



**INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE**

**Forty-Fourth Meeting  
October 14, 2021**

**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 global economic recovery continues, underpinned by progress on vaccination rollouts and by the impact of extraordinary policy support. However, the pandemic is still causing suffering in many parts of the world. The pace of recovery is uneven globally, by sector, geography and income group. Significant differences in the degree of expected medium-term economic scarring reflect differences in the pace of vaccine rollout and the level of policy support. Risks to the baseline outlook are tilted to the downside: a resurgence of the pandemic; the possibility of vaccine-resistant variants; demand-supply mismatches getting worse or persisting longer than expected; a possible disruptive tightening of global financial conditions which could impact emerging market stability; and structural challenges, including climate change, which predate the pandemic but are increasingly urgent.

To address these challenges effectively, it is crucial that we maintain cooperation, continue to monitor evolving risks, and take actions to mitigate negative spillovers from our policy actions. This includes promoting policy transparency and close monitoring of global supply-demand mismatches and other inflationary pressures, while supporting and maintaining the independence of our central banks.

Bringing the pandemic under control is a precondition for a sustained and inclusive recovery and working together to achieve this should remain our top priority. Equitable access to safe and affordable Covid-19 vaccines, therapeutics and diagnostics is a critical part of our global response. In this regard, I welcome the various commitments to share doses and urge countries to honour these commitments as soon as possible. We are on track to donate 30m doses this year, and in total we will share 100m vaccine doses with developing countries by June 2022, 80m of which will be donated through COVAX.

At an international level, we should ensure that no country is left behind as the global recovery continues. International Financial Institutions, particularly the IMF, have taken significant steps to provide financial support and policy space, notably through the new general allocation of SDRs. IFIs should continue to provide support to vulnerable countries facing particularly difficult trade-offs amid constrained policy space.

To mitigate the impact of the pandemic on household incomes and firms, policymakers have introduced unprecedented policy support. As we move through the phases of the recovery, in line with individual country circumstances, policy support should become increasingly targeted to where it is most needed, support the recovery and tackle longer-term structural challenges. Policymakers should anchor measures within credible fiscal frameworks to set fiscal policy on a sustainable medium-term path.

As we look to shape the recovery, it will be crucial to continue to work together to address shared global challenges. This will involve reinforcing growth in expanding sectors and undertaking productivity-enhancing investments, including to support the digital economy. It will mean striving for a green, resilient and inclusive global recovery, which will create jobs in the industries of the future while addressing the urgent and linked challenges of inequality, public health, climate change, and biodiversity loss. It will be important to continue to enhance financial resilience, including through addressing vulnerabilities in non-bank financial intermediation while preserving its benefits. We also remain committed to an open and fair international trading system that underpins our collective resilience and supports the

global economic recovery. We support joint action to strengthen this system, including collective work to improve trade in services and reform the WTO at the upcoming 12<sup>th</sup> Ministerial Conference in November.

### ***UK response***

As we emerge from the pandemic and learn to live with COVID-19, we remain focused on creating new, better jobs, and helping people gain the skills they need to succeed. The success of the UK vaccination programme, with more than 82% of the UK adult population now fully vaccinated, has allowed us to lift almost all restrictions, with the Government's roadmap out of lockdown enabling a successful reopening of the economy and helping support a recovery in the jobs market.

As we head towards the end of the year and colder weather, the Government will sustain the progress made through the UK summer, while ensuring the National Health Service does not come under unsustainable pressure. The recently announced Autumn and Winter Plan includes a contingency plan for England should health data suggest further measures to manage the virus through the winter months are advisable. This would help to control the spread of the virus without unduly damaging the economy and society. The Government remains committed though to taking whatever action is necessary as a last resort to protect public health. Decisions around public health in Scotland, Wales, and Northern Ireland are fully devolved.

Now that the economy has reopened, we are winding down our temporary pandemic support, one of the largest and most comprehensive fiscal packages globally, while continuing to help businesses invest in the recovery and support people into new jobs. In the second quarter of 2021, Gross Domestic Product (GDP) grew by 5.5%, the fastest growth rate in the G7. The headline unemployment rate of 4.6% has now fallen for seven consecutive months, and real wages are up 3.4% since the pandemic's start. Against this backdrop, on 30 September, two major support schemes for individuals and businesses across the UK, the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS), ended. Since inception these schemes have supported 11.7 million jobs and nearly 3 million self-employed individuals respectively. One month ahead of closing, however, the number of employments supported by CJRS had fallen to 1.3 million at a time when online job vacancies were 35% higher than February 2020 levels.

The Government is focused on maximising employment across the UK, delivering the skills that businesses and the economy needs, and helping people through upskilling and in-work progression. The Government's Plan for Jobs offers a range of support for those who want to get into work, including the Kickstart and Restart schemes, and funding for apprenticeships, and traineeships. As part of a £500 million expansion of the Plan for Jobs, the Government is extending many of these schemes as well as introducing new measures to support those in and out of work as our economic recovery continues. This includes support for those coming off the furlough scheme. Further details will be set out in the forthcoming Spending Review.

### ***IMF Role***

As recovery pathways evolve, the IMF must continue to play an effective role across its core functions of surveillance, lending and capacity development. To deliver effectively on its mandate, IMF advice and support must address not only immediate term economic threats like Covid-19 but also long-term risks to macroeconomic and financial stability such as climate change. On climate change in particular, the COP26 summit in Glasgow next month is a key milestone; collectively we must be as ambitious as possible, recognising the risks that

all countries face, but especially developing countries and small island states. I welcome the work since Springs 2021 to bolster IMF support for low-income and vulnerable middle-income countries. The IMF is uniquely placed to provide tailored, targeted and impactful advice at bilateral and multilateral levels. Done well, this can help tackle divergence in recoveries and encourage countries towards resilient, sustainable, and inclusive economies over the medium term. I support the MD's Global Policy Agenda and encourage the IMF to continue to focus on the following areas as priorities:

- **Special Drawing Rights:** I welcome the new general SDR allocation, and I am pleased to see it is already playing an important role in several countries. I also welcome the measures to enhance transparency and accountability in the reporting and use of SDRs. Alongside this, to maximise the positive impact of the allocation for those most in need, I strongly support the Fund's work to encourage the voluntary channelling of SDRs from members with stronger positions. The three options that are being considered – scaling up the PRGT; establishing a new Resilience and Sustainability Trust; and exploring options for channelling SDRs through MDBs channelling – all merit careful and comprehensive consideration from the IMF, its membership, and partner international organizations. I welcome the members that have signed new Voluntary Trading Arrangements and call for additional IMF members to establish new arrangements to facilitate SDR exchanges and ensure adequate burden-sharing.
- **Poverty Reduction and Growth Trust:** As countries look to recover from COVID-19 and address a range of future challenges, when other external financing is scarce and policy space constrained, low-income countries face unprecedented financing needs. There is strong consensus across IMF members that the PRGT is an established and effective vehicle for the IMF to support its low-income members. Scaling up the PRGT to help address those members' financing needs is an important near-term priority, and donor countries should collectively step up with loan and subsidy financing commitments to ensure that the PRGT is well-resourced. The UK has already committed SDR 4bn since 2016, including an additional SDR 2bn since April 2020; we hope our support will be supplemented by an increasingly diverse base of donors.
- **Resilience and Sustainability Trust:** Low-income countries face unprecedented financing needs to secure resilient and sustainable long-term economic recoveries. This is also a challenge faced by vulnerable middle-income countries. I endorse the IMF's proposal to establish a new IMF-administered Resilience and Sustainability Trust (RST) to provide financial support for low-income and vulnerable middle-income countries to help them in addressing long-term structural challenges such as climate change and pandemic preparedness. In particular, the RST should focus on supporting these countries in their efforts to mitigate, adapt and build resilience to climate change, as they move to implement ambitious UNFCCC Nationally Determined Contributions (NDCs). The Fund should aim to operationalise the RST by the end of 2022 at the latest, and I strongly urge the IMF to work closely and in partnership with the World Bank and other MDBs in further developing the design of the trust and policy conditionality, to ensure complementarity between IFI instruments and add maximum value.
- **Surveillance:** It is crucial the Fund continues to provide timely and robust surveillance of domestic and international economic developments, including spillovers and risks, encourages policy transparency and monitors global supply and inflation trends. There is also a need to address medium-term structural issues by

providing credible advice for fiscal sustainability, tailored to country circumstances, while mitigating scarring, enabling structural re-allocation, and reorienting economies to meet long-term macro-critical challenges and foster sustainably growing futures as they emerge from the pandemic. I strongly welcome the significant progress on the more systematic integration of climate into Article IV surveillance reports and Financial Sector Assessment Programs (FSAPs), and I encourage countries to engage constructively with the Fund, leveraging the IMF's role as a trusted adviser and its growing expertise to support their own domestic policy development. I welcome ongoing focused and targeted macroeconomic and financial surveillance by the Fund.

- **Climate:** The macroeconomic and financial implications of climate change are profound – the pandemic looms large as the most pressing immediate challenge, but climate change is urgent, real and systemic. The most obvious and immediate threats are to some of the most vulnerable IMF members – but climate change is macro-critical for all economies, and the window for action is narrowing. Consistent with its mandate of fostering macroeconomic stability, the IMF has a key role to play in helping all countries address the macro-critical economic and financial implications of climate change and implement timely and effective macroeconomic policies to support the transition to a low carbon economy. I am also very encouraged by the Fund's proposal for an international carbon price floor (ICPF) and support further work in this area. I welcome work to further mainstream climate indicators into macroeconomic data, including through the launch of a Climate Change Indicators Dashboard. I welcome the Fund's continued innovation in the climate space, maximising the expert contribution it can make alongside other IFIs.
- **Debt:** The pandemic has exacerbated debt vulnerabilities across the globe and, as the Debt Service Suspension Initiative (DSSI) draws to a close at the end of this year, it is critical that the international community prioritises initiatives that support debt sustainability. I therefore strongly welcome the Fund's continued work on sovereign debt issues, including the monitoring of debtor country debt levels through their debt sustainability analyses, which are critical in managing long term debt issues and help to set the parameters for necessary debt treatments. I also welcome the Fund's collaboration with the World Bank to support the swift and full implementation of the Common Framework for debt treatments beyond the DSSI by all creditors, its work to explore enhancements to how private creditors lend and participate in debt treatments, and its ongoing efforts to improve debtor and creditor transparency. I call on the IMF, working in tandem with the World Bank, to focus further on supporting debtor countries through the Common Framework and debt restructuring processes.
- **Catastrophe Containment and Relief Trust (CCRT):** The CCRT has provided debt relief to the most vulnerable countries with upcoming obligations to the IMF since last April, supported by financing from a number of countries, including the UK. I appreciate the IMF's decision to disburse half of the fourth 6-month tranche until end-January. While the IMF will review demand and resourcing need at that point to determine feasibility of the second half of the fourth tranche, I urge more donors to commit funds to increase the likelihood we can meet any CCRT demand as it arises, including for unpredictable shocks.
- **Capacity development:** The UK has been strongly supportive of the Fund's capacity development activities, providing over £30m over the last five years, and we will continue to build on this partnership. I encourage the Fund to continue adapting its technical assistance offer.

The IMF has provided unprecedented financial, policy and technical support to its members through this extraordinary crisis. As the path of the pandemic and recovery continue to evolve, the Fund needs to continue to provide rigorous, timely and impactful analysis, as well as tailored and credible policy advice, and – where necessary – nimble and well-calibrated financial support to the membership. Across the IMF’s membership, the recovery will take time, effort, persistence and collaboration. We must all work together to achieve this.