

# VIRTUAL MEETING OF THE OIC–COMCEC CENTRAL BANKS FORUM

*29 September 2021*

## COMMUNIQUÉ

1. We, the Governors of the Central Banks and the Heads of Delegations, met virtually, on 29 September 2021 to discuss the current global and OIC (Organization of Islamic Cooperation) economic outlook and to exchange views on the post-pandemic economic and financial priorities for OIC countries within the framework of the Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation (COMCEC) financial cooperation agenda.
2. The COVID-19 pandemic has proven to be a rare macroeconomic shock to the global economy with its uneven effects across economies and sectors. The global economy has continued to recover, thanks to policy support and advancements in vaccination rollouts. Global trade has also increased since mid-2020, reflecting strong demand for goods as consumers substituted expenditures on goods for spending on services. Rapid economic recoveries, supply bottlenecks and rising commodity prices have led to an increase in near-term global inflationary pressures. We underline that clear and timely communication regarding the monetary policy stance will play a key role in managing inflation expectations and protecting against premature tightening of financial conditions as well as negative spillovers across countries.
3. We anticipate robust global economic growth for 2021 and beyond with the condition of a successful deployment and spread of effective COVID-19 vaccines and continued accommodative fiscal, financial and monetary conditions. However, the recovery is characterized by great divergences across and within countries and the global outlook remains subject to downside risks. We note that the path of the pandemic is difficult to predict and new variants raise some concerns over the global economic recovery. In the meantime, the slow progress of the vaccination process in emerging market and developing economies (EMDEs), earlier-than-expected policy tightening in advanced economies (AEs) and decrease in policy space may deteriorate the economic outlook

of EMDEs including OIC countries. Financial conditions could quickly tighten with a change in the monetary policy stance in AEs, if inflation expectations increase faster than expected. Moreover, high levels of public and private sector debt may become a concern from a debt sustainability standpoint. While the extent of their impact varies across countries, these risks are notable challenges for our economies. We remain committed to implement policy measures to protect lives, social well-beings, support vulnerable groups and navigate the impact of the pandemic on our economies.

4. We stress that the pandemic has impacted vulnerable groups, including women, school-age children, and informal and low-skilled workers, and widened inequality gaps. The uneven recovery underscores the need for further action to tackle the health and economic consequences of the pandemic, protect vulnerable populations, address multiple near- to long-term challenges and set the ground for strong, sustainable, and inclusive growth. At the national-level, it is critical to implement well-targeted policies tailored to the state of the economy to promote economic recovery and maintain macroeconomic and financial stability. Also, coordinated global action and international cooperation are vital to jointly reap the benefits of the recovery while addressing remaining challenges, such as growing inequality and other long-term consequences of the pandemic.
5. We discuss the post-pandemic economic and financial priorities for OIC countries and the potential of Islamic finance to help address the consequences of the crisis. We stress the importance of solidarity among OIC countries to mitigate the effects of the COVID-19 pandemic on both the health and economic fronts. We emphasize the need for prioritizing broader and sustaining reforms aimed at catalyzing investment, particularly in infrastructure, health and education to raise growth potential. We value the importance of Islamic finance, with its wide-ranging offerings and instruments, including green and Environment, Social and Governance (ESG)-aligned investment products, to contribute to long-term recovery and resilience. The Islamic finance industry can be an essential source of finance for social infrastructure to serve the Sustainable Development Goals (SDGs) and enhances socio-economic safety nets in OIC countries.
6. We acknowledge the need for a stronger focus on digital transformation and mobilizing potential roles of Islamic finance to build economic and social resilience including creating new opportunities for multifaceted growth to address uneven economic

recovery. This includes advancing sustainable finance and trade finance offerings by Islamic financial institutions towards supporting sustainable growth and trade linkages between OIC economies. Adapted in an orderly fashion within an appropriate regulatory and supervisory framework, digital transformation could improve the environment for long-term investors and enhance efficiency of the financial markets. These transformations could improve access to finance and increase productivity, particularly for micro, small and medium enterprises (MSMEs), and contribute to widely shared prosperity. We underscore the important role of FinTech in the ongoing development of the Islamic finance industry by expanding access to financial services, including advancing roles of Islamic finance to support halal trade activities and transforming the instruments of Islamic social finance products. We reaffirm that coordination and collaboration among different parties in the industry are key for inclusive and sustainable growth.

7. We recognize the importance of the training and capacity development activities of the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) through its Central Banks Capacity Building Programme and call upon the central banks of the OIC countries to cooperate with SESRIC in the implementation of this important programme. We reaffirm our commitment in enhancing technical cooperation and collaboration among the central banks and monetary authorities of the OIC countries and boosting capacity building and expert sharing programs in order to strengthening our institutional capacities. We welcome the endeavors under the COMCEC Financial Cooperation Working Group on the various aspects of Islamic Finance within the framework of the implementation of the COMCEC Strategy.