



# INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

## **Forty-Third Meeting April 8, 2021**

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

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On behalf of the United Kingdom

***Global economy and policy responses***

The global health and economic outlook has improved due to vaccine production and deployment as well as continued policy support. However, the crisis is still causing widespread suffering. The recovery is uneven and subject to elevated downside risks, including the spread of more contagious or vaccine-resistant new variants of the COVID-19 virus. Bringing the pandemic under control is a precondition for stable and lasting recovery, and working together to achieve this should remain our top priority.

The pandemic has threatened to exacerbate many pre-existing inequalities. Between countries and regions, the health and economic recovery is likely to progress at different speeds, as the supply of vaccines remains limited and unevenly distributed. Within countries, the crisis has disproportionately impacted disadvantaged groups and demonstrated the importance of social safety nets. Policymakers should continue to support the most vulnerable individuals and firms. At an international level, we should ensure that no country is left behind as we build a much-needed global recovery.

As a critical part of our global response, it is important that efforts to finance equitable access to COVID-19 vaccines, therapeutics and diagnostics continue, alongside work to strengthen global health security, tackling antimicrobial resistance and preparedness for future pandemics. In this regard, I reiterate the UK's support for the Access to COVID-19 Tools Accelerator (ACT-A), including £548m for the COVAX Advance Market Commitment, and call on governments to help meet the ACT-A's significant funding gap in 2021.

In response to significant economic disruption from the crisis, policymakers have taken, and continue to take, unprecedented measures to mitigate the impact of the pandemic on business revenues and household incomes, as well as to protect the most vulnerable segments of society. It is right to remain vigilant and avoid any premature withdrawal of support measures wherever possible. In countries where there is less policy space available, international financial institutions should provide support to manage difficult trade-offs. As we move through the phases of the recovery, policy support should become more

targeted to provide help where it is most needed, while allowing the economy to adjust and setting fiscal policy on a sustainable path for the long run.

As the recovery takes hold, 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 that 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 public health, climate change, and biodiversity loss. It will be important to continue to enhance financial resilience, including through harnessing the benefits while managing the risks associated with capital flows. We also remain committed to an open and fair international trading system that underpins our collective resilience. I support joint action to strengthen this system, including rolling back temporary trade restrictive measures and reforming the WTO so that it is fit for the 21<sup>st</sup> century.

### ***UK response***

Throughout the pandemic, the UK government has put in place a substantial package of economic support for businesses and individuals, even as measures to prevent further spread of the virus have changed.

In response to the ongoing restrictions, and the Prime Minister's roadmap to easing public health measures, I have announced further support at the recent Budget to businesses, individuals and public services, on top of our previous economic responses. These economic support measures are carefully designed to complement each other to ensure we protect jobs and livelihoods. We continue to take a flexible approach and will keep all impacts and policies under review. The UK will take a cautious approach to easing lockdown, which is guided by the data in order to avoid a surge in cases which would put unsustainable pressure on the National Health System (NHS). Decisions to move to subsequent stages of easing restrictions will be led by data rather than dates.

The cumulative government support for individuals, businesses and public services set out at Spending Review 2020 and Budget 2021 totals £352 billion across 2020-21 and 2021-22. The UK's response amounted to 16.3% of GDP as of 31 December 2020, and remains one of the largest and most comprehensive fiscal packages in the world.

I have also set out measures to strengthen the economic recovery and lay the foundations for our future economy, encouraging businesses to invest through a 'super-deduction' on taxes on capital investment and committing to a sustained rise in public investment on areas such as infrastructure. Including

measures announced last March, which included a step change in capital investment, decisions taken by this government provide direct fiscal support for the economy of £407 billion over this year and next year – which is the largest peacetime support package for the economy on record.

The pandemic and the government’s policy response has led to an unprecedented increase in government borrowing and debt. This is necessary and affordable in the short term, but it would not be sustainable to allow debt to continue to rise indefinitely. Measures announced at Budget 2021 also take action to strengthen the public finances once a durable recovery has taken hold. These actions will be underpinned by principles of fairness and sustainability as the government continues to invest in excellent public services and infrastructure to create future growth.

### ***IMF role***

A coordinated global response to the crisis will be key to ensuring an even recovery for all. The IMF has a critical role in ensuring that no country is left behind as we build a green and global economic recovery. I strongly support the action that the Fund has taken to date, in particular the measures it has taken to support low-income and vulnerable countries. Further steps will be key in ensuring that all members can take the necessary measures to end the health and economic crises. I support the MD’s Global Policy Agenda and encourage the IMF to continue to focus on the following areas:

- **Special Drawing Rights (SDR) allocation:** I am strongly supportive of a new general SDR allocation of \$650bn. This will help provide much needed liquidity directly to the IMF membership at a key moment in the recovery from the crisis. I also support the IMF developing new measures to enhance transparency and accountability in the use of SDRs. Separately, and without delaying agreement on a new allocation, I am keen that we explore options expeditiously for members with strong financial positions to voluntarily recycle some of their SDRs to support low income and vulnerable countries. This should include options to use SDRs to replenish the Fund’s Poverty Reduction and Growth Trust (PRGT). I look forward to continued work with the IMF and other members to discuss these options.
- **Lending toolkit:** I commend the speed with which the Fund has provided critical financial support to member countries responding to the crisis, in particular the emergency financing which supported countries in their initial health response. The IMF’s lending will continue to be central as the crisis plays out and as members move to longer-term programmes with IMF financing

supporting countries to address structural issues, make adjustments and implement institutional reforms. I encourage the Fund to keep its lending toolkit under review to ensure it is fit for purpose and I support the Fund's work to transition the bulk of its support from emergency lending into multi-year programmes. I also support keeping the demand for Fund resources under review.

- **Poverty Reduction and Growth Trust:** The Fund's concessional lending remains of utmost importance in supporting low-income countries. I commend the recently approved measures to temporarily increase and extend PRGT access limits and look forward to a broader consideration of options to reform the Fund's concessional financing toolkit. This will be an important step in providing low-income countries with the necessary borrowing space commensurate to their financing needs. I am pleased that the Fund has raised SDR 17bn of new PRGT loan resources, including the UK's loan of SDR 2bn from last year. As part of the Review of Concessional Financing and Facilities, I urge the Fund to be creative and explore all available financing options to ensure the PRGT remains well-resourced.
- **Debt:** Given the impact of the pandemic on already elevated debt levels, it is vital that the international community, including private and official sector creditors, debtors and multilateral institutions work together to improve debt sustainability and transparency. I therefore strongly welcome the Fund's continued work on sovereign debt issues, including under the joint IMF-WB Multi-Pronged Approach. In particular, I am grateful for the analysis the Fund has provided to support a final extension to the G20-Paris Club Debt Service Suspension Initiative (DSSI) until the end of 2021 which, if approved by the G20, will provide additional fiscal space for low-income countries still affected by the pandemic whilst also encouraging countries to swiftly address underlying debt vulnerabilities. I also strongly welcome the Fund's continued collaboration with the World Bank to support the swift and full implementation of the Common Framework for debt treatments beyond the DSSI, which will set countries experiencing the worst debt distress on a more sustainable footing. It is vital that there is full participation in the initiative from all creditors, in both the official and private sector. However, long-term debt sustainability issues cannot be solved by the Common Framework alone. Enhanced debt transparency among all actors – lenders and borrowers – is critical, and I welcome in particular the Fund's efforts to increase technical capabilities in debtor countries.
- **Catastrophe Containment and Relief Trust:** The Catastrophe Containment and Relief Trust (CCRT) has provided debt relief to the most vulnerable countries with upcoming obligations to the IMF

since last April. The UK made a substantial early contribution to this effort. I am delighted that the third six-month tranche of CCRT debt relief has been approved and I welcome all the contributions that have made this possible. However, we remain short of the fundraising target to provide debt relief until April 2022 and we encourage more donors to step up.

- **Surveillance:** The Fund has resumed its monitoring, analysis and policy advice in recognition that this crisis has created unprecedented challenges to macroeconomic management for its members. Focused and targeted surveillance by the Fund will remain key to support members' Covid responses and near-term policy adjustments. I look forward to the Fund continuing its efforts to adapt its surveillance for the future through the conclusion of the Comprehensive Surveillance Review (CSR) and the Financial Sector Assessment Program (FSAP) Review. In particular, I welcome efforts to systematically integrate climate considerations into IMF surveillance, including increased climate mitigation coverage within Article IV reports.
- **Capacity Development:** The UK continues to be strongly supportive of the Fund's capacity development activities, providing over £30m over the period 2018-2024. I encourage the Fund to continue adapting its technical assistance offer in the context of areas such as climate and debt, and to draw on the lessons learned from delivering capacity development virtually during the pandemic. This will help vulnerable countries mitigate the impacts of the pandemic and lay the foundations for a resilient and sustainable recovery.
- **Climate:** As we move from pandemic response to recovery, we must ensure that countries' economic policy and spending decisions support structural transformation towards greener, low-carbon and inclusive growth, to help achieve sustainable development and global climate goals. The Fund has a crucial role to play in supporting its membership to manage the macro-critical consequences of climate change, and to implement policies which support low-carbon transition. I welcome the Managing Director's ongoing focus on placing climate change issues at the heart of the Fund's work, and the Fund's support for COP26 objectives, including work towards promoting mandatory disclosures of material climate change risks. In addition to my strong support for plans to more systematically integrate climate considerations into IMF surveillance, I welcome the IMF's work on climate data, and on scaling up the focus on climate within capacity development.

Over the last year, the IMF has provided unprecedented support to its members to mitigate the impact of the crisis. Some countries are still in the midst of the crisis and the Fund needs to continue to provide appropriate support and policy advice to those members. As countries exit the pandemic, the task will be to recalibrate policies and the policy mix balancing ongoing support with rising vulnerabilities. The

Fund will need to help its members prevent economic scarring, prevent the crisis exacerbating divergence between countries, and build back better towards a greener and more resilient future. It is up to all of us to support the Fund's pivotal role in taking these next steps.