



## INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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

Statement No. 41-22

#### **Statement by Mr. Herrera Mexico**

On behalf of  
Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico,  
Spain, and República Bolivariana de Venezuela



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### **Defending our collective interest in an unprecedented global crisis demands coordinated actions**

The membership is facing an unprecedented crisis. We send our deepest condolences and expression of sympathy for the loss of human lives caused by the Covid-19 pandemic. The global health emergency has evolved into an economic and financial crisis, which is an unprecedented challenge for all countries and our collective efforts. In addition to the immediate impact, the effects of the sudden stop in economic activity could have long-lasting implications on productivity and long-term growth. Notwithstanding the current uncertainty, it is of utmost importance to send a strong message that there is no trade-off between health and the economy. The global economic crisis cannot be solved until the health emergency is effectively addressed. Securing the well-being of our people should be the ultimate priority. The strong coordinated policy action we are taking today will set the conditions for a stronger global recovery.

Beyond the health crisis, it is crucial to place a strong focus on the multiple negative chain reactions it set in motion. The crisis is posing a major challenge to middle- and low-income countries. The interaction of a sharp decline in export demand, large capital outflows, limited health system capacity and the abrupt decrease in prices for commodity exporters make most of these countries more vulnerable. Moreover, several countries have no or little fiscal space and financial capacity to face the health and economic challenges posed in the current juncture. The IMFC has the responsibility to ensure that a comprehensive support package is delivered to help them address the crisis.

Uncertainty is also a factor that exacerbates the economic effects in the current crisis and poses potential challenges regarding international trade and global value chains. The IMF should be outspoken against unilateral measures, including protectionism, which could increase uncertainty and have disastrous effects, not only for the economic recovery but also for the wellbeing of countries that are not self-sufficient in many essential goods and commodities needed to cope with the COVID-19 crisis.

Given the multiple current challenges and their complexity, to secure the recovery from the health emergency and its economic implications, global policy coordination and cooperation should be reinforced along with international solidarity. A prompt transition into a crisis reconstruction stage will require flexibility to use all policy tools available and a resolute coordinated international effort, for which the IMF's leadership is essential. As noted in the Managing Director's *Global Policy Agenda*, this is in our collective interest as the global community is as strong as its weakest member in a global pandemic.

### **The prominent role of the IMF in international assistance and coordination**

The IMF is playing a strategic role in coordinating and constructing a comprehensive vision for global policy actions. These coordinated efforts, with the World Bank and other international financial institutions in finding innovative actions to support our membership, have been and will continue to be significant.

We welcome the rapid response to adapt and expeditiously mobilize the current lending toolkit, by using all available instruments to provide resources to member countries to address their immediate liquidity needs. The swift approval to increase access limits of the IMF emergency facilities, the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI), is a meaningful example of the expeditious actions undertaken; the next step is to ensure that their use as additional sources of financing is not restricted. These instruments have been fundamental for countries in our constituency, including the recent approval of El Salvador's RFI arrangement. Moreover, we fully support the reform and the deployment of the Catastrophe Containment and Relief Trust (CCRT) to provide debt service relief and aid the most vulnerable countries. In addition to the CCRT, the Fund should also respond with larger Poverty Reduction and Growth Trust (PRGT) financing. We encourage efforts to continue the fundraising initiative for the PRGT to increase lending and subsidy resources to support the most vulnerable countries.

The Flexible Credit Line (FCL) is playing a strategic and effective role for our constituency in providing contingent buffers to cope with the current crisis. We support the establishment of the Short-Term Liquidity Line (SSL). We regard this instrument as a useful addition to provide predictable liquidity support to members with short-term moderate balance of payment needs, which, at the same time, might give additional flexibility to the precautionary financial framework by complementing the roles played by both the Flexible Credit Line and the Precautionary Liquidity Line.

Alongside the swift response of the Fund to meet unprecedented financing demand, we should continue to discuss the possibility of a new Special Drawing Rights (SDR) allocation. As it was the case in the global financial crisis, a new allocation will be of great significance for middle- and low-income countries. Alternatives to steer the debate could include the proposed volume of SDRs, special allocations for a specific group of countries, and innovative ways to use the current allocation. We should engage in this discussion.

### **An adequately resourced Fund to meet unprecedented membership demand**

While we believe that the resource envelope should be primarily quota-based, we recognize the instrumental role temporary resources have played in supporting the Fund's lending capacity. In this regard, we welcome the US expeditious process to approve the New Arrangements to Borrow (NAB). In our constituency, Mexico and Spain will swiftly initiate the domestic procedures to reform the NAB and to participate in the new Bilateral Borrowing Agreements. As the IMFC, we need to send a resolute message to the international community that we will take the necessary measures to ensure the IMF is well resourced to meet its objectives. In this respect, we are ready to activate the NAB as a signal of the international commitment to guarantee that the Fund has ample and readily available resources.

As the pandemic recedes, discussion on the Adequacy of Fund Resources should be initiated. This crisis has reopened the need to reconsider the Fund's total resource envelope and its

composition. Once we manage to address the current liquidity crisis with emergency lending, we will likely need to move into conventional and more comprehensive program lending. Therefore, adequate, quota-based resources could contribute to increase room for maneuver and to instill greater confidence in markets.

### **The IMF as a trusted advisor in times of crisis**

The Fund has shown extraordinary steadfastness, leadership and flexibility to support the membership during this crisis with technical assistance, financial instruments and policy advice. During the recovery phase, increased IMF engagement will be needed to help countries tackle the legacy of the health and economic crises. The role of the Fund as a trusted advisor gains more relevance at that juncture. Tailored policy advice will be crucial to address the emergency and set the policy path to secure the recovery, build resilience and safeguard sustainability.

### **The policy response to the crisis**

The countries in our constituency are currently focused on the contention stage of the pandemic, which is the most pressing issue in the very short run. The policies deployed in this period will be fundamental to set the basis for the recovery.

Within its strong policy framework, and making use of its fiscal and financial buffers, Mexico is implementing a comprehensive policy response to effectively support the contention efforts and deal with the economic effects of the pandemic. Implementation of the diverse policy measures has initiated, they will ensure a resolute response to the health emergency, mitigate the effects of external and internal disruptions to economic activity, protect the most vulnerable groups and support aggregate demand in the medium term. Regarding health, additional budget is allocated to carry out actions to mitigate the health emergency and care for the ill. To support the most vulnerable population, measures are underway to provide upfront social assistance to the elderly, one-million credits to small firms, and increased financing assistance to workers that have lost their jobs. To ensure domestic and international liquidity, and funding availability while preserving financial stability, the authorities have implemented diverse regulatory measures in the financial and insurance sectors. These include changes in accounting rules to ease deferral of capital and interest payments to financial institutions, and relaxation of the capital and liquidity requirements. The Central Bank has reduced its policy rate, lowered monetary policy deposit requirements and adjusted the ordinary additional liquidity facility interest rate. Furthermore, making use of the temporary US dollar liquidity arrangement with the US Federal Reserve (USD 60 bn), the authorities are implementing dollar auctions to increase the availability of US dollar financing for the private sector. Lastly, given the heightened risk scenario, we will avail by our commitment to respond actively to the rapidly changing environment.

### **Our full appreciation for IMF staff's work**

In closing, on behalf of the authorities of our constituency, we want to commend the Managing Director, Management and Staff for their swift response, professionalism and hard work under the current extraordinary circumstances.