



# INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

## **Forty-Second Meeting October 15, 2020**

**IMFC Statement by Rishi Sunak  
Chancellor of the Exchequer, H.M. Treasury  
United Kingdom**

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**Chancellor of the Exchequer, H.M. Treasury, United Kingdom**

**On behalf of the United Kingdom**

*Global economy and policy responses*

The Covid-19 pandemic has taken a tragic toll on the lives of our citizens, and we continue to face a significant and protracted global health and economic crisis. The pandemic continues to spread globally, with countries at different stages, and facing different challenges in addressing the crisis, and renewed outbreaks in parts of the world. Global economic activity is recovering from the deep shock seen earlier this year, but it will remain fragile and uneven until a lasting solution to the health crisis is achieved. Working together to achieve this solution should remain our priority.

Over the past six months, policymakers have taken extraordinary monetary and fiscal measures to support jobs, livelihoods and businesses through an unprecedented period. The measures in the first phase of our response to the crisis have been vital in providing relief from the impact of the virus and will help to promote recovery and limit scarring in the medium term. In the next phase of our response, it is right that fiscal support should not be withdrawn prematurely, but should become more targeted, focusing on the most vulnerable, and workers and firms legally required to temporarily close their premises, or confronting a short-term reduction in demand. This will ensure that we support the growth of expanding sectors and cement economic foundations to build on when the crisis is over. No economy has been spared the effects of this crisis, and we must continue to work together in our response, supporting the most vulnerable countries, cooperating on the development and distribution of vaccines, therapeutics and diagnostics, and taking the opportunity to address pre-existing challenges such as climate change, low productivity growth and digitalisation. Ultimately, we must work together constructively from now to build towards an inclusive, sustainable and resilient global recovery.

*UK response*

In March, the UK authorities announced an unprecedented package of fiscal and monetary measures to support jobs, businesses, and the economy. Through months of lockdown, and a gradual economic reopening and recovery, UK government support has totalled over £190 billion.

This support has evolved as healthcare measures and restrictions have changed. In July, as we continued a cautious reopening of the economy, I launched a plan to support and create jobs which focused on skills and young people, investment projects, and innovative policy measures such as a landmark discount scheme for diners at hospitality businesses across the UK.

Yet our economic recovery is fragile. The recent resurgence of Covid-19 has demanded further action to protect people's health whilst minimising disruption to their daily lives. Where necessary, we have

strengthened and simplified non-pharmaceutical interventions. Our support package has also evolved. A few weeks ago, I announced a Winter Economy Plan, a package of targeted measures to help businesses protect jobs and manage their finances in the face of reduced or uncertain demand. These measures included our Job Support Scheme, through which the government will continue to support workers' pay, an extension of self-employment income support, and the provision of greater flexibility for the repayment of business loans. On 9 October, I announced an expansion of the UK Job Support Scheme to protect jobs and help businesses where they are legally required to temporarily close their premises, as a direct result of Covid-19 health restrictions. I also announced more generous grants for businesses affected by local restrictions. This UK package of support measures will help support jobs and businesses through highly uncertain times, whilst allowing the economy to adapt to a new 'normal'.

### ***IMF role***

A coordinated global response to the Covid-19 pandemic remains as important as ever, and we will only secure a strong and resilient global economic recovery by continuing to work together. The IMF has played a critical role in the initial crisis response through its lending, surveillance and capacity development functions. I strongly support the action that the Fund has taken to date. The unprecedented levels of emergency assistance have been instrumental in stabilising the global economy and have extended a vital lifeline to the world's most vulnerable countries. The IMF's surveillance and policy advice have also been key in helping all members to navigate through these uncertain times. While the crisis is far from over, and the IMF must continue to respond to the ongoing impacts of the pandemic, the Fund must now also look to support members in their long term, sustainable and inclusive recovery strategies. I therefore support the Managing Director's Global Policy Agenda and encourage the IMF to focus on the following areas:

- **Surveillance:** In such conditions of unprecedented uncertainty, the IMF's flagship surveillance reports continue to provide clear messages about the outlook of the global economy and inform key policy decisions. I welcome the resumption of the IMF's bilateral surveillance, which will be immensely valuable in helping members to deal with macroeconomic challenges posed by the crisis, and advising them on the path to a resilient and sustainable economic recovery. I also welcome the continuation of the IMF's Comprehensive Surveillance Review and Financial Sector Policy Assessment (FSAP) Review, which will be critical in shaping the direction of IMF surveillance for the years ahead. I strongly encourage the Fund to continue to integrate macro-critical climate related risks, including spill-over risks, into IMF surveillance products, and welcome the progress made on this to date.

- Debt relief:** I strongly welcome the Fund’s continued work on sovereign debt, in light of the significant fiscal pressures faced by many countries affected by the pandemic with high levels of sovereign debt. Debt sustainability matters to all of us: to sovereign borrowers, to official sector creditors, to private sector market participants, and to the IMF’s ability to lend. Covid-19 has clearly exacerbated pre-existing challenges experienced by many countries, and has made work to improve the transparency of sovereign debt and the efficient functioning of the international architecture even more urgent. I welcome the IMF’s continued support for the G20’s Debt Service Suspension Initiative and the development of a future Common Framework between the G20 and Paris Club on official creditor debt resolution. Meanwhile, alongside the DSSI, the Catastrophe Containment and Relief Trust has provided debt relief to the most vulnerable countries with upcoming obligations to the IMF. The UK made a large early grant contribution to this effort, and I am delighted that the second six-month tranche of CCRT debt relief has been approved – but we remain well short of the overall fundraising target. More donors need to step forward soon if the original objective of providing two full years of CCRT relief is to be delivered: that is the right thing to do, but it is contingent on broad-based donor support.
- Vulnerable countries:** Similarly, the Fund’s concessional lending, supporting its poorest and most vulnerable members through these unprecedented challenges remains of the utmost importance. I was pleased in April to announce a new £2.2bn loan from the UK to the Poverty Reduction and Growth Trust (PRGT), taking the UK contribution to £4.4bn, and other donors have made important contributions, but again, in order to deliver concessional support at the volumes which may be required, further efforts are necessary.
- Lending Toolkit:** Over the past six months, the Fund has provided critical financial support to member countries responding to the crisis, and particularly its most vulnerable members. I commend the Fund for the unprecedented speed with which it stepped up to meet immediate financing needs, including increasing access limits on its emergency financing instruments. The IMF’s lending will continue to be key as this crisis plays out, and as members start to look to the Fund for longer-term programmes to support their recoveries and, in some cases, address underlying macro-economic imbalances. The Fund must be equipped with the right facilities to support members in these exceptional times, and I support the Fund exploring any necessary adaptations to the lending toolkit to ensure this.
- IMF resources:** As the crisis evolves and the Fund’s lending support shifts from emergency financing to more complex multi-year programmes, it has never been more important to have a well-resourced and quota-based IMF at the centre of the global financial safety net. I welcome the IMF standing ready to mobilise its existing \$1 trillion lending capacity to help members fight the pandemic and stabilise the global economy. The UK remains committed to

ensuring that the IMF remains adequately resourced, and I am pleased to confirm that the UK Parliament has recently passed the necessary measures to enable the doubling of our commitment to the New Arrangements to Borrow, in line with the agreement reached as part of the 15<sup>th</sup> General Review of Quotas. Given the uncertain outlook and the demands on IMF resources over recent months, I strongly support the Fund in keeping the overall level of resources under review.

- **Capacity development:** The UK is providing over £30m over the period 2018-2024 to support IMF's important capacity development activities. I encourage the Fund to continue to adapt its technical assistance offer in the context of the present crisis, helping vulnerable countries implement sound macroeconomic policies, both to mitigate the impacts of the pandemic, and lay the foundations for a resilient and sustainable recovery.

The IMF has rightly focused on immediate crisis stabilisation in response to Covid-19. However, as the crisis evolves, the Fund must play a central role in resetting the global economic growth trajectory to support growth which is sustainable in all senses of the word. Decisions made in the coming months will have lock-in effects for decades to come. The greener the economic recovery from this crisis, the stronger, more resilient and sustainable it will be – and IMF research suggests a green recovery can support jobs too. The Fund should encourage and provide expertise on stimulus policies that support structural transformation towards greener, low-carbon and inclusive growth. Climate change is already a macro-critical threat to economic and financial stability, and the window for avoiding profound negative global economic consequences is closing. As a global community, the next year poses a unique opportunity to mitigate these significant risks, as we lay the ground for the recovery and, as we prepare for COP26.

The IMF has played a vital role in helping its members steer through the initial stage of this unprecedented crisis. The Fund's job will become more important and more difficult over the next few years, balancing the short-term pressures and long-term imperatives that must both be addressed if the world is to build back better. It's up to all of us to ensure that it is well-placed to rise to the challenge.