

Opening speech at the Economic Policy Institute of the Arab Monetary Fund - Klaus Regling

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Speeches

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Klaus Regling, ESM Managing Director

Opening speech at the Economic Policy Institute of the Arab Monetary Fund (AMF)

Joint AMF-ESM Training “How to build an effective early warning system:

Experience from the European Stability Mechanism”

Abu Dhabi, 1 April 2019

(Please check against delivery)

Dear Director General Mr AlHamidy, AMF colleagues, course participants from almost all AMF member states, good morning!

It is my great pleasure to join Mr Director General AlHamidy to open this training programme.

First of all, a warm welcome to all course participants and many thanks for your interest in learning about the European experience in crisis resolution and sovereign vulnerability monitoring.

Before my colleagues, led by the ESM Chief Economist, Dr Rolf Strauch, start the

training programme, let me use 10 minutes to explain why my institution pays very much attention to this joint training activity. In my view, it epitomises the good collaboration between two Regional Financing Arrangements, or RFAs in short.

For many of you, this three-letter acronym RFA may sound unfamiliar. RFAs refer to the institutions with a crisis management mandate in a given region. They are expected to provide emergency liquidity to their member states facing balance of payments or refinancing difficulties, often in exchange for some policy reforms. The AMF is the oldest RFA in the world with more than 40 years of operations and has provided emergency liquidity in crisis times to many of its 22 member states. In comparison, the ESM is much younger, only created in 2012. My institution has however had seven intense years to help five of our 19 members to get back to international financial markets and to achieve longer-term macro-financial stability. My colleagues will surely elaborate more on the ESM's operations. There exist a few other RFAs like us on other continents, for instance the Chiang Mai Initiative Multilateralisation (CMIM) covering 13 countries in East Asia and the Latin American Reserve Fund with 8 member states in Latin America.

I still remember my discussions with Mr AlHamidy back in 2016. We met once here in Abu Dhabi, my very first visit to the Arab Monetary Fund. During that meeting Mr AlHamidy kindly proposed to organise this joint training programme on the crisis management experience in Europe. It took a while for us to prepare the technical and logistical ground for this training, but we finally get here today after a long journey. Mr AlHamidy and I also met for a second time in October 2016, together with the heads of five other RFAs. That was the first time when the RFAs launched the initiative of organising a high-level policy dialogue between RFAs and the IMF to discuss policy issues of common interest, especially regarding the collaboration between RFAs and the IMF, and among RFAs themselves.

I must say our initiative in 2016, to which Mr AlHamidy provided his firm support, has led to tangible results. In October this year, it will be our fourth meeting for this policy dialogue. This framework keeps us updated about the operations of RFAs in different regions, and encourages us to search for the best practice in conducting our daily business from different aspects, for instance capacity building, macroeconomic consultation, programme design, instrument review, communication strategies both in non-crisis and crisis times, etc. In 2017, we subsequently launched an annual joint RFA research seminar to encourage discussions between academics

and our staff members on technical issues that are important to our business. This year, the ESM will host this event in Luxembourg in May to focus on the tools for early detection of sovereign risks.

In addition, throughout 2018, a group of RFA staff members prepared a joint staff paper, which highlights the existing cooperation between the IMF and RFAs and suggests further avenues to enhance their work together. Given the differences across RFAs in terms of the types of crises they are mandated to deal with, toolbox, programme design and history of operations, RFAs have already engaged with the IMF for a wide range of activities, such as capacity building, crisis prevention, and in-crisis collaboration. I think this is also an important source of inspiration for RFAs to learn the experience from each other.

For instance, the AMF has a long tradition and established experience in providing technical assistance and trainings for its member states. I'm for instance pleased to see the training facilities at the AMF Economic Policy Institute. My staff already debriefed me about the number of trainings you offer here every year. And many training or technical assistance programmes are jointly conducted with the IMF and other international organisations. This is an activity that the ESM is willing to learn more from the AMF's experience.

The ESM has had very fresh experience in co-financing programmes of large size with the IMF with instruments and financing terms tailored to our regional needs. We are here to provide our perspective on the severe crisis that hit the peripheral countries in the euro area, the way Europe, including my institution, coped with the crisis and the lessons we have drawn to strengthen our institutional framework and sharpen our analytical tools for the next crisis. We are also here to share with you some recent reforms and economic developments in Europe.

Let me conclude by wishing you a good training. I hope you all will go back home with some enriched understanding about Europe and the ESM. I wish my colleagues good luck and success for this important endeavour. Look forward to hearing from your feedback back in Luxembourg. Mr Director General AlHamidy, I will be happy to follow you to continue our talks on our future working relations. Maybe we will have once again good ideas for our RFA family.

Thank you very much.

Author



[Klaus Regling](#)

Managing Director

Contacts



[Cédric Crelo](#)

Head of Communications and Chief Spokesperson

+352 260 962 205

c.crelo@esm.europa.eu



[Anabela Reis](#)

Deputy Head of Communications and Deputy Chief Spokesperson

+352 260 962 551

a.reis@esm.europa.eu



[Juliana Dahl](#)

Principal Speechwriter and Principal Spokesperson

+352 260 962 654

j.dahl@esm.europa.eu