The Policy Space Index Revisited – Countries' Capacity for Crisis Response

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ABSTRACT: This paper revisits and updates the Policy Space Index (PSI), originally developed by Ferrer and Kireyev (2023), to assess countries' short-term macroeconomic capacity to respond to economic shocks. The PSI integrates fiscal space, monetary space, and reserve adequacy into a unified metric expressed as a percentage of GDP, adjusted for institutional characteristics including exchange rate regimes, capital market access, debt distress risk, and reserve currency status. Drawing on publicly available databases, this update provides a comprehensive country-level assessment of effective policy space in 2024 and tracks its recent evolution. The analysis reveals a stark global divide: while 90 countries representing 70 percent of global GDP retain sufficient space for immediate crisis response, 91 countries—home to half the world's population—have limited or no policy space and would likely require external support during a crisis. The update documents a concerning global decline of 15 percent of GDP in nominal policy space over 2020–24, driven primarily by rising public debts.

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I. Introduction

1. This paper revisits and updates the Policy Space Index (PSI), originally developed by Ferrer and Kireyev (2023). The PSI integrates three quantitative components—fiscal space, monetary space, and reserve adequacy—into a single metric expressed as a percentage of GDP. It adjusts these components for institutional characteristics such as exchange rate regime, access to capital markets, debt distress risk, and reserve currency status, thereby producing an effective measure of policy space that reflects governments' short-term deployment capacity in a crisis. Unlike the IMF's fiscal space framework, which focuses on discretionary fiscal policy and debt sustainability, the PSI offers a broader, multidimensional view of macroeconomic maneuverability.

2. This updated version of the PSI draws on the latest vintage of publicly accessible databases. Chief among them are the IMF's World Economic Outlook database, Annual Report of Exchange Arrangements and Exchange Restrictions (ARAER), published debt sustainability analyses (DSA), sovereign ratings etc. The PSI takes stock of the policy spce as of 2024 and also tracks its evolution since 2020, revealing a global decline of 15 percent of GDP in nominal policy space, driven primarily by rising public debt. Effective space declined more modestly, with notable losses in the Middle East and Central Asia. These findings underscore the importance of institutional resilience and the need for coordinated policy frameworks that preserve and expand policy space.

3. The remainder of the paper is structured as follows. Section II reviews the literature and conceptual foundations of policy space. Section III details the quantitative components of the PSI. Section IV discusses institutional factors and their interaction with nominal policy space. Section V presents estimates of nominal and effective policy by country groups and for individual countries. Section VI concludes with policy implications for policy and future research. The detailed description of the methodology and country-level assessment are included in Annexes 1 and 2 respectively.

II. Policy Space – Further Developments

Recent Literature

4. The concept of policy space initially emerged in the context of trade and later expanded into macroeconomics. In WTO-centered discussions of the early 2000s, policy space referred to the latitude national governments retained to pursue development strategies despite their commitments under global trade and investment agreements. For instance, Page (2007) argued that tariff bindings, TRIPS, and investment rules constrained states' ability to adopt policies tailored to their development needs. UNCTAD (2004) emphasized sovereignty, the right to development, and special treatment for developing countries as legal foundations for preserving such autonomy. Similarly, Muchhala (2007) stressed that global trade rules could diminish developing countries' capacity to shape industrial policy. Chang (2006) linked policy space to long-term development trajectories, noting that advanced economies historically relied on unilateral protectionist tools now restricted by multilateral WTO agreements.

5. In macroeconomic literature, policy space was initially viewed primarily as a post-crisis stabilization tool. Ocampo and Vos (2008) later reinterpreted the concept, showing that deeper integration into global finance had reduced developing countries' ability to implement countercyclical policies. Following the Global Financial Crisis, the IMF (2010) emphasized that governments retained room to support recovery through coordinated fiscal and monetary policies. However, critics argued that Fund conditionality left little genuine autonomy. Grabel (2011) described the IMF's approach as "productive incoherence," where contradictory strategies undermined real policy space. Kentikelenis, Stubbs, and King (2016) found limited evidence that IMF programs allowed meaningful flexibility. Romer and Romer (2017) demonstrated empirically that countries with greater pre-crisis monetary and fiscal space experienced milder recessions, reinforcing the practical

importance of preserving buffers. The IMF (2016a) later acknowledged that zero lower bound constraints and elevated debt burdens curtailed policy choices.

6. Recent research on fiscal space has framed it as a complex multidimensional concept. Jackson (2021) argues that policy space, countries' freedom to design own economic policies, is shaped by interstate power imbalances rather than formal rules. This leaves both developing and developed countries with insufficient flexibility and a more flexible system of economic development is needed. Kose et al. (2022) provided a harmonized database of fiscal indicators—capturing debt sustainability, interest burdens, and financing conditions across countries—offering policymakers a practical benchmarking tool. Building on this, the World Bank (2025) systematized 29 indicators across debt sustainability, balance-sheet structure, external and private-sector risks, and market access for over 200 economies, enabling panel-style monitoring of fiscal space over time. Hong, Ke, and Nguyen (2024) linked fiscal space erosion to mounting pressures from climate finance, defense spending, and aging populations, arguing that traditional debt metrics fail to capture these forward-looking liabilities. The IMF's Fiscal Monitor mapped how elevated post-pandemic debt, rising interest bills, and climate-policy needs compress fiscal space, and proposed medium-term anchors and consolidation strategies to rebuild buffers without derailing growth (IMF 2023; IMF 2024). The IMF's Independent Evaluation Office (2024) further noted that IMF advice often oscillated between urging preservation and encouraging use of fiscal space, illustrating the political-economy dilemmas inherent in fiscal planning.

7. As a corollary to fiscal space, research emphasized the need to preserve debt space. The UNCTAD (2025) report framed public debt as a structural development constraint that erodes fiscal space—referred to as "maneuverability"—and diverts resources from development priorities. Mitchener and Tresbesch (2023) argued that historical analogs, such as interwar debt spirals, offer cautionary lessons about the limits of fiscal expansion under fragile institutional settings. Meanwhile, Brunnermeier and Reis (2023) explored how debt space is increasingly shaped by financial architecture, noting that sovereign liquidity crises often stem from opaque off-balance-sheet exposures rather than headline debt ratios. Farhi and Tirole (2023) emphasized the role of contingent liabilities and fiscal guarantees in compressing usable debt space, especially in economies with weak budget transparency.

8. Monetary space has also been reconceptualized as a composite rather than a simple gap measure. Borio, Disyatat, Xia, and Zakrajšek (2021) argued that monetary space should be defined not by nominal policy rates alone but also by credibility, financial conditions, and inflation expectations. Lake, Campbell, and Crews (2023) added a dynamic perspective, showing how central banks learn strategies at the effective lower bound, with credibility shaping how much real space exists even when nominal rates are constrained. The Bank for International Settlements (BIS) leadership emphasizes that credible frameworks and restored buffers are essential for preserving monetary space before the next shock arrives (Carstens 2025).

9. Reserve space has similarly evolved from a unidimensional, static concept into a multidimensional, dynamic metric. The IMF updated its Reserve Adequacy Framework (IMF, 2025a), and its Assessing Reserve Adequacy (ARA) portal now consolidates metrics that scale reserve needs to country-specific characteristics—such as exchange-rate regime, capital controls, and liability structure—operationalizing how much external space can be used without destabilizing expectations. In the same vein, recent empirical work revisits how reserves interact with exchange-rate policy and capital-flow management, thereby reshaping usable reserve space (NBER 2022). This strand dovetails with the IMF Integrated Policy Framework, which emphasizes the need to use combinations of policy tools—interest rates, foreign exchange interventions, macroprudential measures, and capital-flow management (IMF 2023).

10. Overall, recent research reframes policy space as a multidimensional and dynamic concept. To quantify this space, Ferrer and Kireyev (2023) proposed a Policy Space Index (PSI), which combines fiscal space indicators with measures of nominal monetary space and reserve adequacy, allowing for direct cross-country comparisons expressed as a percentage of GDP. The IMF's World Economic Outlook has repeatedly described the narrowing room for fiscal and monetary maneuver since the pandemic, urging tighter

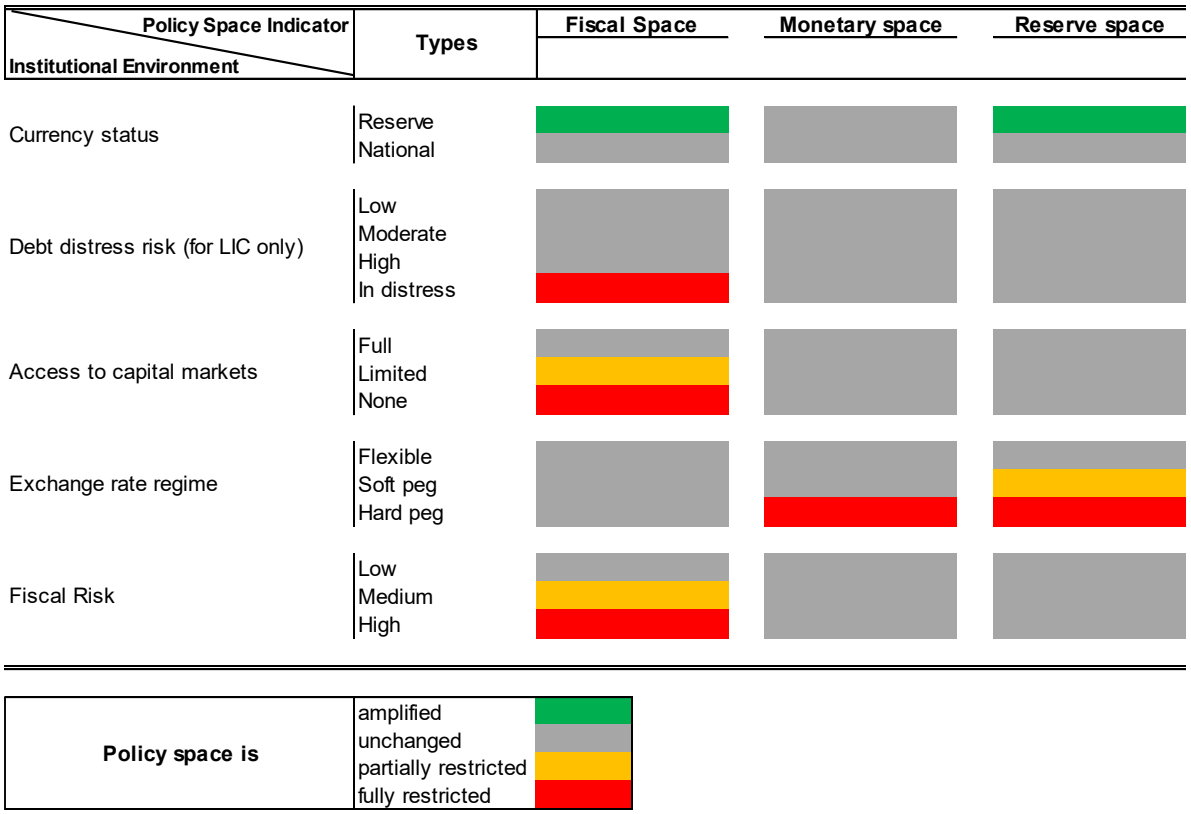
coordination and structural reforms (IMF 2023). WTO staff extend the concept of policy space beyond macroeconomic stabilization to include industrial, trade, and climate policies, arguing that preserving national policy space must be balanced against the efficiency and predictability offered by rules-based cooperation (WTO 2025). Gnangnon (2025) retested the assertion that WTO membership restricts developing countries' trade policy space. Collectively, these sources conceptualize policy space as a composite of fiscal headroom, monetary credibility, external buffers, institutional latitude, and international commitments—elements that lend themselves well to its representation as an index.

Policy Space Matrix

11. Policy space is defined as financial capacity of country for an immediate response to a shock. This concept encompasses financing from all sources, whether domestic or borrowed, and through all instruments, both existing and newly introduced, and without compromising macroeconomic stability. Unlike broader definitions in literature, this framing focuses exclusively on the immediate horizon (current or next year) and integrates all available financing channels, not just fiscal. It also allows for quantification in both national currency and as a percentage of GDP, offering a practical metric for assessing short-term policy flexibility. Obviously, policy space is part of a macroeconomic framework. In this broader context, available policy space depends on and reflects fiscal, monetary, exchange rate, structural and other macroeconomic policies conducted by the government. It should be defined relative to the current level of state variables, such as real growth, inflation, fiscal deficit, current account deficit, and debt, and then assessed in a dynamic forward-looking model.

12. Policy space concept can be presented in a matrix form. This is a 5x3 matrix, which reflects quantitative and qualitative components of policy space (Figure 1). Quantitatively, policy space should reflect at a minimum the country's fiscal, monetary, and reserve stance. This is usually done using limits on the amount of debt and other fiscal indicators, floors on the amount of reserves, or lower bounds to the central bank's policy rate. This is what we do for the calculations of the police space index and refer to them in general as "thresholds". Qualitatively, the assessment of policy space under each of these components depends on the country's national currency status (reserve currency or national currency), income group (advanced economies (AE), emerging markets (EM) or low-income countries (LIC)), its access to capital markets (full, limited or none), debt distress risk (low, moderate, high, in distress), and its exchange rate regime (flexible, soft peg or hard peg). There are two different fiscal components in the policy space concept: fiscal space as measured quantitatively in percent of GDP; and 'fiscal risks' as measured by investors' sentiments and willingness to lend (access to capital markets and risk of debt distress). Assessing both usually involves substantial expert judgment.

Figure 1. Effective Policy Space Matrix



Source: Author's presentation.

13. Policy space can be assessed in both nominal and effective terms. *Nominal policy space* refers to the gap between a predefined threshold and the actual value of a policy indicators such as debt-to-GDP or reserves measured in months of imports. This space is positive when the indicator is below the threshold and negative when it exceeds it. *Effective policy space* is derived from nominal space by adjusting it based on a country's institutional environment, the part of nominal policy space that a country can really use given its institutional constraints. While nominal space might suggest a certain capacity based on indicators, effective space reflects what is genuinely available for use—what can be acted upon, not just in principle. Details on the calculation methodology are included in Annex I.

14. The color scheme reflects the degree of rigidity imposed by institutional constraints on policy space. In Figure 1, green indicates that the institutional environment amplifies existing nominal space, for example, in reserve currency countries with substantial fiscal flexibility. Grey denotes a neutral institutional setting, where the full extent of nominal space can be utilized. Yellow and red signal partial or severe restrictions, respectively, imposed by institutional features. For instance, under a flexible exchange rate regime, monetary space is fully accessible. In contrast, a fixed exchange rate regime significantly constrains monetary space, potentially rendering monetary policy infeasible unless reinforced by strong capital controls. Thus, even if nominal monetary space exists in theory, it may be effectively unusable. Importantly, effective policy space is always non-negative, as it is not possible to adjust space that does not exist.

15. The updated index is based on publicly available data. They include the IMF's World Economic Outlook (WEO) database (April 2025 edition, updated in July 2025), which supersedes the 2020 data used in

the original version. The WEO database provides macroeconomic data for over 190 countries, covering approximately 98 percent of global GDP and 97 percent of the world's population as of 2024. However, around 20 countries and territories are excluded from this analysis due to the absence of recent data on key indicators. Additional sources include databases from the World Bank, Haver Analytics, and Bloomberg. The update also incorporates significant institutional changes observed across many countries since 2000, such as the reclassification of their de facto exchange rate regimes, assessments of debt sustainability, and shifts in access to international capital markets.

III. Policy Space Components

16. Quantitatively, policy space is defined as a compound of fiscal space, monetary space, and reserve space. Each component represents a distinct domain of macroeconomic management, while together they delineate a government's short-term ability to respond to economic shocks. Each component is institutionally anchored. Fiscal space is managed by the ministry of finance and shaped by fiscal policy, which determines public debt levels and gross financing needs. Monetary space falls under the purview of the central bank, with monetary policy influencing inflation dynamics and the accumulation of international reserves. Effective coordination between fiscal and monetary authorities enables the integrated management of these policy levers, allowing for the strategic deployment of available instruments and the exploitation of their complementarities. This interaction enhances the overall efficiency of the policy response and operationalizes the concept of policy space as a unified framework.

Fiscal Space

17. Fiscal space represents a country's ability to respond to shocks without jeopardizing macroeconomic stability. This is the main quantitative component of policy space. Fiscal space comprises two key components: borrowing space and financing space[1]. *Borrowing space* refers to a country's capacity to take on additional debt without undermining debt sustainability. It is considered adequate when the primary balance required to stabilize public debt is feasible, rollover risks are low, and potential growth is preserved. *Financing space*, on the other hand, reflects the ability to meet gross financing needs without compromising liquidity. Gross financing needs (GFN) are defined as the government's debt amortization payment obligations that are not covered by the overall fiscal balance (IMF, 2025b). Equivalently, GFN are the sum of fiscal deficit and public debt amortization in a given year. A relatively low budget deficit and smaller upcoming debt repayments contribute to creating room and allowing governments to raise spending or lower taxes in case of need, without compromising debt sustainability and market access.

18. Fiscal space calculated for the purposes of the PSI is broader than just borrowing space. While borrowing space reflects a country's ability to take on debt without compromising solvency—typically constrained by debt sustainability and vulnerability indicators—fiscal space encompasses all financing options available to the government. Even in the absence of borrowing space, countries may retain fiscal space by financing themselves through non-debt financing mechanisms, such as the sale of financial assets (e.g., currency and deposits, SDRs, non-monetary gold, equity holdings, and investment fund shares) or privatization of public corporations. Governments may also mobilize resources by selling non-financial assets, including fixed assets (e.g., buildings, machinery, intellectual property), inventories, valuables, and non-produced assets (e.g., land, mineral rights, and spectrum licenses). In extreme cases, under fiscal dominance, government may select to recur to monetary financing. Also, even countries with high public debt may retain some borrowing space if their gross financing needs remain low. Therefore, fiscal space should not be equated with borrowing space, as it includes a wider array of instruments beyond debt issuance. If both the borrowing space and gross

[1] This definition is broader than the definition used by the IMF, which narrowly defines fiscal space as the room for undertaking discretionary fiscal policy by raising expenditure or reducing taxes relative to existing baseline without compromising market access and debt sustainability (IMF, 2018a). The IMF classifies countries by availability of fiscal space.

financing needs remain below their respective thresholds in the year prior to projections and throughout the projection period, their contribution to fiscal space is considered positive. Conversely, if either benchmark is breached at any point, the contribution is deemed negative.

19. Fiscal space is calculated as a composite of borrowing space and financing space. For borrowing space, the sustainability threshold is a public debt-to-GDP ratio. Borrowing space is then calculated as the difference between a country's public debt and its sustainability threshold. Similarly, for financing space, the sustainability threshold is the gross financing need-to-GDP. Accordingly, financing space is calculated as the difference between a country's gross financing needs as percent of GDP and the corresponding sustainability threshold. The thresholds for both variables are defined as a function of the country's income group (AE, EM, LIC) and their access to capital markets (none, limited, full). The following matrix summarizes these thresholds (Figure 2). The sustainability thresholds for LICs are calculated in *present value*[2] of their debt at a 5% discount rate, while for AEs and EMs the thresholds are based on the nominal level of their debt stock. Gross financing needs thresholds are all defined in levels.

Figure 2. Borrowing Space and Financing Space Thresholds (In percent of GDP)

		Public Debt			Gross Financing Needs		
		AE	EM	LIC*	AE	EM	LIC
Access to capital markets	None	70	55	35	15	10	7
	Limited	70	60	55	15	15	10
	Full	85	70	70	20	15	15

** In present value*

Source: IMF, 2020a; authors' calculations.

Monetary Space

20. For the purposes of the PSI, monetary space is defined as central banks' ability to stimulate the economy without compromising price stability. Monetary space is considered to exist, if headline inflation is projected to remain below target. In this case, central banks have substantial discretion to reduce policy rates or implement quantitative easing, at least in the short run before inflation expectations change and inflation approached the target. In countries where inflation is already at the target, monetary space can still exist if central banks intend to raise temporarily the target to stimulate the economy. In the inflation target is defined as a corridor, its lower and upper bounds could affect the use of policy space. For countries with inflation above target, but still below the upper bound, a more nuanced assessment of monetary space is warranted than just by comparing inflation to the target. The same is true for countries with inflation slightly above the upper bound, if the central bank is viewed as strong and credible, if he upper bound is considered too ambitious or the inflationary spike considered transitory. For countries without an inflation targeting framework, an average 2024 inflation target for their respective income group is used as an implicit inflation target.

21. The existence of monetary space has been called into question by the zero bound on policy rates. For example, Romer and Romer (2017) measure monetary policy space as a dummy variable for whether the policy rate is above the zero-lower bound. They suggest that the simplest measure of monetary policy space in

[2] In line with DSF practices, a 5% discount rate is used for all countries.

advanced economies is a dummy variable that is equal to 1, if the policy interest rate is greater than 1.25 percent at the end of the previous half-year, and 0 otherwise, to illustrate that if the policy interest rate is below a certain level, central banks are severely limited in their conventional monetary policy. Other variants of this measure are also possible, such as different cutoff level and a range of means and standard deviations of the cumulative normal distribution in the policy rate. It should be also acknowledged that monetary policy space or space to change policy rates is also affected by the difference between actual and potential output or between real and neutral real interest rates. Lilley and Rogoff (2020) consider that the effective zero bound on policy interest rates is not an impediment for monetary policy, as on technical grounds, there is no reason why interest rates cannot be set deeply negative "if backed up by measures to prevent cash hoarding by financial firms."

22. Monetary space is measured here as an intersection of growth and inflation. On one side, central bank's monetary policy can be constrained by the zero-lower bound, although historically in some AEs interest rates dropped below zero. To better capture this reality, the PSI applies an effective lower bound of -1 percent. On the other hand, monetary policy is also constrained by the need to ensure controlled inflation as defined by their inflation target. Therefore, the PSI measure of monetary space is the central bank's room to support growth through both conventional and unconventional monetary policy, if inflation remains reasonably close to the target. Central banks are assumed to exhaust their conventional monetary policy tools before using unconventional policies such as quantitating easing. This assumption allows for accounting for the central bank's decision-making process in setting policy rates.

Reserve Space

23. The PSI's reserve adequacy indicator is derived from the reserve adequacy metric. The traditional metrics, which remain broadly relevant and are routinely used for policy making, include import cover, the ratio of reserves to short-term debt, and the ratio of reserves to broad money (IMF, 2011). The import cover ratio is usually viewed as relevant for countries with relatively closed capital accounts, as it points at how long imports can be sustained in the event of a shock. Its traditional metrics have been based on months of prospective imports, with 3 months of import coverage and 100 percent cover of short-term debt with reserves as the most widely used standards of adequacy (IMF, 2013). Finally, for countries with large banking sector and very open capital accounts, the ratio of reserves to broad money has been used to capture capital flight risks, with the upper end of a prudent range for reserve holdings typically set at 20 percent (IMF, 2016b). This framework and its thresholds are described in the IMF's Assessing Reserve Adequacy – Policy Papers (IMF, 2011, 2016, 2017, 2021).

24. The latest Assessing Reserve Adequacy metric is constructed as a weighted sum of potential sources of balance of payments pressures. The Assessing Reserve Adequacy (ARA) metric includes short-term external debt (capturing risks of sudden capital outflows), other portfolio liabilities such as non-resident equity and debt holdings (capturing risks of portfolio withdrawal), broad money (capturing risks of resident capital flight), and exports (capturing risks from a sudden loss of trade receipts). The relative weights applied to these components vary by country type, reflecting structural differences in external vulnerabilities. For example, the ARA formula for emerging markets estimates reserve needs by summing weighted exposures of 30 percent of short-term external debt, 15 percent of other portfolio liabilities, 5 percent of broad money, and 10 percent of annual exports, all measured in U.S. dollars. Reserve adequacy is then assessed by comparing actual reserves against this metric, where 100–150 percent of the ARA metric is considered adequate, coverage below 100 percent signals insufficient reserves and heightened vulnerability, while levels above 150 percent imply more than adequate coverage (IMF 2025a).

25. For the PSI, the reserve space is defined as the level of reserves exceeding two ARAs. Assuming that countries hold reserves for precautionary and liquidity purposes, the adequacy level would depend on the country's income group and access to capital markets. As due to data constraints the IMF's ARA includes only 78 countries, to increase the country coverage the PSI uses a simplified version of the metric. It contains

adequacy thresholds for reserves in months of next year's imports and in percent of short-term debt but for all county's income group and conditional on their access to capital markets (Figure 3). For instance, EM and LIC reserves are considered adequate if the country maintains three or more months of the prospective value of imports of goods and services. Additionally, EM and LIC reserves need to accrue to 100 percent of short-term debt if they have at least some constraints to international capital markets. If not, only 50percent of short-term debt cover is assumed as adequate. On the other hand, AE reserves are considered adequate above one month of imports and no short-term debt cover is required.

Figure 3. Reserve Adequacy Thresholds

		Months of Imports*			% of Short-term Debt		
Access to capital markets		AE	EM	LIC	AE	EM	LIC
	None	1	3	3	0	100	100
	Limited	1	3	3	0	100	100
	Full	1	3	3	0	50	50

** Next year's imports*

Source: IMF, 2015; authors' calculations.

IV. Institutional Environment

26. Qualitatively, policy space is critically shaped by the institutional environment. A government's ability to maintain and expand its policy space reflects the institutional, structural, and policy constraints within which it operates. For the purposes of this paper, five components of the institutional environment are considered: the international status of the local currency (reserve or non-reserve), the country's income classification, access to international capital markets, risk of debt distress, and the exchange rate regime. Between 2020 and 2025, the institutional environment deteriorated across most of these dimensions, adversely affecting the PSI.

International Status of National Currency

27. The reserve currency status of the national currency amplifies policy space. Reserve currency is conventionally defined as a foreign currency held in significant quantities by central banks as part of their foreign exchange reserves. IMF Articles of Agreement do not define reserve currency directly, but they mention reserve assets.[3] Reserve currencies constitute a specific category of official reserve assets, referring to currencies that provide the public sector with both a reliable store of value and assured access to international liquidity. This liquidity dimension aligns with the IMF's definition of "freely usable currencies," which, under the Articles of Agreement, are those widely used for international payments and actively traded in principal exchange markets. According to the IMF's Currency Composition of Official Foreign Exchange Reserves (COFER) release for Q1 2025, the currencies individually identified as components of global reserves include the U.S. dollar, euro, Chinese renminbi, Japanese yen, pound sterling, Australian dollar, Canadian dollar, and Swiss franc. All other currencies are grouped under a residual "other currencies" category. These eight currencies collectively account for approximately 97 percent of total allocated reserves (IMF, 2025c). Also, the SDR basket—comprising the U.S. dollar, euro, Chinese renminbi, Japanese yen, and U.K. pound sterling—

[3] Article VIII, Section 7 sets out the obligation of each IMF member to collaborate with the Fund and with other members in order to ensure that the policies of the member with respect to reserve assets are consistent with the objectives of promoting better international surveillance of international liquidity (IMF, 2025 Article of Agreement).

serves as an institutional benchmark for reserve currency status, reflecting both liquidity and global acceptance (IMF, 2025c).

28. For the PSI, reserve currency countries (RCCs) are defined as the United States and countries in the Euro area. Their central banks issue reserve currencies (US dollar and Euro, respectively), their government repay their debts mainly in national currencies, can readily swap their nationals currencies for other currencies, and their currencies are widely accepted for international transactions[4]. The U.S. dollar dominates international settlements as it is on one side of nearly 90 percent of all foreign exchange transactions and accounting for about 50 percent of global cross-border payments. The euro is the second most widely used currency, involved in roughly 30 percent of FX transactions and representing about 20 percent of international settlements, largely reflecting its role in intra-European trade and finance. Other COFER currencies are excluded from RCCs for the purposes of the PSI as play much smaller role in international settlements: the Japanese yen accounts for around 17 percent of FX turnover, while the British pound about 13 percent, and the Chinese renminbi about 7 percent (BIS, 2023). Also, IMF ARA metrics do not apply to any COFER country, other than China (IMF, 2025c). The only update for the past five years reflects that fact the Croatia joined the Eurozone and thus became an RCC.

29. In RCCs, money cannot 'run out.' A growing body of literature continues to affirm that governments in RCCs can always borrow from their own central banks—effectively financing debt through money creation. Landau (2020) emphasized that while such policies carry risks of inflation and default, these are manageable policy variables, not hard constraints. Blanchard and Pisani-Ferry (2020) similarly argued that when interest rates are at the zero lower bound, central bank purchases of government bonds merely swap one zero-interest liability (debt) for another (money), leaving public debt dynamics unchanged. Mkhatrishvili (2025) deepened this view by modeling endogenous money creation within macro-banking systems, showing how liquidity and solvency constraints—not technical feasibility—govern the limits of monetary finance. Turner (2015) had already noted that the feasibility and desirability of monetary finance in advanced economies was not in doubt. What remains, as literature suggests, is a political exclusion of monetary financing from the policy toolkit. Once its feasibility is acknowledged, the government budget constraint in RCCs becomes a self-imposed policy choice, not an economic constraint.

30. Therefore, the need for reserve buffers varies significantly between RCCs and other economies. Reserve currency issuers and countries with standing central bank swap lines are unlikely to require substantial reserves for precautionary purposes, since they can issue domestic assets that are readily exchangeable for foreign currency at any time. By contrast, non-reserve issuers without assured access to reserve currencies must rely on external buffers, including foreign exchange reserves, to insure against market dysfunction and liquidity shortfalls. While RCCs may choose to hold reserves in foreign currencies—such as U.S. dollars—to meet obligations or conduct transactions denominated in those currencies, they do not face the same imperative to accumulate large precautionary reserves.

31. Non-RCCs have strong institutional disadvantages in policy space. Non-RCCs' policy space is severely limited by the fact that other countries do not demand their currencies with the view to replenish their reserves or pay for international transactions. Therefore, the scope for non-RCCs' central banks to expand their balance sheets is limited. In these countries, money can actually 'run out,' as confidence in local currency can be undermined, if the central bank's credibility is put at risk by concerns that its balance sheet is abused by government. If economic agents consider that the central bank will not be able to maintain monetary policy independence, when the government purchases assets, then inflationary pressures may build, and inflation

[4] An important distinction from the U.S. dollar is that, although Eurozone countries benefit from having a reserve currency (the euro), none of them controls it and therefore their own monetary space. The euro is managed by the European Central Bank (ECB), which targets a weighted aggregate of inflation for the Eurozone as whole and implements a unified monetary policy on behalf of all member states in the Eurozone.

expectations may become de-anchored. In non-RCCs, such market doubts could lead to currency substitution, and thus exchange rate depreciation and imported inflation.

Income Group

32. The classification of countries used for the PSI includes three groups. These are advanced economies (AEs) as defined by IMF WEO classification (IMF, 2025d WEO Groups and Aggregate information), low-income economies defined as "all countries eligible to obtain concessional financing from the Fund" (IMF, 2023 Handbook of IMF Facilities for LICs). All other countries are considered emerging market economies (EMs). This classification is not based on strict criteria, economic or otherwise, and has evolved over time. The objective is to facilitate analysis by providing a reasonably meaningful method of organizing data.

33. Countries' income level affects policy space. AEs are generally characterized by high-income, stronger institutional stability, rule of law, business practices, and resilience to shocks than lower-income economies. Therefore, AEs have advantages in all three quantitative components of policy space. For example, their fiscal space is amplified by their internationally recognized public debt and more stable public finances reflected in higher sustainability thresholds with respect to EMs and LICs. AEs' monetary space is also amplified by their capacity to set negative policy rates, attributable to higher central bank credibility and the higher overall stability and maturity of financial markets in AEs. Finally, AEs' reserve space is amplified by the lower probability of balance of payments shortfalls and their higher access to international markets in case of external shocks. This translates into lower reserve adequacy thresholds for AEs than for EMs and LICs. The combination of higher debt/GFN thresholds, ability to set negative policy rates, and lower reserve coverage thresholds by itself creates additional policy space in AEs relative all other countries.

34. In 2020-25, several countries have been reclassified in a different income group. Specifically, four countries previously classified as LICs and were reclassified as EMs due to sustained income growth, market development, or graduation from PRGT eligibility (Bangladesh, Uzbekistan, Moldova and Vietnam). Croatia joined the Eurozone and became an AE. Three countries were downgraded from EMs to LICs (Sri Lanka, Ghana and Ukraine) mainly because of debt and war-related issues (IMF 2025d, Classification of Economies in the WEO; IMF, 2021 PRGT Eligibility Updates). Such reclassifications have had an institutional impact on the assessment of their policy space.

Access to Capital Markets

35. Access to capital markets directly influences a country's policy space. In principle, the ability to borrow from international markets expands fiscal space—provided financing is available at a reasonable risk premium. Conversely, when a country's debt is rated as highly speculative, it is effectively considered to have no fiscal space, reflecting investor reluctance to purchase its sovereign bonds and limiting its ability to raise funds through debt issuance. Market access is typically assessed via sovereign bond spreads: higher spreads imply greater risk premiums and reduced access. In addition, indicators associated with fiscal distress—such as the share of public debt held by non-residents, foreign currency-denominated debt, short-term maturities, and external financing needs—can indirectly signal constraints on market access.

36. The PSI measures access to capital markets by Moody's global ratings. The reason for the selection of Moody's over other ratings agencies is that Moody's country coverage is more comprehensive, and the ratings are more granular. These ratings on long-term obligation in foreign currency reflect opinions on the relative credit risk of fixed-income obligations with an original maturity of one year or more (Moody's, 2025). The ratings assess the possibility that a financial obligation will not be honored as promised and reflect both the likelihood of default and any financial losses suffered in the event of default. Over 140 countries have Moody's ratings and are labeled according to Moody's credit risk scale from Aaa to D. The PSI defines an indicator that takes three values based on these classifications: full access (investment grade ratings) taking a value of 2, limited access (non-investment grade ratings with speculative elements) taking a value of 1, and no access

(noninvestment grade ratings with obligations in or near default) with a value of 0. If no classification is available, PSI assumes a value of 0 (no access).

37. Some Moody's sovereign ratings changed in 2020-25. Only five countries (Greece, Croatia, Bulgaria and Georgia) improved their ratings during this period. At the same time Moody's downgraded 12 countries, including several large economies, suggesting that on average, across all countries in the PSI, market access worsened. Ratings for other countries remained unchanged (Moody's 2025, Sovereign Rating Portal).

Risk of Debt Distress

38. The risk of debt distress severely limits policy space. Under the DSF, for low-income countries (LICs) (IMF, 2020b), risk signals to debt sustainability are derived by comparing debt burden indicators with the indicative thresholds over a projection period. There are four ratings for the risk of external public debt distress: *low risk*, if none of the debt burden indicators breach their respective thresholds under the baseline and stress tests; *moderate risk*, if none of the debt burden indicators breach their thresholds under the baseline scenario, but at least one indicator breaches its threshold under the stress tests; *high risk*, if any of the external debt burden indicators breaches its threshold under the baseline scenario, but the country does not currently face any repayment difficulties; or in *debt distress*, when the country is already experiencing difficulties in servicing its debt, as evidenced, for example, by the existence of arrears, ongoing or impending debt restructuring, or indications of a high probability of a future debt distress event (e.g., debt and debt service indicators show large near-term breaches, or significant or sustained breach of thresholds). The 2025 DSF update kept core categories unchanged but incorporated broader macro-financial vulnerabilities, including exchange rate pressures and commodity price volatility, in the interpretation of distress signals (IMF 2025e, The 4th Financing for Development Conference).

39. There are no IMF debt distress ratings or methodology for countries other than LICs. The reform of the policy on public debt limits (IMF, 2020c) encouraged adequate debt disclosure to the IMF; allowed for greater tailoring of debt conditionality for LICs; encouraged the broader use of debt conditionality in present value terms accommodated non-concessional borrowing (subject to safeguards); and clarified the definition of concessional debt. For all countries other than LICs, debt sustainability is assessed relative to country-specific circumstances. IMF DSAs, published usually as part of surveillance or program staff reports, include bottom-line assessment of debt distress risks. Such assessments vary from country to country, there is no common terminology related to risks of debt distress, and multiple qualifications reflecting each country's specificity may be used. In 2021, the IMF adopted the Sovereign Risk and Debt Sustainability Framework for Market Access Countries (MAC SRDSF), which expanded the sovereign risk assessment framework to include market-access countries. But it still does not assign standardized "debt distress ratings" to them in the same way it does for LICs. Therefore, due to the low degree of comparability of these classifications, debt distress risk considerations were only incorporated into PSI for LICs, i.e., countries for which harmonized ratings are already being produced and published by the Fund. This is also meant to reflect an additional adjustment for the extra risk that lending to LICs can have.

40. The classification of LICs by risk of external debt distress has changed significantly. In 2025 relative to 2020, only three countries improved their debt risk ratings from moderate to low (Bangladesh, Moldova, and Uzbekistan). Meanwhile, nine countries were downgraded, mainly from high risk to the debt distress category. Such reclassification has also negatively impacted the PSI assessment of their policy space. The ratings for all other LICs remained unchanged, in most cases moderate (IMF 2020, IMF DSF Overview and Archive; IMF 2025f, LIC DSA Classification List).

Exchange Rate Regime

41. The exchange rate regime has an ambiguous impact on policy space. A fixed exchange rate regime severely limits policy space, whereas floating exchange rate regime amplifies it. In members of currency

unions, from their individual point of view, the flexible exchange rate is not unrestrictive, as the exchange rate with other members of the union is fixed. Policy space would depend on the need to defend of a certain level of exchange rate. Countries with floating exchange rate regimes, where there is no explicit or implicit commitment to a specific level of exchange rate, have more policy space than countries with any form of a managed exchange rates. IMF Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER) (IMF, 2024) provides information on the de jure exchange rate arrangements as described by the countries and the de facto arrangements, which are classified into 10 categories. This PSI uses a simplified classification of exchange rate arrangements in three groups: hard pegs (currency board arrangement, no separate legal tender, conventional peg, other managed arrangements), soft pegs (pegged with horizontal bands, stabilized arrangement, crawling peg and craw-like arrangement), and floating (floating and free floating) regimes.

42. Between 2020 and 2024, there was no clear trend in the evolution of exchange rate arrangements. Reclassification outcomes have to be assessed on a net basis, as some countries entered a given regime group while others exited it. The outcome is that the net number of countries with hard pegs declined slightly, likely reflecting a shift toward more flexible arrangements to better absorb global shocks. Conversely, the net increase in soft pegs suggests a preference for intermediate regimes that offer limited flexibility while preserving nominal anchors. The modest expansion in floating regimes points to a broader move toward inflation targeting frameworks.

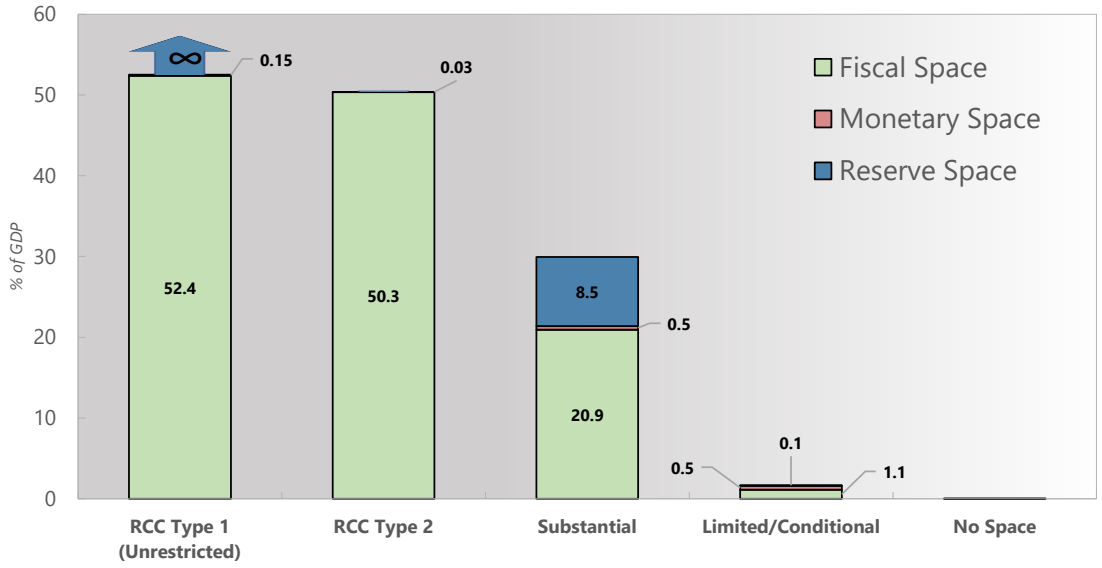
V. Policy Space Assessment

The 2024 Update

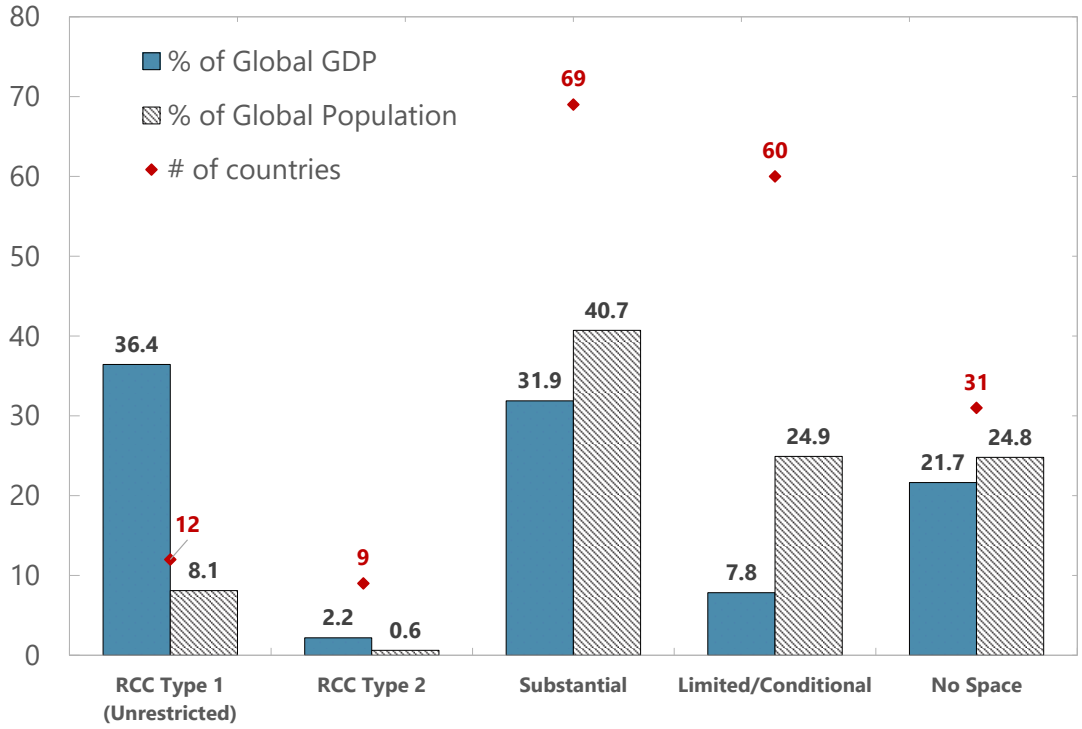
43. Several groups of countries can be distinguished by the degree of effective policy space. The 181 countries included in the PSI sample from the WEO database as of mid-2025 (IMF, 2025d) can be classified into five groups, ordered by decreasing levels of available policy space. (Figure 4).

Figure 4. Effective Policy Space, 2024

a. Average Effective Policy Space by Group (In Percent of GDP)



b. Group Composition (in percent; number of countries)



Source: Author's calculations.

44. Group 1: Reserve currency countries with unrestricted policy space (RCC Type 1). This group includes reserve currency countries (RCCs) with full access to capital markets and low fiscal risks. In the short run, these countries have virtually unrestricted resources to respond to crises. For example, the United States and major eurozone member countries (e.g. France, Germany, Italy, Spain), can be classified as having unlimited effective policy space due to large fiscal buffers, debt levels below sustainability thresholds, and flexible exchange rate regimes. As members of the Euro area, they face no binding reserve requirements, and their institutional environment amplifies policy space through reserve currency issuance and market access. This group includes 12 countries, all AEs, representing 36 percent of global GDP and 8 percent of the world's population.

45. Group 2: Reserve currency countries with somewhat restricted policy space (RCC Type 2). These RCCs face mounting fiscal risks and more constrained access to capital markets. While they retain substantial resources to manage crises, their vulnerabilities are more pronounced. For example, some smaller Euro area members (Austria, Belgium, Croatia, Cyprus, Estonia, Greece, Ireland, Malta, Slovak Republic) fall into this category due to elevated debt levels and institutional constraints that limit rapid policy responses. Although the ECB provides reserve currency support, inflation risks and country-specific liabilities can restrict the effective use of this space. This group includes 9 countries, also AEs, accounting for about 2 percent of global GDP and less than 1 percent of global population.

46. Group 3: Non-RCCs with substantial policy space. These countries do not have a reserve currency but possess enough effective policy space to absorb the full short-term cost of a major crisis. A country qualifies as having substantial space, if its total effective policy space exceeds 5 percent of GDP, the median for 2024. For instance, some EMs (e.g., Brazil, China, India, Russia, Saudi Arabia and most other oil-producing countries) with flexible exchange rates and low inflation may have significant reserve and monetary space, even if fiscal space is absent or severely limited. Conversely, some AEs outside the Euro area (e.g., Australia, Canada, Japan, New Zealand, Switzerland, UK) may rely primarily on fiscal space. This group includes 69 countries, representing 32 percent of global GDP and 41 percent of population.

47. Group 4: Non-RCCs with limited and/or conditional policy space. Countries in this group have either insufficient effective policy space or rely on conditional external financing. Those with limited space may cover only part of their crisis-related needs, while those with conditional space have nominal fiscal capacity that could be unlocked through concessional or non-concessional lending. For example, a Middle Eastern EM with modest fiscal space and no reserves may qualify for conditional support based on debt sustainability. Similarly, a Southeast Asian LIC with soft pegs and limited monetary space may access donor financing. This group includes 60 countries, accounting for 8 percent of global GDP and 25 percent of population.

48. Group 5: Non-RCC with no policy space. This residual group includes countries with zero effective policy space and no access to conditional financing. Institutional constraints, such as fixed exchange rates, debt distress, or lack of market access or their combination, deprive them of policy space. These countries must rely on grants or highly concessional aid. For example, a country with some reserves but no usable space due to institutional limitations, or another with fiscal space but in debt distress, would fall into this group. It includes 31 countries (e.g. Ghana, Sudan, Tunisia) and representing 22 percent of global GDP and 25 percent of population.

49. Effective policy space for some countries is worth highlighting (Annex II). In 2024, the countries with the largest overall policy space—measured as a percent of GDP—were Switzerland (155 %), Taiwan (145 %), and Luxembourg (116 %), followed closely by Ireland, Hong Kong, and Netherlands. These exceptionally high levels of policy space were primarily driven by expansive fiscal space because of moderate public debt and low or nonexistent gross financing needs, which in many cases exceeded 70–90% of GDP. For instance, Switzerland combined strong fiscal space (58%) with massive reserves space (96%), while Taiwan recorded similarly high figures across both dimensions. Monetary policy contributed modestly across the board to the policy space.

50. In 2024, other AEs showed considerable variation in their effective policy space. Across these economies, fiscal space was the dominant driver, while monetary contributions were negligible, probably reflecting the limited room for further easing in already accommodative environments. Germany led the group with an overall policy space of 79 percent (everywhere in percent of GDP), powered by a massive fiscal space of 73 percent. Italy posted 40 percent, with fiscal contributing 30 percent. France followed with 38 percent of space, driven also by fiscal space. The United States logged 32 percent overall space, of which fiscal stood 28 percent. Japan had 36 percent in policy space, with a more balanced mix of 20 percent in reserve space and 16 percent in fiscal space. United Kingdom showed a more constrained profile at 15 percent of fiscal, with fiscal space at 14 percent and minimal reserves. Canada had 20 percent, with fiscal policy contributing 19 percent and small additions from reserves and monetary policy.

51. In 2024, major EMs exhibited a wide range of effective policy space levels. This reflected is substantial institutional heterogeneity and differences in fiscal capacity, reserve accumulation, and monetary flexibility. Russia stood out with a robust overall policy space of 72 percent of GDP, driven by 45 percent in fiscal capacity and 27 percent in reserves. India had a modest overall policy space of 10 percent of GDP, shaped primarily by its reserve holdings, while the contribution of fiscal space and monetary spaces were marginal. Saudi Arabia maintained 31 percent in policy space, entirely from fiscal space. Brazil had 8 percent, mostly from reserves, while Mexico had 4 percent, with fiscal at 4 percent and negligible monetary input. South Africa showed a constrained profile of policy space with less than 1 percent overall, only from monetary space. Nigeria had less than 1 percent in effective policy space, with minimal contributions from reserves and fiscal policy. Notably, China's effective policy space amounted to zero across all categories. This outcome reflects high level of public debt and GFN, which deprives the country of fiscal space and the de-facto tightly managed exchange rate arrangement, which effectively deprives it of monetary and reserve space.

52. Finally, in 2024 several countries had either zero or critically low effective policy space. This unfortunate situation left them with little to no room to respond to economic shocks through conventional macroeconomic tools. He calculated effective policy space for countries such as Cameroon, Burundi, Central African Republic, Chad, and The Gambia, was zero, with no measurable reserves, fiscal space, or monetary flexibility. These economies are likely constrained by structural vulnerabilities, limited access to external financing, and weak institutional frameworks. Others, including Bangladesh, Belize, Gabon, Ecuador, and Mozambique, had less than 3 percent policy space, with small contributions from one or two components of policy space, still insufficient to provide meaningful policy support in case of a shock. These countries face heightened risks and need external assistance and deep institutional reforms to rebuild their policy space.

Policy space Evolution in 2020-24

53. In 2020-24, nominal policy space continued to shrink, compounding the already negative trend in earlier years. The world has lost about 15 percent of GDP in nominal policy space, mainly because of mounting public debt leading to a considerable loss of fiscal space, which was only partly offset by reduced gross financing needs. The changes in the monetary space and reserve space during this period were marginal (Figure 5). This protracted loss of the average policy space between masks important details. First, LICs have been losing policy space substantially faster, on average at about 7 percent of GDP per year, than EMs (slightly above one percent of GDP per year in losses) and AEs, where policy space remains broadly unchanged. Second, the loss of nominal policy space in all cases is almost entirely driven by the loss in fiscal space (19 percent of GDP), again mainly in LICs, suggesting the authorities' response to shocks during this period was predominantly fiscal, as in the past. Third, the responses' composition also varied across income groups. AEs rebalanced their policy space by way of a substantial reduction of their gross financing need to offset at least in part the growing public debt and some loss of reserves. The same is true for EM, although the impact of growing debt and reducing GFN was less pronounced. In LICs, all loss of policy space was due to the loss of fiscal spaces. Fourth, the largest loss of nominal policy space is accrued in countries where there is no effective policy space because of institutional constraints, again because of the piling of public debt. Finally, the changes in nominal space policy suggest that fiscal space continues to dominate policy response in all groups

of countries financed by debt, possibly reflecting constraints on monetary policy imposed by the low interest rates during this period and a conservative approach to using reserve space, which countries see as an instrument as last resort.

Figure 5. Change in Nominal Policy Space, 2020-24

a. By income group (In percent of GDP

Group	Overall	Fiscal		Monetary	Reserves
		Debt	GFN		
AE	0.9	-2.7	5.8	0.0	-2.2
EM	-7.9	-14.1	5.5	0.1	0.5
LIC	-35.3	-36.7	2.0	0.0	-0.6
All	**-14.9**	**-19.0**	**4.5**	**0.1**	**-0.4**

b. Factors affecting the change in policy space (In percent of total)

Group	Overall	Fiscal		Monetary	Reserves
		Debt	GFN		
AE	100	-302	644	4	-246
EM	100	178	-70	-2	-6
LIC	100	104	-6	0	2
All	**100**	**128**	**-30**	**-1**	**3**

c. By policy space group (In percent of total)

Group	Overall	Fiscal		Monetary	Reserves
		Debt	GFN		
1	5.2	-0.3	4.7	0.1	0.7
2	18.1	11.7	10.0	0.0	-3.5
3	0.7	-0.9	3.4	0.1	-2.0
4	-2.6	-8.5	5.1	0.1	0.7
5	-87.3	-92.6	3.9	0.0	1.4
All	**-14.9**	**-19.0**	**4.5**	**0.1**	**-0.4**

Source: Author's calculations.

54. The 2020–24 changes in effective policy space are less pronounced compared to shifts in nominal space (Figure 6). This indicates that structural features and institutional choices continue to impose significant constraints on governments' short-term ability to respond to shocks. The evolution of effective policy space varied across income groups. Advanced Economies remained broadly neutral, with gains from reserve accumulation being offset by tighter fiscal conditions and only limited monetary support. EMs experienced a moderate contraction, driven mainly by shrinking fiscal room despite modest reserve gains. Low-Income Countries, by contrast, held a neutral stance overall, as small fiscal expansions were counterbalanced by pressures on reserves and monetary policy. In sum, AEs and LICs preserved their effective space, while EMs showed a net loss.

Figure 6. Change in Effective Policy Space, 2020-24 (In percent of GDP) 1/

	Reserve	Fiscal	Monetary	Overall
World	0.7	-1.2	0.1	-0.3
By Income group				
AE	2.1	-2.6	0.6	0.0
EM	0.8	-1.6	0.1	-0.6
LIC	-0.2	0.4	-0.3	0.0
By region				
Sub-Saharan Africa	0.1	0.4	-0.1	0.5
Asia and Pacific	1.5	-1.1	0.1	0.5
Europe	0.7	-2.1	0.5	-0.9
Middle East and Central Asia	0.3	-2.6	-0.4	-2.7
Western Hemisphere	1.3	-0.9	0.2	0.6

1/ GDP-weighted averages

Source: Author's calculations.

55. Regional developments were more uneven. Sub-Saharan Africa, Asia and Pacific, and the Western Hemisphere all achieved slight overall increases in effective policy space, with reserve buildup and increase in monetary space outweighs degrading fiscal space. In contrast, Europe and the Middle East and Central Asia recorded notable contractions in overall effective policy space, largely reflecting significant fiscal retrenchment, with the latter also seeing declines across all components other than reserves. The loss of policy space was pronounced in the Middle East and Central Asia regions, which on average was losing over 0.5 percent of GDP in effective policy space annually.

VI. Conclusions

56. The updated to 2024 PSI offers a multidimensional and institutionally adjusted measure of a country's short-term readiness to respond to a shock. The PSI integrates fiscal, monetary, and reserve space into a unified framework, adjusted for institutional constraints. It enables policymakers to gauge the magnitude and composition of available policy space and to identify areas requiring strengthening. PSI facilitates cross-country comparisons, can be incorporated into analytical models to evaluate policy options in response to unforeseen shocks, and help guide policy decisions.

57. Policy space remains significant but is unevenly distributed and has somewhat degraded during 2020–24. By 2024, around 90 countries, accounting for about 70 percent of global GDP and half of the world's population, retained sufficient policy space or the ability to mobilize additional resources for immediate crisis response. In contrast, 31 countries had no policy space and may require emergency assistance; these represent about 22 percent of global GDP and roughly 25 percent of the global population. Another 60 countries had only limited or conditional space, leaving them equally vulnerable even in the short term. In total, 91 countries, producing 30 percent of global GDP and home to 50 percent of the world's population, are likely to require substantial support in the event of a shock. On average, global nominal policy space fell by about 15

percent of GDP between 2020 and 2024, largely due to rising public debt and shrinking fiscal space. Effective policy space also contracted, by about 0.3 percent of GDP, driven mainly by the sharp erosion of fiscal space in EMs, particularly in the Middle East and Central Asia.

58. The PSI methodology requires deeper scrutiny before integration into policy frameworks. Irrespective of continuous refinement, its limitations remain substantial. Quantitative thresholds for reserve adequacy and debt sustainability are inherently uncertain during crises. Institutional assessments may involve judgment, potentially distorting results. The index's short-term focus may overlook medium-term risks, such as inflationary consequences of monetary expansion. Policymakers may choose to float exchange rates, modify capital controls, or negotiate debt relief, making country-specific knowledge essential for interpreting PSI results. Moreover, institutional features—such as exchange rate regimes, capital controls, and market access—can themselves be adjusted in response to shocks, altering effective policy space.

Annex I.[5]

PSI calculation methodology

59. PSI is calculated as a conditional measure of policy space components. *Nominal policy space* consists of the three quantitative components discussed above - fiscal space, monetary space, and reserve space, - all expressed in percent of GDP. Nominal space for each of the three quantitative components is a priori defined as a distance to its respective threshold weighted by a probability of constraint which increases as the target indicator moves closer to its threshold. Each quantitative component is then adjusted to reflect the country's institutional environment that has not been accounted for yet, such as its exchange rate regime, or the risk of debt distress (only for LICs). The *effective policy space index* is then calculated as an aggregated index of the three quantitative and five institutional components. The calculations illustrated here assess the space the countries must fight a negative shock, such as the Covid-19 pandemic in 2020, and only for short-term policy actions. To calculate the effective policy space for each country, we follow the steps below:

60. Step 1: Calculate effective fiscal space. Fiscal space, as discussed above, is composed of borrowing and financing space. First, we need to define the thresholds. The thresholds used are those displayed in Figure 3 which depend on the country's income level and access to the capital market. The thresholds are applied to the level of debt and the current value of gross financing needs[6]. In order to avoid the rough discontinuity of applying a discrete threshold, we take a probabilistic approach by assuming a normal distribution with mean equal to median levels of public debt and gross financing needs (as percent of GDP) since 2007, and standard deviation such that the DSF thresholds are at 2 standard deviations from the mean. By doing so we allow effective space to decrease smoothly as debt and financing need approach the threshold.

In practice, country *j*'s effective borrowing and financing space $\boldsymbol{B_j}$ and $\boldsymbol{F_j}$ are computed as:

$$\boldsymbol{B_j} = \left[\boldsymbol{\tau^d}\left(\boldsymbol{I_j};\boldsymbol{\kappa_j}\right) - \boldsymbol{D_j} + \boldsymbol{RCC_j} \times \boldsymbol{\alpha^d}\right] \times \boldsymbol{\Phi}\left[\boldsymbol{\mu^d}\left(\boldsymbol{I_j};\boldsymbol{\kappa_j}\right);\boldsymbol{\sigma^d}\left(\boldsymbol{I_j};\boldsymbol{\kappa_j}\right)\right]$$

$$\boldsymbol{F_j} = \left[\boldsymbol{\tau^f}\left(\boldsymbol{I_j};\boldsymbol{\kappa_j}\right) - \boldsymbol{GFN_j} + \boldsymbol{RCC_j} \times \boldsymbol{\alpha^f}\right] \times \boldsymbol{\Phi}\left[\boldsymbol{\mu^f}\left(\boldsymbol{I_j};\boldsymbol{\kappa_j}\right);\boldsymbol{\sigma^f}\left(\boldsymbol{I_j};\boldsymbol{\kappa_j}\right)\right]$$

where $\boldsymbol{\tau^d}, \boldsymbol{\tau^f}$ are the corresponding thresholds to public debt and gross financing needs which depend on the country's access to capital markets $\boldsymbol{\kappa_j}$ and its income level $\boldsymbol{I_j}$ (Figure 3). $\boldsymbol{RCC_j}$ is a categorical variable taking the value of 1 if the country is classified as a reserve currency country. This categorical variable is multiplied by $\boldsymbol{\alpha_d}, \boldsymbol{\alpha_f}$ which are the debt and financing premia for RCCs. $\boldsymbol{\Phi}[\boldsymbol{\mu};\boldsymbol{\sigma}]$ is the cumulative normal distribution with mean $\boldsymbol{\mu}$ and standard deviation $\boldsymbol{\sigma}$ both of which depend on the threshold $\boldsymbol{\tau}(\boldsymbol{I_j};\boldsymbol{\kappa_j})$, since they are defined such that $\boldsymbol{\tau}$ is equal to $\boldsymbol{\mu} + \boldsymbol{2\sigma}$[7]. After computing borrowing space and financing need space, we adjust for whether the country is experiencing – or is in high risk of experiencing – debt distress. This adjustment is made exclusively for LICs and is discrete in that countries considered to be at high risk of debt distress have no fiscal space regardless of their underlying indicators (assuming no official financing is available). Thus, effective fiscal space (EFS) for country $\boldsymbol{j}$ is computed as

$$\boldsymbol{EFS_j} = \left(\boldsymbol{B_j} + \boldsymbol{F_j}\right) \times \left(\mathbf{1} - \mathbf{1}_{\{\boldsymbol{dist}\}}\right)$$

where $\mathbf{1}_{\{\boldsymbol{dist}\}}$ is a categorical variable that takes the value of 1 if county j is either in high risk of or in debt distress and 0 otherwise.

[5] This annex draws on Ferrer-Kireyev (2023).

[6] For LICs the threshold is applied to the present value of public debt using a 5% discount rate.

[7] The mean of the distribution μ is set as the conditional average since 2007. Changing μ while maintaining τ constant, changes the results only marginally.

As argued above, RCC status enhances policy space, as it allows such countries to increase their debt-carrying and fiscal deficit capacity. To estimate $\boldsymbol{\alpha_d}$, we estimate a panel regression random effects (RE) model using yearly data for 177 countries with the following specification:

$$\boldsymbol{D_{i,t} = \beta_0 + \beta_1 Frisk_{i,t} + \beta_2 Crisis_{i,t} + \alpha_d RCC_{i,t} + u_i + \eta_{i,t}}$$

where $\boldsymbol{Frisk}$ is VEE's fiscal risk index, $\boldsymbol{Crisis}$ is a time dummy that takes the value of 1 if the year is a crisis year (i.e. 2008, 2009 or 2020) and 0 otherwise, $\boldsymbol{RCC}$ is a dummy variable that takes the value of 1 if the country is classified as a RCC and 0 otherwise, and $\boldsymbol{u_i}$ is the county-specific effect assumed to follow the classic RE assumptions. The results of the model are shown in Figure 1. The generalized least squares (GLS) estimate of $\boldsymbol{\alpha_d}$ suggests that RCCs have held on average, 27.8 percent of GDP more in public debt than non-RCCs, controlling for fiscal risk and other country-specific characteristics through $\boldsymbol{u_i}$. In practice, this means that for any level of income and access to capital market, RCCs get a "premium" of +27.8 to their debt threshold. The robustness of our estimate is confirmed by contrasting it with the POLS estimator also shown in Figure 5 which suggest a premium of +29[8]. The same specification is used to estimate $\boldsymbol{\alpha_f}$ replacing $\boldsymbol{D_{i,t}}$ with $\boldsymbol{GFN_{i,t}}$. RE and POLS estimates are shown in Figure 5. For gross financing needs, the data suggests a premium of about 14 percent of GDP. For consistency, we kept the RE estimator. Full regression tables can be found in the Appendix.

Annex Figure 1. Estimates of RCC Debt and Financing Premia

	GLS RE	POLS
α_d	27.82***	29.00***
	(8.48)	(2.60)
α_f	13.50*	14.34***
	(7.16)	(2.00)

Notes: Robust standard errors shown in parenthesis. *** significant at 1% ; ** significant at 5% ; * significant at 10%
Source: Authors' estimates.

61. Step 2: Calculate effective monetary space. As defined above, monetary space is determined by two factors: 1) the room a central bank has to lower policy rates and/or to conduct unconventional monetary policy, and 2) the country's current inflation rate and the central bank's inflation target. Like the calculation of fiscal space, we take a probabilistic approach to assess the distance between the relevant variables' actual value and their threshold. Following Romer & Romer (2017), we consider a normal distribution with mean 1.25 and standard deviation of 0.625 for the policy rate. This implicitly restricts central banks from lowering rates below 0 (as 0 is $2\boldsymbol{\sigma}$ away from the mean making the cumulative probability virtually 0). In the spirit of realism and to account for the different restrictions different central banks might face, we apply a slightly different distribution for AEs. Keeping the mean at 1.25, we assume a standard deviation of 1.125 such that in AEs the monetary policy rate can effectively go as low as -1. For this, we use data on central banks' policy rates[9]. For inflation, we take a similar approach wherein the central bank's inflation target is used as the threshold and $\boldsymbol{\mu}$ was chosen to be ¾ of the target and $\boldsymbol{\sigma}$ was chosen to be ¼ of the target. In this way, we allow a country to exceed it inflation

[8] Fixed effect (FE) GLS estimator could not be used due to collinearity issues with the RCC dummy.
[9] When data was not available, the average of its income group (AE, EM or LIC) was assumed.

target by 25% ($\mathbf{1}\boldsymbol{\sigma}$) in the short term. For this we use data on central banks' inflation targets (IMF, AREAER, 2024)[10].

Thus, the maximum tolerable inflation in the short term will vary across countries and will be calculated as $\boldsymbol{\pi_j^{max} = \mu_j + 2\sigma_j = 0.75\tau_j^{\pi} + 0.5\tau_j^{\pi} = 1.25\tau_j^{\pi}}$ where $\boldsymbol{\tau_j^{\pi}}$ is country j's inflation target. Finally, we also account for central banks' credibility as an alternative to create more policy space by modelling it as the inverse of the average deviation from its annual inflation target in the last 10 years. Thus, countries where inflation has been consistently at or near the target will have additional monetary space due as a way to reflect the anchoring of inflation expectations as a result of a higher central bank credibility. This adjustment will prevent underestimation of monetary space in countries where the central bank has successfully maintained inflation at or near its target. The effective room for additional inflation is therefore calculated as:

$$\mathbf{E}[\Delta\boldsymbol{\pi_j}] = \frac{(\boldsymbol{\pi_j^{max}} - \boldsymbol{\pi_j})}{\boldsymbol{\sigma_\tau}} \times \boldsymbol{\Phi}\left[\boldsymbol{\mu_\pi}(\mathbf{I_j})\,;\boldsymbol{\sigma_\pi}(\mathbf{I_j})\right]$$

where

$$\boldsymbol{\sigma_\tau} = \sqrt{\frac{\mathbf{1}}{\boldsymbol{n}}\sum_{\boldsymbol{i=1}}^{\boldsymbol{n}}\left(\boldsymbol{\pi_i} - \boldsymbol{\tau_j^{\pi}}\right)^2}$$

This is then translated into monetary policy action using elasticity estimates from two panel autoregressive processes using quarterly data, 4 lags, and allowing for country fixed effects. The estimated equation can be written as:

$$\boldsymbol{cpi_{i,t} = c_1 + A(L)X_{i,t} + \gamma_1 R_t + \delta_1 D_t + u_{i,1} + \varepsilon_{i,t,1}}$$
$$\boldsymbol{gdp_{i,t} = c_2 + B(L)X_{i,t} + \gamma_2 R_t + \delta_2 D_t + u_{i,2} + \varepsilon_{i,t,2}}$$

Where $\boldsymbol{A(L)}$ and $\boldsymbol{B(L)}$ are lag operator polynomials, $\boldsymbol{X_{t,i} = \left[cpi_{t,i} \;\; gdp_{t,i} \;\; R_{t,i}\right]}$ is the vector of regressors: log of the CPI, log of real GDP, and the corresponding monetary policy rate. $\boldsymbol{D_t}$ is a recession dummy we add to control for large movements in our variables during recessions (e.g., 2008). We estimate both equations allowing for country fixed effects (reflected by the terms $\boldsymbol{u_{i,1}}$ and $\boldsymbol{u_{i,2}}$) and obtain the average short-term elasticity of inflation and real GDP to a monetary policy change $\boldsymbol{\psi_{cpi}}$ and $\boldsymbol{\psi_{gdp}}$ (Figure 2) as the sum of the coefficients on the lagged values of the policy rate in each equation[11]. With these estimates, we can calculate by how many percentage points can the central bank reduce the policy rate until it reaches its maximum tolerable inflation $\boldsymbol{\pi_{max}}$ and determine how much would this expansionary monetary policy boost GDP in the short run. Hence, effective monetary space (EMS) for country $\boldsymbol{j}$ is calculated as:

$$\boldsymbol{EMS_j} = \left[\frac{\mathbf{E}[\Delta\boldsymbol{\pi_j}]}{\boldsymbol{\psi_{cpi}}} \times \boldsymbol{\psi_{gdp}}\right]\left(\mathbf{1} - \mathbf{1}_{\{\boldsymbol{hard}\}}\right)$$

Where $\mathbf{1}_{\{\boldsymbol{hard}\}}$ is a categorical variable that takes the value of 1 if the country has some form of a pegged exchange rate regime and 0 otherwise. The adjustment for countries that have pegs in their currency stems from the relationship between free exchange rate regimes and monetary policy, as countries with fixed or heavily managed exchange rates do not have fully independent monetary policy. Because soft pegs allow for a limited degree of monetary policy flexibility to deal with shocks, these regimes may be also considered when estimating monetary policy space.

[10] When data was not available, the average of its income group (AE, EM or LIC) was assumed. For countries without an inflation targeting framework, an average of inflation targets in 2024 in countries with an inflation targeting framework for each income group is used as a proxy for their inflation target.

[11] In both equations, the contemporaneous response of monetary policy to changes in output and inflation was added to control for endogenous responses of monetary authorities after a shock. However, this coefficient was not included in the calculation of elasticities.

Annex 1 Figure 2. Estimates of Average Inflation and Growth Elasticities

	Ψ_r
CPI	-0.178***
	(0.012)
GDP	-0.132***
	(0.041)

Notes: Coefficients and standard errors shown are for the sum of lagged coefficients. *** significant at 1%; ** significant at 5%; * significant at 10%.
Source: Authors' estimates.

62. Step 3: Calculate effective reserve space. Following a probabilistic approach similar to that of the previous steps, we define the reserve adequacy thresholds displayed in Figure 4 to be equal to $\boldsymbol{\mu} + \mathbf{2}\boldsymbol{\sigma}$ for each income group. We set the mean of the distributions $\boldsymbol{\mu}$ to be equal to the median value of reserves as months of imports in the last 15 years. Countries' capacity to use reserves is also constrained by their type of exchange rate regime. With a hard peg, reserves may be viewed only as a means to defend the peg, whereas with a floating exchange rate the level of reserves is not critical, as the flexible exchange rate can in principle offsets all disequilibria. To account for different exchange rate regimes that might have bearing in the country's usage of reserves, we also adjust for this fact by classifying countries into three groups of exchange rate regimes: flexible, soft pegs and hard pegs. An additional adjustment is made for RCCs whereby the threshold is effectively reduced to 0. (i.e., no minimum threshold). This is done to reflect the fact that RCCs have no need to hold significant reserves as buffers for future crisis given that, in that case, they can issue their own currency (IMF, 2015). Thus, Effective Reserve Space (ERS) for country j is calculated as:

$$ERS_j = \text{Max}\left\{\left(\frac{R_j - \left(1 - 1_{\{AE\}}\right) \times \left(SD_j \times \rho(\kappa)\right)}{M_{j;t+1}} \times 12 - \left(1 - RCC_j\right) \times \tau_j^R\left(I_j\right)\right) - \bar{R} \times 1_{\{soft\}}; 0\right\}$$
$$\times \Phi\left[\mu_R\left(\mathrm{I_j}\right); \sigma_R\left(\mathrm{I_j}\right)\right] \times \left(1 - 1_{\{hard\}}\right)$$

where R_j is country j's reserves in in dollar amounts, $M_{j;t+1}$ is the country's next years' imports (in dollars), SD_j is the country's short-term debt in dollars, $\rho(\kappa_j)$ is an indicator function that takes the value of 1 if country j has limited or no access to capital markets, and takes the value of 0.5 if it has full access. Then, $\bar{R}$ is the median level of reserves held by countries with a soft peg, and $1_{\{AE\}}, 1_{\{soft\}}, 1_{\{hard\}}$ are indicators functions for advanced economies, countries with soft and hard pegs respectively. This formula thus reflects the assumptions that countries with a flexible exchange rate have institutional advantages in the availability of reserves to face negative shocks, similarly, AEs and economies with full access to international capital markets have also less need to keep reserves. By the same logic, if a country has a soft peg regime or has at least some constraint to access capital markets, the assumption is that it can only make limited use of its reserves. The lower limit for countries with soft peg exchange rate regime is assumed to be the median level of reserves that other countries with soft pegs are expected to maintain in 2020 (4.1 percent of GDP). For EM and LICs with limited access to capital markets 100% coverage of their short-term debt is also required following the Greenspan-Guidotti rule. Lastly, if a country has a hard peg, then it is considered that none of the nominal reserve space is available and thus the effective reserve space is equal to zero.

63. Step 4: Calculate total effective policy space. Finally, to compute the total effective policy space for country j the effective fiscal space, effective monetary space, and effective reserve space calculated above need to be summed up:

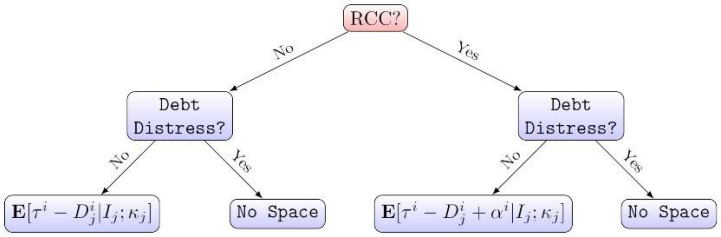
$$Effective\ Policy\ Space_j = EFS_j + EMS_j + ERS_j$$

As all the components are expressed in percent of GDP and reflect different dimensions of policy space, they are additive and can be summed up to arrive at the overall assessment of the effective policy space available to the authorities. Significant correlation and interactions between these three components are not ruled out by our approach to the extent that their joint behavior is already reflected in the levels of the variables used. For example, accommodative monetary policy can support fiscal policy by reducing the debt burden and preventing a "crowding-out" of private investment from fiscal stimulus. Thus, the size of fiscal space can depend on monetary policy and vice versa, and it could be beneficial to consider monetary-fiscal interaction effects. Also, further assumptions would be required to model the *dynamic* behavior of each component and their interactions. This, however, falls outside the scope of this paper.

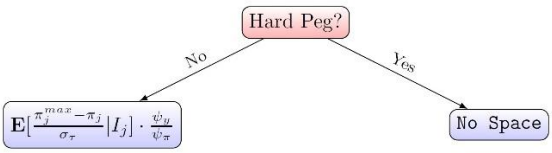
All three effective policy space components are bound below by zero, even though the individual nominal policy space indices can be negative. This reflects the fact that negative policy space is, in practice, no different to having none of it to the extent that this means no ability to respond to shocks from the authorities. This is true irrespective of how negative the nominal policy space on individual components is. The decision trees give a visual representation of the calculating on methodology presented above (Figure 3 a, b, c).

Annex 1 Figure 3. Policy Space Decision Trees

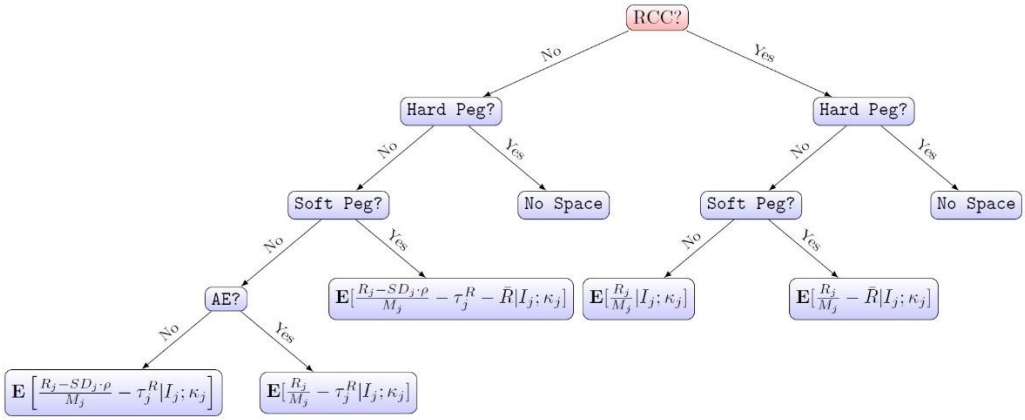
a. *Fiscal Space*



b. *Monetary Space*



c. *Reserve Space*



Source: Authors' presentation.

64. The proposed index of the effective policy space has limitations. As mentioned above, as a static measure, our index should not be affected by interactions between components. However, it may miss important dynamic interactions among different dimensions of policy space. For example, a large fiscal deficit (which leads to a large negative nominal fiscal space) can result in monetary financing and erode monetary space; but by bounding the effective fiscal space at zero, this interaction would be muted in the final index. The use of discrete adjustments (e.g., effective fiscal policy space is set to zero when VE fiscal risk is high), while helping simplify and improving tractability of the final index, is also a potential limitation. Discrete adjustments may be an over-simplification of more complex assessments. For instance, VE ratings are affected by many other factors, and it is possible that a country with moderate fiscal space can still receive a high-risk VE rating. Or countries with low credit classification can still have some access to international capital markets.

Robustness Check

65. Robustness of the policy space calculations can be confirmed by other methods. A principal component analysis (PCA) index can be used to check the robustness of our index as PCA allows us to compute the weights ω_i as the solution to

$$\max_{\omega_i} \omega_i' \Sigma \omega_i$$
$$s.t.\ \omega_i' \omega_i = 1$$
$$\omega_i \Sigma \omega_i = 0$$

where Σ is the variance-covariance matrix of the variables included in the analysis. Our policy space index includes eight components; thus, it would be reasonable to evaluate whether it is correctly capturing the information embedded in them.

66. Principal component analysis extracts common components from high-dimensional datasets such that they maximize explained variance and remain orthogonal to each other (Figure 4a). We include 11[12] variables reflecting each of the policy space components mentioned in this paper and other key indicator of a country's macroeconomic stability. These variable are: 1) debt-to-GDP ratio, 2) gross financing needs as percent of GDP, 3) reserves in months of imports, 4) CPI inflation, 5) VE's fiscal risk index, 6) Moody's 2020 sovereign debt ratings, 7) a categorical variable capturing the rigidity of the country's exchange rate arrangement equal to 1 (flexible), 2 (soft peg) or 3 (hard peg), and 8) a dummy for reserve currency countries equal to 0 (non-RCC) or 1 (RCC), 9) current account balance (in percent of GDP), 10) real GDP growth, and 11) GDP per capita as a proxy to control for the country's income group (AE, EM or LIC). The first 4 principal components – accounting for 69 percent of the total variance – are used to compute a PCA-based index.

67. The PCA index is computed as a weighted average of each principal component. In order to produce a single index, we regress our effective policy space index on the 4 principal components and compute the predicted value $\widehat{EPS}_t$ in:

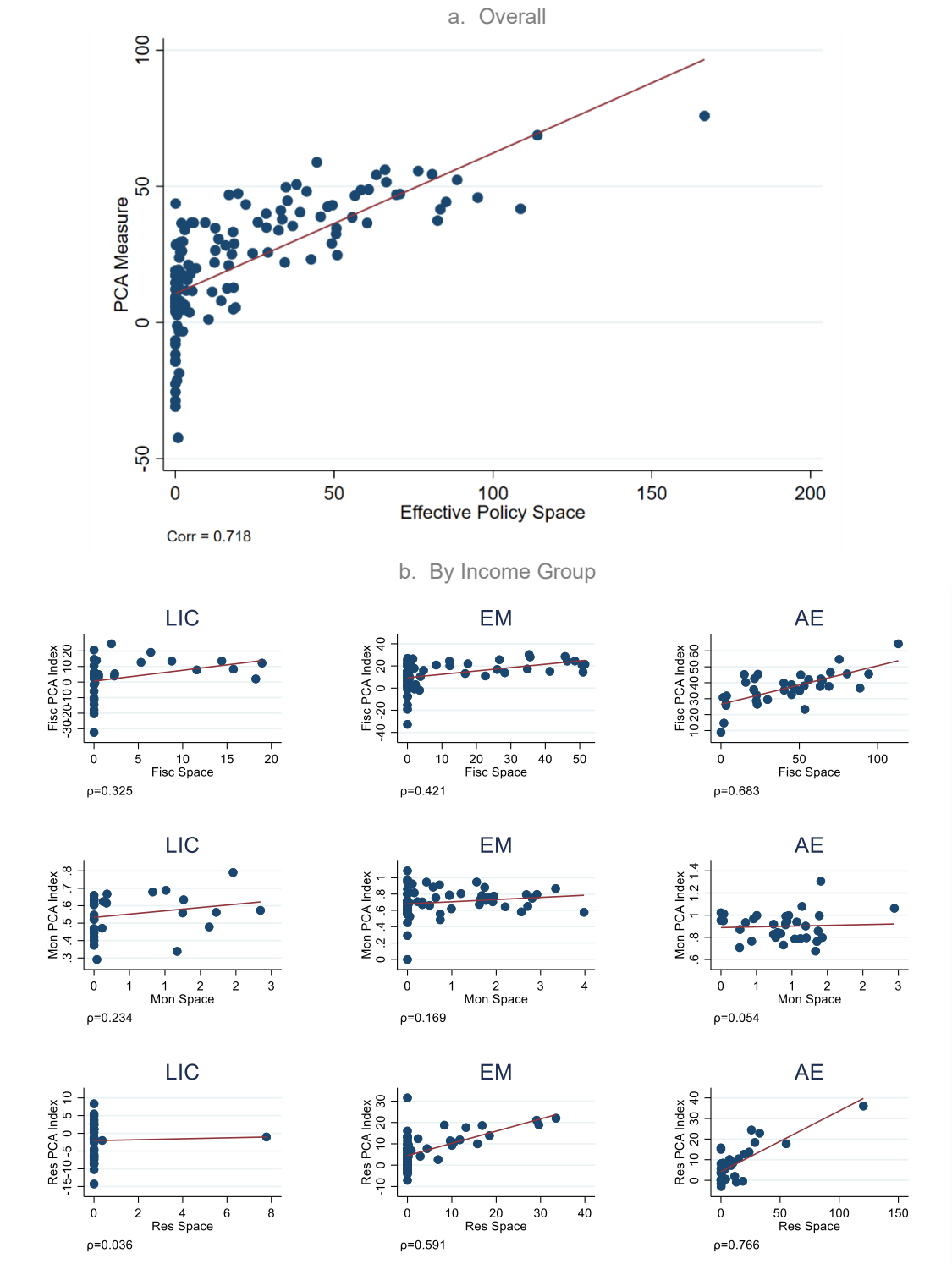
$$EPS_t = \alpha + X\beta + \varepsilon_t$$

Where $X = [PC_{1,t}\ PC_{2,t}\ PC_{3,t}\ PC_{4,t}]$, $\beta = [\beta_1\ \beta_2\ \beta_3\ \beta_4]'$. Hence, the weights correspond to the estimated regression coefficients β_1 - β_4. The predicted values $\widehat{EPS}_t$ show substantial correlation with our effective policy space measure (0.718) thus supporting the validity and robustness of our index.

68. Our index seems to be better suited for AEs and EMs than for LICs. Plotting the resulting PCA measure against our policy space index by income group, Figure 4b suggests that our index captures variance within the 11 selected variables quite well in AEs and EMs as correlation between the PCA measure and our index is high (0.69 and 0.59 respectively). However, for LICs our index fails to capture a large share of the variability within the indicators listed above as correlation between the PCA measure and our index falls to about 0.3. This is not too surprising since the assessment of policy space for LICs will most likely be much more country-specific and more difficult to model under the "one-size-fits-all" assumption than for more stable and developed economies. Additionally, there are potential issues with measurement error and low reliability of the data that could, at least partly, explain the poorer performance of our index in LICs. A deeper and more group-specific (or perhaps income group-specific) analysis would be required to create an index that more appropriately captures the concept of policy space in LICs.

[12] Risk of debt distress was not included in this analysis since it is only available for LICs and would therefore restrict the validity of the analysis only to such countries.

Annex 1. Figure 4. Policy Space Index in Principal Component Analysis



Source: Authors' calculations

ANNEX II. EFFECTIVE POLICY SPACE BY COUNTRY, 2024 (IN PERCENT OF GDP)

	Reserves	Fiscal	Monetary	Overall
Afghanistan	24	0	6	29
Albania	8	2	1	10
Algeria	0	0	0	0
Angola	0	7	0	7
Antigua and Barbuda	0	1	0	1
Argentina	0	0	0	0
Armenia	0	5	2	8
Aruba	0	6	0	6
Australia	1	26	0	27
Austria	1	46	0	47
Azerbaijan	0	31	2	33
Bahamas	0	6	0	6
Bahrain	0	0	0	0
Bangladesh	0	2	0	2
Barbados	0	7	0	7
Belarus	0	0	0	0
Belgium	0	27	0	27
Belize	0	0	0	0
Benin	0	4	0	4
Bhutan	0	1	0	1
Bolivia	0	0	0	0
Bosnia and Herzegovina	0	10	0	10
Botswana	0	43	2	45
Brazil	8	0	0	9
Brunei	0	52	0	52
Bulgaria	0	37	0	37
Burkina Faso	0	3	0	3
Burundi	0	0	0	0
Cambodia	0	19	3	22
Cameroon	0	0	0	0
Canada	2	19	0	20
Cabo Verde	0	6	0	6
Central African Republic	0	0	0	0
Chad	0	0	0	0
Chile	0	9	0	9
China	0	0	0	0
Colombia	8	0	0	8
Comoros	0	0	0	0
Congo, Republic of	0	0	0	0
Costa Rica	0	0	2	2
Croatia	0	81	0	81
Cyprus	0	30	0	30
Czech Republic	45	42	0	87
Denmark	0	70	0	70
Djibouti	0	0	0	0
Dominica	0	0	0	0
Dominican Republic	0	5	0	5
DRC	0	5	0	5
Ecuador	0	0	0	0
Egypt	0	2	0	2
El Salvador	0	0	0	0
Equatorial Guinea	0	7	0	7
Eritrea	0	0	0	0
Estonia	0	85	0	85
Ethiopia	0	0	0	0
Micronesia	0	42	0	42
Fiji	0	9	0	9
Finland	2	50	0	52
France	9	29	0	38
Gabon	0	0	0	0
Gambia, The	0	0	0	0
Georgia	0	5	1	6
Germany	7	73	0	79
Ghana	0	0	0	0
Greece	0	0	0	0
Grenada	0	0	0	0
Guatemala	2	30	1	33
Guinea	0	2	0	2
Guinea-Bissau	0	0	0	0
Guyana	0	4	1	5
Haiti	0	0	0	0
Honduras	0	5	0	5
Hong Kong	0	95	0	95
Hungary	0	1	0	1
Iceland	22	14	0	36
India	9	0	0	10
Indonesia	0	28	1	28
Iran	0	0	0	0
Iraq	0	1	0	1
Ireland	0	96	0	97
Israel	43	13	0	56
Italy	10	30	0	40
Côte d'Ivoire	0	1	0	1
Jamaica	0	8	0	8
Japan	20	16	0	36
Jordan	0	2	0	2
Kazakhstan	5	41	0	46
Kenya	0	0	1	1
Kosovo	0	29	0	29
Kuwait	0	66	0	66
Kyrgyz Republic	0	0	1	1
Lao P.D.R.	0	0	0	0
Latvia	7	62	0	69
Lebanon	0	55	0	55
Lesotho	0	5	0	5
Liberia	0	2	1	3
Lithuania	2	63	1	66
Luxembourg	0	116	0	116
Madagascar	7	0	0	7
Malawi	0	0	0	0
Malaysia	0	0	2	2
Maldives	0	0	2	2
Mali	0	2	0	2
Malta	0	43	0	43
Mauritania	0	2	2	4
Mauritius	2	7	1	9
Mexico	0	4	0	4
Moldova	21	2	1	23
Mongolia	0	2	0	2
Montenegro	4	0	1	5
Morocco	0	2	0	2
Mozambique	4	0	1	5
Myanmar	0	0	0	0
Namibia	0	0	0	0
Nepal	0	1	0	1
Netherlands	0	91	0	91
New Zealand	6	29	0	34
Nicaragua	0	0	1	1
Niger	0	1	0	1
Nigeria	1	0	0	1
Norway	15	48	0	62
Oman	0	5	0	5
Pakistan	0	0	3	3
Panama	0	0	0	0
Papua New Guinea	0	0	3	3
Paraguay	1	9	1	11
Peru	23	33	0	56
Philippines	10	6	0	16
Poland	1	0	0	1
Portugal	15	3	0	18
Qatar	0	10	0	10
North Macedonia	0	0	1	1
Romania	0	0	0	0
Russia	27	45	0	72
Rwanda	0	5	1	6
St. Lucia	0	0	0	0
Samoa	0	0	0	0
São Tomé and Príncipe	0	0	0	0
Saudi Arabia	0	31	0	31
Senegal	0	1	0	1
Serbia	0	3	0	3
Seychelles	0	0	2	2
Sierra Leone	0	0	0	0
Singapore	10	22	0	33
Slovak Republic	1	46	0	47
Slovenia	0	55	0	55
Solomon Islands	0	1	0	1
South Africa	0	0	1	1
South Korea	18	29	0	47
South Sudan	0	0	0	0
Spain	4	28	0	32
Sri Lanka	0	1	2	3
St. Kitts and Nevis	0	7	0	7
St. Vincent & the Grenadines	0	0	0	0
Sudan	0	0	0	0
Suriname	0	0	0	0
Eswatini	0	2	1	4
Sweden	4	66	0	71
Switzerland	96	58	0	155
Taiwan	72	73	0	145
Tajikistan	2	0	3	4
Tanzania	0	4	1	4
Thailand	14	1	1	16
Timor-Leste	0	5	0	5
Togo	0	2	0	2
Tonga	25	0	0	25
Trinidad and Tobago	3	2	2	7
Tunisia	0	0	0	0
Turkey	0	0	0	0
Tuvalu	0	0	0	0
Uganda	0	1	2	2
Ukraine	0	0	0	0
United Arab Emirates	0	39	0	39
United Kingdom	1	14	0	15
United States	3	28	0	32
Uruguay	13	0	1	14
Uzbekistan	17	0	0	17
Vanuatu	0	0	0	0
Vietnam	0	33	0	33
Yemen	0	0	0	0
Zambia	0	0	0	0
Zimbabwe	0	0	0	0

Legend:

Unrestricted 1 (RCC)
Unrestricted 2 (RCC)
Substantial
Limited/Conditional
None

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