

Enhancing the Collaboration between the IMF and RFAs: ASEAN+3 perspective

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Agenda



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Background

- Evolution of the GFSN
- G20 EPG recommendation

2

Update on IMF-RFAs collaboration

- IMF-RFAs institutional linkages
- IMF-RFAs Joint activities
- CMIM-IMF Joint Test Run

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Lessons Learned and Way Forward

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Update on IMF-RFAs collaboration

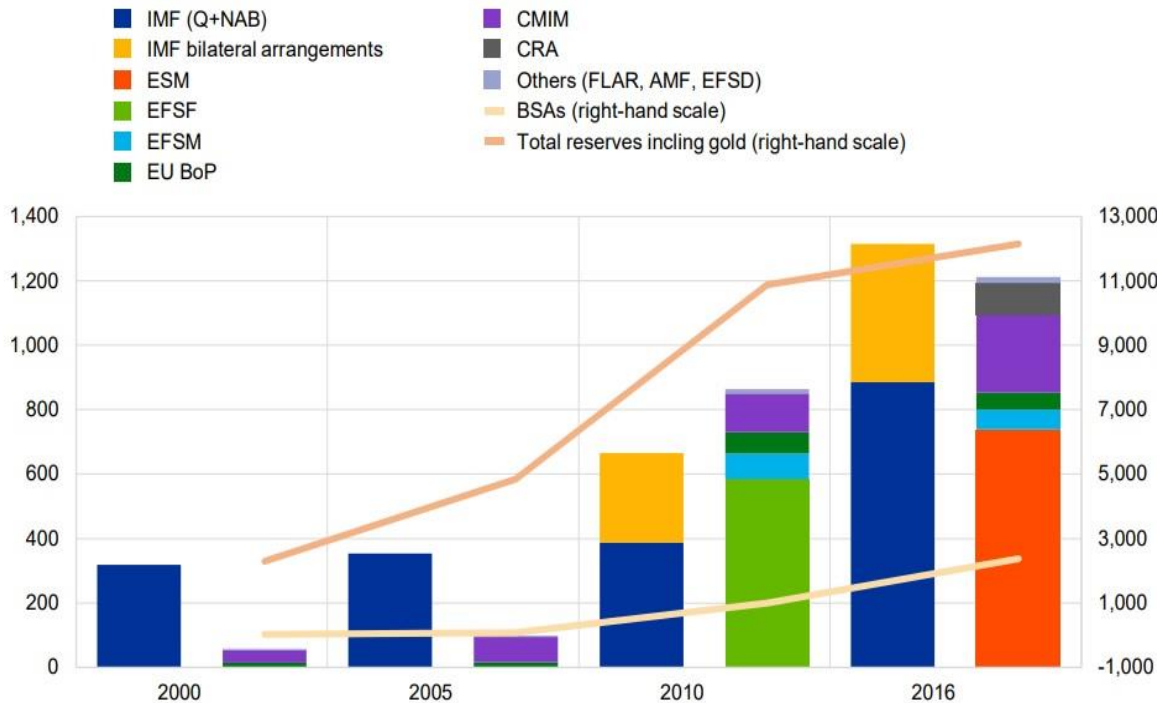
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Lessons Learned and Way Forward

Global FSNs have expanded, in particular, in the aftermath of the GFC.

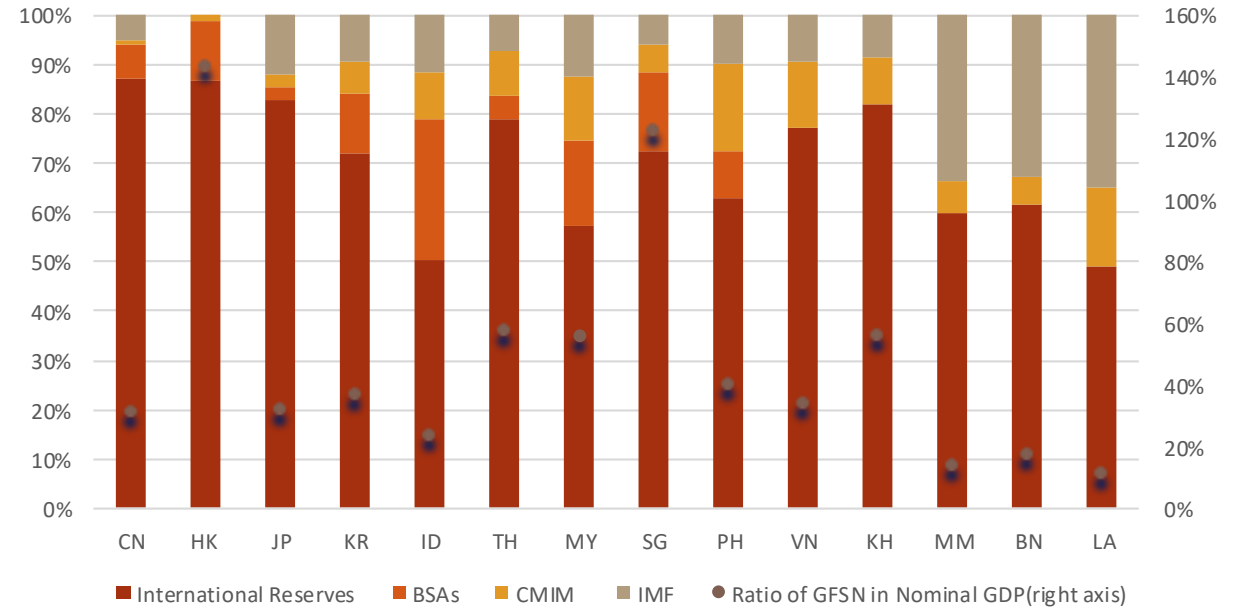
Evolution of the GFSN (USD billion)



Notes: For IMF and RFAs, size is gross total resources, including capital, quotas and borrowed resources Latest data on reserves is at end 2016. Exchange rates taken at end year in period 2000-2016
Sources: IMF, RFAs Annual Reports and own calculations.
[ECB, 2018, "A quantitative analysis of the size of IMF resources "

In case of ASEAN+3, the size of CMIM is comparable to that of the IMF for many member countries.

Composition of GFSN for ASEAN+3



Note: IMF : 435% of quota, SBA / CMIM : IMF Linked Portion /
BSAs : calculated in USD as of 18 April 2019, including local currency swaps
Reserves : as of December 2018 / Source: National central banks, IMF, AMRO staff calculations

G20 EPG Recommendation (October 2018) - excerpt

Proposal 14: Stitch together the various layers of the GFSN to achieve scale and predictability

*A decentralized, multi-layered structure of global, regional and bilateral arrangements has evolved over the last decade. But it is highly **uneven in scale and coverage across regions**, has major components that are **untested in crisis**, and **lacks coordination**. As a result, it lacks the predictability essential to an effective financial safety net.*

- It is crucial to **stitch together the various layers of the safety net** well before any major crisis occurs and resources are needed.
- **A clear assignment of responsibilities between the IMF and each RFA and protocols for joint actions** are needed to make the GFSN effective.
- Effective governance arrangements should encourage sound country policies, and, under specified circumstances, effect joint use of financial resources. A properly designed system, applied in an even-handed manner, can avoid moral hazard, minimize contagion and avoid excessive self-insurance.
- When macroeconomic adjustments and reforms are necessary, **the GFSN must agree on appropriate ex-post conditionality and avoid postponing adjustment.**

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IMF-RFAs Institutional Linkages

More than half of RFAs require IMF involvement in their lending operations

Level of involvement



- BRICS CRA, CMIM – Co-financing with IMF is required for access of more than 30% of Maximum Arrangement Amount
- NAFA – Activation of US Treasury portion of the swap arrangement requires IMF's letter of confidence on requesting party's policies
- ESM – co-financing with IMF is strongly recommended by the treaties
- AMF, FLAR, BoP AF, EFSD – No IMF linkages

* Source: Comparative Study On RFAs (AMRO 2019)

- From a global perspective, close coordination between RFAs and IMF is called for given the IMF's incomparable analytical capacity and experience.



In-Crisis Collaboration



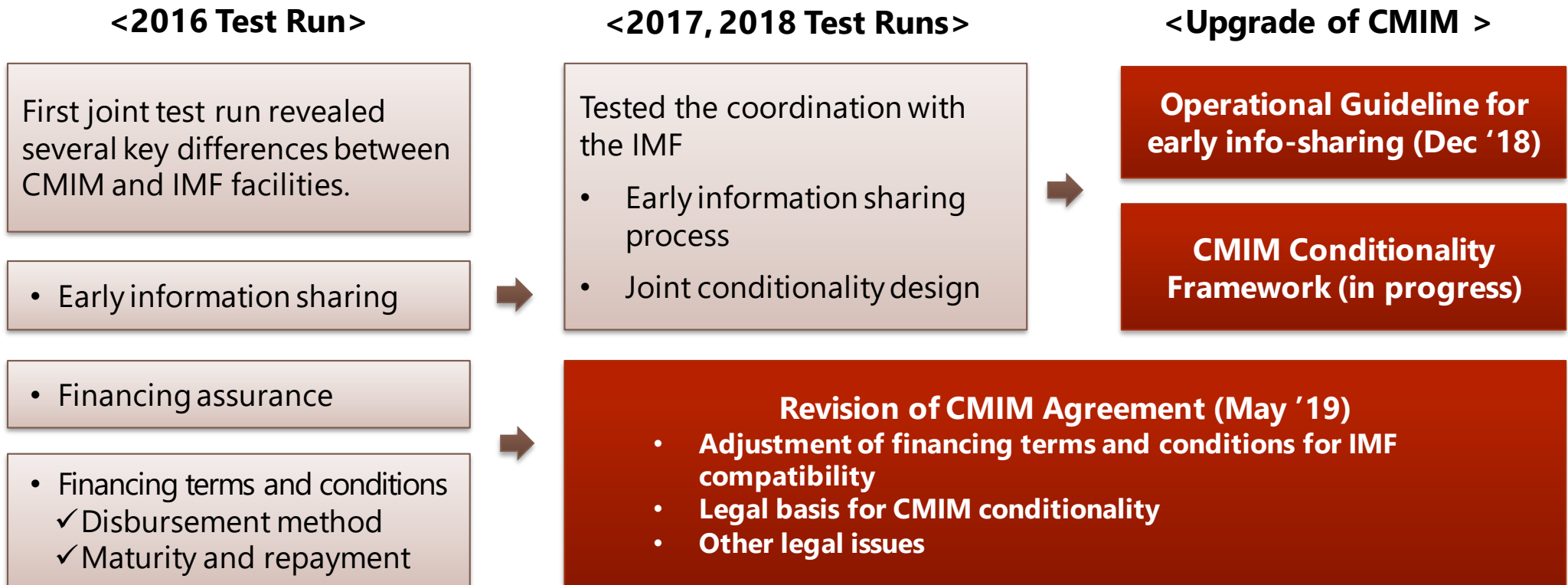
Peace time Cooperation

- ❑ **Most co-financings by the IMF and RFAs in recent years took place in Europe**
 - *Latvia, Hungary and Romania: EU BoP Assistance Facility – IMF*
 - *Euro area programs (except Spain): EC – ECB – IMF (the “Troika”)*

- ❑ **RFAs High Level Dialogue - Provide a regular framework for the top officials of the participating RFAs to discuss issues related to GFSN**
 - *Sharing information on recent development of each RFA*
 - *Enhancing IMF-RFA cooperation – joint proposal (2018)*
 - *Building up RFA’s institutional capacity*
- ❑ **Joint surveillance and consultation activities**
 - *Attending the Article IV mission, employing the Fund’s analytical frameworks, and exchanges of views on common members (e.g., AMRO-IMF joint seminar)*
- ❑ **Training and capacity building**
 - *Mainly through the participation of RFAs in the training courses of the IMF*
 - *To a lesser extent, via staff exchanges between the IMF and RFAs (e.g., AMRO and EC)*

CMIM-IMF Joint Test Runs

During 2016 ~ 2018, the CMIM members have conducted 3 joint test runs with the IMF to enhance the coordination process in case of activation of IMF Linked Portion. The findings from the test runs were reflected in the revised CMIM Agreement and Operational Guidelines.



“We welcome the successful conclusion of the first Periodic Review of the CMIM Agreement and approve the amended CMIM Agreement with the expectation for its early entry into force.”

–Joint Statement of the 22nd AFMGM+3, Nadi, 2 May 2019–

Flexibility on the supporting periods
of CMIM IMF-Linked Portion



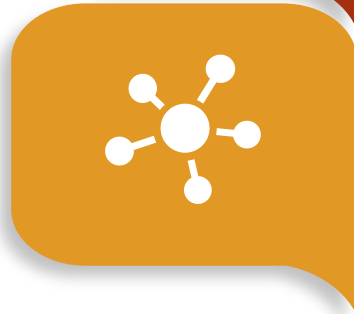
Enhanced conditionality
framework

Adjustment of financing
terms and conditions



Reinforced review and
ex-post monitoring

Strengthened coordination
mechanism with the IMF



Fine-tuning the duty to
confidentiality clause and
other legal ambiguity
issues

“We commend the progress in updating the CMIM Operational Guidelines (OGs) to align with the amendments in the Agreement, including strengthened collaboration between the IMF and CMIM”

–Joint Statement of the 22nd AFMGM+3, Nadi, 2 May 2019–

OG on Coordination Process between the CMIM and the IMF

Purpose

The OG will be established to ensure consistency with the IMF on economic and financial situations, financing needs, and policy recommendations for co-financing.

Key Elements

- Engagement at an early stage to facilitate smooth collaboration, help address differences and allow the formation of a common view on key parameters and policies;
- CMIM and IMF to maintain independent view on financing decisions.



Coverage

The OG will include the modalities of early information-sharing between the CMIM and IMF

CMIM Conditionality Framework

- To provide legal framework for conditionality for CMIM arrangement including principles and modality
- In case of IMF Linked Portion, coordination with the IMF in conditionality design will be based on the information sharing process in the OG

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Lessons Learned and Way Forward

Capacity building

- Exploring topics of common interest for Joint RFA Research Seminar
- Joint training program utilizing the IMF's regional training centers
 - ✓ Suggested topics: Macroeconomic forecasting, DSA analysis, banking sector surveillance, IMF lending policy, etc.
- Expanding staff exchange and secondment programs

Information sharing and Communication

- The IMF's consultation with RFAs during its policy review (e.g., review of IMF DSA and Conditionality Guidelines)
- Granting access to each other's databases, under precisely defined rules
- Sharing IMF's knowledge and experience on public communication during crisis time



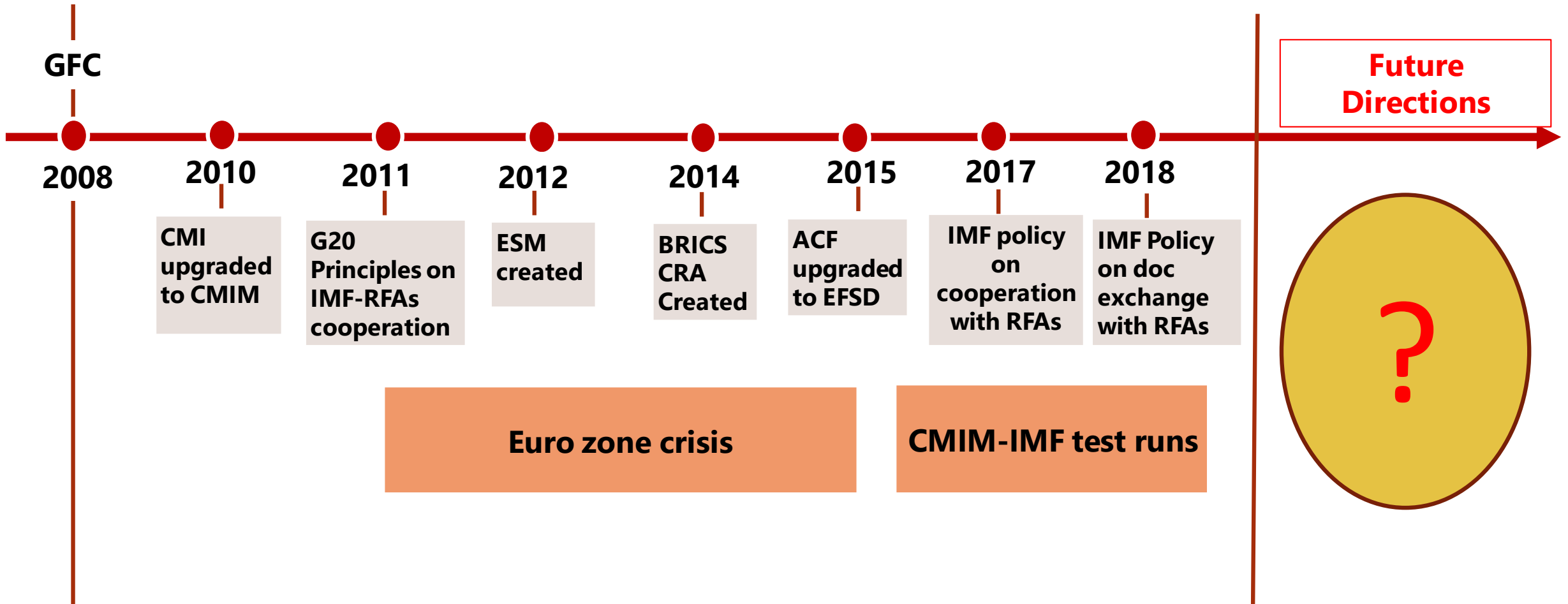
Crisis prevention / resolution

- Comprehensive understanding of IMF policies and facilities to explore complementarity of toolkits
- Participating of RFA staff in Article IV meetings
- Facilitating collaboration between IMF and RFAs in co-financing situation including informal information exchange
- Test runs of instruments for potential collaboration

Long term collaboration goals

- Placing the resources of RFAs and the IMF into the broader context of GFSN
- Reflection on how to secure sufficient and financially favourable resources
- Dealing with the uneven coverage of the GFSN
- Greater cooperation on capacity development and crisis prevention in LICs

Since the adoption of the G20 Principles on IMF-RFAs cooperation in 2011, there have been Institutional development & actual co-financing experience. Based on this, further guidance may be necessary so that the IMF and RFAs can leverage on each other's resources and expertise while maintaining their independence.



THANK YOU

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