

# VIRTUAL MEETING OF THE OIC–COMCEC CENTRAL BANKS FORUM

*7 October 2020*

## COMMUNIQUÉ

1. We, the Governors of the Central Banks and the Heads of Delegations, met virtually, on 7 October 2020 to discuss the current global and OIC (Organization of Islamic Cooperation) economic outlook and policy responses that were taken to mitigate the effects of the COVID-19 pandemic, and to exchange views on the post-pandemic challenges and opportunities in the OIC 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. The COVID-19 pandemic and the associated disruptions in supply and demand are an unprecedented shock to the global economy. We have taken and remain committed to implement exceptional and swift policy measures to protect lives, support the vulnerable and limit the impact of the COVID-19 pandemic on our economies. In the second half of 2020, the global economic activity has started to show signs of recovery with the easing of restrictions. However, the global recovery is expected to be uneven across countries and sectors, especially in low-income, emerging and developing economies.
3. We note that there are a number of downside risks to the global economic outlook. The main risks are high uncertainty about the path of the pandemic, subdued confidence, weaker investment and trade, upward trend on unemployment, limited fiscal space and rising debt burden, cybersecurity concerns and volatility in international commodity prices as well as in financial markets. These risks are notable challenges for our economies. While the extent of downturn varies across countries, we are aware that emerging and developing economies that depend on trade, tourism, commodity exports, remittances and external financing are more vulnerable.
4. In this uncertain environment with many downside risks, we underline that further action is required not only at national level but also at international level to tackle the

pandemic and set the ground for strong, sustainable and inclusive recovery. Domestically, it is important to have close coordination between monetary, macroprudential, financial sector, fiscal and structural policies to ensure complementary outcomes, while respecting their respective mandates. Furthermore, global coordination and cooperation, especially solidarity among OIC countries, are crucial to mitigate the effects of the COVID-19 pandemic on both health and economic fronts.

5. We discuss the challenges and opportunities in the post-pandemic period and the potential of Islamic finance to contribute to recovery efforts. Islamic finance with its *sui generis* feature towards supporting the real sector and inclusiveness will be critical in promoting economic recovery and resilience. We stress the need for the Islamic finance industry to expand the product diversity including Islamic social finance and increase the industry's contribution to sectors such as health, agriculture and tourism. It is important to enhance halal industry to promote trade and economic development. We urge the industry to advance the sustainability agenda given the natural fit of Islamic finance that maximizes value creation and prevents any negative impact.
6. We recognize that increased usage of financial technology (Fintech), adequate financial literacy and standardization of Islamic finance could help create new opportunities for growth in the post-pandemic period. Specifically, Fintech has an important role to play in the development of the Islamic finance industry by expanding access to financial services and transforming the instruments of Islamic social finance products. We reaffirm that coordination and collaboration among different parties in the industry are key for new opportunities for inclusive and sustainable growth.
7. We welcome the efforts to update and improve the Financial Vulnerability Index (the Index) for OIC countries developed in 2019. The index, which has become more inclusive with this update, could support efforts to track the financial situation in the OIC countries. The Index shows that financial vulnerability in the OIC countries has started to increase since February 2020 with the outbreak of COVID-19, particularly due to stress in foreign exchange and stock markets of the OIC countries, with the former being larger. The breakdown of index with respect to oil exporters also reveals the upward movement of financial stress in oil exporting OIC countries, which could be attributed to sharp the fall in oil prices.

8. We recognize the importance of the training and development programs of the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) through Central Banks Capacity Building 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.