



# **Joint Statement of the 24<sup>th</sup> ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting**

Virtual, 3 May 2021

## **I. Introduction**

1. The 24<sup>th</sup> ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting (AFMGM+3) was convened on 3 May 2021 under the co-chairmanship of H.E. Dato Ahmaddin Abdul Rahman, Deputy Minister of Finance and Economy (Fiscal) of Brunei Darussalam, H.E. Rokiah Badar, Managing Director of Autoriti Monetari Brunei Darussalam and H.E. Nam-Ki Hong, Deputy Prime Minister and Minister of Economy and Finance of the Republic of Korea, H.E. Juyeol Lee, Governor of the Bank of Korea. The meeting was held in virtual format under the extraordinary circumstances due to the COVID-19 pandemic. The President of the Asian Development Bank (ADB), the Director of the ASEAN+3 Macroeconomic Research Office (AMRO), the Secretary-General of ASEAN, and the Deputy Managing Director of the International Monetary Fund (IMF) were also present at our meeting.

2. We exchanged views on current developments and the outlook for the global and regional economies, as well as policy responses to risks and challenges. We acknowledge that the ASEAN+3 regional cooperation is becoming more important to support the regional economies overcoming COVID-19 and preparing for the post pandemic era. In this respect, we agreed to continue working together to enhance regional financial cooperation, including through the Chiang Mai Initiative Multilateralisation (CMIM), AMRO, Asian Bond Markets Initiative (ABMI) and Strategic Directions of the ASEAN+3 Finance Process.

## **II. Recent Economic and Financial Developments in the Region**

3. The ASEAN+3 region has been resilient since the outbreak of the COVID-19 pandemic, despite the differing impact from the pandemic across the region. Home to 30 percent of the world's population, our region accounts for under 3 percent of around 150 million COVID-19 infections globally so far—a result of strict but judicious applications of both blanket and targeted containment measures during the past year. Concurrently, wide-ranging policies to support households, businesses, and the financial sector saw the region contract moderately by 0.2 percent in 2020, with five ASEAN+3 economies posting positive growth. We expect a rebound in 2021 as the recovery gathers momentum

and vaccine rollouts allow a gradual opening up of our economies, though the recovery appears uneven across and within countries, and subject to possible elevated downside risks including the spread of new variants of the COVID-19 virus and different paces of vaccination.

4. We recognize that supportive and both targeted and comprehensive policies are still critical to overcoming the economic and health crises. We expect vaccine rollouts to play a key part in accelerating regional economic recovery. At the same time, we remain vigilant to the downside risks and will use all available policy tools to ensure an inclusive and sustainable recovery and maintain financial stability. We will gradually and carefully normalize expansionary policy measures while mitigating risks of cliff effects.

5. In the wake of the pandemic and following disruptions to global value chains, we resolved to further strengthen our regional ties as well as regional value chains, which will foster more diversified and resilient regional economies. Thus, we will remain firmly committed to an open and rules-based multilateral trade and investment system. We also welcome the signing of the Regional Comprehensive Economic Partnership (RCEP) agreement as a strong impetus to the regional trade and investment, and look forward to its earliest entry into force to further contribute to regional economic integration.

### **III. Strengthening Regional Financial Cooperation**

#### **Chiang Mai Initiative Multilateralisation (CMIM)**

6. Recognizing the recent economic and financial developments and risks in the region, we reaffirm our commitment to further strengthen the CMIM as an effective and reliable regional self-help mechanism, and an important component of the Global Financial Safety Net. In this regard, we welcome the entry into force of the amended CMIM Agreement on 31 March 2021 which (i) increases the “IMF De-Linked Portion” from 30 percent to 40 percent, and (ii) institutionalizes local currency contributions in the CMIM on a voluntary and demand-driven basis for both requesting and providing parties. We instruct the Deputies to take follow-up actions on outstanding issues including the adoption of the new CMIM reference interest rate to replace LIBOR by the end of 2021, and the review of the CMIM interest margin.

7. There was progress on discussions regarding the use of local currency for CMIM and the revision of CMIM Operational Guidelines (OG) as the follow-up action. We reaffirm that the use of local currency for CMIM liquidity support should be voluntary and demand-driven for both the requesting parties and providing parties. Going forward, we task the Deputies to expedite the preparation of the OG for cases in which a member provides its own local currency, while placing a legal anchor for the use of the third party local currency, within 2021. Also, we aim to finalize detailed rules for the use of third party local currency by the end of 2022, building upon the completion of the

OG amendment in 2021.

8. The COVID-19 pandemic and its economic aftermath highlighted the importance of the CMIM as an essential regional financial safety net. In this regard, we welcome the indicative list of short and medium-term issues as a useful guide in facilitating members' discussion for CMIM future direction. For the short-term issues, we welcome the use by AMRO of the Economic Review and Policy Dialogue (ERPD) Matrix Framework in a holistic manner to assess eligibility criteria for access to the IMF De-Linked Portion of the CMIM Stability Facility by the Executive Level Decision Making Body (ELDMB) in making its final decision. Going forward, we task the Deputies to continue discussions on CMIM future direction issues, including long-term issues and new initiatives dealing with structural vulnerabilities facing members in the post-pandemic era, to further strengthen the ASEAN+3 Regional Financial Safety Net. Also, we request that AMRO provides technical support and input to members' discussions.

9. We welcome the successful completion of the 11<sup>th</sup> Test Run, which contributed to addressing the remaining procedural gaps in actual fund transfer for CMIM liquidity support. Going forward, we are certain that the proposed 12<sup>th</sup> Test Run will also improve members' readiness in decision-making for the IMF De-Linked Portion of the CMIM Precautionary Line with the support of AMRO.

#### **ASEAN+3 Macroeconomic Research Office (AMRO)**

10. As we celebrate the 10<sup>th</sup> anniversary of AMRO this year, we recognize the significant progress AMRO has made since its inception. We acknowledge AMRO's strong support to ASEAN+3 members during this challenging time, through providing timely analysis and useful policy advice in response to the COVID-19 pandemic and facilitating the operational readiness of the CMIM, to safeguard the macroeconomic and financial stability of the region.

11. We welcome AMRO's updated Medium-term Implementation Plan (MTIP) 2021-2025 as endorsed by the Deputies to better adapt to the new reality of COVID-19. We believe the updated MTIP will further enhance AMRO's institutional capacity, and strengthen its role as a capable and trusted "family doctor" for all ASEAN+3 members. We also note AMRO's implementation of the Integrated Evaluation Cycle and refinement of the Performance Evaluation Framework to ensure efficient operations and strengthened accountability to its members, paving its way towards a results-based organization.

12. We commend AMRO's ongoing efforts to further enhance its macroeconomic surveillance capacity and deliver more relevant surveillance reports and analytical tools. We welcome the revision of AMRO's Guidance Note for Country Surveillance Consultation to further deepen and broaden its surveillance efforts, and expect AMRO to develop its own policy framework on the capital flows

management measures (CFMs) and macroprudential policy measures (MPMs) which takes account of country-specific factors so that the region's interests and views are better conveyed in international policy discussions. We acknowledge AMRO's efforts in supporting ASEAN+3 members to ensure the full operational readiness of the CMIM, and encourage AMRO to further expand the scope of its technical assistance program to better support members' capacity building. We also expect AMRO to play a bigger role in supporting ASEAN+3 members' efforts to enhance the ASEAN+3 Finance Process, including providing intellectual and technical inputs to support discussion on relevant ASEAN+3 future initiatives, and further studying and advising on the structural challenges facing members in the post-pandemic era.

13. We extend our appreciation to AMRO's senior management team, led by Mr. Doi Toshinori as AMRO Director, for its strong leadership in advancing AMRO's development. We reaffirm our continuous support for AMRO to fulfill its mandate as an independent, credible and professional international organization acting as a trusted advisor to ASEAN+3 members.

#### **Asian Bond Markets Initiative (ABMI)**

14. We acknowledge the continuing progress of the ABMI under the ABMI Medium-Term Road Map 2019-2022 to deepen support for infrastructure finance; promote green bonds and ASEAN+3 Multi-currency Bond Issuance Framework (AMBIF) bonds; foster standardization and harmonization of bond-market-related regulations; improve bond market infrastructure to facilitate cross-border transactions; and enhance collaboration among regional initiatives.

15. We commend sustained efforts by the Credit Guarantee and Investment Facility (CGIF) to enhance the issuance of local currency denominated bonds despite the difficult conditions under the pandemic. We support efforts to develop green, social, and sustainability bonds in the region to meet surging needs of sustainable finance after the pandemic. We welcome the continued improvements of AsianBondsOnline (ABO) and the steady progress towards market integration as well as the launch of a new research on the current status of "double mismatch problem" in the region and way forward under the ASEAN+3 Bond Market Forum (ABMF). We welcome the launch of a cross-border delivery-versus-payment (DvP) link by Hong Kong Monetary Authority and Bank of Japan, which has been developed under the Cross-Border Settlement Infrastructure Forum (CSIF). We appreciate the progress of the Asia Prime Collateral Forum (APCF), which further promotes the utilization of collateral in the ASEAN+3 region. We look forward to continuous capacity-building support to recipient countries under the Technical Assistance Coordination Team (TACT).

#### **ASEAN+3 Financial Cooperation in Disaster Risk Financing and Insurance**

16. We continue to support the efforts of the Southeast Asia Disaster Risk Insurance Facility (SEADRIF) in strengthening the financial resilience of ASEAN member countries against disaster

risks, with support from the ASEAN Secretariat and the World Bank. We welcome the catastrophe risk insurance coverage as the first product of SEADRIF, and the progress of the Public Asset Financial Protection Program. We also welcome remaining ASEAN+3 member countries to join SEADRIF, and encourage donor partners beyond ASEAN+3 region to support this initiative.

#### **IV. Strategic Directions of the ASEAN+3 Finance Process**

17. We note the ongoing discussions under “Strategic Directions of ASEAN+3 Finance Process” and welcome the formation of four Working Groups (WGs), which consists of “Infrastructure Financing (WG1)”, “Macro-structural Instruments (WG2)”, “Strengthening Financial Resilience against Natural Disasters (WG3)” and “Enhancing Policy Coordination for Technological Advancement (WG4)”. We expect the WGs’ productive activities and concrete outcomes to further explore these potential areas of cooperation.

18. We acknowledge that the enhancement of thematic discussion in the ERPD session provided opportunities to convene regional members’ brainstorming on emerging challenges, particularly on structural transformation in a forward-looking manner. We commend AMRO’s support in establishing the ASEAN+3 Finance Process Online Repository, and we look forward to its official launch and smooth operation in the future. We encourage Deputies to continue enhancing effectiveness and efficiency of the ASEAN+3 finance process going forward.

#### **V. Conclusion**

19. We express our appreciation to the governments of Brunei Darussalam and Korea for their excellent arrangements as the Co-Chairs of the ASEAN+3 Finance Ministers’ and Central Bank Governors’ Process in 2021. We agree to meet in Colombo, Sri Lanka in 2022. Cambodia and China will be the Co-Chairs of the ASEAN+3 Finance Ministers’ and Central Bank Governors’ Process in 2022.