

THE MANAGING DIRECTOR OF THE IMF AND THE HEADS OF THE RFAS STRESS THE NEED FOR CONTINUED COLLABORATION TOWARDS A STRONG AND SUSTAINABLE POST-PANDEMIC ECONOMIC RECOVERY

The International Monetary Fund (IMF) and Regional Financing Arrangements (RFAs) held today their sixth High-level RFA Dialogue and reflected on how best to leverage their close institutional ties to help members move from crisis to recovery.

Reiterating their commitment to multilateralism, the Managing Director of the IMF and the heads of seven RFAs (Arab Monetary Fund, the ASEAN+3 Macroeconomic Research Office as the surveillance unit of the Chiang Mai Initiative Multilateralisation Agreement, the BRICS Contingent Reserve Arrangement represented by the Reserve Bank of India, Eurasian Fund for Stabilization and Development, European Commission, European Stability Mechanism, and the Latin American Reserve Fund) discussed the global and regional conjunctures and risks at a time when the COVID-19 pandemic continues to flare. They stressed the need to remain vigilant in light of highly uneven global recovery and uncertain outlook, not least due to the uneven access to vaccines and the possibility of new viral mutations. Policy action should be tailored to country-specific circumstances, aiming for maximum sustainable employment while protecting the credibility of policy frameworks.

Continued close collaboration between the global and regional layers of the Global Financial Safety Net (GFSN) remains crucial in a coordinated effort to support a more even, robust, inclusive, and sustainable recovery across the globe. The IMF and RFAs are determined to assist members through this transformational recovery, mobilising financial resources and expertise as needed, in accordance with their individual mandates and policies, and further promote capacity development and knowledge sharing, including in operational areas.

The IMF reiterated that it stands ready to support countries vaccinate the population, calibrate policies carefully to their specific circumstances, and accelerate the structural transformation. Since the beginning of the crisis, the IMF has provided financial support of US\$118 billion to 87 countries, of which 54 countries are low-income countries. It has also provided about US\$860 million in debt service relief to 31 of its poorest members. Moreover, the concessional financing and policy reform in July will ensure that the Fund can flexibly support low-income countries' financing needs during the pandemic and the recovery while continuing to provide concessional loans at zero interest rates. Importantly, the largest allocation of Special Drawing Rights (SDRs) in the IMF history—about US\$650 billion—came into effect in August 2021. To magnify the benefits of the historic SDR allocation, the IMF is encouraging voluntary channelling of SDRs from countries with strong external positions to those most in need. Options include scaling up resources for the IMF's concessional financing through the Poverty Reduction and Growth Trust; establishing a new Resilience and Sustainability Trust (RST) to help the most vulnerable countries with structural transformation, including confronting climate-related challenges; and lending by multilateral development banks.

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The RFAs emphasised that they have taken steps to ensure that they come out of this unprecedented period more resilient and ready to better address members' needs. In this context, and in line with their respective mandates and varying circumstances, some RFAs' have prepared mid-term strategies, others scaled up technical assistance and capacity building efforts or advanced governance reforms, among other initiatives. This comes on top of decisive actions that they took at the outset of the crisis to help members mitigate the impact of the COVID-19 pandemic on their economies, ranging from operational readiness enhancements, the provision of COVID-19 financial assistance, and tailored economic monitoring and capacity building, as applicable. The RFA leaders welcomed the study prepared by their staff on regional responses to the COVID-19 crisis and look forward to its forthcoming publication. The joint endeavour is another example of the institutions' resolute dedication to collaborate with one another through the sharing of crisis prevention and management experiences.

The IMF and RFAs appreciated the dialogue with Mr. Agustin Carstens, the General Manager of the Bank for International Settlements, who was invited to share his views on the lessons from the COVID-19 crisis for the GFSN. The insights were particularly topical as the pandemic's legacies and post-crisis challenges are becoming increasingly clear. In similar fashion, the update from the French co-chair of the G20 International Financial Architecture Working Group on the group's priorities, especially as regards a well-functioning global safety net for a strong, inclusive recovery, was considered most timely. The increasing risk of more frequent and severe shocks to the international monetary system calls for the need to build resilience, with an important role for strong multilateral collaboration.

The IMF and RFAs welcomed the initiative by the Arab Monetary Fund to host a special meeting of the RFA heads in Abu Dhabi in early 2022. The seventh High-level RFA Dialogue will be convened at the time of the next IMF/World Bank Annual Meetings in October 2022.