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Statement by Mr. Mnuchin
United States

Secretary Mnuchin's Joint IMFC and Development Committee Statement
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The IMF and World Bank Spring Meetings provide an important opportunity to hold discussions on the acute challenges that the COVID-19 pandemic poses to the global economy. With global growth now projected to contract by close to 3 percent this year, it is critical that we all do our part to respond to the immediate health crisis and lay the groundwork to restore growth. The IMF and World Bank Group have a key role to play in this response, including by supporting countries' health systems and fiscal efforts, delivering immediate balance of payments and budget support assistance, providing timely economic analysis, and offering technical advice and capacity development.

The United States has responded to this crisis with bold fiscal and monetary actions, providing an unprecedented level of fiscal stimulus of more than $2 trillion, most notably through the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The CARES Act provides direct support to hardworking Americans through Economic Impact Payments, which will begin reaching people in the coming days, and launches the Paycheck Protection Program to help keep half of our private sector workforce—those who work for small businesses—on the payroll. We are working rapidly to provide assistance to airlines, cargo companies, and businesses that are critical for national security. Treasury is also working closely with the Federal Reserve to take aggressive action to support the American economy, including by rapidly establishing a variety of emergency lending facilities to ensure financial markets continue to function. We are committed to doing everything in our power to alleviate short-term economic distress and to re-invigorate the American economy once this crisis has passed.

The COVID-19 crisis has resulted in a sharp slowdown of the global economy and an extremely uncertain outlook due to the lack of a clear path for resolution of this pandemic. With most projections pointing toward a deep but brief shock, there is an urgent need for all members to deploy extraordinary fiscal and monetary actions to contain the fallout of the outbreak and limit long-term damage to economies, laying the foundation for a strong recovery. Further, we must all stand ready to accelerate and expand our policy actions if needed as circumstances evolve. It is also critical that we work together to mitigate the financial sector risks posed by the COVID-19 pandemic, and to this end we welcome the national efforts and the collective efforts of the Financial Stability Board.

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. The IMF has taken positive steps to strengthen its toolkit and enable a more rapid, flexible response to the crisis, including with increased access for its emergency financing instruments, streamlined procedures to approve new programs, and discussions around the launch of a new Short-term Liquidity Line instrument. We welcome that the IMF has already begun deploying its $1 trillion in resources through approvals of Rapid Financing Instruments for a range of countries, with more to come in the coming weeks and months. As the crisis evolves, we should continue to maximize the availability of the IMF's lending resources.

The World Bank Group has quickly set forth a robust plan to use the full range of its tools and its ample financial capacity to support recipient countries in their fight against this health and economic crisis. We welcome the swift work by the Bank to approve an initial $14 billion COVID-19 response package. The package includes a Multiphase Programmatic Approach under which the World Bank has already begun delivering urgent health sector projects aimed at combatting the spread and mitigating the effects of COVID-19 in all recipient countries, as well as International Finance Corporation (IFC) investments in trade finance, working capital, and companies in the real sector supporting the response. More broadly, we fully support the World Bank Group's aim to increase its assistance volumes substantially to support further economic and social response and recovery efforts over the next 15 months. This significant capacity reflects the financing and reform implementation associated with the 2018 capital increase package and record Nineteenth Replenishment of the International Development Association (IDA-19).

This robust response by the IMF and World Bank Group would not be possible without the committed support of its shareholders. The United States Congress recently approved a doubling of our participation in the New Arrangements to Borrow, which will allow the IMF to maintain its current resource levels for some years to come. We are pleased that the United States Congress also authorized over $3 billion for the U.S. contribution to IDA-19, as well as support for the $5.5 billion IFC capital increase, in the CARES Act.

Low income countries (LICs) will face extraordinary needs in this crisis. Weak health systems, limited fiscal space, and a collapse in access to foreign income have severely limited LICs' options to respond to COVID-19. IMF emergency financing, including the concessional Rapid Credit Facility, and World Bank health sector support are appropriately the leading edge of international assistance. Creditors should also do their part, and we therefore strongly support that official bilateral creditors in the G20 and Paris Club will provide a time-bound suspension of debt service payments for the poorest countries. Voluntary participation by private creditors should also be explored. As part of this initiative we expect that both beneficiaries and creditors would enhance disclosure of public and publicly guaranteed debt, which will allow for the IMF and World Bank to conduct comprehensive, updated analyses of debt sustainability during the suspension period, paving the way for further action on debt as needed. Going forward, all creditors should provide credit consistent with the IMF and World Bank's Debt Sustainability Framework.

We recognize that a number of IMF members support a general SDR allocation to the membership. In our view, an SDR allocation is not an effective tool to respond to urgent needs. Almost 70 percent of an allocation would be provided to G20 countries, most of which do not need and would not use additional SDRs to respond to the crisis. By contrast, all low income countries, including those facing urgent balance of payments needs, would receive just

3 percent of any allocation. A better, more targeted approach would be for members to enhance IMF support to low income countries by providing grants to the Catastrophe Containment and Relief Trust (CCRT) and through new grants and loans to the Poverty Reduction Growth Trust (PRGT). Advanced economies could also explore using their existing SDRs to bolster PRGT resources or otherwise support low income countries. The Administration is currently exploring a U.S. contribution to the PRGT and CCRT.

Even as the IMF and World Bank adapt in response to this crisis, we should be careful that both institutions maintain a focus on their core mandate. For the IMF, this means maintaining a focus on issues such as macroeconomic analysis and surveillance, debt sustainability and transparency, and financial sector assessments, including through the upcoming reviews of the Market Access Country Debt Sustainability Analysis, the Comprehensive Surveillance Review and Financial Sector Assessment Program. Issues with longer-term macroeconomic implications, such as climate risk and financial technology, should be limited and prioritized within the IMF's broader workload and consistent with its mandate. For the World Bank Group, this means quickly delivering high quality assistance, while at the same time maintaining the highest possible standards for accountability and transparency, quality procurement, and environmental and social safeguards. Critically, the World Bank Board must continue to exercise strong, responsible oversight of operations, while balancing the need for a timely operational response to the crisis. Both the IMF and World Bank Group must also evaluate the effectiveness of their responses and apply lessons learned in preparing for future crises.

I look forward to working closely with the IMF and World Bank leadership in their continued response to this crisis.

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