



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-Third Meeting April 8, 2021

**IMFC Statement by Nor Shamsiah Mohd Yunus
Governor, Central Bank of Malaysia**

On behalf of

Brunei Darussalam, Cambodia, Republic of Fiji, Indonesia,
Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Philippines, Singapore,
Thailand, Tonga, and Vietnam

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We express our sympathies for the loss of lives as a result of the COVID-19 pandemic.

Global and Regional Outlook

1. The better-than-expected global economic recovery prospect is testament to the unprecedented and swift macroeconomic policy actions by authorities globally. Moving forward, the increasing unevenness of the recovery across countries, economic sectors and demographics, calls for more targeted policy responses, as well as stronger international cooperation.
2. SEAVG economies have shown encouraging signs of recovery beginning the second half of 2020. As with the rest of the world, however, there remains uncertainty on the outlook, with growing risk of divergence across SEAVG economies, and uneven recovery across different sectors and economic groups within countries. Contact-intensive sectors, and economies dependent on tourism and remittances, continue to be negatively impacted. SEAVG economies remain susceptible to the high uncertainty surrounding the pandemic given potential mutation and new variants, efficacy of vaccines and rollout challenges, as well as spillover risks arising from continued trade tension and potential disorderly policy withdrawal which could result in volatile capital flows and increase in risk premia.
3. The fragile and uneven recovery highlights the importance of designing prudent exit strategies that will ensure a sustainable and inclusive economic recovery. Continued support from the Fund and the international community remains vital for many countries.

Roles and Priorities of the Fund

Safeguarding the International Monetary System

4. We welcome the Fund's efforts in safeguarding the international monetary system, particularly through rapid and large financial support to its membership. The Fund should continue to play a meaningful role in facilitating policy coordination at the global level through robust surveillance and sound policy advice. In addition, we support the proposal for a general Special Drawing Rights (SDRs) allocation to supplement existing global reserves and address members' short-term liquidity needs at a time when most members continue to face prolonged uncertainties from the pandemic. We also welcome the Fund's effort to explore options for members with strong financial positions to deploy their SDRs to support vulnerable and low income countries (LICs). Beyond a general SDR allocation, it is crucial for the Fund to continue strengthening the global financial safety net, including through strong cooperation with other regional financing arrangements.

Supporting vulnerable members in light of the divergence in economic recovery

5. We commend the Fund's swift support to its most vulnerable members since the onset of the pandemic. We support the Fund's efforts to flexibly tailor its lending toolkit to meet the evolving needs of members and prioritize efforts to support the LICs, small states, and fragile economies by ensuring adequate financing resources, continuous capacity development, and policy advice that are practical and relevant to each member's domestic circumstances.
6. We support the Fund's work in advancing the debt agenda given the rise in debt vulnerabilities during the pandemic. These include enhancing debt transparency, facilitating debt restructuring, and ensuring debt sustainability. Close monitoring of debt vulnerabilities, continued implementation of the joint work with the World Bank on the Multipronged

Approach for addressing debt vulnerabilities and the Fund's role in the implementation of the G20 Common Framework for Debt Treatments and G20 Debt Service Suspension Initiative (DSSI) will help members better manage increasing sovereign debt risks. Besides sovereign debt, we also encourage the Fund to support members in addressing corporate, small and medium enterprise (SME) and household indebtedness through the Fund's policy advice and technical assistance.

Fund surveillance and policy advice (IPF)

7. To ensure a safe-exit and sustainable recovery from the crisis, the Fund needs to deliver robust surveillance and pragmatic policy advice. As the pace of recovery remains uncertain and many members still struggle with the economic impact of the pandemic, the Fund should continue to play its role in ensuring that unwinding of existing policy measures are not done prematurely or in a disorderly manner.
8. We welcome the Fund's increased recognition of the need for policymakers, particularly those in the emerging economies, to have a broader policy toolkit at their disposal. The Fund's work on the integrated policy framework (IPF) would be instrumental to ensure that Fund advice remains practical, flexible, and country specific, guided by a robust framework that considers policy efficacy, trade-offs, and suitability. We also welcome the upcoming review of the Institutional View on the Liberalization and Management of Capital Flows that will further complement the operationalization of the IPF and provide practical guidance for assessing the effectiveness and appropriateness of capital flow management measures.
9. The Fund's role to advocate for a durable resolution of trade tensions and strengthen the rules-based multilateral system remains key to support sustainable investment and international trade. We welcome the important role of the Fund to provide a robust assessment on global imbalances and support further improvement to the EBA methodology. At the same time, the Fund should continue to recognize that a multilaterally-consistent and model-based approach has its limitations and care must be taken in interpreting the model results. The strategy for addressing imbalances should center on the structural factors driving the imbalances instead of focusing primarily on exchange rate policies.

Supporting a sustainable recovery

10. We welcome the Fund's agenda to facilitate members' efforts to secure transformational recovery, particularly on macro critical areas related to climate change, digitalization, and inclusive growth. We support the Fund's role in assessing the macro-financial impact of these areas and working closely with other international partners to avoid duplication of work and to maximize synergy moving forward. The Fund can play an important role to increase global preparedness to manage climate-related risks and facilitate orderly transition. The different stages of development across the membership, as well as country specificities and constraints, should be taken into account when providing climate-related policy advice.

Fund resources and Governance

11. The pandemic has highlighted the need for the Fund to better prepare for a truly global shock. We welcome the Independent Evaluation Office's plan for a two-stage review of the Fund's crisis response to the pandemic. A timely completion of quota and governance reforms under the 16th General Review of Quota by end-2023 will also be crucial to strengthen the credibility, legitimacy, and effectiveness of the Fund. We continue to see scope for a realignment of quota share of dynamic economies, particularly emerging markets and developing countries, to better reflect their growing relative positions in the global economy, while protecting the representation of the poorest members.
12. Beyond quota reforms, the global pandemic has increased the urgency for the Fund to re-assess its resources in a comprehensive manner. Given the uncertainty surrounding the extent of economic scarring and the impact of unprecedented policy responses following the pandemic, assessment on potential demand for Fund resources cannot be business as usual. The IMF should also explore more innovative options to strengthen its financial capacity to enhance its ability to meet the financing needs of the membership.