

G20 Principles for Cooperation between the IMF and Regional Financing Arrangements

as endorsed by G20 Finance Ministers and Central Bank Governors

October 15, 2011

In November 2010, G20 Leaders also tasked G20 Finance Ministers and Central Bank Governors to explore “ways to improve collaboration between RFAs and the IMF across all possible areas”. Based on contributions by the EU and by ASEAN + 3 countries members of the G20, the following non-binding broad principles for cooperation have been agreed. Also, collaboration with the IMF should be tailored to each RFA in a flexible manner in order to take account of region-specific circumstances and the characteristics of RFAs.

- 1) An enhanced cooperation between RFAs and the IMF would be a step forward towards better crisis prevention, more effective crisis resolution and would reduce moral hazard. Cooperation between RFAs and the IMF should foster rigorous and even-handed surveillance and promote the common goals of regional and global financial and monetary stability.
- 2) Cooperation should respect the roles, independence and decision-making processes of each institution, taking into account regional specificities in a flexible manner.
- 3) While cooperation between RFAs and the IMF may be triggered by a crisis, ongoing collaboration should be promoted as a way to build regional capacity for crisis prevention.
- 4) Cooperation should commence as early as possible and include open sharing of information and joint missions where necessary. It is clear that each institution has comparative advantages and would benefit from the expertise of the other. Specifically, RFAs have better understanding of regional circumstances and the IMF has a greater global surveillance capacity.
- 5) Consistency of lending conditions should be sought to the extent possible, in order to prevent arbitrage and facility shopping, in particular as concerns policy conditions and facility pricing. However, some flexibility would be needed as regards adjustments to conditionality, if necessary, and on the timing of the reviews. In addition, definitive decisions about financial assistance within a joint programme should be taken by the respective institutions participating in the programme.
- 6) RFAs must respect the preferred creditor status of the IMF.