



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-Second Meeting October 15, 2020

**IMFC Statement by Steven Mnuchin
Secretary of the Treasury
United States**

As we begin the Annual Meetings of the International Monetary Fund and the World Bank, we find ourselves seven months into a global economic and health crisis unlike any the world has previously faced. Since March, the World Bank and IMF have helped countries respond quickly to the COVID-19 pandemic, adapting their operations to provide urgently needed emergency finance and advice to over 130 countries. As countries continue to respond to the crisis and move toward recovery, the IMF and World Bank will remain instrumental players, helping countries restore economic stability and lay the groundwork for a robust medium-term recovery characterized by sustainable growth and debt accumulation.

The COVID-19 pandemic is a global crisis that requires a global response. The United States is doing its part, deploying the largest economic relief package in American history. The U.S. Coronavirus Aid, Relief, and Economic Security (CARES) Act provided a tremendous boost, leading to vigorous rebounds across the economy. Since April, the United States has experienced the fastest labor market recovery on record, regaining 11.4 million jobs in just five months. We also see signs of a strengthening economic recovery across U.S. industries, with retail sales at an all-time high, manufacturing on a positive trend since this summer, and home sales and core capital goods orders exceeding pre-pandemic levels. The strength and comprehensiveness of the recovery speaks to the size and breadth of fiscal and monetary support, as well as to the speed with which that support has been implemented. While we are pleased with the success of the CARES Act, there is more work to be done and we will continue to work to support the recovery.

The extraordinary fiscal and monetary response unleashed by most major economies has helped cushion the pandemic's terrible economic impact. Global financial conditions have eased significantly from the height of market turmoil in the spring, and economic data is trending positive in most economies. At the same time, we encourage our international partners not to withdraw critical policy support prematurely, particularly given remaining uncertainty about the path of the pandemic and its economic effects. Rather, we believe they should calibrate their policy measures to current conditions so as to promote rapid and durable recovery. To that end, we support the work of the Financial Stability Board to coordinate efforts to sustain the supply of credit to the real economy, support financial intermediation, and preserve the functioning and resilience of the global financial system.

The IMF and World Bank Group must continue to play a key role in assisting members through this crisis with advice, capacity development, and financing. We commend the IMF's rapid expansion of financing to countries hard hit by the economic effects of the pandemic. As countries transition from crisis management toward recovery, the IMF will continue to play a key role by assisting countries in addressing near-term external imbalances while helping them establish credible, appropriately sequenced recovery and adjustment plans. For countries with more protracted adjustment needs, the IMF must encourage them to move from emergency financing towards full-fledged programs that incorporate necessary structural reforms to enable stronger recoveries. The IMF should continue to fully use its existing financing tools, though

some additional flexibility in the design of conditionality may be warranted. In a number of countries, debtors and creditors will need to work together expeditiously to restructure debt, in particular to unlock much-needed IMF financing. We support the IMF's provision of debt service relief to hard-hit low-income countries through the Catastrophe Containment and Relief Trust (CCRT). We urge IMF management to continue updating the Executive Board on the adequacy of resources, and we stress the importance of implementing the expanded New Arrangements to Borrow and changes to bilateral borrowing arrangements on schedule.

Even as the IMF deploys its resources towards crisis response, it must also remain focused on delivering on its core mandate of global economic and financial stability. In this context, we look forward to the prompt resumption of bilateral surveillance to provide much-needed policy advice. Simultaneously, we stress the importance of the upcoming reviews of key policies, including the Comprehensive Surveillance Review and review of the IMF's Financial Sector Assessment Program. Rising public debt has reinforced the importance of the IMF's agenda on debt sustainability and transparency, and debt issues should remain at the forefront of the IMF's agenda. We also look forward to upcoming reviews of the IMF's debt limits policy and the debt sustainability analysis tool for market access countries, both of which should underscore the importance of greater transparency of public debt data.

The World Bank Group has moved swiftly to help recipient countries bolster their pandemic response and improve health systems to address the needs of the poorest and most vulnerable as countries strive to tackle the immediate challenges of COVID-19. World Bank implementation of the Multiphase Programmatic Approach has helped combat the spread and mitigate the effects of COVID-19 by providing developing countries with access to critically needed medical supplies while supporting the continued delivery of key services including education, health, social protection, and financial needs. International Finance Corporation assistance has enabled clients in the real and financial sectors directly affected by the pandemic to sustain operations and preserve jobs. As countries transition from crisis management to recovery, the World Bank Group will continue to play a key role in assisting countries to develop credible reform plans to support broad-based growth and job creation and to cultivate productive investments and opportunities for the private sector. It must do so while mitigating the economic impacts of the crisis on the poor and vulnerable, creating conditions to restore medium-term macroeconomic stability, and maintaining a focus on long-term development goals.

The World Bank also plays a leadership role in its policy and accountability standards. We stress the need for robust and independent accountability mechanisms to ensure that Bank Group projects remain strong and effective and have the intended positive impact. We also call on the World Bank to set the global standard for the policy on and procurement of resilient and secure information and communications technologies. As the World Bank Group moves forward in this regard, we ask that it pay due attention to cybersecurity and the use of trusted actors.

During these challenging economic times, it is critical that the World Bank manage financial resources judiciously and transparently, with clear justifications for allocations to countries with robust access to other financing sources, so as not to burden shareholders with premature calls for new financing. This will require targeting resources where needs are highest, in line with the capital package commitments, and focusing on the Bank's long-term development mission. We urge the World Bank Management to engage with the Executive Board on how to do so. Finally, we believe that no additional shareholding adjustments for the IBRD and IFC are required at this time, given the current context and the ongoing implementation of the shareholding adjustments through the 2018 capital package, and we support completing the shareholding reviews for both institutions at this time.

As we move towards recovery, we encourage countries to see in this crisis an opportunity to improve debt management and pursue structural reforms that lay the foundation for stronger medium-term growth, economic resilience, and debt sustainability. We commend the role the IMF and World Bank have taken to support the Debt Service Suspension Initiative (DSSI). We appreciate the work the World Bank and IMF have done to further debt transparency and public disclosure of debt data, as well as facilitate creditor and debtor debt data reconciliation. The DSSI has made significant progress since April, granting beneficiary countries needed fiscal space to respond to COVID-19, and we support the extension of this initiative, with full, prompt, and robust participation from all official bilateral creditors. Enhanced debt transparency is critical to shine light on irresponsible lending practices and lead to better-informed future financing decisions. Countries that receive DSSI support should disclose all public and publicly guaranteed debt, and we support efforts by the World Bank to increase the granularity of debt data reported in International Debt Statistics database.

We also welcome the G20/Paris Club Common Framework for COVID-19 Debt Treatments beyond the DSSI. Guided by IMF programs and debt sustainability analyses, the Common Framework will facilitate debt write-downs when needed, help promote debt sustainability, and support policy reforms. Moreover, under the Framework, all official bilateral creditors will provide debt relief on common parameters, with equitable burden sharing that covers all private and official bilateral creditors. The Common Framework is an important measure to support low-income countries as they tackle the economic effects of the pandemic. We urge G20 members to quickly endorse the Framework to foster timely and orderly debt resolutions and provide low-income countries a clear path to tackle unsustainable debt burdens.