of the advanced economies pursued expansionary fiscal

³ The exact size often depends on usage, such as extended unemployment benefits or income support for short-time work, and many governments have indicated they intend to maintain measures as long as needed or further expand them. Thus, estimates of announced packages are preliminary.

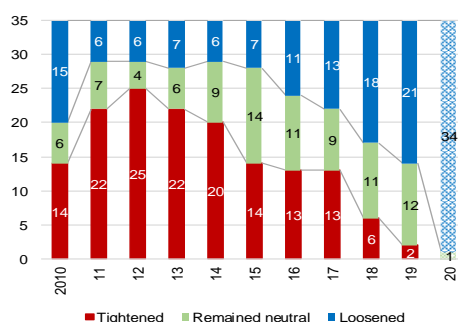
policies (Figure 1.9).⁴ In the *United States*, the two-year budget deal reached in 2019 and the discretionary measures implemented in response to the pandemic will increase the overall deficit and worsen public debt dynamics. In *Korea*, the overall fiscal balance is estimated to decline by 2.8 percent of GDP through previously planned spending increases on the social safety net, job creation, and the fostering of innovation, as well as new measures to cope with the pandemic. The overall balance in most euro area economies is projected to deteriorate because of the fallout from COVID-19 and the announced emergency lifeline measures (*France, Germany, Italy*).

Although the macroeconomic effects of the pandemic are uncertain and the size of discretionary fiscal policy responses to COVID-19 may still rise, they will affect the overall balance and public-debt-to-GDP ratios over the medium term. For example, the pandemic will have an impact on the projected fiscal adjustment in *Japan*, where the increase in the consumption tax rate in October 2019, along with the expiring stimulus measures, were expected to reduce primary deficits over the medium term. In the *United Kingdom*, in addition to measures aimed at the health crisis, the fiscal year 2020/21 budget projects a substantial fiscal easing over the medium term (by 1 percentage point of GDP on average over the next five years relative to the previous fiscal path), including a planned increase in net public investment from 2 to 3 percent of GDP. Meanwhile, the weighted-average public-debt ratio of advanced economies, which rose modestly to 105 percent of GDP in 2019, is projected to rise over the medium term. Debt dynamics in some countries are subject to risks and hinge on interest rates remaining low.

Figure 1.9. Fiscal Developments in Advanced Economies

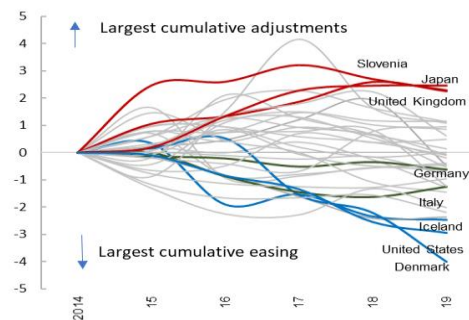
1. Fiscal Stance, 2010–20
(Number of countries)

Fiscal policies have eased in 2019 and are expected to be expansionary in most advanced economies in 2020.



2. Cumulative Change in Structural Primary Balance
(Percent of GDP, relative to 2014)

Fiscal policies continued to ease in half of advanced economies over 2014–19.



Sources: IMF, *World Economic Outlook* database; and IMF staff estimates.

Emerging Market and Middle-Income Economies: Facing Multiple Shocks

In 2020, the average overall deficit of emerging market and middle-income economies is projected to ease further to 9.1 percent of GDP from 4.8 percent in 2019, reflecting the recession and lower commodity prices, tighter financing conditions, and discretionary fiscal policy reactions to the COVID-

⁴ A neutral fiscal stance is defined as a change in the structural primary balance (that is, adjusting the primary balance for the economic cycle and other one-off factors) between -0.25 and 0.25 of a percentage point of potential GDP in a year. Any change above 0.25 (below -0.25) of a percentage point is defined as fiscal tightening/contraction (loosening/expansion). Moderately expansionary (contractionary) refers to a decrease (increase) between 0.25 and 0.5 of a percentage point. The aggregate fiscal stance for each income group is calculated as the \$GDP-weighted average of fiscal stances in individual economies.

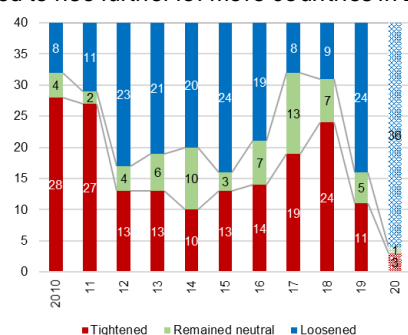
19 pandemic (Figure 1.10).⁵ The estimated fiscal easing in 2020, among non-oil exporters, is particularly large in some countries such as *Chile* and *China*. In response to the social unrest last year, *Chile* launched a stimulus package consisting of infrastructure investment, social pensions, and support programs for vulnerable groups and small and medium-sized enterprises. In response to COVID-19, this package was complemented by additional fiscal measures, including health spending, tax payment delays, and unemployment benefits. *China* has increased spending to mitigate the health effects of the pandemic, accelerated unemployment insurance disbursement to support households, and provided temporary tax relief and deferral of tax payments for businesses in affected sectors and regions. *China* is also expected to use its fiscal space to provide significant additional support for the recovery and reorient the economy toward a higher-quality growth path.

In the fiscal year 2020/21 budget, *India* announced a reduction in personal income tax rates with a rationalization of exemptions. In March 2020, the government announced a fiscal support package (0.8 percent of GDP) to cushion the COVID-19 impact, including cash transfers, an insurance cover to medical workers, and steps to strengthen food security. In *Brazil*, the government implemented pension reform in 2019 and submitted a reform package to Congress that aims at making the budget less rigid, reforming fiscal decentralization rules, and releasing earmarked spending to lower public debt. In response to the pandemic, *Brazil* expanded cash transfers to low-income households and provided temporary tax relief, amounting to 2.9 percent of GDP (partly from reallocations within the current budget). In response to COVID-19, fiscal measures were also announced in *Indonesia* (1.8 percent of GDP), *Turkey* (1.6 percent of GDP), and *Malaysia* (2.8 percent of GDP).

Figure 1.10. Fiscal Developments in Emerging Market and Middle-Income Economies

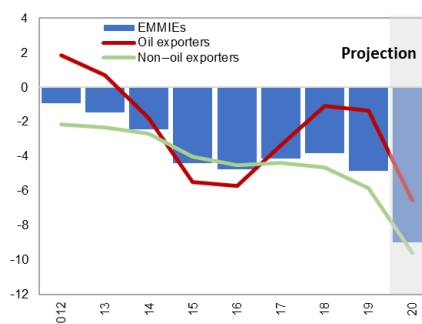
1. Fiscal Stance, 2010–20 (Number of countries)

Overall deficits increased in 2019, reversing the consolidation trends of previous years, and are expected to rise further for more countries in 2020.



2. Government Overall Balance, 2012–20 (Percent of GDP)

Fiscal deficits are projected to increase in 2020.



Sources: IMF, World Economic Outlook database; and IMF staff estimates.

Note: EMMIEs = emerging market and middle-income economies.

Over the medium term, the fall in oil prices, partly owing to the COVID-19 outbreak, will weigh on the fiscal balance of oil-exporting countries. In *Saudi Arabia*, the fiscal deficit is expected to widen further because of lower oil revenues (despite an increase in oil production). Several oil-exporting countries were set to resume their fiscal adjustments after the 2019 pause through tax policy and administration reforms (including *Mexico*), but this may no longer be the case given the fall in oil prices. Emerging market and middle-income economies' average government debt was projected to remain on an upward trajectory.

⁵ The average headline fiscal deficit rose by 1 percentage point of GDP to 4.8 percent in 2019, reversing the decline of similar magnitude over 2016–18. With higher deficits in two-thirds of economies, the average government-debt-to-GDP ratio reached 54 percent of GDP in 2019 (up 3 percentage points from 2018 and 17 percentage points from 2012).

The rise in public debt across all countries will be substantially higher than previously projected as a result of the effects of and responses to COVID-19.

Low-Income Developing Countries: Navigating the Pandemic with High Debt

The average debt ratio of low-income developing countries remained stable at 43 percent of GDP over 2017–19 after an increase of 9 percentage points over the previous five years. In some cases, this increase in debt partly reflected borrowing to finance investment in infrastructure (*Ethiopia, Kenya*). Looking ahead, however, financing the development agenda in a sustainable way could become more challenging, considering the already-high debt levels and given (at least in the short term) potential revenue losses and spending needs arising from the COVID-19 pandemic.

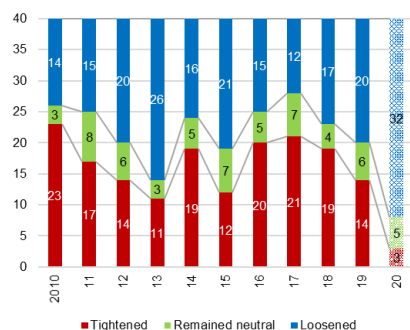
Half of low-income developing countries have seen their tax-to-GDP ratios increase by more than 3.7 percent of GDP since 2000. But over the past five years, tax revenues grew in line with GDP, and in many economies revenue gains have not offset the declining trend in external grants as a share of GDP. In addition, the halving of commodity prices since 2014 and the sharp oil price decline in early 2020 are having an adverse impact on revenues that is projected to be long-lasting for several large commodity exporters. At the same time, interest expenditures are on the rise, reflecting higher debt levels, currency depreciation, tighter financing conditions, and a growing share of borrowing on nonconcessional terms. These trends imply a squeeze in fiscal resources available for primary spending.

The average overall fiscal deficit in low-income developing countries increased by 0.4 of a percentage point of GDP to 4.1 percent in 2019. The easing was largely driven by oil-exporting countries (*Nigeria, Papua New Guinea*), reflecting lower oil prices and spending rigidities. For non-oil exporters, fiscal deficits rose moderately in 2019 to 4 percent of GDP. These averages mask important cross-country differences. Because of a range of factors, fiscal balances declined by 1.4 percentage points of GDP in *Chad* (higher investment, wages, subsidies, and transfers) and *Moldova* (shortfall in revenues that was more than offset by spending restraints). Natural disasters and instability (*Haiti, Yemen*) also led to higher fiscal deficits. On the other hand, *Burkina Faso* and *Nicaragua* consolidated their fiscal balances by more than 1 percentage point of GDP in response to the need to contain debt increases, mitigate the sharp decline in revenue collections, or comply with the regional fiscal rule. Overall, more than one-third of low-income developing countries contained or reduced the size of their fiscal deficits in 2019.

Figure 1.11. Fiscal Developments in Low-Income Developing Countries

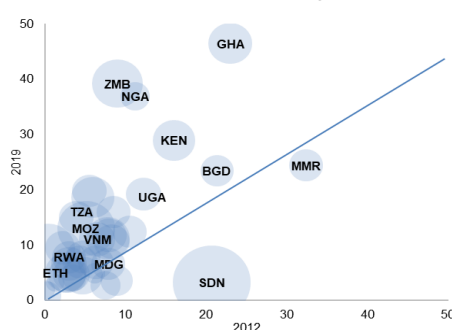
1. Fiscal Stance, 2010–20 **(Number of countries)**

Fiscal policy was eased in 2019, and a large number of countries are expected to ease further in 2020.



2. Interest-Expenditure-to-Tax-Revenue Ratio **(Percent)**

The ratio of interest expenditure to tax revenue has increased in most low-income developing countries relative to 2012.



Sources: IMF, World Economic Outlook database; and IMF staff estimates.

Note: Data labels in panel 2 use International Organization for Standardization (ISO) country codes.

In 2020, the average headline deficit is projected to widen by 1.6 percentage points of GDP, notably in oil exporters. In *Nigeria*, the gain from an increase in the value-added tax rate is estimated to only partly offset projected losses in oil revenue. Although there have been a relatively small number of verified coronavirus cases to date in low-income developing countries, a surge of infection cases similar to other economies around the world would have a massive impact on people's lives and livelihoods, and on fiscal deficits. The tightening of global financial conditions would pose further challenges to frontier markets in accessing external finance. In countries with output contractions (*Haiti, Nicaragua, Sudan*), fiscal balances are affected by reduced tax revenues. Even in the absence of a major virus outbreak, headline deficits are expected to widen in several countries given higher social security outlays (*Nicaragua*), subsidies (*Sudan*), security spending (*Mali*), and capital investment (*Madagascar, Uganda*). In several cases (*Chad, Ghana*), consolidation is mandated by or enforced under new fiscal rules. In *Mozambique*, investment under the postcyclone reconstruction effort continues.

Government debt paths in low-income developing countries are subject to large uncertainty driven by the COVID-19 pandemic (Figure 1.11). For oil exporters, debt is projected to continue increasing given the fall in commodity prices. Elevated public debt levels are a source of vulnerability. According to the IMF–World Bank Debt Sustainability Assessments, the number of low-income developing countries in debt distress or classified as “at high risk” increased to 25 countries (44 percent) in 2019 (IMF 2019a). The global recession heightens vulnerabilities for this group.

Risks to the Fiscal Outlook

Downside risks include the following: (1) a more severe economic fallout from widespread infections and repeated outbreaks; (2) large swings in commodity prices; (3) prolonged stress in global financial markets; (4) renewed social unrest; and (5) extreme weather events. These risks are intertwined and could reinforce one another, exacerbating the drag on growth and exerting negative effects on public finances (Chapter 1 of the April 2020 *World Economic Outlook*).

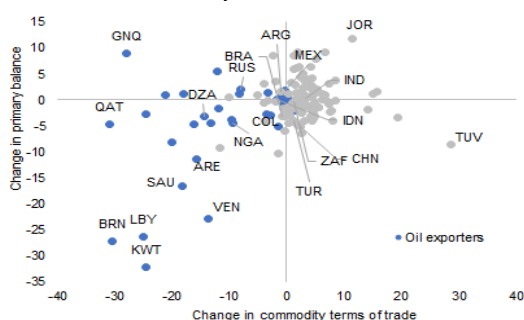
- *A more severe economic fallout from widespread coronavirus infections and repeated outbreaks:* The expectation of a rebound of activity in the second half of 2020, after the health emergency abates and containment measures are gradually scaled back, is subject to extreme uncertainty (Chapter 1 of the April 2020 *World Economic Outlook*). The pandemic could resurface in waves—that is, with every easing of social distancing restrictions, the infection rates could rise again, which would require re-imposition of those restrictions—bringing activity to a halt and dampening confidence further. At the same time, many emerging market and developing economies have not yet experienced widespread outbreaks—or at least they have not been detected so far given limited testing. Should they materialize, the weaker health care systems and other vulnerabilities in those economies could result in devastating human and economic effects. The impact could be intensified by declines in external demand and commodity prices, tighter financing conditions, and disruptions to supply chains. These risks would have sizable implications for the pace of recovery and public finances, raising the possibility of a debt deflation.
- *Large swings in commodity prices:* Oil prices declined by 50 percent in the first quarter of 2020. Risks to oil prices are large, stemming from both supply and demand shocks. A combination of increased oil supply and weak global demand could lead to low oil prices for a long period, worsening the public finances of many oil-exporting countries (Figure 1.12). Commodity terms-of-trade volatility could dampen the long-term growth of many countries, including commodity exporters (Cavalcanti, Mohaddes, and Raissi 2015).
- *Prolonged stress in global financial markets:* Over the past two months, markets have experienced bouts of volatility and, more recently, a run for safe assets, in part because of the ongoing COVID-19

pandemic. Increasing concerns about the economic effects of the crisis, particularly if prolonged, could trigger further deterioration of sentiment and more widespread risk-off events that expose financial vulnerabilities that have been building in a period of search for yield (Chapter 1 of the April 2020 *Global Financial Stability Report*). Such shocks could lead to higher spreads in high-debt countries, exchange rate volatility, pressures in dollar funding, and a sudden reversal of financial flows (Figure 1.13). Sustained high sovereign spreads could weigh on fiscal positions for some countries, making it more challenging to roll over debt and meet financing needs. In emerging market and developing countries, while a rising share of local currency debt in total may be beneficial, large participation by foreign investors and a lack of adequate liquidity could expose those economies to volatile spreads (Chapter 3 of the April 2020 *Global Financial Stability Report*).

- **Renewed social unrest:** In the past year, there were numerous protests in many parts of the world. Although the underlying causes of this social unrest are multifaceted and country-specific, some similarities reflect deep-rooted issues, such as poverty, inequality, erosion of trust in established institutions, and perceived lack of representation. Conventional fiscal redistribution may not quell such tensions given that protesters are not necessarily the poorest, and further redistribution could be viewed as transfers to outsiders. Box 1.2 explains some principles to reduce the risk of social unrest that reforms may trigger while recognizing that such risks cannot be eliminated. Indeed, some countries remain vulnerable to new protests, particularly if policy actions to mitigate the COVID-19 crisis are perceived as insufficient or as unfairly favoring large firms rather than people, or when those policies are withdrawn. New rounds of protests could exhaust reform momentum (for example, regarding pension or energy subsidies) and put public finances at risk.

Figure 1.12. Commodity Terms of Trade and Primary Balances, 2012–19
(Percent)

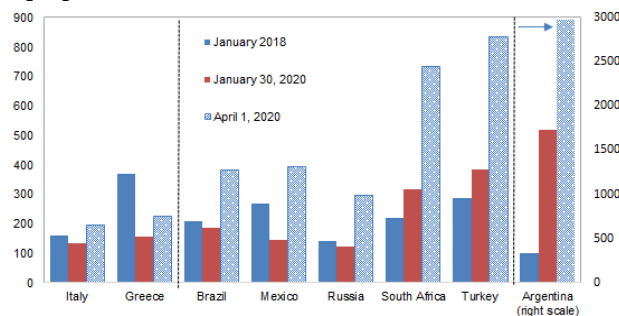
Primary deficits in large oil-exporting countries move in tandem with commodity terms of trade.



Sources: Haver Analytics; and IMF staff calculations.
Note: Data labels use International Organization for Standardization (ISO) country codes.

Figure 1.13. Sovereign Spreads
(Basis points)

Risks of a sharp rise in spreads remain in some advanced and emerging market economies.



Source: Bloomberg Finance L.P.

Note: Spreads for Italy and Greece refer to their sovereign yields over German bond yields, whereas the spreads for other countries are over the US Treasury bond yields. The World Health Organization declared COVID-19 a global health emergency on January 30, 2020, and a pandemic on March 11, 2020.

- **Extreme weather events:** Climate change has made cold snaps and heat waves, droughts and floods, and other natural disasters more frequent and severe. These events adversely affect economic activity, impose severe humanitarian costs, inflict damage to capital stocks, and lower productivity (Kahn and others 2019; October 2019 *Fiscal Monitor*; Chapter 5 of the April 2020 *Global Financial Stability Report*). Limited global efforts to mitigate climate change and adapt to it could make these extreme events more severe, frequent, and widespread, which, in turn, may require more humanitarian assistance and higher spending on reconstruction, as well as pose risks to public finances, especially in small states

with high exposure to natural disasters. Transition to low-carbon economies could result in sizable stranded assets and require significant amounts of investment for mitigation and adaptation.

Fiscal Policies across Economies

The immediate fiscal policy response to the COVID-19 pandemic should account for the particular nature of the health crisis that the global economy faces—one that affects supply, demand, and confidence—while being timely, temporary, and targeted across all levels of governments. It is important to ensure that resources are used efficiently and embedded in a medium-term fiscal framework. The need for discretionary measures is, all else being equal, lower for countries with larger existing automatic stabilizers and stronger social safety nets. The impact of targeted fiscal measures would be larger if they were accompanied by monetary accommodation (to avoid rising spreads in parts of sovereign debt markets) and financial safeguards (to reduce contingent costs to the budget). The overarching goals should be to save lives and protect households so that loss of income does not affect livelihoods, as well as to assist viable firms to prevent layoffs and permanent exits from supply chains. Otherwise, a temporary but severe health crisis could have a lasting impact on aggregate demand, supply chains, and global trade and the economy. Key challenges are to prevent health systems from becoming overloaded and to adopt comprehensive policies that reflect the evolving nature of the pandemic. Further policy action is required to position the economy for a speedy recovery once the health crisis and necessary social distancing measures recede, depending on available fiscal space. Since automatic stabilizers are less effective in low-income developing countries—given that their fiscal institutions are underdeveloped, and their financing constraints are more binding—monetary accommodation should play a larger role, especially where inflation is low.

Considering the nature of the health crisis—threatening the health and livelihoods of workers and employers globally—such actions are being taken now but should be commensurate with the economic and social fallout from the pandemic. As public support is provided on an extraordinary scale and includes vehicles such as loans and guarantees, transparency is crucial to manage fiscal risks. When countries contain the pandemic and shutdowns end, broad-based, coordinated fiscal stimulus—depending on countries’ financing constraints—will become a more effective tool to foster the recovery.

Health Measures for Monitoring, Containment, and Mitigation

Additional spending needs for health and emergency services in all countries should be fully accommodated regardless of how much room a country may have in the budget. Experience from past epidemics, such as SARS, H1N1, and Ebola, shows that monitoring and containment costs are much lower than those of mitigation and treatment (WHO 2020). Health systems could easily become overwhelmed once the virus spreads widely, amplifying the initial outbreak through social anxiety and heightened need for quarantines, particularly in emerging market and developing economies. As of April 8, 2020, most countries planned or allocated additional fiscal resources to health care to mitigate the impact of COVID-19 (amounting to 0.3 percent of GDP, on average). For example, a few advanced economies allocated resources to develop vaccines and ramped up production of medical supplies and testing kits (*euro area, Germany, Japan, Spain, United States*), while emerging market and developing economies such as *China, Côte d'Ivoire, and Saudi Arabia* have increased spending on monitoring and control, as well as on production of medical equipment. The potential health expenditure, however, is likely to rise significantly with the increasing number of infections.

Meeting the required health care needs quickly and sufficiently is challenging. First, countries with limited health care capacity in infrastructure (hospitals and medical facilities), personnel (doctors and nurses), or medical supplies (testing kits and ventilation equipment) cannot adequately scale up these resources in a pandemic, as shown in previous epidemics (for example, Ebola). Second, many emerging

market and developing economies are facing borrowing constraints, tighter financing conditions, significantly lower revenues (customs, oil, and non-oil), and capital flows stoppages. In the near term, these countries should reprioritize expenditure toward health care while safeguarding priority spending on other social protection, capital maintenance and repair, and key public services (transport, energy, communications) to support the vulnerable and limit the detrimental impact on medium-term growth. They should also seek aid and concessional emergency financing for the health sector and budgets from development partners and multilateral financial institutions.

Comprehensive and coordinated global action is urgently needed to assist countries that face health emergencies, particularly those with limited capacity and financing constraints. Global efforts to ensure swift deployments of aid, medical resources (equipment and medical personnel), and concessional emergency financing would help contain the spread of disease. Acknowledging the need for an early coordinated response to contain the health crisis, the European Commission announced an aid package of €232 million to support the World Health Organization (WHO)'s global response plan and development of a vaccine. The US government has pledged up to \$2 billion to help countries battling the virus. *Japan* has pledged ¥15 billion (about \$140 million) in contributions to WHO and other international organizations. Multilateral financial institutions such as the IMF and the World Bank have committed resources to assist member countries, with a focus on low-income developing countries where health systems are the weakest and people are most vulnerable.⁶ In addition, the IMF's Catastrophe Containment and Relief Trust can currently provide about \$500 million in grant-based debt-service relief, including the recent \$185 million pledge by the United Kingdom and \$100 million provided by Japan, as immediately available resources. Official bilateral creditors have been called upon by the IMF Managing Director and the World Bank President to suspend debt payments from countries below the International Development Association's operational threshold that request forbearance while they battle the pandemic.

In addition to health spending, policymakers need to monitor and ensure smooth coordinated budget execution among various health and non-health agencies and across different levels of government, and expedite procurement of medical needs (makeshift hospitals, equipment, and medical supplies). National governments should continue to allocate sufficient funds for subnational governments to spend on health services or mobilize medical resources (for example, masks, medicine, disinfectants, hires and overtime hours of medical personnel) to affected locations (*China, India, Korea, United States*). Wage subsidies can be provided for medical personnel. For example, *China* and *Singapore* temporarily raised the compensation for front-line doctors, nurses, and caretakers. *Germany* has allocated €1.1 billion for development of vaccines and medicines. On the revenue side, reducing taxes or tariffs and excises on hygiene and health care goods and services is recommended (*Brazil, China, Colombia, United States*).

Governments should have a clear, timely, and transparent communication strategy to preserve (and restore, in some circumstances) public trust as well as consumer and business confidence. Other measures should also be implemented, including contingency plans (*Greece, Malaysia*) and regular media briefings from officials or health experts (*Chad, Indonesia, Romania, Vietnam*). All government services, particularly tax and customs administration, payment processors, and government benefit application centers should have a business continuity plan for providing services to citizens, taxpayers, and importers, relying as much as possible on electronic means.

⁶ The recent doubling of access limits of the IMF's emergency financing facilities will allow the Fund to meet an expected demand of \$100 billion in emergency financing, provided through the [Rapid Credit Facility](#) and the [Rapid Financing Instrument](#), of which the former is only for low-income developing countries.

Some of these health measures are administrative, while others will require budget resources and add to the fiscal cost. The legal framework should allow budget modifications to accommodate emergency spending, and these should be fully reflected in credible medium-term fiscal frameworks. Over the longer term, countries should act to improve their level of epidemic preparedness.

Temporary and Targeted Fiscal Measures to Assist Hard-Hit Individuals and Firms

Unlike a typical economic shock, the COVID-19 pandemic and the policies required to mitigate its spread have economic repercussions involving supply, demand, and confidence.

- On the supply side, necessary preventive or containment efforts inevitably involve social distancing at the local level, whereas lockdowns and quarantines reduce capacity utilization, make workers unable to do their jobs, and force businesses to reduce production. Broader disruptions to regional and global supply chains have knock-on effects, contributing to rising business costs, layoffs, and potential bankruptcies.
- On the demand side, the loss of income (from morbidity, quarantines, and unemployment), fear of contagion, and heightened uncertainty will reduce household consumption and firms' investment. The economic repercussions arising from the pandemic are not evenly shared in the economy. Workers in some sectors such as travel, tourism, and hospitality services are disproportionately affected, and low-income households tend to suffer more because they have less access to health care and limited savings. Countries or regions that rely heavily on oil revenues, tourism, and exports of goods and services are particularly vulnerable.
- The extreme uncertainty about the duration and magnitude of the COVID-19 pandemic poses a vicious cycle of dampening consumer confidence and tightening financial conditions, which could lead to job losses and cuts in investment in expectation of lower aggregate demand.

Countries are offering a range of targeted emergency lifelines (Figure 1.14), including the following:

- *Spending-side measures:* Governments are providing wage subsidies and transfers to workers and firms, as well as government-funded paid sick and family leave to those who are unwell, self-isolate, or have to stay home for childcare during school closings (*France, Japan, Korea, Singapore, Spain, United Kingdom*). Other measures include cash transfers to low-income households and temporary enhancement or extension of unemployment benefits (*Germany, Japan, United Kingdom, United States*). *Germany* has expanded subsidies to firms that maintain employment at reduced hours by covering employers' social security contributions for the missed hours. *Japan* and *Seychelles* have expanded subsidies to employers who maintain employment during any scale-down of operations. *Italy* has broadened its wage supplementation fund to provide income support to laid-off workers. In *Korea, Singapore*, and the *United States*, temporary direct subsidies are being provided to hard-hit businesses, including self-employed persons, to avoid sector dislocations. In *China*, planned public spending has been frontloaded, particularly on public health care, unemployment benefits, and the broader social safety net.
- *Revenue-side measures:* Governments can alleviate hardships by expanding loss carry-back rules to support firms' cashflow needs or provide temporary tax relief for people and firms most affected by COVID-19. Other options include postponing social security contributions and reducing advance tax payments that are based on past outcomes to reflect the new economic reality (*Madagascar*). To address supply constraints and support demand, special investment allowances for projects taking place in a given time period (for example, producing under-supplied medical equipment) or temporary value-added-tax rate cuts could be considered because they bring planned investment or spending forward in time. For example, *China* is easing the tax burden for firms in the most vulnerable regions and sectors, including transportation, tourism, and hospitality services. The *United Kingdom* adopted

property tax relief for one year for small businesses in heavily hit sectors. A few countries have offered income and value-added-tax extensions to firms with cashflow shortfalls (*China, Eswatini, Italy, Japan, Vietnam*) or to those in affected industries or areas (*Italy, Korea*), as well as a deferral until the end of the financial year for value-added-tax payments falling due in the next quarter (*United Kingdom*). *China* has allowed value-added-tax refunds and temporarily reduced social security contribution rates for targeted firms. Both measures are part of the recommended reforms to rebalance the economy.

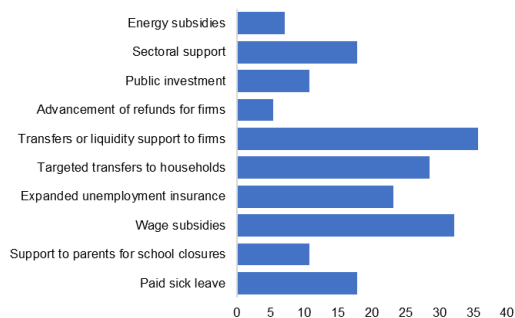
- **Government-supported liquidity measures:** Many workers and companies worldwide are in danger of income losses, unemployment, and closures owing to liquidity problems. In response, governments are providing cashflow support in the form of loans, umbrella guarantees, and other liquidity support. For example, *Cabo Verde, Korea, Thailand*, and the *United Kingdom* extended temporary loans to firms and households in the affected sectors. In *Australia*, the government is underwriting half of the amount of up to A\$40 billion worth of unsecured loans (with a cap of A\$250,000 per loan) offered by participating local lenders to small and medium-sized enterprises. At the same time, liquidity support, including government provision of loans, equity injections, and guarantees on business loans—sometimes extended through state-owned financial institutions or corporations—is now estimated to total \$4.5 trillion globally and is often larger in size than the revenue and spending measures. Largest country examples include *France, Germany, Italy, Japan*, the *United Kingdom*, and the *United States*. These liquidity-support measures often occur “below the line” or involve contingent liabilities that are outside budget revenues and expenditures. Some are reflected in financing operations and raise government debt ratios, while others may not have upfront cashflow effects but nonetheless could bring fiscal risks in the future. Similar exceptional liquidity measures were used during the global financial crisis.

Figure 1.14. Common Fiscal Support Measures for Non-Health Sectors in Response to COVID-19

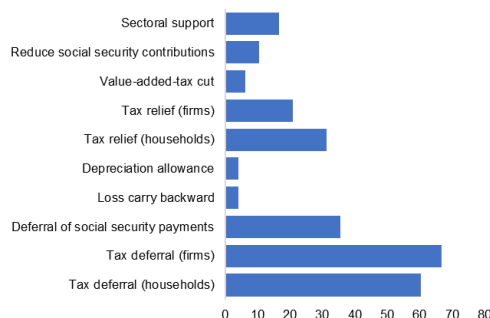
(Percent of countries with fiscal support)

Countries are relying on a range of emergency lifelines to help hard-hit households and firms.

1. Spending Measures



2. Revenue Measures



Sources: Announcements by national authorities; [IMF Policy Tracker](#); and IMF staff estimates.

A number of factors are relevant for policymakers in determining the extent of support and the choice of fiscal instruments to provide emergency lifelines to firms and households (Figure 1.15):

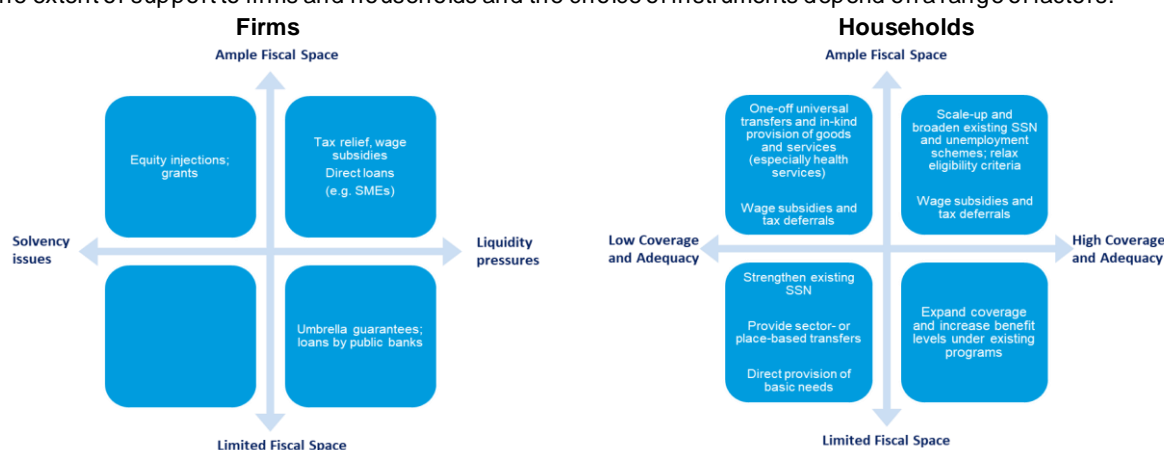
- **Clear objectives with an emphasis on “solidarity” and equity:** A clear rationale for policy support would help evaluate the appropriateness of instruments and limit demands from vested interests. At the same time, measures should try to strengthen solidarity by not being overly restrictive in terms of eligibility, and should avoid being perceived as favoring vested interests.
- Fiscal measures should be *targeted, temporary, and progressive*. Measures should be targeted to households to maintain basic needs and to viable firms to prevent layoffs and exits from supply chains. They

should be made progressive (for example, wage subsidies up to a ceiling) to ensure that lower-income households benefit more. Broad-based stimulus is less effective when physical distancing is in place.

- Tax and spending measures should be *cost-effective* and embedded in *medium-term budget frameworks*. They should not result in long-lasting deterioration of public finances. A premium should be placed on measures that maintain links with employment (for example, wage subsidies that can allow workers to be furloughed rather than laid off) and move the tax-benefit systems in desirable directions (for example, using mobile payments, expediting value-added-tax refunds, and upgrading health care systems).
- Measures should build on existing programs and infrastructure that enable timely support to vulnerable households and firms. The *institutional capacity* to implement targeted support to firms and households will influence the form, instruments, and channels of support. Examples include the adequacy and coverage of social safety nets and the strength of the social insurance system.
- *Financing constraints* should be taken into account in determining the scope of action.
- Fiscal costs and risks should be properly assessed and disclosed, and risk mitigation measures taken, in order to ensure *transparency, good governance, and accountability*.

Figure 1.15. Some Principles for Instrument Choice in Supporting Firms and Households

The extent of support to firms and households and the choice of instruments depend on a range of factors.



Source: IMF staff.

Note: SMEs = small and medium-sized enterprises; SSN = social safety net.

These principles can provide guidance on the design of spending, tax, and liquidity measures:

- *Spending measures:* Countries with strong social protection systems should allow automatic stabilizers to fully operate and channel additional support through social safety net programs, to the extent possible, to maximize their effects. Unemployment benefits could be enhanced as needed, for example, by extending their duration, raising benefit levels, or relaxing eligibility (*Germany, Italy, Spain, United States*). Paid sick leave, while temporary in nature, should last for a sufficiently long period commensurate with the health crisis. Although wage subsidies can help businesses retain workers, they need to have clear phase-out mechanisms. Making transfers or expanded benefits part of taxable income would allow clawbacks at higher-income levels and improve targeting. In many emerging market and developing economies with weaker social safety nets (low coverage and adequacy), linking additional transfers to existing programs and delivery channels can improve targeting. When this is not possible, especially in low-income countries, categorical targeting (based on regions, sectors, residence, age, or other criteria) is appropriate (Chapter 2). Considering the urgency and widespread need to deliver rapid relief to liquidity-constrained households, including to the self-employed and

those in temporary jobs, unconditional direct cash transfers could complement other targeted social protection spending, especially in countries with ample fiscal space.

- *Revenue measures:* A reduction in taxes that are paid monthly or quarterly is more powerful than those paid after the end of the fiscal year if the aim is to address liquidity problems in a timely manner. To encourage investment in producing undersupplied goods or services, such as medical supplies and equipment, temporary and targeted tax advantages could be used. Examples include accelerated depreciation or super-deductions for investment in health or hygiene products. In contrast, profit-based incentives (for example, reduced tax rates, tax holidays, or blanket amnesties) should be avoided because they are not linked to the expenditure effort and would disproportionately reward businesses with the greatest profits. Granting certain tax advantages only in hard-hit sectors (for example, hospitality services and tourism-dependent sectors), or to firms that experience a decline in sales or profits above a certain threshold, or to critical products (for example, importation of medical supplies or priority foodstuffs) can improve targeting. On the administrative side, depending on countries' capacity, eligibility for deferring tax payments should allow for the tax administration to deny taxpayers with a poor compliance record or those at high risk of noncompliance in order to improve efficiency. Tax filings should continue to signal that the adopted measures are temporary. To make the support timelier, administrative relief can be introduced under existing frameworks. General tax relief to boost aggregate demand is likely to be more effective when supply disruptions subside and the health crisis abates.
- *Liquidity support:* While there are merits to providing immediate liquidity support where a large number of firms and households are facing cashflow difficulties, governments should ensure that those measures are properly costed, recorded, and monitored. Business dynamism should be maintained. Liquidity support should be conditional on the duration of the pandemic in order to avoid keeping nonviable firms afloat with subsidized finance. Umbrella guarantees (for example, covering loans to small and medium-sized enterprises) are often more efficient than direct government support, as the transaction costs of distributing subsidies or loans to multiple beneficiaries are high, especially in countries with weak institutional capacity. Policymakers need to manage the associated fiscal risks, including by assessing and quantifying the potential sources and size of fiscal costs, as well as by maintaining transparency and disclosure for budgets and medium-term fiscal frameworks. These principles also apply when there is Treasury backing of central bank liquidity support. A central approval process (led by the Ministry of Finance or the cabinet) should be in place for the provision of government loans to ensure transparent ex-ante assessment and ongoing monitoring. For government guarantees of business loans, policymakers should consider partial guarantees (to ensure that debtors still have incentives to repay) and risk-based guarantee charges to limit government exposures to fiscal risks. Making provisions for expected losses and retaining the ability to recover assets are important. For example, the loan guarantee scheme for small and medium-sized enterprises in the Netherlands is limited to 75 percent of the loan value and loans with maturities of one year or less.

For low-income developing countries, ramping up public health expenditure is the number one priority irrespective of the fiscal space and debt positions. Moreover, given the large and temporary nature of the shock for most countries, some discretionary fiscal support, including to hard-to-reach households, is warranted even in countries with limited fiscal space. Automatic stabilizers, though usually small in developing countries, should be allowed to operate. Discretionary measures could include cash transfers or food subsidies to households under strain, including through digital technologies, and temporary, targeted support to hard-hit sectors (*Eswatini, Madagascar, Mauritius*). However, for oil-exporting countries that face a long-lasting shock from the decline in oil revenues (*Angola, Gabon*), priorities should be to fund health spending and combine appropriately paced growth-friendly spending adjustments with additional

financing from donors and international financial institutions. Once the health crisis has waned, and as debt levels and their servicing cost to tax revenues rise substantially, all countries will need to put their fiscal positions back on a sustainable path and reduce debt vulnerabilities.

Broad-Based Fiscal Support

The expected weakening in aggregate demand from the rapidly evolving pandemic and its wider spillover effects (through trade, commodity prices, and tighter financing conditions) would in general call for broad-based fiscal support, such as economy-wide tax cuts or public investments, to drive the recovery once the health crisis recedes, especially where monetary policy rates are at or near their effective lower bounds.⁷ Such a fiscal stimulus could boost business and consumer confidence (Bachmann and Sims 2012; Guimaraes, Machado, and Ribeiro 2016). The role for early broad-based stimulus, however, is likely to be more limited at the current juncture for several reasons. First, many pockets of localized outbreaks and some national lockdowns imply that a generalized fiscal stimulus is likely less effective given disruptions to production processes and supply chains. The output multiplier effects are likely small until business activity normalizes. Second, higher health care spending and targeted expenditure and tax measures could amount to sizable support. And third, decision and implementation lags imply that a generalized fiscal stimulus would likely start to boost demand once the pandemic fades. This would call for accelerating the implementation of already-budgeted investment projects, expediting previously planned discretionary measures, and planning for more fiscal support over time depending on available fiscal space. Some discretionary fiscal easing was already enacted, or was planned for 2020, to boost subdued growth that prevailed before the COVID-19 outbreak in a number of advanced economies (*Canada, Germany, Japan, Korea, United Kingdom*) and emerging market and developing economies (*Chile, China, India, Uganda*). These plans should be fully executed. To facilitate economic recovery as the coronavirus is contained, governments could plan to enact, for example, temporary payroll tax cuts to incentivize firms to hire and time-bound value-added-tax reductions to bring forward consumption, as well as implement accelerated investment, repair, and maintenance initiatives (depending on the countries' financing constraints).

Broader Country-Level Policies to Ensure Sustained Economic Recovery

The current challenges arising from COVID-19 underscore the need to adopt, over time, broader enhancements to tax and expenditure policies that reduce vulnerabilities and boost medium-term growth. Improving social insurance schemes and safety nets can mitigate some concerns about how people would be protected in the event of a return of the current pandemic and future adverse macroeconomic shocks (Chapter 2). In high-debt countries, the pace and size of medium-term fiscal adjustment would need to be reassessed once the health crisis is over and the extent of the economic loss is better known. Any consolidation over the medium term should be appropriately paced, growth-friendly, and inclusive. Investing for the future remains an important priority for health care systems, infrastructure, low carbon technologies, education, and research. This section discusses such recovery phase fiscal policies by country income group.

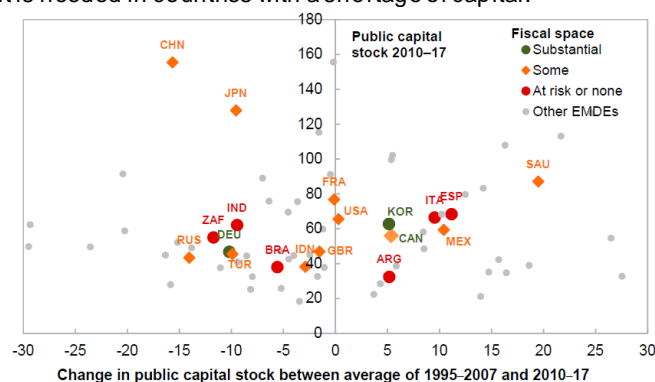
⁷ Fiscal policies will likely have larger multipliers during the post-virus recovery phase given economic slack if the effective lower bound on monetary policy rates binds or monetary policy is accommodative (Auerbach and Gorodnichenko 2012, 2013; English, Erceg, and Lopez-Salido 2017; Erceg and Lindé 2014; Miyamoto, Nguyen, and Sergeyev 2018; Gali 2019), and debt remains low (Leeper, Traum, and Walker 2017; Mao and Yang, forthcoming). For countries with high debt levels, large-scale discretionary fiscal stimulus through revenue or spending measures is likely to have less expansionary effects (Ilzetzki, Mendoza, and Vegh 2013; Nickel and Tudyka 2014; Bi, Shen, and Yang 2016; Fournier 2019; Fotiou, Shen, and Yang, forthcoming).

Advanced economies with ample fiscal space can take advantage of low interest rates to boost already weak potential growth by increasing spending on health care, research and development, training, and infrastructure—alongside changes to tax-benefit systems that can enhance resilience and raise productivity (*Germany*, the *Netherlands*). The case for public investment is particularly strong in countries with low or declining capital-to-GDP ratios (that is, where gross investment does not compensate for depreciation), slowing per capita capital accumulation (Figure 1.16), and weak aggregate demand. The fiscal expansion in *Korea* is expected to further foster female labor force participation and improve the social safety net (including to cushion the COVID-19 impact). To increase the automatic response of countries to shocks, unemployment insurance schemes and social safety nets should be improved to give adequate protection to vulnerable segments of the population.

Advanced economies with some or limited fiscal space should strive to reconfigure their spending and revenue mix to allow for greater capital spending (*Italy*, *United States*), particularly in sectors where the quality of public capital has deteriorated (for example, health care and transport infrastructure). For countries with large public capital stocks (*Japan*), additional investment should be selective (for example, to build resilience against pandemics and natural disasters, develop low-carbon technologies, and digitalize). In the *United States*, in addition to the resources allocated under the CARES Act, more direct demand stimulus should be put in place to bolster activity once the immediate health crisis has passed. This could include meeting well-documented federal, state, and local infrastructure needs, offering consumption vouchers to kickstart household spending, or investing to facilitate the transition to a lower-carbon economy. Additional relief can be provided to households, including further incentives to coordinate private creditors into offering delays in payments on auto, student, and credit card loans, as well as non-GSE (government-sponsored enterprise) mortgages. Moreover, once the COVID-19 crisis is over, prudent fiscal policies call for appropriately paced, inclusive, and credible adjustments to put debt ratios on a firm downward trajectory. To enhance the effectiveness of automatic stabilizers in these countries, social safety nets should be improved (*United States*).

Figure 1.16. Public Capital Stocks across Selected Countries (Percent of GDP)

More public investment is needed in countries with a shortage of capital.



Source: IMF, Investment and Capital Dataset.

Note: Data labels use International Organization for Standardization (ISO) country codes. EMDEs = emerging market and developing economies.

Emerging market and developing economies' health systems generally have limited capacity, infrastructure needs that are pressing and substantially larger—with the potential to crowd in private sector investment (Eden and Kraay 2014)—and social safety nets that are relatively less developed (in coverage and adequacy) compared with advanced economies. In general, policymakers should finance development in a fiscally responsible way, improve the efficiency of public investment, and strengthen social safety nets. Taking advantage of unique identification systems (for example, Aadhaar in *India*) and new digital

technologies (for example, the G-pay system in *Kenya*) can help deliver key public services, process applications for targeted income support, and implement direct cash transfers. The size of the initial fiscal support in response to the pandemic and financing constraints will determine the scope for additional fiscal action in the recovery phase. Once the COVID-19 crisis is over, high-debt countries should, in general, pursue fiscal consolidation supported by growth-friendly measures. However, the size and pace of adjustments would need to be carefully recalibrated, taking into account the full impact of the pandemic on the economy and the extent of debt vulnerabilities.

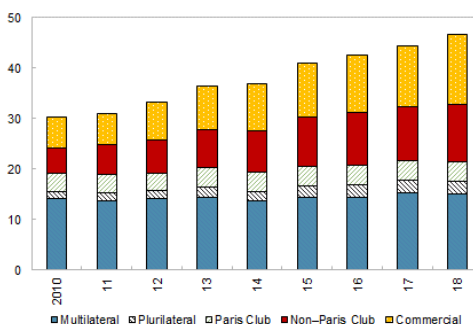
- *Among the large emerging market and middle-income economies*, additional on-budget fiscal support in *China* focusing predominantly on rebalancing and increased spending on low-income households, public health, and social safety nets is warranted should the recovery fall short even after supply constraints are removed. Refraining from off-budget, large-scale infrastructure investment remains appropriate in *China* as returns are diminishing. In *India*, the fiscal stance should be eased as needed to accommodate necessary increases in public health expenditure in response to the pandemic and shield against a more severe economic downturn, using targeted and temporary measures. Once the current economic situation improves, a more ambitious, credible medium-term fiscal consolidation path is needed to bring debt and interest expenditure down. Transparency must improve, and the practice of shifting spending off-budget must be curtailed. In *Brazil*, further easing of fiscal policy may be needed to arrest a steep deterioration in aggregate demand. However, the authorities should continue to pursue fiscal reforms and develop a medium-term fiscal framework that preserves the expenditure ceiling rule and puts debt on a downward trajectory. Maintaining fiscal credibility is essential to restore investor confidence and attract much-needed investment once economic conditions start to normalize. *South Africa* should focus on containing the pandemic in the short term and undertaking fiscal consolidation over the medium term, accompanied by improving the efficiency of spending and implementing structural reforms. For many oil-exporting countries, the sharp fall in oil prices highlights the need for economic diversification as well as investing in low-carbon technologies.
- *Low-income developing countries* should strike a balance between addressing development needs and safeguarding debt sustainability once the health crisis wanes. Achieving this balance requires adhering to sound medium-term fiscal frameworks, raising domestic revenues, improving the efficiency of spending, and facilitating private sector activity through structural reforms and improvements in governance and the rule of law (Desruelle, Razafigahefa, and Sancak 2019). Priorities include the following:
 - *Mobilizing domestic revenues when the pandemic abates*: The average tax-to-GDP ratio of low-income developing countries is significantly lower than that of emerging market and middle-income economies. The current tax gap (the difference between potential and realized tax ratios) is large—estimated at 3–5 percent of GDP in sub-Saharan African countries (May 2018 *Regional Economic Outlook: Sub-Saharan Africa*). Although challenging, building tax capacity is needed to substantially increase government revenues over the long term—from the current median level of 15 percent of GDP—in order to facilitate efforts to meet the needs outlined in the United Nations Sustainable Development Goals (Gaspar and others 2019). Cross-country experience shows that bolstering revenue collection requires a medium-term revenue strategy in which both tax policy and revenue administration efforts are well coordinated, such as the domestic revenue mobilization strategy recently adopted in *Uganda*. Measures include implementing well-designed value-added taxes, including timely refunds; building capacity for property taxation; gradually expanding the base for corporate and personal income taxes, including by eliminating costly tax exemptions; and efficiently taxing extractive industries (IMF 2019a). Other priorities include adopting a comprehensive risk-based strategy to improve compliance, with a focus on large taxpayers (*Uganda*). These efforts should be complemented with improved governance (April 2019 *Fiscal Monitor*). Concerns that the

value-added tax might be regressive are better addressed within the overall tax-benefits system by strengthening safety nets.

- *Improving debt management and transparency:* Despite improvements in debt management and transparency in many low-income developing countries (*Cameroon, Ghana*), important gaps remain in some countries, including insufficient audits, lack of operational risk management, and incomplete coverage of debt statistics (such as those on borrowing terms and conditions of state-owned enterprises; see Chapter 2) (IMF 2019b). The likely impact of the COVID-19 pandemic on countries' public finances only reinforces the need to improve debt management and transparency. Further efforts are needed to manage risks and keep up with the evolving complexity of public debt structures and the rising share of external and nonconcessional financing (Figure 1.17). Measures include publishing regular debt reports, broadening the coverage of debt statistics, and limiting risks from contingent liabilities. Frontier economies, which have a large share of nonconcessional financing, should strengthen debt management governance (*Ghana*). These would help further develop local debt markets.

Figure 1.17. Low-Income Developing Countries: External Debt, by Creditors, 2010–18
(Percent of GDP)

The creditor base has shifted toward commercial and non-Paris Club creditors.



Sources: World Bank Debt Reporting System; and IMF staff estimates.

Box 1.1. Understanding the Implications of Different Types of Fiscal Measures for Public Finances

To address the economic and social challenges posed by the COVID-19 pandemic, governments are using fiscal measures that take various forms and have different budgetary and debt-related implications (Figure 1.1.1). Additional spending or tax cuts result in immediately higher budget deficits. Support to companies in financial trouble through loans or equity injections does not impact budgets directly but may increase debt or require additional borrowing. Guarantees do not affect deficits or debt in the near term, but they expose the government to medium- to long-term fiscal risks.

Figure 1.1.1. Likely Impact of Measures on the Government Budget and Debt

	Today		Tomorrow ¹	
	Budget Balance	Debt	Budget Balance or Net Worth	Debt
Additional spending or tax cuts	↓	↑	Unchanged	
Tax deferrals	↓	↑	↑	↓
Loans ²	Unchanged	↑	↓ (if firm defaults)	Unchanged
Equity injections ²	Unchanged	↑	↓ (if firm fails)	Unchanged
Guarantees ²	Unchanged	Unchanged	↓ (if called)	↑

Source: IMF staff.

Note: All transactions are assumed to be financed through debt rather than by drawing on other government funds.

¹ Additional effect in the future rather than a combined effect with today's incurrence.

² If transactions are reasonably expected to have an economic rate of return. If not, treated like budgetary spending and revenue measures.

The full cost of most budgetary “above-the-line” measures is reflected in the fiscal balance, government debt, and increased borrowing needs in the short term. These measures include additional spending (for example, health services and unemployment benefits); capital grants and targeted transfers (for example, wage subsidies or direct transfers); or tax measures (for example, tax cuts or other relief) provided through standard budget channels. Deferrals of tax payments and social security contributions have a temporary effect on the deficit and debt, and aim to provide liquidity to taxpayers. Although deferrals create a financing need today, the government will eventually be repaid in the future.

“Below-the-line” measures generally involve the creation of assets, such as loans or equity in firms. Equity injections or loans to firms may have little or no upfront impact on the fiscal deficit unless they have a concessional component, but they can increase debt or reduce liquidity. Government guarantees granted to banks, firms, or households usually have no immediate upfront cost in the form of deficit or debt unless the expected cost is budgeted, but they create a contingent liability, with the government exposed to future calls on guarantees. A loan default or loss in equity would reduce the government's assets, whereas a call on a guarantee would increase public debt, as the guaranteed debt is assumed by the government. These would reduce government net worth (assets net of liabilities).

Box 1.2. A Wave of Protests: Economic Reforms and Social Unrest

An increasing number of protests have broken out during the past two years in various parts of the world, challenging governments and policymakers to understand and address the root causes of discontent. In *Ecuador*, *Haiti*, and the *Islamic Republic of Iran*, protests started when the government announced an increase in fuel prices, while protests in *France* were related to reforms of the railway system and pensions, and planned fuel tax increases, among other factors. In *Sudan*, a sharp increase in the price of bread and a shortage of fuel led to social unrest. In *Lebanon*, people took to the streets when the government announced the introduction of fees on internet-based calls, whereas in *Chile*, a small increase in public transport fares sparked social protests on much broader issues.

Protests over policy reforms—in particular, over price increases of basic goods and other fiscal measures—are not a new phenomenon (Morrisson 1996). For instance, cuts in public wages or increases in food and fuel prices sparked protests in *Burkina Faso*, *Ecuador*, *Nigeria*, and *Zambia* in the 1980s, and in *Gabon*, *Indonesia*, and the *Philippines* in the 1990s. In other cases, political rather than economic measures provoked unrest. Governments have struggled to understand the causes of protests and to design policies that could help reduce the risk of social unrest.

Common Themes: Root Causes and Triggers of Social Unrest

Each country's protests are unique, but they seem to have broad common themes. Specific measures may trigger protests, but rising tensions quickly transform social unrest into a broader critique of government policies. People take to the streets because of long-standing grievances and perceptions of mistreatment (Passarelli and Tabellini 2017). High or rising levels of poverty and inequality, particularly in countries with weak social safety nets, can contribute to unrest. Protests are also more likely in countries with histories of widespread corruption, lack of transparency in public policy, and poor service delivery. Across countries, many groups feel that they lack a voice in public matters and that they are not well represented by existing political parties or the political system. According to Piketty (2018), for example, in some Western democracies, established political parties on both the left and right have become dominated by “highly educated or merchant” elites, leaving the working class with less representation. In other regions, younger generations have been at the forefront of many recent protests, expressing their perceptions that existing policies pay scant attention to their welfare. Protests often also occur in waves, signaling a potential contagion effect, including across borders (Katz 1997; Chen, Lu, and Suen 2016). Examples include the Arab Spring in the early 2010s and the protests spreading across several countries in Latin America in 2019.

Although the long-standing challenges discussed above are multifaceted and have deep political, historical, and sociological roots, the triggers for protests are often related to specific types of economic policy measures that have commonalities across countries. Price increases for basic goods and energy products or reductions in public wages are more likely to face strong opposition because they threaten the livelihood of vulnerable segments of the population or take away important benefits from a societal group that can organize strong opposition, such as civil servants or the urban middle class. By comparison, cuts in public investment or general current expenditures entail less risk of unrest because their costs are sometimes deferred or indirectly dispersed over the entire population rather than concentrated on specific groups (Morrisson 1996). Countries could be vulnerable to new waves of social unrest, for example, if support measures are seen as insufficient to mitigate the COVID-19 crisis and its economic fallout, or as unfair by favoring the wealthy, or when those measures are later withdrawn.

Policy Design Matters

Policymakers should address the country-specific, complex root causes of discontent. In the near term, policymakers have more control over the design of policy reforms and, in this regard, cross-country experiences provide lessons on how to reduce the likelihood of triggering unrest.

- Adequate planning and a clear strategy based on analysis and on mitigation measures increase the likelihood of success, as does an electoral mandate for reform (Clements and others 2013; OECD 2009). A gradual approach that allows citizens to adapt has often proven to be more politically acceptable. In contrast, reforms are less successful if undertaken hastily in response to immediate economic pressures (OECD 2018).
- A reform plan should also include a strategy for overcoming opposition from interest groups, and mitigating measures for adversely affected groups, both of which are critical to building public support (Clements and others 2013; Inchauste and Victor 2017; Furceri and others 2019). Implementing mitigation measures before reforms, and publicly linking such measures to the reforms, can help demonstrate the government's commitment to protecting relevant groups. Any mitigation measure should provide adequate coverage and generosity and be visible to the relevant groups. For instance, the successful energy subsidy reform in the *Islamic Republic of Iran* in 2010 was preceded by a public information campaign accompanied by substantial and immediate cash transfers to households. In contrast, the large increase in fuel prices in November 2019, without prior notice or compensation, was met with protests because it occurred during a period of high unemployment and underlying dissatisfaction. When energy price increases triggered unrest in *Haiti* in 2018 and *Ecuador* in 2019, mitigation measures were either absent or not visible to the public, or were lacking in coverage and generosity. In *Morocco*, in contrast, the authorities phased out subsidies gradually and consulted stakeholders in 2014 before implementation of the reform, and a smoother rollout ensued.
- A far-reaching and consistent communications strategy can help build broad public support. At the current juncture, making clear that support measures to address the COVID-19 crisis are temporary could help manage expectations. More generally, the communication strategy should include consultation with those stakeholders who are affected by the reform and can influence its success (Worley, Pasquier, and Canpolat 2018).⁸ The information campaign should be transparent, explain the rationale for reform and the cost of the status quo, and present mitigation measures for adversely affected groups (Clements and others 2013). For example, ahead of the 2015 introduction of the value-added tax in *The Bahamas*, the government embarked on an in-depth public information campaign and implemented mitigation measures. The public must be made aware that the status quo is costly and of how any savings from reform can be redeployed to benefit the population (for example, by scaling up education and health care spending) (Inchauste and Victor 2017; OECD 2018).
- Although these lessons are grounded in empirical evidence and cross-country experience, it is important to recognize that the factors leading to unrest remain unpredictable and depend on rapidly evolving circumstances specific to individual countries as well as on regional and global factors.

⁸ See Abdallah and others (2019) for an application of a communications strategy in Colombia.

References

- Abdallah, Chadi, Fernanda Brollo, Ayal Frank, and Delphine Prady. 2019. *Colombia: Reforming Energy Pricing*. IMF Country Report 19/344, International Monetary Fund, Washington, DC.
- Auerbach, Alan J., and Yuriy Gorodnichenko. 2012. "Measuring the Output Responses to Fiscal Policy." *American Economic Journal: Economic Policy* 4 (2): 1–27.
- Auerbach, Alan J., and Yuriy Gorodnichenko. 2013. "Fiscal Multipliers in Recession and Expansion." In *Fiscal Policy after the Financial Crisis*, edited by Alberto Alesina and Francesco Giavazzi. Chicago: University of Chicago Press.
- Bachmann, Rudiger, and Eric R. Sims. 2012. "Confidence and the Transmission of Government Spending Shocks." *Journal of Monetary Economics* 59 (3): 235–49.
- Bi, Huixin, Wenyi Shen, and Shu-Chun S. Yang. 2016. "Debt-Dependent Effects of Fiscal Expansions." *European Economic Review* 88: 142–57.
- Cavalcanti, Tiago V. De V., Kamiar Mohaddes, and Mehdi Raissi. 2015. "Commodity Price Volatility and the Sources of Growth." *Journal of Applied Econometrics* 30 (6): 857–73.
- Chen, Heng, Yang K. Lu, and Wing Suen. 2016. "The Power of Whispers: A Theory of Rumor, Communication, and Revolution." *International Economic Review* 57 (1): 89–116.
- Clements, Benedict J., David Coady, Stefania Fabrizio, Sanjeev Gupta, Trevor Serge Coleridge Alleyne, and Carlo A. Sdravovich. 2013. *Energy Subsidy Reform: Lessons and Implications*. Washington, DC: International Monetary Fund.
- Desruelle, Dominique, Ivohasina F. Razafimahefa, and Cemile Sancak. 2019. *Sustainable Development, Sustainable Debt: Finding the Right Balance*. Washington, DC: International Monetary Fund.
- Eden, Maya, and Aart Kraay. 2014. "Crowding in and the Returns to Government Investment in Low-Income Countries." Policy Research Working Paper 6781, World Bank, Washington, DC.
- English, William B., Christopher J. Erceg, and David Lopez-Salido. 2017. "Money-Financed Fiscal Programs: A Cautionary Tale." Hutchins Center Working Paper 31, Brookings Institution, Washington, DC.
- Erceg, Christopher, and Jesper Lindé. 2014. "Is There a Fiscal Free Lunch in a Liquidity Trap?" *Journal of the European Economic Association* 12 (1): 73–107.
- Fotiou, Alexandra, Wenyi Shen, and Shu-Chun S. Yang. Forthcoming. "Fiscal-State Dependent Effects of Capital Income Tax Cuts." IMF Working Paper, International Monetary Fund, Washington, DC.
- Fournier, Jean-Marc. 2019. "A Buffer-Stock Model for the Government: Balancing Stability and Sustainability." IMF Working Paper 19/159, International Monetary Fund, Washington, DC.
- Furceri, Davide, Jun Ge, Jonathan David Ostry, Chris Papageorgiou, and Gabriele Ciminelli. 2019. "The Political Costs of Reforms: Fear or Reality?" IMF Staff Discussion Note 19/08, International Monetary Fund, Washington, DC.
- Gali, Jordi. 2019. "The Effects of a Money-Financed Fiscal Stimulus." *Journal of Monetary Economics*.
- Gaspar, Vitor, David Amaglobeli, Mercedes Garcia-Escribano, Delphine Prady, and Mauricio Soto. 2019. "Fiscal Policy and Development: Human, Social, and Physical Investment for the SDGs." IMF Staff Discussion Note 19/03, International Monetary Fund, Washington, DC.
- Guimaraes, Bernardo, Caio Machado, and Marcel Ribeiro. 2016. "A Model of the Confidence Channel of Fiscal Policy." *Journal of Money, Credit and Banking* 48 (7): 1363–95.
- Ilzetzki, Ethan, Enrique G. Mendoza, and Carlos A. Vegh. 2013. "How Big (Small?) Are Fiscal Multipliers?" *Journal of Monetary Economics* 60 (2): 239–54.
- International Monetary Fund (IMF). 2009a. "The State of Public Finances—Outlook and Medium-Term Policies after the 2008 Crisis." IMF Policy Paper, Washington, DC.

- IMF. 2009b. "The State of Public Finances Cross-Country Fiscal Monitor: November 2009." IMF Staff Position Note 09/25, International Monetary Fund, Washington, DC.
- IMF. 2019a. *"Macroeconomic Developments and Prospects in Low-Income Developing Countries—2019."* IMF Policy Paper, Washington, DC.
- IMF. 2019b. "The Evolution of Public Debt Vulnerabilities in Lower Income Countries." IMF Policy Paper, Washington, DC.
- Inchauste, Gabriela, and David G. Victor. 2017. *The Political Economy of Energy Subsidy Reform*. Directions in Development Series. Washington, DC: World Bank.
- Kahn, Matthew E., Kamiar Mohaddes, Ryan N. C. Ng, M. Hashem Pesaran, Mehdi Raissi, and Jui-Chung Yang. 2019. "Long-Term Macroeconomic Effects of Climate Change: A Cross-Country Analysis." NBER Working Paper 26167, National Bureau of Economic Research, Cambridge, MA.
- Katz, Mark N. 1997. *Revolutions and Revolutionary Waves*. New York: St Martin's Press.
- Leeper, Eric M., Nora Traum, and Todd B. Walker. 2017. "Clearing Up the Fiscal Multiplier Morass." *American Economic Review* 107 (8): 2409–54.
- Mao, Ruoyun, and Shu-Chun S. Yang. Forthcoming. "Government Spending Effects in a Policy Constrained Environment." IMF Working Paper, International Monetary Fund, Washington, DC.
- Miyamoto, Wataru, Thuy Lan Nguyen, and Dmitriy Sergeyev. 2018. "Government Spending Multipliers under the Zero Lower Bound: Evidence from Japan." *American Economic Journal: Macroeconomics* 10 (3): 247–77.
- Morrisson, Christian. 1996. *"The Political Feasibility of Adjustment."* OECD Development Centre Policy Briefs 13, OECD Publishing, Paris.
- Nickel, Christiane, and Andreas Tudyka. 2014. "Fiscal Stimulus in Times of High Debt: Reconsidering Multipliers and Twin Deficits." *Journal of Money, Credit and Banking* 46 (7): 1313–44.
- Organisation for Economic Co-operation and Development (OECD). 2009. *The Political Economy of Reform: Lessons from Pensions, Product Markets and Labour Markets in Ten OECD Countries*. Paris: OECD Publishing.
- OECD. 2018. *Good Jobs for All in a Changing World of Work: The OECD Jobs Strategy*. Paris: OECD Publishing.
- Passarelli, Francesco, and Guido Tabellini. 2017. "Emotions and Political Unrest." *Journal of Political Economy* 125 (3): 903–46.
- Piketty, Thomas. 2018. "Brahmin Left vs Merchant Right: Rising Inequality and the Changing Structure of Political Conflict." WID-World Working Paper 2018/7, World Inequality Lab, Paris.
- Sancak, Cemile, Ricardo Velloso, and Jing Xing. 2010. "Tax Revenue Response to the Business Cycle." IMF Working Paper 10/71, International Monetary Fund, Washington, DC.
- World Health Organization (WHO). 2020. "COVID-19 Strategic Preparedness and Response Plan: Operational Planning Guidelines to Support Country Preparedness and Response." Geneva, Switzerland.
- Worley, Heather B., Sara Munro Bryan Pasquier, and Ezgi Canpolat. 2018. *"Designing Communication Campaigns for Energy Subsidy Reform: Communication."* Energy Subsidy Reform Assessment Framework (ESRAF) Good Practice Note 10, World Bank, Washington, DC.

Special Feature Online Annex 1.1. Fiscal Measures in Selected Economies in Response to the COVID-19 Pandemic

The Special Feature Online Annex summarizes key fiscal measures governments have announced or taken in selected economies in response to the COVID-19 pandemic from January 1 to April 8, 2020. The Special Feature categorizes different types of fiscal support (for example, above-the-line and below-the line measures, and guarantees) that have different implications for public finances in the near term and beyond. Please refer to Box 1.1 of the April 2020 Fiscal Monitor for details. The Special Feature is not meant for comparison across economies as responses vary depending on country-specific circumstances, including the impact of the pandemic and other shocks. It focuses on government discretionary measures that supplement existing automatic stabilizers. These existing stabilizers differ across countries in their breadth and scope. Estimates included here are preliminary as governments are taking additional measures or finalizing the details of individual measures. The information does not represent views of the IMF on the measures listed. Please see IMF Policy Tracker (<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>) for information on a broader range of economies and their monetary and financial policies.

Online Annex Table 1.1. Selected Fiscal Measures in Response to the COVID-19 Pandemic (as of April 8 2020)

Country / Country group		Above-the line measures				Below the line measures				Government guarantees and other contingent liabilities			
		Total size /1 /2		Spending and revenue measures in the health sector		Spending and revenue measures in sectors other than health		Total size /2 /3		Equity injections, asset purchases, loans, debt assumptions, quasi-fiscal operations, use of extra-budgetary funds		Total size /2 /3	
G20 advanced economies													
Australia	LC bn	197	Spending measures (AUS \$3.6 bn): • Support for primary and aged care, hospitals, and research to ensure effective diagnosis and treatment of the infected and minimize the spread of the virus. • The Commonwealth government to pay for half of all additional costs incurred by states and territories in diagnosing and treating patients with COVID-19.	Spending measures (AUS \$188 bn): Tax-free cash payments to eligible small businesses to continue operations; wage subsidies for small businesses to keep their workers; payments to lower-income Australians, including pensioners, other social security and veteran income support recipients, and eligible concession card holders. Revenue measures (AUS 5.8 bn): Asset write-off; accelerated depreciation deductions to support investment; tax reliefs for Australian airlines and airports; waiver of fees and charges for tourism businesses in most affected regions and communities.	LC bn	15	• Government to provide the Australian Office of Financial Management with an investment capacity (AUS \$15 bn) to invest in structured finance markets used by smaller lenders.	LC bn	20	• Under a Coronavirus SME Guarantee Scheme, government to guarantee 50 percent of loans (up to AUS \$40 bn) offered by local lenders to SMEs.			
	USD bn	130			USD bn	10		USD bn	13				
	% GDP	10.6			% GDP	0.8		% GDP	1.1				
Canada	LC bn	108	Spending measures (CAN \$3.2 bn): Support to the health system including for increased testing, vaccine development, medical supplies, mitigation efforts; and greater support for Indigenous communities. Spending measures (CAN \$105 bn): Income support for firms and people, including payments to workers without access to sick leave and employment insurance, an increase in existing GST tax credits and childcare benefits, support to the most vulnerable including through a new Indigenous Community Support Fund, and a firm subsidy equal to 75 percent of employee wages for up to 3 months. Deferral of payments (CAN \$85 bn): Liquidity support through temporary interest-free tax deferrals for businesses and self employed, amounting to CAN \$55 bn in deferred income taxes and CAN \$30 bn in deferred GST/HST and customs duties for imports.	LC bn	5.0	• Farm Credit Canada will receive support from the government that will allow for an additional CAN \$5 bn in lending capacity to producers, agribusinesses, and food processors.	LC bn	65	• Canada Emergency Business Account program will provide up to CAN \$25 bn in funds and guarantees for eligible financial institutions to provide interest-free loans to small businesses. • SME Loan and Guarantee program will guarantee up to CAN \$40 bn in lending, supported through Export Development Canada and Business Development Bank.				
	USD bn	81		USD bn	3.7		USD bn	48					
	% GDP	5.2		% GDP	0.2		% GDP	3.1					
Euro Area/ European Union	LC bn	37	Spending measures (€0.05 bn): The European Commission redirected funding of €47.5 million towards research on COVID-19 vaccine development, treatment, and diagnostics. Spending measures (€37 bn): • The European Commission announced that the size of the Corona Response Investment Initiative will be raised to €37 bn, to support public investment for hospitals, labor markets, and stressed regions. • The Commission proposed to extend the scope of the EU Solidarity Fund by also including a public health crisis within its scope, in view of mobilizing it if needed for the hardest hit EU member states. Up to €0.8 bn is available in 2020.	LC bn			LC bn	1.0	• Redirecting €1 bn from the EU Budget as a guarantee to the European Investment Fund to incentivize banks to provide liquidity to hard-hit SMEs and midcaps.				
	USD bn	41		USD bn			USD bn	1.1					
	% GDP	0.3		% GDP			% GDP	0.0					
France	LC bn	17	Spending measures (€11 bn): Subsidies for wages of workers under the reduced-hour scheme and direct financial support to affected SMEs and independent workers. Deferral of payments/advance pay of liabilities (€48.5 bn): • Liquidity support through postponement of social security contributions and tax payment for companies, and rent and utility payments for affected SMEs. • Accelerated refund of tax credits (e.g. CIT and VAT).	LC bn			LC bn	312	• State guarantees for bank loans to companies (€300 bn).				
	USD bn	18		USD bn			USD bn	348					
	% GDP	0.7		% GDP			% GDP	13.9					

Country / Country group		Above-the line measures			Below the line measures			Government guarantees and other contingent liabilities		
		Total size /1 /2	Spending and revenue measures in the health sector	Spending and revenue measures in sectors other than health	Total size /2 /3	Equity injections, asset purchases, loans, debt assumptions, quasi-fiscal operations, use of extra-budgetary funds	Total size /2 /3	Guarantees on loans and other contingent liabilities		
Germany	LC bn	143	Spending measures (€11.2 bn): Additional spending on hospital capacity, medical equipment, research, and information campaigns.	Spending measures (€131.8 bn): including grants to hard hit small businesses and self-employed, increased access to childcare and basic social security benefits, and temporary relief to affected tenants. There is also support to firms and households provided through the "Kurzabeit" program, part of which could be considered discretionary because the program parameters have been changed.	LC bn	200	• An economic stabilization fund (WSF) of €600 bn is established with three components: (i) €100 bn for government equity investments in significantly affected companies; (ii) €100 bn loan to state development bank KfW for financing affected firms that do not have access to KfW's existing programs;	LC bn	762	(iii) €400 bn to provide additional state guarantees to non-financial corporations to alleviate liquidity bottlenecks and support refinancing. • An expansion of the existing KfW-programs by increasing the guarantee framework for KfW to €822 bn from the current €460 bn. • Total guarantees provided by state governments to be increased by €63 bn.
	USD bn	159			USD bn	223		USD bn	849	
	% GDP	4.4			% GDP	6.2		% GDP	23.4	
Italy	LC bn	20	Spending measures (€3.2 bn): including on medical equipment and staff, as well as civil protection.	Spending measures (€16.7 bn): including Income support to laid-off workers and the self-employed by broadening the wage supplementation fund (€10.3). Deferral of payments: including postponement of certain tax and social security payments for SMEs, as well as taxes and utility bill payments in most affected municipalities.	LC bn			LC bn	530	• SME loans subject to moratorium (€70 bn). The guarantee covers up to 30% of the value. • Enhancement of the SME Guarantee Fund from €40 bn to over €100 bn. • State guarantee of €0.5 bn to the state development bank—Cassa Deposit e Prestiti—to support lending and liquidity to banks to enable them to finance medium to large enterprises. • All business, the guarantee (€200) will cover between 70% and 90% of the amount financed. • Co-insurance scheme for exporters (€200).
	USD bn	22			USD bn			USD bn	591	
	% GDP	1.2			% GDP			% GDP	32.4	
Japan	LC bn /4	53,000	Spending measures: - Cash handout to affected households (JPY 300,000 per eligible household) (JPY 4.0 tn). - Lump-sum transfer to affected firms (JPY 2 mn per firm for SMEs, JPY 1 mn for the self-employed) (JPY 2.3 tn). - Subsidies for public/private financial institutions' lending (JPY 3.8 tn) - Measures to accelerate recovery and rebuild resilient economic structure such as incentive measures for consumption in affected service sectors and infrastructure investments (in the post-containment phase) (JPY 10.8 tn). Revenue measures: Reduction of property tax, expansion of the loss carry-back program, etc. Deferral of payment: Deferral of payment of taxes and social security premiums by affected firms and households for one year.		LC bn	53,200	• The government boosted special financing and guarantees primarily for micro, small and medium-sized business operators affected by COVID-19 through the Japan Finance Corporation and other institutions (JPY 45 tn). • Other off-budget operations using the Development Bank of Japan and other agencies (primarily for infrastructure projects in the post-containment phase) (JPY 8 tn)	LC bn	2,000	-Guarantees on bonds/borrowing by the Development Bank of Japan and the Japan Finance Corporation (JPY 1 tn) -Guarantees on external bonds issued by the Development Bank of Japan and Japan Bank for International Cooperation (JPY 1 tn)
	USD bn	497			USD bn	499		USD bn	19	
	% GDP	10.0			% GDP	10.1		% GDP	0.4	
Korea	LC bn	28,800	Spending measures (KRW 3 tn): Epidemic prevention and treatment, support for medical institutions and quarantined households.	Spending measures (KRW 23 tn): • Support for households, including employment retention support, consumption coupons for the poor, emergency family care support, and cash transfers to bottom 70% of households. • Support for local communities, including local gift certificates and local government grants for infection prevention. Support for firms, including for wages and finance for small merchants. Revenue measures (KRW 2.8 tn): Consumption tax cut for auto purchases; temporary corporate/income tax cuts for landlords who reduce commercial rents; VAT reduction for the self-employed; social security contribution cut for households and firms. Deferral of payments: Tax deferral covering a broad range of taxes for small businesses and the self-employed in medical, tourism, performance, hospitality, and other affected sectors; social security contribution payment deferral for households.	LC bn	120,000	• Expand lending of both state-owned and commercial banks to SMEs, small merchants, mid-sized firms, and large companies (the latter on a case-by-case basis) including emergency lending, partial and full guarantees, and collateralization of loan obligations.	LC bn		
	USD bn	24			USD bn	101		USD bn		
	% GDP	1.5			% GDP	6.4		% GDP		

Country / Country group	Above-the line measures			Below the line measures		Government guarantees and other contingent liabilities		
	Total size /1 /2	Spending and revenue measures in the health sector	Spending and revenue measures in sectors other than health	Total size /2 /3	Equity injections, asset purchases, loans, debt assumptions, quasi-fiscal operations, use of extra-budgetary funds	Total size /2 /3	Guarantees on loans and other contingent liabilities	
Spain	LC bn	14	Spending measures (€10 bn depending on the usage and duration of the measures and could be higher): · Entitlement of unemployment benefit for workers temporarily laid off under the Temporary Employment Adjustment Schemes owing to the pandemic, with no requirement for prior minimum contribution or reduction of accumulated entitlement. · Increased sick pay for COVID-19 infected workers or those quarantined, from 60 to 75 percent of the regulatory base, paid by the Social Security budget; allowance for self-employed workers affected. · A temporary subsidy for affected household employees and for temporary workers whose contract expires during the state of emergency and are not entitled to collect unemployment benefits; and additional provision of assistance to dependents. · Transfer to autonomous communities funding meals for children affected by the school closure; new rental assistance programs for certain vulnerable renters; and extension of the social benefit for energy provision. Revenue measures: · Exemptions of social contributions for affected companies that maintain employment, and a 50 percent exemption from employer's social security contributions for workers with permanent discontinuous contracts in the tourism sector and related activities (from February to June 2020). · A 6-month suspension of social security contributions for the self-employed (for April-June), subject to a condition of continued activity in May and June; and more flexibility for workers to access savings from their pension plans. Deferral of payments of taxes for small and medium enterprises and self-employed for six months (€14 bn).	LC bn	10	LC bn 102	• The government has approved a line of public guarantees and guarantees worth up to €100 bn. An additional guarantees of €2 bn for exporters through the Spanish Export Insurance Credit Company; some guarantees for loan maturity extensions to farmers using the special 2017 drought credit lines.	
	USD bn	15		USD bn	11			USD bn 114
	% GDP	1.2		% GDP	0.9			% GDP 8.9
United Kingdom	LC bn	65	Spending measures (£60 bn): · Income support, including a Job Retention Scheme to subsidize furloughed employees' wages and firms' social security contributions; an income support scheme for the self-employed; direct grants for small firms in the most-affected sectors; compensation for paid sick leave; strengthening the social safety net to support vulnerable people (by nearly £7 bn) under the Universal Credit and other benefit schemes; support for renters by increasing the Local Housing Allowance. · International support, with £150 million made available to the IMF's Catastrophe Containment and Relief Trust. Revenue measures: property tax (business rate) holiday for firms in affected sectors. Deferral of payments: Liquidity support, including deferral of income tax for the self employed and VAT payments; Time to Pay arrangements (tax debt restructuring) for businesses and individuals.	LC bn	330	LC bn 330	• Under CBILS, the government will provide lenders with a guarantee of 80% on each loan. • The Coronavirus Large Business Interruption Loan Scheme (CLBILS) will provide a government guarantee of 80 percent to enable banks to make loans of up to £25 million to firms with an annual turnover of between £45 million and £500 million.	
	USD bn	83		USD bn	423			USD bn 423
	% GDP	3.1		% GDP	15.7			% GDP 15.7
United States	LC bn	1,395	Spending measures: • Families First Coronavirus Response Act (March 16, 2020) includes an estimated \$83.3 bn for 2 weeks paid sick leave, up to 3 months emergency leave for those infected (at 2/3 pay), food assistance, free virus testing; and federal transfers to states for Medicaid (increased by 6.2% during emergency period); and \$1 bn in expanded unemployment insurance. • Coronavirus Aid, Relief, and Economic Security Act (March 27, 2020) includes, among others, extended unemployment insurance payments (\$250 bn); transfers to state and local governments (\$150 bn), FEMA disaster relief (\$45 bn), food assistance (\$24 bn), education funding (\$30 bn), and transit funding (\$25 bn). Revenue measures: • Tax rebates (\$250 bn) of \$1,200 for singles/\$2,400 for married couples filing jointly and \$500 per qualifying child, employee retention tax credit (\$50 bn). Deferral of payments: • IRS extended income tax filing deadline by 90 days; employers' payroll taxes are delayed to 2021 and 2022.	LC bn	405	LC bn 405	• Coronavirus Aid, Relief, and Economic Security Act (March 27, 2020) includes \$454 bn to backstop section 13(3) Federal Reserve facilities that purchase corporate obligations in primary or secondary market.	
	USD bn	1,395		USD bn	405			USD bn 405
	% GDP	6.9		% GDP	2.0			% GDP 2.2

		Above-the line measures			Below the line measures			Government guarantees and other contingent liabilities						
Country / Country group		Total size /1 /2	Spending and revenue measures in the health sector		Spending and revenue measures in sectors other than health		Total size /2 /3	Equity injections, asset purchases, loans, debt assumptions, quasi-fiscal operations, use of extra-budgetary funds		Total size /2 /3	Guarantees on loans and other contingent liabilities			
G20 emerging market economies														
Argentina	LC bn	350	Spending measures: • Budget increase for Health Ministry, including for improvements in virus diagnostics, purchases of hospital equipment; and construction of temporary emergency treatment centers. Spending measures (ARS \$290 bn): • Support for workers and vulnerable groups, including through increased transfers to poor families, increased social security benefits (especially to low-income beneficiaries), higher unemployment insurance benefits, and payments to minimum-wage workers. • Demand support, including spending on public works. Revenue measures (ARS 60bn): • Support for hard-hit sectors, including an exemption from social security contributions. Deferral of payments: • Extension of the grace period of repayment of loans granted by the Social Security to retirees and beneficiaries of non-contributory pensions.		LC bn	Spending measures (ARS \$290 bn): • Support for workers and vulnerable groups, including through increased transfers to poor families, increased social security benefits (especially to low-income beneficiaries), higher unemployment insurance benefits, and payments to minimum-wage workers. • Demand support, including spending on public works. Revenue measures (ARS 60bn): • Support for hard-hit sectors, including an exemption from social security contributions. Deferral of payments: • Extension of the grace period of repayment of loans granted by the Social Security to retirees and beneficiaries of non-contributory pensions.		LC bn	350	Spending measures (ARS \$290 bn): • Support for workers and vulnerable groups, including through increased transfers to poor families, increased social security benefits (especially to low-income beneficiaries), higher unemployment insurance benefits, and payments to minimum-wage workers. • Demand support, including spending on public works. Revenue measures (ARS 60bn): • Support for hard-hit sectors, including an exemption from social security contributions. Deferral of payments: • Extension of the grace period of repayment of loans granted by the Social Security to retirees and beneficiaries of non-contributory pensions.		LC bn	350	• Credit guarantees will be provided to banks' lending to micro, small and medium enterprises (SMEs) for the production of foods and basic supplies.
	USD bn /5	5.4			USD bn			5.4	USD bn 5/			5.4		
	% GDP	1.2			% GDP			1.2	% GDP			1.2		
Brazil	LC bn	205	Spending measures: • Additional funding for the public health system to fight the disease (R\$ 8 bn), including from the reallocation of funds originating from mandatory car insurance (R\$ 4.5 bn). • Access to 20 percent of the Health Guarantee Fund resources (about US\$ 2 bn) to provide the private health insurance companies with funding for investment in assistance infrastructure. Revenue measures: Temporary tax cuts/exemption on health products to fight covid-19.		LC bn	Spending measures: • Temporary income support to vulnerable households (2 percent of GDP), including advance social benefit payments to pensioners and wage bonuses to low income workers, expanding the Bolsa Familia program with the inclusion of over 1 million more beneficiaries, introducing a new "Covid-19" voucher payment of BRL600 a month (USD40) to 30 million poor families for the next three months, partial unemployment insurance benefits for workers with reduced hours or wages, reallocating resources to the workers' severance fund (FGTS) to facilitate new withdrawals. Deferral of payments: Payment of employers' contributions to the FGTS and small business taxes will be postponed by 3 months. Small businesses will also be given a temporary reduction in non FGTS type of employer contributions. These measures will add up to 0.8 percent of GDP.		LC bn	263	Spending measures: • Expanded credit line for SMEs to hire new workers and maintain existing employment (R \$5 bn). • Temporary suspension of debt service payments from state governments to the federal government (R \$12.6 bn). • Public banks announced credit lines totaling R \$245 bn.		LC bn	34	• Government will back (assuming 85% of the risk) a R \$40 bn credit line operated by private banks for SMEs, specifically to cover payroll costs. Interest rates are capped at the policy rate (3.75%).
	USD bn	42			USD bn			53	USD bn			6.9		
	% GDP	2.9			% GDP			3.7	% GDP			0.5		
China	LC bn	2,560	Spending measures: • Front-loaded government spending possibly on infrastructure and through issuance of special local government bonds. • A refund of 2019 unemployment insurance premiums for companies that minimize layoffs. Revenue measures: • VAT exemptions for a wide range of goods and services related to epidemic control, as well as for small taxpayers in Hubei; and VAT rate cut from 3% to 1% in other regions for 3 months. • Corporate income tax relief for businesses in affected sectors through a longer tax loss carryover period to 8 years or one-off 100 percent expensing deduction for investment in equipment to expand production capacity. • Social security contributions by employers in Hubei province and SMEs (50 percent for large firms) in the other provinces are waived until June (April). Deferral of payments: Firms are also allowed to defer their social security payments by 6 months, and the due date for contributing to the "housing provident fund" is extended to end-June.		LC bn	Spending measures: • Front-loaded government spending possibly on infrastructure and through issuance of special local government bonds. • A refund of 2019 unemployment insurance premiums for companies that minimize layoffs. Revenue measures: • VAT exemptions for a wide range of goods and services related to epidemic control, as well as for small taxpayers in Hubei; and VAT rate cut from 3% to 1% in other regions for 3 months. • Corporate income tax relief for businesses in affected sectors through a longer tax loss carryover period to 8 years or one-off 100 percent expensing deduction for investment in equipment to expand production capacity. • Social security contributions by employers in Hubei province and SMEs (50 percent for large firms) in the other provinces are waived until June (April). Deferral of payments: Firms are also allowed to defer their social security payments by 6 months, and the due date for contributing to the "housing provident fund" is extended to end-June.		LC bn		Spending measures: • Front-loaded government spending possibly on infrastructure and through issuance of special local government bonds. • A refund of 2019 unemployment insurance premiums for companies that minimize layoffs. Revenue measures: • VAT exemptions for a wide range of goods and services related to epidemic control, as well as for small taxpayers in Hubei; and VAT rate cut from 3% to 1% in other regions for 3 months. • Corporate income tax relief for businesses in affected sectors through a longer tax loss carryover period to 8 years or one-off 100 percent expensing deduction for investment in equipment to expand production capacity. • Social security contributions by employers in Hubei province and SMEs (50 percent for large firms) in the other provinces are waived until June (April). Deferral of payments: Firms are also allowed to defer their social security payments by 6 months, and the due date for contributing to the "housing provident fund" is extended to end-June.		LC bn		
	USD bn	380			USD bn				USD bn					
	% GDP	2.5			% GDP				% GDP					

Country / Country group	Above-the line measures				Below the line measures			Government guarantees and other contingent liabilities	
	Total size /1 /2	Spending and revenue measures in the health sector	Spending and revenue measures in sectors other than health		Total size /2 /3	Equity injections, asset purchases, loans, debt assumptions, quasi-fiscal operations, use of extra-budgetary funds		Total size /2 /3	Guarantees on loans and other contingent liabilities
India	LC bn	1,570	Spending measures (Rs 1.42 tn): <ul style="list-style-type: none"> The central government has announced a package that provides insurance coverage for workers in the healthcare sector, substantial in-kind (food; cooking gas) and cash transfers, as well as wage support to poor households (in some cases for those still working, and in other cases by easing the criteria for receiving benefits in the event of job loss). These measures sum to about 0.6 percent of GDP, per IMF staff estimates. Increases in fuel excise taxes announced in early March (0.2 percent of GDP) will partly finance these measures. The state of Kerala has announced a package (0.1 percent of national GDP), including Rs 110bn of arrears paid, Rs 14bn advanced pensions, Rs 20bn loans to women, Rs 20bn front-loaded rural jobs, 2 times Rs 1000 per month to 10mn poor without pensions. Numerous other states have also announced stimulus packages, mainly in the form of cash- and in-kind transfers to poor households (cumulatively about 0.1 percent of national GDP). The central government has directed states to make allocations to low-wage construction workers from an existing pool of resources (0.2 percent of GDP). 		LC bn			LC bn	
	USD bn	21			USD bn			USD bn	
	% GDP	0.7		Deferral of payments: <ul style="list-style-type: none"> Extension of income tax filing deadline (3 months); reduction of penalty for late payments; date for filing fiscal year 18/19 GST tax liability extended (3 months); other miscellaneous relaxation of tax regulatory/administrative requirements. 	% GDP			% GDP	
Indonesia	LC bn	289,000	Spending measures: <ul style="list-style-type: none"> The first fiscal package of IDR10.3 tn comprises support to the tourism sector (tax cuts and discounts on airplane tickets and jet-fuel) and to low-income households (social assistance and subsidy for home buyers) starting from March 1 for most measures. The third fiscal package includes IDR110 tn (0.7 percent of GDP) additional social assistance spending, including increasing benefits and coverage of existing social safety nets such as food aid and unemployment benefits, and electricity subsidies. 		LC bn			LC bn	150,000
	USD bn	18		Revenue measures: <ul style="list-style-type: none"> Tax cuts for the tourism sector. The second fiscal package of IDR33.2 tn includes income tax exemptions to workers in the industrial sectors (with an income ceiling) and support to businesses through delayed payments for income tax and acceleration in VAT refund from April to September. The third package also includes various tax reliefs and incentives, including exemption and reduction of income taxes (with an income ceiling) and a reduction of the corporate income tax from 25 percent to 22 percent. 	USD bn			USD bn	9.5
	% GDP	1.8			% GDP			% GDP	0.9
Mexico	LC bn	180	Spending measures: Set-up a Health Emergency Fund to request additional resources from Congress, that could reach up to 180 bn pesos (0.7 percent of 2019 GDP).		LC bn	75	<ul style="list-style-type: none"> Small- and medium-scale enterprises (SMEs) could receive up to 25 bn pesos (0.1 percent of GDP) in loans. Development banks could provide liquidity support of about 0.2 percent of GDP 	LC bn	
	USD bn	7.9		Advance pay of liabilities: <ul style="list-style-type: none"> Social pension and disability payments have been frontloaded by four months. Procurement processes and VAT refunds are to be accelerated. 	USD bn	3.3		USD bn	
	% GDP	0.8			% GDP	0.3		% GDP	

Country / Country group	Above-the line measures				Below the line measures				Government guarantees and other contingent liabilities	
	Total size /1 /2	Spending and revenue measures in the health sector	Spending and revenue measures in sectors other than health		Total size /2 /3	Equity injections, asset purchases, loans, debt assumptions, quasi-fiscal operations, use of extra-budgetary funds	Total size /2 /3	Guarantees on loans and other contingent liabilities		
Russia	LC bn	900	Spending measures: • Increased salaries for medical staff, and also for health and safety inspectors (staff of the Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing). • Bonus fund of RUB 11.8 bn for medical staff dealing with COVID-19. • Over RUB 23 bn from the government's reserve fund disbursed for public procurement of coronavirus-related supplies. • The government allocated RUB 8.8 bn to the Ministry of Defense to construct 16 infection hospitals for military staff. • The government disbursed RUB 1.4 bn from its reserve fund for R&D on diagnostics and prevention of COVID-19. • The government allocated RUB 33.4 bn to 77 regions for additional Coronavirus beds and equipment.	Spending measures: • Quarantined or self-isolating individuals to receive sick leave benefits from the Social Insurance Fund. • Interest rate subsidies for SMEs. • All children up to 3 years of age in families eligible for maternity capital to receive an additional RUB 5,000 for 3 months; earlier announced expansion of child benefits to children aged 3-7 to start in June, rather than July. • Sick leave pay to equal at least the minimum wage until the end of 2020. • Cap on unemployment benefits raised to the minimum wage until the end of 2020. Revenue measures: • Social contributions on wages in excess of the minimum wage by SMEs reduced from 30 to 15 percent, permanently. • Tourism companies not to pay contributions to the tourist sector reserve fund. Deferral of payments: • Tax holiday until May 1 for SMEs and affected industries (tourism, aviation, sports, art, culture, cinema). • 3-month grace periods for SME payments of social contributions. • Tax holiday for 6 months for all taxes (except VAT) for all SMEs in affected sectors.	LC bn	570	• Subsidized and guaranteed loans for SMEs, retailers, and distributors. • Government loans to assist debt restructuring by regions (RUB 70 bn). • Recapitalization of leasing firms due to potential problems of their clients in the transportation sector. • The Central Bank of Russia (CBR) has put in place, a new lending facility with a refinancing limit of 500 bn rubles, with a view to shoring up SME lending. Up to 150 bn rubles will be allocated to support bank lending to SMEs to ensure the uninterrupted fulfillment of their obligation to pay wages to their staff.	LC bn		
	USD bn	12			USD bn	7.3			USD bn	
	% GDP	0.9			% GDP	0.6			% GDP	
Saudi Arabia	LC bn	n.a.		Spending reallocation from lower priority areas (SAR 50 bn, 1.9 percent of GDP) Deferral of payments: • SAR 48bn for deferred declaration & payment of taxes for 3 months, waiver of customs duties (30 days to 3 months), waiver of expat fees for 3 months; and waiver of municipal fees on companies for 3 months.	LC bn	31	• Liquidity support provided by the National Development Funds (NDF): SAR 22 bn (0.85 percent of GDP) distributed as follows: (i) loan rescheduling/restructuring and different loan programs to SMEs: SAR13 bn (0.5 percent of GDP). (ii) support to employment programs in the private sector: SAR 5 bn (0.2 percent of GDP). (iii) social loans to families with low incomes: SAR4 bn (0.15 percent of GDP). • SAR 9 billion in wage benefits to employers who keep their workers (to be provided through the unemployment insurance scheme, SANED).	LC bn		
	USD bn				USD bn	8.3			USD bn	
	% GDP				% GDP	1.2			% GDP	
South Africa	LC bn	n.a.	Spending measures: Allocations from the Departments of Small Business Development and the Department of Tourism of R700 million made available to assist small and medium enterprises that are in distress including in tourism and hospitality sectors. Revenue measures: Tax subsidy of up to R500 per month for the next four months for those private sector employees earning below R6,500 under the Employment Tax Incentive. Deferral of payments: • Revenue authority (SARS) to accelerate reimbursements and tax credits, changing from twice yearly payments to monthly. • Firms with less than ZAR50 million turnover will be allowed to defer 20 percent of PAYE liabilities for four months and an unknown portion of corporate income tax payments for six months.		LC bn	30	• South Africa's extra-budgetary Unemployment Insurance Fund made R30 bn available to support unemployed workers. The money will compensate workers for layoffs of as long as three months if companies are struggling to stay profitable. • A Solidarity Fund, with an initial government transfer of R150 million. Most of the funds are expected to come from private donations. • Industrial funding package to fast-track financing for companies including those that are critical in the fight against Covid-19 provided by the Industrial Development Corporation (IDC).	LC bn		
	USD bn				USD bn	1.7			USD bn	
	% GDP				% GDP	0.6			% GDP	
Turkey	LC bn	75	Spending measures: • Raising minimum pension and cash assistance to families in need; direct support to Turkish Airlines and other affected entities; and income support to employees in workplaces that suspend activities (short-term work allowance). Deferral of payments: • Reduced/postponed taxes for affected industries (particularly tourism); and extension of personal and corporate income tax filing deadlines.		LC bn				LC bn	25
	USD bn	11			USD bn		• Lending by public banks.		USD bn	3.8
	% GDP	1.6			% GDP				% GDP	0.5

		Above-the line measures			Below the line measures			Government guarantees and other contingent liabilities	
Country / Country group	Total size /1 /2	Spending and revenue measures in the health sector		Spending and revenue measures in sectors other than health	Total size /2 /3	Equity injections, asset purchases, loans, debt assumptions, quasi-fiscal operations, use of extra-budgetary funds	Total size /2 /3	Guarantees on loans and other contingent liabilities	
Selected advanced economies outside the G20									
Denmark	LC bn	60	Part of the increased spending will finance additional health care needs.		LC bn		LC bn	65	
	USD bn	9.0			USD bn		USD bn	9.7	
	% GDP	2.7			% GDP		% GDP	3.0	
Finland	LC bn	3.9	Spending measures (0.1 percent of GDP): for healthcare and testing, protection and medical equipment, public safety and border controls, and research on the coronavirus epidemic, in particular to develop methods for rapid diagnostics and vaccines and timely decision-making. • Finland contributes €5 million to international efforts to develop a vaccine.	Spending measures (1.1 percent of GDP): Increase in Business Finland grant authorization for SMEs. Unemployment insurance is expanded by €2.4 bn. Revenue measures (0.4 percent of GDP): Reduce pension contributions through the remainder of 2020 (€900 million). Deferral of payments: Deferral of tax and pension payments for 3 months are expected to provide additional short-run relief of €4.5 bn.	LC bn	1.0	LC bn	11	
	USD bn	4.3			USD bn	1.1	USD bn	12	
	% GDP	1.7			% GDP	0.4	% GDP	4.7	
The Netherlands	LC bn	20	Spending measures (€10-20bn or more depending on take up): • Compensation of up to 90 percent of labor costs for companies expecting a reduction in revenues of 20 percent or more; compensation for affected sectors (for example, hospitality services and travel). • Scaling up of the short-time working scheme (unemployment benefit compensation available to companies needing to reduce their staff by at least 20 percent). • Income support for self-proprietorships and self-employed (administered at municipal level) for a period of three months through expedited procedures. Deferral of payments (€35–45 bn): Companies can defer tax payments without penalties, and calculate provisional taxes on the basis of expected reduced activity levels.		LC bn		LC bn	n.a. The loan guarantee program for SMEs (especially those affected by the outbreak) is expanded to cover up to 75 percent of total loan, with maturity of 1 year or less.	
	USD bn	22			USD bn		USD bn		
	% GDP	2.7			% GDP		% GDP		
Norway	LC bn	77	Spending measures: • Expenditure measures include larger wage subsidies for temporary lay-offs and more generous unemployment benefits; expanded sickness benefits; grants for start-ups; subsidies for domestic air routes. • Grants to counties are increased to strengthen support for skills upgrade and in-house training for companies affected by the virus outbreak. Revenue measures: • The reduced VAT rate is temporarily cut from 12 to 8 percent (from April 1st to 30th October 2020). • Aviation taxes on air passengers are suspended from January 2020 to October 2020; aviation charges until 31 June 2020. • Corporate income tax regulations are amended so that companies can re-allocate their current losses towards previous years' taxed profits, thus lowering their tax liabilities. Owners of lossmaking companies can postpone payments of wealth tax in 2020. • Temporary cut of employers' social insurance contributions. Deferral of payments: for various taxes.		LC bn	50	LC bn	50	
	USD bn	8.1			USD bn	5.3	USD bn	5.3	
	% GDP	2.6			% GDP	1.7	% GDP	1.7	

Country / Country group		Above-the line measures			Below the line measures			Government guarantees and other contingent liabilities	
		Total size /1 /2	Spending and revenue measures in the health sector	Spending and revenue measures in sectors other than health	Total size /2 /3	Equity injections, asset purchases, loans, debt assumptions, quasi-fiscal operations, use of extra-budgetary funds	Total size /2 /3	Guarantees on loans and other contingent liabilities	
Singapore	LC bn	34	Measures to contain the outbreak, provided mainly to the Ministry of Health.	Spending measures. · The Care and Support Package provides support to households (S\$1.6 bn), including through a cash payout and an additional goods and services tax (GST) voucher. · The Stabilization and Support Package provides support to businesses (S\$4.0 bn), including wage subsidies as well as additional support for industries directly affected and self-employed persons. Revenue measures: Corporate income tax rebate and property tax rebates; carry-back provisions for qualifying deductions and faster write-downs for qualifying investments.	LC bn	20	Setting aside loan capital of S\$20 bn.	LC bn	
	USD bn	25		USD bn	14	USD bn			
	% GDP	7.0		% GDP	4.1	% GDP			
Sweden	LC bn	103		Spending measures: • Additional expenditures on wage subsidies for short-term leave, increase in transfers to relevant agencies to deal with the coronavirus outbreak. • Temporary payment of sick leave, extra funding to the cultural sector and sports sector, rent subsidies to certain sectors, more generous unemployment benefits, expanded active labor market policies, more funding for education and training, increased testing for COVID-19 and grants to municipalities and regions. • The government has contributed SEK 40 million to the WHO's Contingency Fund for Emergencies. Revenue measures: Temporary reduction in employers' social security contributions. Deferral of payments: Companies can defer a maximum of three months on social contribution fees, VAT, and payroll taxes for a period of up to 12 months.	LC bn		Credit guarantees for Swedish airlines; and expansion of the Swedish Export Credit Agency's credit guarantee framework and the programs under the Swedish Export Credit Corporation, loan guarantees for SMEs, and expansion of the National Board of Health and Welfare's credit framework.	LC bn	235
	USD bn	11		USD bn		USD bn		25	
	% GDP	2.2		% GDP		% GDP		5.0	
Selected emerging market economies outside the G20									
Albania	LC bn	12.0	Additional funding for health sector in the amount of Lk 3.5 bn, including some allocation to the Reserve Fund.	Spending measures Lk 6.5bn: • Support of small businesses/self-employed that are forced to close activities due to the pandemic (a minimum wage of Lk26,000 per month), and people in family businesses (with declared but unpaid family members in the payroll, for up to two minimum wages). These measures will last up to 3 months from April. • Reprioritize Lk 2bn of defense spending toward humanitarian relief for the most vulnerable. Deferral of payments. Small businesses (those below an annual turnover threshold) can defer payments of the profit tax instalments in the second half of the year.	LC bn		Lk11bn (0.6 percent of GDP) Government has offered a sovereign guarantee for large businesses to tap overdraft or credit lines in the banking sector to pay worker salaries (Details of the scheme have yet to be finalized).	LC bn	11
	USD bn	0.1		USD bn		USD bn		0.1	
	% GDP	0.7		% GDP		% GDP		0.7	
Bulgaria	LC bn	1.9	• Additional remunerations in the ministries of health, interior and defense (0.5 bn). · Enhanced use of EU funds for expansion of social patronage services for the elderly and disabled people and purchase of medical supplies and equipment.	Spending measures (BGN 1.4 bn): Measures to cover 60 percent of the wages for employees in affected sectors that would have been otherwise laid off. Deferral of payments (BGN 0.6 bn). Deferral of corporate taxes until June 30.	LC bn	0.7	· BGN 0.5 bn to the Bulgarian Development Bank for guarantees before the commercial banks to extend loans to firms. · BGN 0.2 bn to the development bank for interest-free loans to employees in non-paid leave up to BGN 1500.	LC bn	
	USD bn	1.1		USD bn	0.4	USD bn			
	% GDP	1.6		% GDP	0.6	% GDP			
Chile	LC bn	3,750	Spending measures (1,000 bn or 0.7 percent of GDP): Financing of additional healthcare equipment, instruments, laboratories, contracting of emergency personnel and extension of working hours, etc.	Spending measures (0.1 percent of GDP): Includes additional fiscal support and cash transfers for most vulnerable. Revenue measures (1.1 percent of GDP): Suspension of monthly provisional payments of corporate income tax for the next 3 months (allow liquidity of up to US \$ 2.4 bn); reduction of the Stamp and Seals tax. Deferral of payments and advanced pay of liabilities (1.8 percent of GDP): postponement of VAT payment for the next 3 months for all companies with sales below 350,000, and allow monthly instalments at zero real interest rates (a liquidity of 1.5 bn). Early tax refunds of SMEs, postponement of tax payment until July 2020.	LC bn	1,950	Liquidity provision to SMEs and households, including through the state-owned Banco del Estado (0.2 percent of GDP). A state injection to the unemployment insurance system (0.8 percent of GDP).	LC bn	
	USD bn	4.6		USD bn	2.4	USD bn			
	% GDP	1.9		% GDP	1.0	% GDP			

Country / Country group		Above-the line measures			Below the line measures			Government guarantees and other contingent liabilities				
		Total size /1 /2	Spending and revenue measures in the health sector		Spending and revenue measures in sectors other than health		Total size /2 /3	Equity injections, asset purchases, loans, debt assumptions, quasi-fiscal operations, use of extra-budgetary funds	Total size /2 /3	Guarantees on loans and other contingent liabilities		
Colombia	LC bn	n.a.	Health sector budgetary support from central government and a reduction of tariffs for strategic health imports.		Spending measures. • Faster direct contracting for services associated with the emergency response and expanded transfers for vulnerable groups. • Expanded transfers for vulnerable groups (Including accelerated VAT reimbursements). • Created a National Emergency Mitigation Fund (FOME, worth around 1.5 percent of GDP), partially funded from regional and stabilization funds. Deferral of payments: Delayed tax collection for the tourism and air transportation sectors.		LC bn	320	• Bancoldex (Colombian Development Bank) launched a special line of credit for COP250 bn for the tourism and transport sectors • Access to oil stabilization and pension funds in case of emergency. • Capitalization of the National Guarantee Fund to leverage loans to SMEs (COP 70 bn)	LC bn		
	USD bn				USD bn	0.1	USD bn					
	% GDP				% GDP	0.0	% GDP					
	%				%		%					
Egypt	LC bn	100	• The government provides urgent and necessary medical supplies and disburses bonus for medical staff working in quarantine hospitals and labs (EGP 3.8 bn). • State-paid healthcare workers will receive a 75 percent allowance on top of their wages.		Spending measures: • Industrial companies have received subsidies on lower energy costs and subsidy pay-out for exporters. • Pensions have been increased by 14 percent; subsidy pay-out for exporters has been stepped up. EGP 50 bn has been announced for the tourism sector support. Targeted EGP 50 million support for irregular workers in most severely hit sectors. Around 80-100k families will be added to Takaful and Karama benefit programs at a cost of about EGP 800 million.		LC bn		• Stock-purchase by the central bank (EGP 20bn). • Funds for tourism sector bailouts of EGP 50 bn announced. Various loan subsidies to tourism, industry, agriculture and housing: The preferential interest rate on loans to SMEs, industry, tourism, agriculture and housing for low-income and middle-class families has been reduced from 10 percent to 8 percent. • A new debt relief initiative for individuals at risk of default was announced, that will waive marginal interest on debt under EGP 1 million if customers make a 50 percent payment.	LC bn		
	USD bn	6.1			Revenue measures. • Temporary real estate tax relief has been provided for industrial and tourism sectors; the moratorium on the tax law on agricultural land has been extended for 2 years; a 6-month grace period for SMEs to pay insurance premiums. • The stamp duty on transactions and tax on dividends have been reduced for equity investors and capital gains tax has been postponed until January 2022 and foreign investors are permanently exempt. Investors will now pay a withholding tax of 5 percent on dividend payouts from listed companies, down from 10 percent previously.		USD bn			USD bn		
	% GDP	1.8			% GDP		% GDP					
	%				%		%					
Kazakhstan	LC bn	1,400	Medical staff together with policy and other specialists will receive a bonus of one-month salary.		The size of fiscal support is preliminary staff estimates and only part of the spending will be reflected in general government budget. Spending measures: Cash payments to the unemployed (\$95 per month per person) and support employment under an "Employment Roadmap" program. Other targeted support to sectors hard-hit during the state of emergency. Revenue measures: Measures include tax breaks for large trade centers, cinemas, which are closed during to COVID-19; tax exemptions for individual entrepreneurs and SMEs; and postponement of tax reporting from Q2 to Q3. VAT exemptions on food and socially important goods and services (such as lower utility rate).		LC bn	1900	Subsidized lending will be provided under the state program ("Economy of Simple Things", KZT 1 tn), along with actions to help small and medium-sized enterprises (SMEs) finance their working capital (KZT 600 bn).	LC bn		
	USD bn	3.2			• Employment Roadmap" program. Other targeted support to sectors hard-hit during the state of emergency.		USD bn	4.3		USD bn		
	% GDP	2.1			% GDP	2.9	% GDP					
	%				%		%					
Mauritius	LC bn	1.1	Increase general public health spending (0.2 bn).		The government will also introduce a Wage Support Scheme to limit the socio-economic impact by providing financial support to employees who would become unemployed on a temporary basis.		LC bn	2.9	The State Investment Corporation will raise Rs 2.7 bn (0.5 percent of GDP) to make equity investments in troubled firms. The Development bank will give Rs 0.2 bn (0.04 percent of GDP) in credit for firms short on cash.	LC bn		
	USD bn	0.0			A range of small tax reduction, such as cutting a 1% levy on the tourism sector to 0.5% and reducing port taxes.		USD bn	0.1		USD bn		
	% GDP	0.2			% GDP	0.6	% GDP					
	%				%		%					
Poland	LC bn	68	(8 bn or 0.3 percent of GDP) Allocate to support patient care, co-finance healthcare infrastructure improvements, and telemedicine and digitalization.		Spending measures (58 bn or 2.6 percent of GDP): Wage subsidies for employees of affected businesses up to 40 percent of average wages; care allowance for children owing to school closures; monthly benefit for self-employed individuals; establishing a public infrastructure investment fund.		LC bn			LC bn	68	The Polish Development Fund Group (which includes the main state-owned development bank BGK) will provide financing and guarantees for firms (68 bn).
	USD bn	17			Deferral of payments: Taxpayers can apply for deferral, payment in installments, or cancellation of tax payments/social security contributions. Deduction of 2020 tax losses for 2021 tax settlement.		USD bn			USD bn	17	
	% GDP	3.0			% GDP		% GDP	3.0				
	%				%		%					

Country / Country group		Above-the line measures				Below the line measures				Government guarantees and other contingent liabilities			
		Total size /1 /2		Spending and revenue measures in the health sector		Spending and revenue measures in sectors other than health		Total size /2 /3		Equity injections, asset purchases, loans, debt assumptions, quasi-fiscal operations, use of extra-budgetary funds		Total size /2 /3	
Tunisia	LC bn	2.1	Additional health spending (TND 0.3 bn) and create a fund for the acquisition of equipment for public hospitals; waiver of VAT for business selling medicines (TND 0.03 bn).	Spending measures (TND 1.15bn): Monthly cash transfers for low income households, disabled, and homeless people up to three months; temporary support for unemployed and self-employed; strategic stock of basic food items.		LC bn	1.1	Establishing a financing line for SMEs; some extra-budgetary funds on public donation to the health sector; investment fund to finance private companies to preserve jobs, and a bridging fund for repurchase of shares in investment funds.		LC bn	0.5	Allow the State to guarantee new credits for management, operation and maintenance provided by the banking system until December 31, 2020 reimbursable over seven years, including a two-year grace period in sectors such as tourism, transport, culture, etc.	
	USD bn	0.7		Revenue measures (total TND 0.23 bn): Accelerating VAT refunds and reimbursement; rescheduling tax arrears for up to 7 years; suspension of penalties for delayed tax return for three months; allow companies to revalue their assets based on real value, while exempting the goodwill. Other tax measures to limit layoffs and protect the most vulnerable people especially in the informal sector.		USD bn	0.3			USD bn	0.2		
	% GDP	1.8		Deferral of payments: Postponement of CIT payments, other taxes and social contributions until end-May.		% GDP	0.9			% GDP	0.4		
United Arab Emirates	LC bn	27	Additional disinfection procedures carried out in health, education and other public facilities. Active screening and testing, continuous surveillance and rapid response team to deal with suspected cases.	Spending measures: Federal government has introduced support measures for the private sector by reducing various government fees and accelerating existing infrastructure projects. Abu Dhabi: AED 9 bn (\$2.5 bn) announced by the government as part of the ongoing "Ghadan-21" fiscal stimulus program; provide additional water and electricity subsidies. Dubai: provide additional water and electricity subsidies.		LC bn		The Abu Dhabi government announced provision of loans to SMEs. State-owned enterprises and banks support the private sector through loan restructuring, lowering lease payments (by real estate companies), halting evictions etc.		LC bn		Abu Dhabi: Credit guarantees and liquidity support to small- and medium-sized enterprises.	
	USD bn	7.2		Revenue measures: Abu Dhabi: announced a reduction or suspension of various government fees and penalties, as well as a rebate on commercial lease payments in the tourism and hospitality sectors. Dubai: reduce government fees and simplify business procedures.		USD bn				USD bn			
	% GDP	2.1				% GDP				% GDP			
Selected low income developing countries													
Bangladesh	LC bn	54	An additional Taka 2.5 bn was allocated to the Health Services Division, Ministry of Health & Family Welfare for pandemic preparedness and response plan. The National Board of Revenue has suspended temporarily duties and taxes on imports of medical supplies, including protective equipment and test kits.	Spending measures: • Expansion of existing transfer programs for vulnerable households, as well as support to exporting industries. Increased allocation has been made to the Open Market Sale (OMS) program to ensure adequate food supply for lower-income class households, particularly those dependent on daily wages. • The government has announced to provide support to different export-oriented industries employing in excess of 4 million workers and directed to wage and allowance support.		LC bn	50	The government planned to extend soft loans (TK 50 bn).		LC bn			
	USD bn	0.6				USD bn	0.6			USD bn			
	% GDP	0.2				% GDP	0.2			% GDP			
Honduras	LC bn	6	L3.8 bn in purchases of medical supplies and enabling of temporary medical facilities, hiring of additional healthcare personnel	Spending measures: Temporary and targeted fiscal measures taken by the authorities include: financing of a public program to deliver food supplies to the poor; temporary unemployment benefits for workers in the formal sector during the national curfew, with estimated cost of L2 bn. Deferral of payments: Deferrals on tax and social contribution payments, especially favoring SMEs.		LC bn				LC bn			
	USD bn	0.2				USD bn				USD bn			
	% GDP	0.9				% GDP				% GDP			
Nigeria	LC bn	n.a.	A total of N7.5 bn was allocated for health sector, including contingency funds released to Nigeria's Center for Disease Control for more testing kits and opening more centers and train medical personnel.	Spending measures: A fiscal stimulus package to provide relief for taxpayers and incentivize employers to retain and recruit staff during the downturn is being designed, and an automatic fuel price formula introduced to ensure fuel subsidies are eliminated. The government is reviewing its 2020 budget and, given the expected large fall in oil revenues, announced plans to cut/delay non-essential capital spending by N1.5 tn (close to 1 percent of GDP). Revenue measures: Import duty waivers for pharmaceutical firms will be introduced.		LC bn				LC bn			
	USD bn					USD bn				USD bn			
	% GDP					% GDP				% GDP			

Country / Country group		Above-the line measures			Below the line measures		Government guarantees and other contingent liabilities	
		Total size /1 /2	Spending and revenue measures in the health sector	Spending and revenue measures in sectors other than health	Total size /2 /3	Equity injections, asset purchases, loans, debt assumptions, quasi-fiscal operations, use of extra-budgetary funds	Total size /2 /3	Guarantees on loans and other contingent liabilities
Senegal	LC bn	761	A strategic plan to fight against COVID-19 is being implemented to i) enhance testing and treatment capacity, ii) strengthen preventive measures, and iii) intensify communication. The authorities' action plan includes measures in the health sector of 73 bn (0.50% of GDP).	Spending measures: Additional allocation of 121 bn (0.83% of GDP) on social safety net programs to include: urgent food aid, cash transfers to vulnerable households, and subsidies to help most vulnerable to help pay utility bills (water, electricity). In addition, an amount of 100 bn (0.69% of GDP) will be allocated to other economic support measures, such as direct support to heavily hit sectors, and 252 bn (1.74% of GDP) for repayment of outstanding arrears to the private sector. Revenue measures: The government intends to adopt tax measures, providing some general tax relief, with partial forgiveness of outstanding taxes (200 bn, 1.4% of GDP), and targeted support to the most affected sectors (hotels, restaurants, transport and culture), including VAT suspension (15 bn, 0.1% of GDP).	LC bn		LC bn	
	USD bn	1.3			USD bn		USD bn	
	% GDP	5.2			% GDP		% GDP	
Vietnam	LC bn	97,700	Exemption of import tariff for medical material. Suspension of VAT for domestically produced medical material; treatment costs of Covid-19 positive patients are covered by either Health Insurance Fund (under Vietnam Social Security) or by the state budget.	Spending measures: Planned cash transfers of about VND 36 tn (0.6 percent of GDP) to vulnerable households, including the poor, recipients of social protection program, workers who temporarily stopped working or have been on unpaid leave, unemployed workers without unemployment insurance, and self-employed workers. An additional VND 61.7 tn for public investment (carryover from 2019) under consideration. Revenue measures: Lower business registration fee (one year exemption of business registration tax for newly established household business; first 3-year exemption of business registration tax for SMEs); streamline tax and custom audit and inspection at firms; continued exemption of agricultural land use tax for households and farmers; corporate income tax relief for SMEs; and preferential tariffs on key items. Deferral of payments: Include VND 180 tn (3 percent of GDP) tax and land rental payment deferrals (for 5 months) to support affected entities; affected firms are allowed to defer their contribution (up to 12 months) to the pension fund with no interest penalty for late payment (additional 9.6 tn VND or 0.2 percent of GDP out of the extra budgetary funds, and not state budget).	LC bn		LC bn	
	USD bn	4.2			USD bn		USD bn	
	% GDP	1.2			% GDP		% GDP	

Sources: National authorities and IMF staff estimates.

Note: 'mn', 'bn', and 'tn' refer to million, billion, and trillion respectively. 'LC bn' refers to local currency billion and 'n.a.' are not available. Numbers in U.S. dollar and percent of GDP are based on April 2020 World Economic Outlook projections for 2020 unless otherwise stated.

1/ Excludes deferral of payments (such as taxes or social security contributions) to the government and advance pay of liabilities (such as pensions or other benefits) by the government to the extent possible and depending on the availability of information.

2/ Excludes state government measures in federations.

3/ Some estimates do not have a breakdown between loans and loan guarantees.

4/ The December 2019 stimulus package was subsumed in the new April 2020 fiscal package in response to the pandemic.

5/ For Argentina, USD numbers refer to end-March 2020 exchange rate.