INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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April 16, 2020

IMFC Statement by Bruno Le Maire
Minister for Economy and Finance
France

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FRANCE

I wish to begin by congratulating the International Monetary Fund and its Managing Director for their quick and intense mobilization since the beginning of this crisis. More than ever, we need a reactive and fully-committed IMF to deliver the appropriate response to this unprecedented crisis.

The Covid-19 pandemic is first and foremost a human tragedy and a global health emergency. This is why health measures have been implemented across all regions of the world to help those affected by the virus and protect lives. In the meantime, these exceptional but necessary measures are strongly affecting the global economy as they require lockdowns, widespread closures and the partial or complete shutdown of some economic activities. **Our collective responsibility is now to mitigate the negative impact of these measures on all aspects of our economies, in particular jobs and businesses, and to ensure a quick recovery.**

To do so, we need the coordinated implementation of national, regional and international measures.

In France, we are fully mobilized and determined to take all necessary measures, whatever their cost, in order to protect the health of our people and businesses, the productive capital of our economy, and the income and jobs of workers.

Since the beginning of the crisis, the French Government has implemented strong measures to contain the spread of the pandemic in order to minimize the risk of overloading healthcare infrastructures. On 16 March 2020, President Macron announced the start of a containment mechanism to restrict people's movement to the bare essential, hence heavily reducing interpersonal contacts and contagion risks. A comprehensive set of fiscal measures has also been taken to strengthen the means to fight the pandemic.

These measures have proved their efficiency on both the health and economic fields.

Financial and logistical support provided to the healthcare system has been significantly increased, in particular for orders of medicines, respirators and masks.

To support the French companies affected by the crisis and prevent bankruptcies, the Government has implemented several layers of economic measures, among which the postponement of direct taxes and social contributions, exceptional direct tax rebates, a massive scheme of State-guaranteed liquidity loans to companies for an amount of EUR 300 billion and a solidarity fund which will enable the payment of tax-free aid to the smallest businesses.

To protect jobs and households' income, France has extended massively its short-time work compensation scheme, which benefits domestic workers and childcare assistants in particular. Furthermore, eligibility for social rights (income of active solidarity, disability allowances) will be extended during the period of containment.

At the European level, we agreed, on 9 April 2020, on an exceptional emergency package to support our economies and strengthen solidarity with the most affected countries. This is a very important step forward in our economic response to the Covid-19 and it shows that Europe is standing up to face the seriousness of the situation. **Our plan is based on four pillars.**

First, to strengthen the safety area, we have agreed to establish **a Pandemic Crisis Support for Euro area Member States**, based on an existing precautionary credit line of the ESM, which will be adjusted in light of this specific crisis. Access granted will be 2% of the respective Member's GDP as of end-2019, as a benchmark. The credit line will be available until the COVID 19 crisis is over. **For non-Euro area Member States, the EU Balance of Payments Facility can provide financial support**. It should be applied in a way that duly takes into account the special circumstances of the current crisis.

Second, **the EIB Group will create a pan-European guarantee fund of EUR 25 billion**, which could support EUR 200 billion of financing for companies with a focus on SMEs.

Third, this plan provides a **support to EU citizens, through an EU legislative instrument to protect primarily workers and jobs through partial-work and some health-related measures on the labor market**. This instrument will establish a financial assistance in the form of loans granted on favorable terms from the EU to Member States, of up to EUR 100 billion in total, for the duration of the crisis.

Fourth, the EU will work on **a Recovery Fund to prepare and support the economic recovery**, providing funding through the EU budget to programs designed to kick-start the economy in line with European priorities and ensuring EU solidarity with the most affected Member states.

France has pushed a lot for this exceptional emergency package and further work will be done before the European Council scheduled on 23 April 2020.

At the international level, a lot has already been implemented but work remains to be done.

In addition to the health crisis, all countries are faced with an unprecedented combination of supply and demand shocks, causing a sharp decline in the economic activity. Today, the global economy is simultaneously coping with deeply depressed global demand, constrained labor supply and industrial output, heavy disruptions in global supply chains, international trade and capital flows, and stressed financial markets. As a consequence, the global output will contract severely in 2020 and many countries will enter into recession. Let's not forget that this decline in activity follows a year of worldwide economic slowdown, aggravated by persistent trade and geopolitical tensions.

In this context, the emerging markets and developing economies (EMDCs) are particularly vulnerable. Before the virus outbreak, several EMDCs, especially in Africa, were characterized by a lack of adequate infrastructure, a high level of indebtedness and fragile health systems, hence jeopardizing their capacity to absorb soaring intensive care needs resulting from the pandemic. Moreover, because they are deeply integrated into global supply chains, with international trade accounting for a significant share of their total revenues, some EMDCs are coping with a sharp decline in foreign revenues, as a result of heightened price volatility and plummeting revenues from the tourism industry. EMDCs are also facing unprecedented capital outflows. With significant and immediate financing needs to manage the health crisis and enact a much needed stimulus, developing economies in particular are facing foreign exchange constraints. Recent sharp currency depreciations following the outbreak highly increase the cost of debt service, as well as the cost of imports necessary for their industrial activity.

The IMF has a key role to play in order to close the financing gap for emerging markets and developing countries that could be up to USD 2,5 Trillion, according to its own estimate.

First of all, it is urgent to make full use of the toolkit of the IMF and to scale it up when needed. I welcome the decision taken by the Fund to increase the access to IMF financing and streamline procedures. I particularly welcome the temporary doubling of the access to emergency instruments (rapid financing instrument and rapid credit facility).

The scale of the crisis also calls for creative thinking and the reflections engaged on new channels of actions are going in the right direction.

France supports the idea of a new allocation of *Special Drawing Rights* (SDRs) in the range of USD 500 billion. It was a success in 2009 to provide liquidity and it would send a strong signal to markets. More importantly, it would be a powerful instrument to help low-income developing countries tackle the crisis, by providing them with an extra USD 16 billion that would be decisive in their fight.

The IMF should have a special focus on and pay a specific attention to low-income developing countries that face a public health and economic crisis. **A quick replenishment of the *Poverty Reduction and Growth Trust*, complementary to a new SDR allocation, is a rapid and efficient way to mobilize to the maximum extent possible the financing instruments that exist.** France is ready to increase its contribution.

I also consider very important and support the contemplated introduction of a short term liquidity instrument at the IMF, to help countries with very strong fundamentals and policies. The design of this new instrument had been under consideration in the past, and now is really the time for decision.

Finally, France supports very strongly the temporary suspension of debt service payment for the poorest countries. France, who chairs the Paris Club and co-chairs with Korea the "G20 International Financial Architecture Working Group ", where G20 discussions on debt-related issues have been handled in the last few weeks, has played a pivotal role, alongside the key role played by the Saudi G20 Presidency, in helping creditor countries converge on a common term sheet for this initiative. France is committed to following up and monitoring closely the implementation of this debt service suspension initiative, and to help ensure that the strong creditors coordination that is needed to deliver adequately is maintained in the implementation phase. The next step to this initiative will be, once the world economic outlook will have stabilized, to undertake an in-depth assessment of the economic and financial situation of each beneficiary countries, and to initiate as appropriate possible debt relieves for some countries, on a case by case basis and through a multilateral framework.

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In conclusion, this unprecedented crisis will have long term impacts on our societies and our economies. This is why we must rethink the world we live in accordingly, by tackling the urgent global challenges we are facing beyond this pandemic: the reduction of inequalities, a fairer taxation and environmental sustainability, are in particular key objectives we should accelerate our work on.