

16th MEETING OF THE CENTRAL BANKS AND MONETARY AUTHORITIES OF THE OIC MEMBER COUNTRIES

23-25 September 2018, Antalya, TURKEY

COMMUNIQUÉ

1. We, the Governors of the Central Banks and the Heads of Delegations, met in Antalya, Turkey, on 23-25 September 2018 to discuss the global economic and financial outlook and to exchange views on how to promote financial inclusion and to ensure that wider access to financial services brings economic benefits in OIC member countries within the framework of the Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation (COMCEC) financial cooperation agenda item.
2. Global economic activity appears to have moderated slightly but is expected to remain solid in 2018 and 2019. Inflation has risen both in advanced and emerging market economies, reflecting not only the increase in commodity prices but also currency depreciations in some emerging market countries. Global financial conditions remain supportive, but have tightened somewhat, particularly in a number of emerging market economies. Downside risks over the short and medium terms have risen. We recognize the main risks as tightening in global financial conditions, escalating trade disputes, and increasing geopolitical tensions. These risks come along with rising private and public debt globally, which exposes many countries to shifts in global financial conditions.
3. We note that recent bouts of volatility in financial markets have offered a reminder of the sudden shifts in global financial conditions that can occur when markets reassess fundamentals and risks. Sentiment towards emerging market and developing economies already started to change in early 2018. Looking ahead, these economies, particularly those with weak fundamentals, face challenges, including heightened financial market volatility and further reversal of capital flows. We underline the need to enhance the resilience of our economies through an appropriate mix of monetary, macroprudential, fiscal and

structural policies. For monetary policy, it is important to be front loading, pre-emptive, and ahead of the curve. Building fiscal buffers and reinforcing structural reform strategies are also important.

4. We emphasize that sustaining progress towards 2030 United Nations Sustainable Development Goals is essential to achieve a sound macroeconomic environment and better living standards for developing countries. We attach particular importance to the effective implementation of the vision documents of OIC, namely OIC 2025 Program of Action and COMCEC Strategy, for contributing economic growth, social development, financial stability, financial inclusion as well as alleviating poverty in the OIC region.
5. We stress the important role international trade can play in the promotion of sustainable and inclusive growth as well as the alleviation of poverty. Trade restrictions harm global growth via a number of channels. First, higher import prices could raise production costs. At the same time, rising import costs may lead to an increase in inflation, which will diminish the purchasing power of households. This could curtail consumption, investment and employment. Second, escalation of trade tensions could fuel policy uncertainty and cause a loss of confidence, resulting in consumers postponing consumption and businesses delaying investment. Third, elevated uncertainty could lead to an increase in risk premiums and volatility in global financial markets. Fourth, over the longer term, a more protectionist regime could also negatively affect potential output through dampening productivity growth.
6. We note that safeguarding multilateralism and the rule-based trading system has a key importance for supporting growth and development particularly for some OIC countries. Multilateralism in trade policy could offer a complementary tool for cooperation to countries willing to support integration of markets and to guard against possible trade wars. It will also support policy dialogue in addressing not only systemically important trade-distorting policies but also providing a consensus on a road map for the future.
7. We recognize the potential benefits of globalization and support more integrated economies. The financial linkages created by trade enhanced the world economy during the globalization process and properly managed financial

openness improved living standards through more efficient allocation of capital and know-how transfers. We acknowledge that with globalization, financial capital could flow into markets with the most favorable risk-return profiles. In that sense Islamic finance instruments with their asset-backed characteristics provide ample opportunities for equal risk sharing.

8. Financial inclusion supports economic growth and social development, helps reduce poverty and inequality, and promotes financial stability. We note the importance of national financial inclusion strategies in coordinating national financial inclusion policies and monitoring their impacts. There is no one-size-fits-all solution to address low levels of financial inclusion. More efforts are needed in OIC countries to enhance financial inclusion with a particular focus on Islamic finance. We underline the importance of greater access to financial services for women, particularly in OIC countries, as a key enabler of gender equality and the empowerment of women.
9. Efforts towards enhancing access to finance, financial education and consumer protection need to proceed in tandem with a sound and well-functioning financial system. Implementation of international standards, financial education and enforcement mechanisms are essential pillars for effective consumer protection frameworks. Islamic social finance offers benefits in promoting inclusiveness and empowering our people.
10. Fintech is changing the financial services industry by enhancing financial access and improving the affordability and quality of financial services. This could support sustainable growth provided that the risks associated with these new technologies are managed. Making fintech a true catalyst for financial inclusion requires a well-designed framework of underlying infrastructure and the regulatory environment to support digital financial transformation.
11. We stress that the development of fintech in Islamic finance lags behind that of conventional finance. Fintech has potential to contribute to the evolution of the Islamic finance products and services that will ultimately support greater financial inclusion in the OIC countries.

12. We welcome the efforts of both OIC Economic Outlook and Financial Inclusion Working Groups. We agree that the OIC Economic Outlook Working Group should continue its task in view of the emerging challenges in the global economy with specific focus on OIC countries. We ask the Financial Inclusion Working Group to focus on fintech and microfinance to target vulnerable groups by reviewing the best practices in the OIC countries to come up with practical recommendations. These working groups will report to us in our next meeting in 2019.

13. We reaffirm that enhancing technical cooperation and collaboration among the central banks and monetary authorities of the OIC countries and boosting capacity building and expert sharing programs are crucial to strengthening our institutional capacities. In this regard, we agree to reorganize our structure as "OIC-COMCEC Member States' Central Banks Forum". This will support our institutional framework under the COMCEC. We decide that the Central Bank of the Republic of Turkey will provide secretariat services to the Forum.