



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

**Forty-First Meeting
April 16, 2020**

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

Statement by Rishi Sunak
Chancellor of the Exchequer, H.M. Treasury, United Kingdom
On behalf of the United Kingdom

Global economy and policy responses

1. We are facing a global health and economic crisis on an unprecedented scale. The Covid-19 outbreak is taking a tragic toll on the lives of our citizens, our health systems, and our economies. The necessary measures to reduce the health impact of the virus have resulted in the shutting down of large sections of the global economy, which will cause a global recession this year. Continued uncertainty over how the virus will evolve makes it difficult to predict when global growth will rebound. Policymakers have responded with unprecedented monetary and fiscal action, to support households and businesses through the necessary disruption and to maintain the conditions for an economic rebound once restrictions on economic activity can be eased. We must continue to work together to respond to the crisis, support the most vulnerable countries and ultimately build a sustainable recovery.

UK response

2. In the UK, I have pledged to do whatever it takes to support people, businesses and the economy. The UK authorities have announced an ambitious package, unprecedented in the history of the UK, and utilising an array of fiscal and monetary measures to protect people's jobs, incomes, businesses, and help people stay in their homes. The Bank of England has cut its base rate to the historic low of 0.1%, expanded its holding of UK government and corporate bonds, made loans available to businesses and reduced the countercyclical buffer rate to 0%.

IMF role

3. There has never been a more critical and challenging time for the international community to work together to respond to the deep global health and economic crisis unfolding before us. The IMF has a crucial role in responding to this crisis through its surveillance,

lending, and capacity development roles. The Fund's role at the centre of the global financial safety net is unique. It must be ready to quickly deploy substantial resources to help stabilise the global economy and alleviate liquidity constraints, and to support its most vulnerable members. I strongly welcome the actions the Fund has taken so far to respond to the crisis, including mobilising additional emergency financing and considering new instruments. The IMF should continue to prioritise responding to the impacts of the pandemic and support its membership, including through:

- **Surveillance:** The Fund's surveillance has a key role to play in providing clear messages about the outlook of the global economy and informing policy decisions. Its analysis and policy advice should help members deal with the different macroeconomic challenges posed by the crisis. In conditions of unprecedented uncertainty, it is important the IMF communicates effectively and continues to update its forecasts in a clear and timely way.
- **IMF resources:** I welcome the IMF standing ready to mobilise its existing \$1trn lending capacity to help its members fight the pandemic and to stabilise the global economy. An unprecedented level of financing requests could put pressure on existing Fund resources, and I would therefore encourage the IMF to keep resources under review. The crisis has highlighted the continued need for a well-resourced, quota-based IMF at the centre of the Global Financial Safety Net and we should therefore ensure that both the General Resource Account (GRA) and Poverty Reduction and Growth Trust (PRGT) are well resourced to support countries that need it most and support economic recovery after the crisis.
- **Lending toolkit:** The Fund's lending tools will be key to provide financial support to member countries to respond to and recover from the crisis. We must ensure that the toolkit is adapted to respond to this crisis and is supporting those with the greatest needs. I therefore welcome the recent agreement to double access limits on the Fund's emergency financing instruments. This will ensure that the most vulnerable can meet immediate financing needs. More broadly, we should ensure that the Fund's enhanced toolkit complements those available through other International Financial Institutions, so that support can be made available to the most vulnerable

countries where needed, including the poorest and those with unsustainable debt.

- **Debt relief:** To avoid damage to the global economy and to prevent waves of re-infection, we must work to alleviate the fiscal pressures facing affected countries, including those with high levels of sovereign debt. The Catastrophe Containment and Relief Trust is a crucial tool to support the poorest countries. This is why the UK has committed up to £150m to its replenishment. I welcome recent pledges made by other IMF members and I encourage others to join this effort. I also support efforts by official creditors, working through the G20 and Paris Club, to explore provision of debt service relief to the most vulnerable countries.
 - **Liquidity tools:** I support the IMF in exploring further measures to boost liquidity across the membership and supplement the long-term global need for reserve assets, without adding to already high debt burdens. In particular, I support the Fund in developing proposals for a new short-term liquidity line to help tackle capital flow volatility. I also encourage the Fund to keep other options under review, including the possibility of a Special Drawing Rights allocation.
 - **International Organisation coordination:** I ask the IMF to work closely with other International Organisations to enhance their policy and operational response to the crisis and to ensure that resources get to where they are most needed.
 - **Capacity Development:** The Fund's capacity development will be key to supporting its membership through the crisis. The IMF should continue to offer technical assistance to help vulnerable countries implement sound macroeconomic policies to mitigate the impacts of the pandemic.
4. The current crisis has highlighted the importance of the Fund's work on wider issues such as capital flows and debt sustainability. Capital outflows from emerging markets as a result of the pandemic have been the largest on record and emphasise the need for an Integrated Policy Framework. There is a clear need for the Fund to provide a coherent framework for an effective policy mix to a range of shocks as emerging and developing

countries respond to the Covid-19 crisis. The Fund must also continue to work with borrowers and creditors to promote debt transparency and sustainability, and recognise that further sovereign debt vulnerabilities may emerge as the secondary impacts of Covid-19 develop.

5. The Fund should always focus on the biggest challenges faced by its membership, so it is right that its current priority is responding to Covid-19. In due course, the Fund must return to its work on other critical challenges such as inequality and climate change. I welcome the Fund's recent focus on climate change, and its work to systematically integrate climate change into its core activities, including its global, regional and national surveillance. I encourage the Fund to continue its support to members to fulfil their commitments under the Paris Agreement and support a successful COP26 summit next year. As we move towards recovery from the impacts of Covid-19, the Fund's role in these areas will be critical to our efforts to rebuild towards a more resilient, greener and more sustainable global economy.