



# **Policy Paper on the Institutional Evolution of CMIM/AMRO in Support of the GFSN**

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# **Policy Paper on the Institutional Evolution of CMIM/AMRO in Support of the GFSN Towards a Stronger Regional Pillar in a Global System**

## **I. Introduction**

1. The Global Financial Safety Net (GFSN) functions as a set of institutions and mechanisms designed to provide insurance against economic shocks and crises. The GFSN has evolved into a multi-layered architecture consisting of four primary lines of defense: (i) international reserves, (ii) bilateral swap arrangements (BSAs), (iii) Regional Financing Arrangements (RFAs), and (iv) the International Monetary Fund (IMF). Under the GFSN, as the RFA in the ASEAN+3 region, the Chiang Mai Initiative Multilateralization (CMIM) acts as a regional financial backstop with two main objectives:

- (i) to address balance-of-payments and short-term liquidity difficulties in the region; and
- (ii) to supplement the existing international arrangement.

2. Since its inception in 2010, the CMIM has not been activated, including during the COVID-19 pandemic.<sup>1</sup> Throughout this period, ASEAN+3 has continued efforts to strengthen the effectiveness of the CMIM, including the introduction of the Rapid Financing Facility (RFF) and ongoing discussions on its financing structure, such as a possible transition to a paid-in capital (PIC) structure. While this lack of utilization, on the one hand, reflects the broader resilience of the region and the availability of other GFSN layers, it also highlights the importance of continued efforts to strengthen CMIM's operational readiness and further clarify its role within the GFSN.

3. At the same time, transformative forces are reshaping the risk landscape: IMF stocktaking suggests that demand for GFSN resources could rise by around 50 percent relative to the Global Financial Crisis (GFC), in a context of reduced policy space in advanced economies, faster shock propagation due to financial digitalization, and shifting trade and financial linkages. It also underscores the importance of stronger, more agile mechanisms to address large-scale disruptions.<sup>2</sup> Against this backdrop, this policy paper explores possible directions for strengthening the role of the CMIM as an effective regional layer within the GFSN, and for enhancing AMRO's support through its core functions, including surveillance, technical assistance (TA) and CMIM operational readiness.

## **II. Strengthening the Role of CMIM/AMRO in Support of the GFSN**

### **CMIM: Enhancing its effectiveness**

4. The CMIM serves as a crucial regional layer of the GFSN, complementing other regional and global institutions.<sup>3</sup> The CMIM has several comparative advantages, including

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<sup>1</sup> Indeed, this lack of utilization is not unique to Asia. For instance, while the ESM activated its Pandemic Crisis Support credit line in 2020, no member country chose to draw on the facility. In 2020, FLAR temporarily created a COVID-19 Credit Line (with maturities of up to five years) to support member countries facing balance-of-payments difficulties arising from the economic effects of the pandemic. This credit line was not used and remained in place until December 31, 2021.

<sup>2</sup> IMF (2025) The Global Financial Safety Net—A Stocktaking

<sup>3</sup> For example, the ASEAN Swap Arrangement (ASA) or the IMF loans.

its regional proximity, strong member engagement, and its design to provide timely liquidity support. Making more effective use of these advantages could enable the CMIM to help contain local instability before it escalates into a region-wide disruption. A range of approaches can be considered in this regard, including enhancing financing certainty and ensuring timely activation. Initiatives and discussions already undertaken on these fronts—such as the introduction of the RFF and strengthening the CMIM financing structure including the transition to a PIC structure—can further support timely and predictable responses, reinforcing CMIM’s capacity to operate effectively in terms of both timeliness and operational processes.

5. In addition to these enhancements, it is appropriate for the CMIM’s mechanisms to be reviewed and improved where appropriate and as guided by ASEAN+3 members. One potential area for further review is financing policies including the IMF De-linked Portion (IDL) and the CMIM interest rates. Under the current design, the IDL accounts for forty (40) percent of the maximum access limit, or swap quota, and is available only when financing needs remain within this threshold. This arrangement has effectively worked as a de-facto safeguard for access to the IDL, especially in the absence of a conditionality framework during the CMIM’s initial stage. Where liquidity needs exceed this threshold, members may consider seeking support through an IMF-supported program. Recent discussions have also addressed financing-related aspects of the CMIM. The Deputies endorsed the institutionalization of the IDL readiness review survey as a recurring exercise to be conducted every three years, starting from 2027, to improve its usability in informing future deliberation on potentially increasing the IDL. The Deputies also endorsed a regular three-year review cycle for CMIM USD margin and continued discussions on the LCY-P margin. Further discussions would be important to explore ways to enhance the effectiveness of the CMIM.

6. At the same time, supporting institutional frameworks remain important to ensure timely and effective responses of the CMIM. Strengthening AMRO’s ability for program design and conditionality would help ensure policy credibility and financing discipline, with close linkages to ongoing surveillance work. Further enhancing AMRO’s Debt Sustainability Analysis (DSA) framework to assess members’ capacity to repay could also support broader financing assurance. In this context, AMRO plays a central role through further strengthening its surveillance and TA, including through closer operational linkages with CMIM processes.

#### **AMRO (1): Surveillance for Early Detection of Risks and CMIM Readiness**

7. Surveillance serves as a crisis-prevention tool and provides core inputs into the operational readiness of the CMIM through appropriate program design and conditionalities. Building on its geographical proximity, trusted relationships with member authorities, and strong regional lens, AMRO can act as a regional ‘home doctor’ for the ASEAN+3 members. This entails deepening country knowledge, strengthening local engagement, and refining analytical tools with clearer policy focus—including efforts to enhance AMRO’s DSA framework through the development of indicator-based tools, strengthened forward-looking surveillance and scenario analysis, and improved assessment of external debt sustainability.

These efforts aim to strengthen the early detection of risks, while ensuring that surveillance outputs are translated into actionable policy recommendations grounded in domestic institutional realities. Such efforts would enable AMRO to further add value by providing consistent and region-specific insight, supporting the robustness of surveillance assessments relevant for CMIM activation, including associated program frameworks where applicable. Collectively, these enhancements position AMRO as an increasingly valuable regional institution, offering unique insights and capabilities that serve the ASEAN+3 members' needs across the full spectrum of economic conditions.

### **AMRO (2): Technical Assistance for Elevating Competencies**

8. Alongside AMRO's surveillance function, TA bridges the gap between regional policy coordination and national implementation capacity, ensuring that members can interact smoothly with CMIM/AMRO. Through strengthening secondment programs, targeted training, and tailored consultancy with deeper local knowledge and engagement, AMRO will continue to build in-house TA capacity to address macro-financial vulnerabilities, emerging macro-critical issues, and evolving regional needs—especially for members who would benefit from future-oriented reforms.

### **AMRO (3): Integrating Surveillance, Technical Assistance and CMIM Operations**

9. Closer integration between surveillance, CMIM support, and TA will enhance policy effectiveness and CMIM operational readiness. Surveillance must evolve from producing reports in peacetime to identifying risks and designing programs for CMIM activation. Through annual consultation visits and designated TA focal points, AMRO will more closely align surveillance findings with TA planning and delivery. This will reinforce a policy cycle that links risk assessment, capacity building, and policy advice through TA, consistent with the 2025 Country Surveillance Guidance Note, AMRO's TA Strategy 2030 and Strategic Direction of the ASEAN+3 Finance Process (SD) 2030.

10. In addition, the rollout of Structural Policy Improvement and Review Instrument with Technical Assistance (SPIRIT) will further help to cement this relationship, while also addressing longer-term structural issues and mitigating the potential crystallization of risks that could otherwise trigger CMIM activation. At the operational level, surveillance informs CMIM activation via the ERPD matrix framework and its scorecard, and the conditionality framework, which should remain transparent, rigorous, and analytically coherent with the IMF approach, while preserving AMRO's independent assessment.

### **Cooperation with the IMF and Other Partners**

11. Building on efforts to strengthen AMRO's core functions outlined above, deeper collaboration with the IMF—while maintaining close engagement with other international institutions—can play a complementary role in enhancing the effectiveness of CMIM/AMRO within the GFSN. The 2025 G20 Leaders' Declaration, which reaffirms support for IMF–RFA

collaboration, provides a foundation for strengthening this cooperation.<sup>4</sup> Such cooperation should remain mutually reinforcing, leveraging AMRO's regional perspective while benefiting from closer engagement with the IMF to deliver enhanced analytical capabilities and operational effectiveness. Against this background, coordination with the IMF could, where feasible, be further institutionalized through:

- **Enhancing surveillance collaboration**, including more systematic sharing of analytical work and risk assessment methodologies to promote greater coherence in macro-financial assessments.
- **Further strengthening AMRO's surveillance framework**, drawing on collaboration and information sharing, while maintaining a strong regional lens.
- **Improving crisis coordination**, including consideration of a more efficient delivery of coordinated co-financing. CMIM–IMF test runs will serve as a practical tool to strengthen operational preparedness and clarify communication channels. Continued refinements of program design and conditionality frameworks can support more coherent crisis responses.
- **Strengthening capacity building cooperation**, including regular information sharing, coordinated training, technical exchanges, and targeted staff exchanges.
- **Engaging the regional offices of the IMF**, including the Regional Office for Asia and the Pacific (OAP) to strengthen the dialogue by AMRO and ASEAN+3 with the IMF.<sup>5</sup>

Looking ahead, AMRO will explore, in consultation with the IMF and relevant partners, opportunities to further advance cooperation in these areas, including through more structured and regular engagement.

12. Beyond cooperation with the IMF, deeper collaboration with peer RFAs and regional partners, such as ADB, ADBI and members of the ASEAN+3 Finance Think-tank Network, can further strengthen analytical capacity and policy dialogue, within the GFSN architecture.

13. Effectively supporting these areas will require continued institutional development. Efforts to strengthen internal expertise and operational capacity will ensure that AMRO remains sustainable, resilient, and responsive to members' evolving needs.

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<sup>4</sup> G20 Leaders' Declaration, South Africa Summit, 2025, para. 56: "We support continued IMF collaboration with Regional Financing Arrangements (RFA)."

<sup>5</sup> IMF's involvement in ASEAN+3 Finance Process meetings should be approved by ASEAN+3 members on an individual and ad hoc basis