



## **BRICS FINANCE MINISTERS AND CENTRAL BANK GOVERNORS STATEMENT**

### **Global Economic Outlook and Responding to COVID-19 Crisis**

1. The global economy is showing signs of recovery. However, the pace of recovery is likely to remain uneven with potential for significant economic scarring, especially for the developing countries which have faced severe stress on their health and economic systems. The global economic prospects are expected to evolve continuously subject to downside risks, some of which could materialize and impose increased pressure on vulnerable economies, in particular, the worsening pandemic dynamics due to lack of access to vaccines; price pressures; acute financial tightening and widening inequalities. While the short-term recovery of the economies depends on the effectiveness of vaccination programs, the key to restoring growth momentum in the medium to long run will be based on well-calibrated policy support and structural reforms including revamping of health infrastructure. We welcome the sharing of policy experiences by member countries on their domestic economic response to COVID-19 pandemic (Annexure) and will continue to engage in learning from each other's experiences.
2. We recognize the varied impact of the COVID-19 pandemic on BRICS economies and their recovery paths. Facing threats from new COVID-19 strains and repeated waves of infection, our Governments and Central Banks will have to balance the trade-offs between continued policy support for mitigating the immediate impact of the pandemic vis-à-vis available policy space for pursuing structural measures to rebuild economic resilience. We will work towards strengthening intra-BRICS cooperation in supporting the recovery of BRICS economies and maintaining macroeconomic and financial stability, while protecting against future uncertainties and risks. We also recognize the need for clear, transparent and timely communication of global policy responses and exit strategies to effectively manage the spillovers from policy actions.



3. To enable our economies to emerge from the crisis and achieve sustainable and inclusive growth, we are determined to continue our efforts to strengthen structural reforms that are well-designed, well-targeted and properly sequenced; provide timely support to the most vulnerable sections of the population and businesses; enhance long term infrastructure investments, both in economic and social infrastructure; and accelerate socially inclusive digital transformation, while also ensuring data privacy and protection. We recognize that as we recover, we need to work with the global community to promote sustainable development and address climate change risks. Our coordinated policy response to tackle climate change will be evidence-based relying on equity, common but differentiated responsibilities and respective capabilities (CBDR-RC). We call upon developed countries to fulfil their obligations, including declared commitment on climate finance, technology transfer and capacity building support for enabling sustainable and inclusive transitions in the developing countries and securing progress towards meeting the goals of the United Nations Framework Convention on Climate Change (UNFCCC) and its Paris Agreement. We emphasize that measures to combat climate change should not be used to undermine fair competition and we are deeply concerned with unilateral climate-related trade barriers such as Carbon Border Adjustment Mechanism of the European Union. We also recognize that country specific circumstances and priorities play a critical role in designing policies aimed at achieving low greenhouse gas emissions and there is no single universal path for achieving this goal.

4. We remain concerned about the uneven pace of vaccine rollout. We recognize the role of COVID-19 vaccine as a global public good and emphasize the need for re-energizing multilateral and regional cooperation mechanisms for achieving fast, effective, affordable and equitable delivery of vaccines for all, especially in developing and least developed countries. We look forward to ongoing discussions in the World Trade Organization (WTO) on the Proposal related to waiver of Intellectual Property Rights to



deal with COVID-19, as well as other global efforts for increased vaccine production and equitable access. We also stress upon the need for scientific evidence-based, objective assessment of vaccines' safety and effectiveness by regulators throughout the world.

5. COVID-19 pandemic has demonstrated the importance of affordable and resilient social infrastructure alongside economic infrastructure. We reaffirm the positive role of digital technologies, such as tele-medicine, e-health initiatives and online education, in ensuring inclusive access and affordability of social services. We endorse the Technical Report on Social Infrastructure: Financing and Use of Digital Technologies as a collaborative effort to share knowledge. We recognize the significant potential of digital financial inclusion in achieving economic growth. To this end, we welcome the Report on Digital Financial Inclusion in BRICS and look forward to continued sharing of best practices in these areas.

6. We recognize the important role of New Development Bank (NDB) in addressing health and economic consequences of the pandemic. As it continues its commendable efforts to support BRICS economies in financing infrastructure and sustainable development projects, we urge NDB to enhance its role in mobilizing and catalyzing private capital as well as undertake more co-financing ventures with other Multilateral Development Banks (MDBs) and Development Financial Institutions (DFIs). We also encourage NDB to explore the possibility of financing more social infrastructure projects, including those that use digital technologies. We look forward to resuming technical engagements with the NDB and the BRICS Task Force on PPP and Infrastructure on the Integrated Digital Platform on infrastructure investment projects and call for intensification of work in this area. We look forward to the upcoming NDB's General Strategy aimed at strengthening Bank's capacity to finance member countries' infrastructure investment needs by onboarding private sector players. We welcome substantial progress achieved in admission of the new members and encourage the Bank



to maintain a balanced list with a sufficient number of potential countries including both borrowing and non-borrowing countries. We express satisfaction at the operationalization of NDB's regional offices in Brazil, Russia and South Africa and look forward to the opening of NDB's regional office in India in 2021. We also look forward to the Bank's relocation to its permanent headquarters building in Shanghai in 2021.

7. We will continue our efforts to strengthen the BRICS Contingent Reserve Arrangement (CRA) to mitigate any crisis situations in future. We welcome the successful completion of the fourth CRA test run, and take note of discussions on framework for coordination between IMF and CRA. We look forward to further discussions on amending the CRA documents. We take note of the ongoing collaborative work under CRA Research and endorse the 2021 BRICS Economic Bulletin on the theme Navigating the Ongoing Pandemic: The BRICS Experience of Resilience and Recovery, which includes the first BRICS Collaborative Study on COVID-19: Headwinds and Tailwinds for Balance of Payments of BRICS.

8. We join the BRICS Foreign Ministers in noting that enhancing the voice and participation of emerging market and developing countries (EMDCs), including the least developed countries in the Bretton Woods institutions remain a continuous concern. We welcome the IMF's approval of a new general allocation of Special Drawing Rights (SDRs) in an amount equivalent to USD 650 billion. We expect from the IMF to present options for countries to voluntarily channel a share of their allocated SDRs to help vulnerable countries finance more resilient, inclusive and sustainable economic recoveries and health-related expenditures. While we recognize the ongoing efforts to enhance the IMF's resources including through new allocation of special drawing rights, it is urgent to strengthen its capability to meet the financing needs of countries during future crisis in a transparent and accountable manner. We reaffirm our commitment to a strong Global Financial Safety Net with a quota-based and adequately resourced IMF at



its center and call for the timely and successful completion of the 16<sup>th</sup> GRQ by December 15, 2023 to reduce the IMF's reliance on temporary resources, address under-representation of EMDCs for their meaningful engagement in the governance of IMF, including a new quota formula as a guide; and protect the voice and quota shares of its poorest and smallest members.

9. We recognize that the macroeconomic stability of the BRICS economies will play a major role in achieving global recovery and stability. As we continue our efforts to strengthen our cooperation towards achieving strong, sustainable, balanced and inclusive economic growth in a post-pandemic world, we recognize that it is important for the BRICS economies to assess how our economic policies would impact each other and are geared to meet our common objectives.

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## **Annexure to the BRICS FMCBG Statement, 2021**

### **Snapshot of BRICS Policy Experience in Responding to COVID-19 Crisis**

#### **I. INTRODUCTION**

Countries are navigating through the health and economic crisis imposed by the COVID-19 pandemic by implementing uniquely crafted policy measures that are unprecedented in scale and scope. Even though these policies are in accordance with country-specific circumstances, sharing these country experiences can provide valuable insights in the global fight against the pandemic.

The Governments of BRICS nations have been taking comprehensive measures aimed at protecting the lives and livelihoods of people and businesses that have been most severely impacted by the pandemic. While these stimulus measures continue, BRICS countries have also been focusing on how to enable their economies to move on to a strong, sustainable, balanced and inclusive growth in the medium to long term along with continued focus on strengthening the health infrastructure.

The focus on rebuilding the health infrastructure is particularly important given that the vulnerabilities and challenges that confronted the health systems around the world were one of the key reasons for the pandemic to metamorphose into a global socio-economic crisis. BRICS members have taken significant measures on the health front, primarily targeted towards enhancing the access to several medical interventions including COVID-19 control tools such as vaccine administration, in a prompt, safe, efficacious and affordable manner, besides providing overall support to the health infrastructure systems, but more remains to be done.

This document covers policy experiences of BRICS members with a specific focus on economic responses to the pandemic. It has been prepared based on BRICS members' response to a Survey Questionnaire on Policy Experiences of BRICS economies in response to COVID-19 as well as the information obtained from International Monetary Fund's Policy Tracker.



## II. ECONOMIC RESPONSE TO COVID-19: IMMEDIATE MEASURES

The transition of the COVID-19 pandemic from a health crisis to a socio-economic crisis warranted Governments to swiftly inject the necessary stimulus so as to ensure adequate economic support to the most vulnerable sections of population and severely affected businesses.

### *Fiscal Policy Response*

On the fiscal policy front, BRICS governments provided timely and huge amount of stimulus packages, largely focused towards two areas: (a) funding immediate health response to COVID-19 and strengthening of domestic health sectors; and (b) immediate direct financial support to the vulnerable households and businesses. Provision of unemployment insurance or employment maintenance schemes, waiving of social security contributions; discounted loans to affected sectors (particularly SMEs) and sector producing essential/ medical goods, were among the most commonly adopted measures to address the extreme decline in demand and supply as well as towards protecting jobs. Key fiscal instruments employed by BRICS governments were tax deferrals, concessionary and preferential loans, direct transfers to vulnerable groups, interest subsidies, subsidized mortgage payments, and emergency credit support.

### *Monetary Policy Response*

Since the onset of the COVID-19 pandemic, BRICS Central Banks largely held an accommodative monetary policy stance setting their policy rate at historically low levels. This was combined with timely and effective actions to bolster liquidity in domestic and foreign currencies through various instruments including open market operations.

To ensure support to the vulnerable businesses and maintain continuity in delivery of banking services, BRICS Central Banks have undertaken various measures, viz., various regulatory forbearance and relief measures, concessionary refinancing of loans, creation of swap lines, expansion of special credit lines, relief of capital requirements for banks, reduction of the interest on excess reserves and stable functioning of payment systems. These measures in combination with increased flexibility by financial regulators have helped to maintain the flow of credit and liquidity in BRICS economies.



### Box 1: Key Fiscal and Monetary measures to respond to COVID-19

- ✓ **Brazil** provided a total package of R\$ 521.1 billion (7.16 % of GDP) including direct transfers, employment maintenance schemes, transfers to sub national governments, emergency credit access and credit support to MSMEs. Key policy rate was lowered gradually from 4.5% p.y. in January 2020 to 2% p.y. in August 2020, where it remained until March 2021. There were also two comprehensive support packages - liquidity provision of 17.5 % of GDP and capital relief provision of 18.5% of GDP. Central Bank of Brazil has been tightening monetary policy in response to rising inflationary pressures and deterioration in balance of risks for inflation.
  
- ✓ **Russia** is implementing fiscal measures of RUB 6.4 trillion (6.0% of GDP), with the planned figure for 2021 at RUB 1.3 trillion (1.1% of GDP). Government provided extra payments to support healthcare workers and families with children; raised unemployment and sick leave benefits; made permanent cuts in social contribution rate for MSMEs; supported most affected sectors and strategic enterprises through grants, concessionary loans and tax deferrals<sup>1</sup>. Key policy rate was lowered gradually from 6.25% to 4.25% in July 2020<sup>2</sup>. Other measures included introduction of new Special Refinancing Facility for SMEs; long-term repo auctions. Regulatory forbearance measures included lower risk weight add-ons on mortgages and unsecured consumer loans; permission not to increase loan loss provisions for affected borrowers and on restructured loans.
  
- ✓ **India** provided a special economic package of Rs. 29.87 lakh crore (15.1% of GDP) 2020 under Atma Nirbhar Bharat (ANB) to combat the impact of the COVID-19 pandemic, revive economic growth and bolster employment. Union Budget 2021-22 announced number of measures to support broad-based and inclusive economic development including a 34.5 percent increase in capital expenditure and 137 percent increase in health expenditure. Government announced a relief package of Rs 6.29 lakh crore (3.2% of FY 2020-21 GDP) in June 2021 to strengthen public health and provide impetus for growth and employment measures. The RBI has continued with an accommodative monetary policy stance since June 2019 and, post-pandemic, Policy Repo Rate was

<sup>1</sup> Given the rapid recovery (the pre-crisis level of output was reached in Q2 2021) and the need to maintain long-term fiscal stability, Russia plans the full return to the pre-COVID fiscal rule for public expenditures in 2022, while public borrowing is being normalized already in 2021 (primary structural deficit of 0.5% GDP).

<sup>2</sup> Due to rising inflationary pressures, the Bank of Russia has started to hike the key policy rate since March 2021. As on 16 August 2021, it stood at 6.5%.





reduced by 115 bps in two phases to 4.0 % by May 2020; liquidity measures *inter alia* include Cash Reserve Ratio cut, rate reductions under the Liquidity Adjustment Facility, Long Term and Targeted Long-term Repo Operations, and open market operations including G-sec Acquisition Programme.

- ✓ **China**, in the face of the COVID-19 pandemic, pursued a more proactive and impactful fiscal policy in 2020. According to IMF's Fiscal Monitor, 2021 April, China's General Government Overall Balance for 2020 was 11.4% of GDP. Support measures included, but not limited to, increased spending on epidemic prevention and control, relief in tax for small, medium and micro enterprises (SMMEs), individually-owned business and enterprises in operation difficulties, accelerated disbursement of unemployment insurance and its extension to migrant workers, increased support and discount on small guaranteed loans. Reverse Repo Rates and Medium-Term Lending Facility (MLF) rate were reduced, with targeted RRR cuts for SMEs. Liquidity injection into the banking system was done via open market operations. These policy measures helped China to register a positive growth rate of 2.3 percent in 2020.
- ✓ **South Africa's** social and economic support package of R500 billion (10 % of GDP) redirected fund towards health response to COVID-19, providing direct support to households and individuals for relief of hunger, social distress, assistance to companies in distress; and protecting jobs by supporting workers' wages. Repo rate was reduced between March and July 2020, amid decline in both short-term price pressures and longer-term inflation expectations, and thereafter remained unchanged at 3.5% pa. Central Bank's balance sheet was used as an active policy tool to ease liquidity constraints in funding markets, including purchases of government bonds in secondary market to ensure continued liquidity and proper functioning of debt capital markets. Macro-prudential measures implemented to provide banks with regulatory relief and guidance on how to manage the crisis from regulatory and accounting perspectives.



### **III. ECONOMIC RECOVERY AND RESTRUCTURING: MEDIUM TO LONG TERM MEASURES**

There are visible signs of recovery in the global economy as well as the BRICS economies primarily due to continued policy support and vaccine rollouts. Given that the pace of recovery is highly uneven, BRICS nations continue to make policy transitions that focus on rebuilding the core strengths of their respective economies in a manner that is sustainable and inclusive, mitigating the current divergences in growth trends and working towards a more synchronized global economic recovery. The focus of policy action in BRICS countries is gradually shifting from introducing new stimulus measures to recalibrating existing support measures, while making them better targeted and more adaptable to the evolving circumstances.

To support recovery from the COVID-19 crisis, BRICS members adopted a wide range of holistic and intertwined policy measures, primarily resting upon two key pillars – a) re-building economic, health and financial structures; and b) fostering long-term restructuring including boosting productivity growth, strengthening structural reforms and addressing pre-existing structural issues.

The restructuring plans of BRICS countries, aimed at supporting economic recovery, direct specific attention towards building modern infrastructure systems particularly for transport and energy sectors, strengthening the public health sector and making it resilient to any such future crisis, strengthening the pivotal role of digitalization in driving productivity growth and ensuring effective, equitable and timely delivery of public services, bolstering multi-level social security systems, reskilling and upskilling of workers as well as targeted support towards MSMEs, self-employed individuals, and enterprises in vulnerable industries.

On the monetary side, the central focus of BRICS Central Banks to aid recovery has been to foster credit channels while maintaining prudence. Some of the key measures included expansion of re-lending and re-discounting facilities, debt relief to borrowers and lending facilities for SMEs. Taking into account the recent inflation upswings in some of the BRICS Countries, clear



communication of monetary policy interventions remains pertinent in addressing the negative spillovers from global policy actions.

### **Box 2: Key Policy Measures to support medium to long term recovery**

- ✓ **Brazil** is implementing a set of measures to support economic recovery by boosting productivity growth including through creation of new Unemployment Guarantee Investment Fund (FGTS); revision of the “transfer of rights contract”; building of new law of agribusiness and bankruptcy; and designing the new framework for regulatory agencies and startups. Central Bank of Brazil (BCB) implemented government credit incentive programmes essentially for micro, small and medium enterprises and capital relief policies.
- ✓ **Russia** launched the National recovery plan in 2020 with the aims including support for digitalization in all sectors (with an emphasis on healthcare, education, construction); fostering development of the IT sector; increasing investment in infrastructure; launching agreements for protecting and encouraging investment; and supporting post-crisis reallocation through active labour market policies.
- ✓ **India** launched the Atma Nirbhar Bharat Abhiyan comprising a wide set of structural reforms and enablers to support medium and long term growth across sectors, including deregulation of agricultural sector, rationalization of labour codes, and revamp of Viability Gap Funding scheme for social infrastructure etc. Important steps taken by the Reserve Bank of India (RBI) includes introduction of G-Sec Acquisition Programme, efforts to deepen financial market such as online retail participation in government securities market - both primary and secondary - along with the facility to open gilt securities accounts with the RBI and further focus on FinTech.
- ✓ **China** under the 14<sup>th</sup> Five-Year Plan is promoting long term support measures such as making public service more equitable, strengthening the public service policy guarantee system, building modern infrastructure incorporating comprehensive transportation system, modern energy system and water conservancy infrastructure, acceleration of digital development, further developing medical and health systems etc. People’s Bank of China (PBOC) expanded re-lending and re-discounting facilities by RMB 1.8 trillion to support manufacturers of medical supplies and daily



necessities, MSMEs and the agricultural sector.

- ✓ **South Africa** established the Operation Vulindlela, led by the Presidency and the National Treasury as a roadmap to drive delivery of key reforms and aims to modernise and transform network industries, including electricity, water, transport and digital communications. Specific initiatives were taken to boost mass employment creation with support to young and micro entrepreneurs. The central bank continues to monitor developments on inflation and inflation expectations; ensure adequate liquidity in domestic markets and monitor funding markets for stress; and provide regulatory relief to banks to support lending to households and firms.

#### IV. CHALLENGES

The pandemic has presented some unique challenges to the policymakers. In the beginning of the pandemic, Governments had designed and implemented policies with limited information about the impending challenges. Despite these challenges, the policies adopted seemed to promote resilience. Since the health situation still remains unfavourable with repeated waves and mutated variants, the policy challenges in health, economic and social sectors will continue to remain at least in the medium term. Some of the persistent and common policy challenges facing the BRICS economies presently are as follows:

1. Given the tight fiscal space, the policymakers are faced with the challenges related to duration of policy support, timing of withdrawal from support, and uncertainties associated with the timing and pacing of exit strategies.
2. Ensuring timely availability, accessibility and affordability of vaccines and medical products for all and ensuring open and resilient functioning of supply chain systems.
3. Strengthening social infrastructure and ensuring equitable delivery of basic public services that reaches the most vulnerable sections of society including poor, women as well as low wage and unskilled workers.
4. Designing sustainable recovery plans and repairing previous fault lines.



These challenges manifest in varying forms across BRICS countries, particularly depending upon the pace of vaccine rollout, resurgence in infections, effectiveness of policy support and availability of fiscal space. To this end, one size fits all policy solutions are not applicable and country specific circumstances need to be accounted for.

## **V. INTRA - BRICS COOPERATION**

Recognizing the divergent global economic recovery paths, BRICS acknowledges the need for strengthened cooperation in dealing with the pandemic as well as recovery from the impacts of the pandemic. BRICS members, collectively and individually, have been part of significant international initiatives aimed at improving the global response to the pandemic including at the G20, World Bank, IMF, WHO, WTO and some regional organizations such as Pan American Health Organization (in the case of Brazil) and Shanghai Cooperation Organization (in the case of China, India and Russia). The BRICS members have been working towards ensuring that the global response that is being formulated in these organizations takes into account the unique challenges facing the emerging market and developing countries (EMDCs). As we work towards enhanced cooperation in BRICS as well as in various multilateral bodies, some of the key areas of focus may be as follows:

1. Ensuring vaccine availability for all by collaborating on advancing the efforts to diversify global vaccine manufacturing capacity.
2. Strengthening macroeconomic policy coordination through close and regular dialogues and effective communication, particularly with regard to extending, amending, or ending policy support measures in a gradual and targeted manner to minimize risks of policy spillovers.
3. Strengthening financial cooperation in the areas of economic and social infrastructure, digital economy and Fintech and financial inclusion to support post-pandemic recovery.
4. Strengthening NDB to build comparative advantages with innovative future strategies that can meet the development needs of member countries through financing infrastructure and sustainable development projects as well as providing Emergency Assistance.



5. Focusing on improving the overall operationalization of the BRICS Contingent Reserve Arrangement (CRA) with a view to establishing the CRA as a reliable financial safety net during future crises and providing mechanisms to enable communication and exchange of information among participants to facilitate policy coordination.
6. Reinforcing synergies on global issues such as debt, climate change, health governance, digitalization, infrastructure investment, and IMF quota reviews with a view to enhance the voice of BRICS countries in the global economic governance system.

## **VI. CONCLUSION**

COVID-19 pandemic has brought to the fore the structural challenges ailing our economies, both domestically and globally. The remarkable resilience displayed at national and global level provides much needed hope as we move forward in this fight against the pandemic and towards strong, sustainable, balanced and inclusive growth to restore the global economy to its pre-pandemic growth path. As we continue to pursue policies aimed at recovery of our economies, collective action would be critical to address the pandemic-generated challenges which have implications beyond our national borders. This collective action can be through sharing of policy experiences, co-ordination on reforms needed in international rules governing trade and collaboration for improved representations of EMDCs in global financial architecture. The present document provides unique perspectives on policy experiences of BRICS member countries as they navigated their way through the pandemic till date. Lessons drawn from these experiences can play a crucial role in determining how the BRICS members, as well as similarly placed economies globally, can shape their recovery policies, going forward.

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