



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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**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 economic recovery from the COVID-19 pandemic has been undermined by Russian President Vladimir Putin's illegal, unprovoked and brutal attack on Ukraine, a sovereign democratic state. The UK stands united with partners in condemning this attack and we offer full solidarity to the people of Ukraine and condemn in the strongest possible terms Putin's catastrophic aggression.

While the global economic recovery from the Covid-19 pandemic continues, Putin's war of aggression has generated a devastating humanitarian crisis with tragic losses of life. It has also exacerbated pre-existing global challenges, including high and volatile commodity prices and disruption to supply chains. This will lower global growth, intensify inflationary pressures, and heighten cost of living challenges, adding further economic disruption to the significant shock caused by the pandemic. It will also increase pressure on vulnerable countries, particularly commodity importers at risk of food security stress, where policy space is already limited as a consequence of a partial and unequal global recovery from the pandemic.

This is a critical moment for the international community to come together to restore peace and prevent the further tragic loss of human life. We must take robust, coordinated multilateral action in responding to the challenging global economic circumstances and the acute humanitarian crisis we are confronted with. The IMF has a key role in this multilateral effort and must continue to deliver support to help countries with constrained policy space and balance of payments pressures, standing ready to deploy its lending and precautionary facilities to address their needs.

We must continue to monitor global economic risks closely and stand ready to act where appropriate to support resilience. Further cooperation and policy transparency can help mitigate negative and cross-border spillovers from the crisis and increase visibility on supply chain risks. As far as possible we should avoid export restrictions and maintain openness through a period of further stress on global commodity and goods markets. Fiscal policy responses to elevated commodity prices and other spillovers from the war should be targeted to the most vulnerable households and firms. Rebuilding fiscal buffers and anchoring policy measures in credible medium-term fiscal frameworks will help ensure sufficient space to respond to future shocks.

Continuing to tackle the pandemic is a precondition for a sustained global economic recovery. Equitable access to safe and affordable Covid-19 vaccines, therapeutics and diagnostics is a critical part of the global response. We must prioritise reforming the global health architecture by improving the efficiency of spending on pandemic prevention, preparedness, and response. Pandemics risk becoming more frequent, and potentially even more damaging, in the future. By taking a joint, collaborative approach, we can fill the most critical gaps in the global health architecture for a more resilient future. Further, we must increase incentives to develop new antibiotics and tackle anti-microbial resistance.

Through a period of greater shocks and volatility, we must not lose sight of the reforms and actions needed to secure a more sustainable economy for the future. The importance of high ambition on the energy transition away from fossil fuels and towards sustainable alternatives has been compounded by the current crisis. We must work together to ensure countries have the public and private financing necessary to enact swift, just transitions to net zero, including through the transformation of the global financial system to support Paris and Glasgow goals. Tax and carbon pricing policy will play a key role in promoting cost-effective decarbonisation. Strong multilateral collaboration, guided and underpinned by the work of International Organisations including the IMF, will be essential to achieving an equitable solution that mitigates the risks of carbon leakage.

UK Response

The invasion of Ukraine presents a significant challenge to the global economic recovery, exacerbating pre-existing pressures. To provide urgent support to Ukraine, the UK has pledged around \$500 million in humanitarian, economic and energy support. We have also committed nearly \$1 billion in guarantees to unlock further lending from the World Bank without taking resources away from the rest of the world.

The challenges in the global economy will also have an impact on the domestic economy and the UK government has taken significant steps to support British people as they deal with the rising cost of living, including a £9 billion rebate to support families with rising energy prices, reduced VAT on homeowners installing energy efficient upgrades, and £1 billion of support through the Household Support Fund to help vulnerable households with the cost of essential needs.

The dramatic rise in global energy prices following the pandemic and Russia's invasion have also highlighted the importance of reinforcing our energy security. To this end, the UK has announced a new Energy Security strategy to provide a more independent, more secure energy system. This builds on the government's Net Zero strategy, and will drive forward a quicker expansion of nuclear, wind, solar, hydrogen, oil and gas power.

I have also set out a comprehensive Tax Plan for a stronger economy. It contains three priorities: helping families with the cost of living; creating the conditions for private sector led growth; and ensuring the proceeds of growth are shared fairly. To deliver on these priorities, the Tax Plan first increases the threshold of earnings free from National Insurance contributions by £3,000; a £6 billion personal tax cut for 30 million people across the UK. Second, the government is consulting on options to reduce taxes on capital investment by businesses to lift UK growth and productivity. Finally, the basic rate of income tax will be cut by the end of the current Parliament in 2024. This plan will be met whilst maintaining space against the UK's fiscal rules. Together, these measures will build a stronger, more secure economy for the UK.

The IMF's Role

At the heart of the global financial safety net, the IMF is best placed to provide targeted support and advice to help mitigate the worst spillovers resulting from a partial and unequal recovery from the pandemic and the war in Ukraine. I was pleased to support the \$1.4 billion Rapid Financing Instrument disbursed to Ukraine to address immediate financing needs and I urge the IMF to continue to be as ambitious as possible in its support both for Ukraine and the wider region as it faces an unprecedented refugee crisis. Collaboration with the World Bank and the wider international community will be crucial,

and I hope that the Fund's assistance can complement the support of others through its unique toolkit – including through its lending and precautionary facilities. I also support the IMF and the World Bank working together to facilitate a strong, coordinated donor effort to support Ukraine and the wider region.

The Fund must also remain centre-stage in supporting countries to transition to more resilient, sustainable, and inclusive futures. I welcome and support the Managing Director's Global Policy Agenda and encourage the IMF to continue its focus on the following areas:

- **Surveillance:** The IMF is uniquely placed to provide robust surveillance of economic developments, including on global supply and inflation trends. Continued effective surveillance can assist policy choices, encourage policy transparency, and underpins the IMF's lending and capacity development operations. Real-time tailored advice is a crucial part of the IMF's surveillance agenda and I support efforts continuing in this area. I am pleased to see the scaling up of climate coverage in the IMF's surveillance products and welcome continued work on achieving comprehensive coverage of macro-critical climate-related issues, which adds real value to policymakers.
- **Resilience and Sustainability Trust:** I warmly welcome the formal approval by the IMF Board of the IMF's new Resilience and Sustainability Trust (RST). It is vital that the target for the RST to be operational by 2022 Annual Meetings is met so it can begin supporting vulnerable countries with adopting appropriate measures to mitigate and adapt to climate change and enhance pandemic preparedness. The current war in Ukraine, and associated global energy impacts, compounds the importance of the RST supporting eligible countries' long-term transition to increased renewable energy supplies.
- **Special Drawing Rights (SDRs):** I also welcome the continued efforts to meet the global ambition of channelling \$100bn of SDRs to the most vulnerable countries. Last October, I was pleased to announce an additional SDR 1bn to the IMF's Poverty Reduction and Growth Trust (PRGT) to take the UK's total PRGT support to SDR 5bn. I encourage others to make contributions to the PRGT's subsidy and loan accounts and welcome further commitments to the Catastrophe Containment and Relief Trust, building on the support the UK and others have already provided. Enhancing transparency on the effect of the 2021 general allocation of SDRs, and their use by member countries, is critical. I therefore welcome the IMF's ambition to publish a comprehensive report on SDR transparency in 2023.
- **Climate:** I strongly agree with the Managing Director that increased climate ambition through accelerated transition timelines and robust mitigation strategies is critical to building resilience to future climate shocks. We should be mindful of the challenges: addressing any social risks that might accompany the transition; managing the use of "transition fuels" in a manner consistent with the Paris Agreement's temperature goals; and fostering better cross-country cooperation on clean energy sources and technology. I would welcome further work from the IMF, in collaboration with other International Organisations, on the implications of current energy impacts on climate pathways and measures – including all options for international coordination on carbon pricing alongside non-pricing measures.
- **Debt:** With record high debt levels and emerging risks due to tightening financial conditions globally and broader macroeconomic developments, it is important that the IMF, working in a coordinated manner with the World Bank, continues its active work to assess and address debt

vulnerabilities, including for the most vulnerable countries. I welcome the Fund's work to consider ways to strengthen the implementation of the Common Framework, especially given the importance of timely, effective and coordinated debt treatments. I also support work on debt sustainability, transparency, the continued development and application of the multi-pronged approach, and strengthening the market-based approach to sovereign debt restructuring. The work of the Private Sector Working Group, to develop model majority voting provisions for payment terms in syndicated loan agreements and expand climate resilient debt instruments, is vital in this regard and I welcome the IMF's continued input into this work.

Global cooperation is critical, now more than ever. The UK remains firmly committed to multilateralism and recognises the vital significance of economic cooperation across International Financial Institutions and their members. The IMF has a central position underpinning the global financial safety net and promoting macroeconomic stability. I welcome the direction of its work agenda to support its mission. Securing a strong, resilient, and global recovery is in all our interests, and all IMF members should work to that end.