



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-Fourth Meeting October 14, 2021

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

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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Global and Regional Outlook

1. Varying progress in vaccination rates and the availability of policy space to respond to the crisis have contributed to the current two-track recovery across the memberships, threatening the prospects of a durable and transformational global recovery. This calls for stronger multilateral cooperation to not only ensure global vaccine equity to accelerate efforts in ending the pandemic, but to go beyond the pandemic challenges, on rebuilding policy buffers, climate change, digitalization, and inclusiveness to ensure a more sustainable recovery. Continued meaningful and timely support from the Fund and international community remains vital for many members in managing the immediate costs of the pandemic and to prepare for medium-term challenges and opportunities.

Roles and Priorities of the Fund

Safeguarding the International Monetary System

2. We commend the Fund's steadfast effort in safeguarding the international monetary system, particularly through the disbursement of rapid and substantial financial support to its membership. The recent general allocation of Special Drawing Rights (SDRs) has benefited members by supplementing their existing reserves to address short-term liquidity needs, which is critical as members continue to navigate the crisis. Against the global backdrop of more frequent and intense crises, further strengthening of the global financial safety net (GFSN) remains imperative, including through stronger international cooperation and collaboration with regional financing arrangements.

Addressing the divergence risk

3. We welcome the Fund's close collaboration with global partners in ensuring a more equitable access to vaccines. Expediting and amplifying the efforts to achieve universal vaccination should remain a top priority to limit the health and economic fallout.
4. The Fund's prompt financial assistance to its most vulnerable members since the onset of the pandemic has afforded some relief to members in dealing with the challenges posed by the pandemic. The Fund must continue to play its role in providing adequate financial support to address BOP needs and minimize economic scarring that could derail members' recovery. We welcome the Fund's effort in exploring options to pool resources to support members, especially lower income, Small Developing States, and vulnerable countries. This includes seeking voluntary channeling of SDRs from members with strong external positions to members in need, including by bolstering pledges to the Poverty Reduction and Growth Trust and proposal to establish a new Resilience and Sustainability Trust to facilitate members' longer-term structural transformations. We also support the Fund's sovereign debt agenda, including by enhancing debt transparency, facilitating debt restructuring through the G20-endorsed Common Framework, and ensuring debt sustainability.
5. Amidst the continued divergence in economic recovery across members, it is more important than ever for the Fund, in its key surveillance, lending and capacity development roles, to deliver a more tailored and targeted support for each member, taking into account members' stages of recovery, remaining policy space and other country-specific circumstances. While ensuring evenhandedness is an important consideration, that should not be the paramount objective in the Fund's engagement with and policy advice to members, particularly given the divergence in economic recovery in coming years. As the Fund continues to improve its surveillance framework, the Fund must ensure that the process does not impose unnecessary burden on members or in some circumstances constrain authorities' policy space and efficacy.

Managing risks from capital flows volatility

6. Faster-than-anticipated monetary policy normalization in the advanced economies could lead to a sudden tightening of global financial conditions. It is thus critical for authorities in the advanced economies to avoid a disorderly withdrawal of policies and ensure policy intentions are communicated clearly to limit negative cross-country spillovers.
7. As emerging market economies brace for higher capital flow volatility, operationalizing the Integrated Policy Framework (IPF) would be key to enhance authorities' policy toolkit as they confront multiple challenges to boost recovery and maintain orderly financial market conditions amid narrower policy space. Of significance, the outcome from the IPF work should be translated into clear and practical guiding principles, but ultimately accord the necessary flexibility for countries to deploy the IPF in addressing challenging trade-offs. We commend the Fund's recent progress in incorporating the findings of the IPF into the review of the Fund's Institutional View on capital flows. From a multilateral surveillance perspective, the Fund should also strive to improve its assessment on global imbalances, and we call for further improvement to the External Balance Assessment (EBA) methodology to address the model limitations. Ultimately, the strategy to address imbalances should not be solely focused on exchange rate policies, but to also consider structural factors that are driving the imbalances.

Accelerate transformation to secure a greener, inclusive, and sustainable growth

8. We welcome the Fund's agenda to support members' efforts to secure a transformational recovery, including on macro critical areas related to climate change, digitalization, and inclusiveness. We commend the Fund's focus on helping members manage adaptation, transition, and mitigation risks. Nevertheless, we continue to reiterate the need to consider the different stages of development, readiness and policy priorities of countries and avoid a one-size-fits-all approach. Further analysis of potential distributional effects of climate-risk mitigating measures is also important. The Fund can also play a role in exploring ways to encourage members that generate transition spillovers to provide the technology, capacity building support or even financing to assist developing countries to adopt sustainable practices. This would go a long way towards ensuring climate equity and avoid disorderly transitions for members. We also emphasize the need for the Fund to focus on areas which are aligned to its core mandate to ensure effective use of Fund's resources, while enhancing its collaboration and maximizing synergy with international partners that have the requisite expertise to avoid any duplication of work.

Fund Resources and Governance

Strong, quota-based, and adequately resourced IMF

9. Even as we continue to respond to the current crisis, we need to cast an eye to the future and ensure that the IMF can continue to be a strong center of the GFSN in a world that is likely to experience more frequent shocks. As the only GFSN layer with near-universal membership, the Fund needs to be prepared for the unexpected and the unknown, which points to the importance of maintaining adequate resource levels and efficient use of those resources. Furthermore, it is critical for the Fund to preserve its credibility and legitimacy by ensuring that quotas better reflect members' relative sizes and positions in the global economy. In this light, we reiterate the importance of resolving the key issues surrounding the quota and governance reforms under the 16th GRQ in a pragmatic manner to enable its timely completion by December 2023. It is important to learn from the 15th GRQ and avoid the same impasse this time around. Beyond that, the Fund also needs to act decisively in ensuring the reform measures are implemented promptly.