



**INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE**

**Fortieth Meeting  
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**IMFC Statement by Sajid Javid  
Chancellor of the Exchequer, H.M. Treasury  
United Kingdom**

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**Chancellor of the Exchequer, H.M. Treasury, United Kingdom**  
**On behalf of the United Kingdom**  
**October 19, 2019**

Global Economy

1. **Global growth momentum has continued to moderate throughout 2019.** As global trade tensions have risen, with increased uncertainty around potential further tariffs and the rules underpinning trading, business confidence and investment growth have fallen significantly. Combined with the direct effect of new tariffs, this has contributed to significant weakness in global manufacturing and trade growth. There are some more positive signs in the global economy – particularly healthy labour markets, which should continue to support consumption growth – and low inflation has allowed monetary policy to be more accommodative. But, with interest rates low internationally, there is reduced space for additional monetary policy loosening in the event of a further slowdown, and risks remain weighted to the downside.
2. We therefore strongly agree with the IMF on the need to take actions to strengthen resilience, reinvigorate multilateral cooperation, provide timely support to economic activity where needed, and boost potential output. **We remain deeply concerned about the impact of trade tensions on the global economy, and on the rules-based trading system.** Resolving current trade tensions would remove an important element of uncertainty holding back investment and help combat the recent slowdown in global growth. We agree with the assessment of key challenges in the World Economic Outlook (WEO), Global Financial Stability Report (GFSR) and Fiscal Monitor.
3. The UK is getting ready for Brexit on 31 October. The Government would prefer to leave with a deal and is engaging with the European Commission and EU Member States to talk about what needs to be done to achieve that. If it is not possible to reach a deal, then the UK will have to leave with no deal and the Government has been preparing for this outcome. The Government has doubled the funding available for Brexit planning this year, with an additional £2.1bn for no-deal preparations. In particular, as the Fund noted in its April 2019 World Economic Outlook, both the UK and EU authorities have taken important steps to mitigate risks to the financial system in all Brexit outcomes. Notably, the UK has put in place temporary permissions regimes to allow EEA firms to continue to provide services in the UK, and the EU has adopted time-limited equivalence decisions for UK central counterparties and central securities depositories. Certain member states have also announced contingency measures. We agree with the Fund's conclusion that risks have reduced as a result of these actions although some risks to financial stability remain.
4. It is important that monetary, fiscal and structural policy work together to sustain global growth momentum:
  - a) **Monetary policy should continue to support price stability and economic activity, consistent with central banks' mandates.** In line with the UK's monetary policy framework, monetary policy is best conducted by a central bank with operational independence, and clearly defined objectives, ensuring credibility and accountability. Transparent communication is essential to

promote an understanding of the trade-offs inherent in setting monetary policy to meet a forward-looking inflation target, while giving due consideration to output volatility.

- b) **The UK has made significant progress since 2010 in restoring the public finances to health. The deficit has reduced by four-fifths from a post-war peak of 10.2% of GDP in 2009-10 to 1.9% of GDP in 2018-19.** With a strong fiscal position and a record low cost of borrowing, the UK can now invest more in growing the economy while maintaining a clear set of rules to anchor fiscal policy and keep control of public debt. The fiscal framework will be reviewed at the Budget.
- c) **Structural reforms to enhance medium-term growth remain a priority across the IMF membership.** Promoting productivity growth is at the forefront of the UK Government's agenda and we will prioritise investment that delivers real productivity gains and boost economic growth. The UK Government has invested over half a trillion pounds in capital investment, cut taxes for businesses, improved access to finance and is currently investing £37bn in a National Productivity Investment Fund targeted at economic infrastructure and boosting innovation across the UK. We will also be publishing our National Infrastructure Strategy this Autumn which sets out a plan for a step change in infrastructure investment. The Government is committed to reform technical education, engaging with businesses and local communities to design a simpler, streamlined system which will provide clear learning pathways and ensure our workforce is prepared for the 21<sup>st</sup> century. We have made strong progress in improving labour market outcomes, with the lowest unemployment rate since 1975.
- d) **The global financial regulatory reform agenda remains a priority.** We must all remain committed to the full, timely and consistent implementation of internationally agreed reforms, to promote an open and resilient global financial system. We welcome the pivot from policy development towards the implementation and evaluation of reforms; this will help us to assess their effectiveness and address any unintended consequences, including risks arising from market fragmentation. However, we must avoid a roll-back of reforms, and must not compromise their original objectives or the level of resilience we have generated.
- e) **The UK remains committed to a well-functioning multilateral trading system, recognising the positive impact of trade on the global economy.** A rules and market based international system is a top priority to ensure sustained growth.

#### IMF Policy Issues

We **welcome the new Managing Director to her role**, and look forward to engaging with her, wider management and staff on our shared priorities. We support the Managing Director's Global Policy Agenda, and would like to emphasise the following issues.

*Policy advice and surveillance*

5. We welcome the IMF's strengthened work on **climate change**. Climate change is a macro-critical issue, through both the physical and transition risks it presents to global economic stability. We therefore welcome the Fund's work to incorporate climate change into its core activities, including Article IV surveillance, and its efforts to support countries, including those increasingly **vulnerable to natural disasters** to build ex-ante climate resilience and develop comprehensive fiscal risk management frameworks. We thank the IMF for its recent work on financial and macroeconomic policies for climate change mitigation, and we encourage the Fund to continue delivering relevant analysis on climate change, including from the perspective of global financial stability.
6. The UK remains a global champion of free trade. We note the importance of modernising and improving the effectiveness of the multilateral trading system to facilitate and deepen **trade** between countries; making the trading system fairer, stronger and fit for the future in areas such as services and e-commerce. We welcome the Fund's continued focus and cooperation with other international organisations in this area, and also strongly encourage the Fund to continue its analytical and policy work on services trade and the substantive role of non-tariff barriers.
7. **Digitalisation** presents enormous opportunities for economies, markets and living standards. The Fund should focus on helping members adapt to these trends and maximise their opportunities, concentrating on analysing the macro-economic implications of technological changes; sharing best practice and supporting members' use of digitalisation to help improve public sector efficiency, tax compliance and tax administration; and ensuring macroeconomic measurements evolve in parallel to accurately capture rapid changes in the economy. The global nature of digitalisation means improving digital competition is an international challenge requiring coordinated solutions. We welcome the Fund's work on corporate market power and encourage them to continue this work through a digital lens. We welcome the reference to data issues in the Global Policy Agenda and note that the secure movement of financial data is essential for global growth and financial stability. We also ask the IMF to examine, building on its ongoing work on Stablecoins, the possible benefits digital currencies could bring to payments and financial inclusion, while also examining the risks, such as the impact of currency substitutions on the international monetary system, taking into account country specific risk profiles
8. We look forward to the completion of the **Comprehensive Surveillance Review (CSR)** and **Review of the Financial Sector Assessment Program (FSAP)**. Against the backdrop of a global financial system that is rapidly increasing in size, integration and complexity, it is important that the Fund's surveillance maintains its role as a global public good. Timely and comprehensive FSAPs help to promote and maintain strong globally consistent prudential standards and financial policy frameworks and help avoid financial fragmentation. Strengthening financial surveillance while retaining its coverage and frequency remains critical to delivering the Fund's core mandate. Both reviews provide a chance to ensure better integration of Fund activity – including between surveillance products and capacity development – and to evaluate the traction of Fund advice.

The IMF reviews should be informed by developments in financial surveillance at other IOs, in order that the Fund can exploit its comparative advantage.

9. We welcome the development of the **Integrated Policy Framework (IPF)**, re-examining the mix of policy tools that have been used to respond to external shocks in the past and may be appropriate in future. This work should consider and proceed alongside broader efforts by the IMF to enhance its own and collective risk surveillance, understand the evolving strength and nature of international policy spillovers (and spillbacks) and explore how the international financial architecture itself may serve to amplify shocks. The IMF should look to provide intellectual leadership on surveillance and spillovers, to better guide its policy mix advice.

#### *Low-Income Countries and Fragile and Conflict-Affected States*

10. The UK commends the progress that the Somali authorities are making in implementing their current Staff Monitored Programme (SMP). If progress continues, Somalia could demonstrate a six-month track record of Upper Credit Tranche reforms by early 2020, which is a crucial milestone for reaching the Decision Point under the Heavily Indebted Poor Countries (HIPC) initiative. We believe that the Liberia approach is the right model for clearing Somalia's arrears. Given the progress being made by the authorities and the tight timeframe, we invite the IMF membership to support Somalia to clear its arrears as a matter of high priority and ask Management to put a financing proposal to the Executive Board without delay.
11. We remain very concerned about the scale and nature of **rising debt vulnerabilities** in **Low-Income Developing Countries (LIDCs)**, and support the IMF and the World Bank Group's joint multi-pronged approach on debt. This must help borrowers gain capacity and capability to safeguard their public finances, and establish frameworks that provide clear incentives for debt transparency and sustainability. The IMF and WBG must work with official and private sector creditors to articulate and implement best practice lending, including through supporting the G20's self-assessment against the Operational Guidelines on Sustainable Financing and engaging with the Institute of International Finance's work promoting private creditor transparency to help identify a host for creditor data. The IMF and WBG should continue to support the ongoing work of the Paris Club, as the principal international forum for restructuring official bilateral debt, towards the broader inclusion of emerging creditors.
12. We welcome the hugely valuable role that the IMF has played in many **Fragile and Conflict-Afflicted States (FCAS)** over the last two decades. We underscore the importance of the full delivery of the Management Implementation Plan for the Independent Evaluation Office (IEO) Report on the Fund's Role in FCAS. Changes to the recruitment, allocation and promotion of staff working in and on FCAS issues is a key priority that will help drive all the other reforms that are required. We welcome the attention given to this issues in the GPA and in the Managing Director's Curtain Raiser Speech and we call on senior management to continue to drive the cultural and institutional change that is required. We continue to encourage the IMF to ensure

that staff are able to visit high-risk locations at critical times, as IMF engagement is only fully effective when its staff can have face-to-face, in-country contact with FCAS authorities.

13. We welcome the IMF's work along with the OECD, World Bank and UN on **the Platform for Collaboration on Tax** (PCT). We therefore welcome the recent progress report to G20 Finance Ministers, in particular the focus on coordination, and call on the IMF to work collectively with the PCT secretariat and other PCT organisations to implement the joint workplan. We support the PCT's commitment to provide annual updates on its progress. We support the IMF's ongoing work with PCT partners to implement MTRS and emphasise that they should continue to be country-led. The success of these pilots will be important not only for host countries but for the future viability of this new approach.

#### *IMF resources and governance*

14. We fully support a strong, quota-based and adequately resourced IMF at the centre of the Global Financial Safety Net. We invite the entire IMF membership to consider reaching an agreement on IMF resources as a matter of highest priority. We will continue to work constructively towards the completion of the **15<sup>th</sup> General Review of Quotas** by Annual Meetings (or by the end of 2019 at the latest) and remain committed to protecting the voice and representation of the poorest members. While we would be prepared to support a quota increase, we deeply regret that this prospect will not garner the support needed for approval of the 15th General Review of Quotas. We welcome the recent IMF proposal, we support at least maintaining the current level of IMF resources, and given the importance of ensuring that the Fund is adequately resourced, we are open to at least doubling the New Arrangements to Borrow (NAB). We regret that such a solution would not deliver any realignment of quotas towards dynamic economies and therefore are open to the ideas proposed by the IMF that ensure progress towards this objective as part of timely progress with the 16th General Review of Quotas. Beyond the issue of resources, we are open to considering how else to ensure that dynamic emerging economies have appropriate access to the Fund's toolkit.
15. Finally, we believe that the Fund must have the capacity to deliver its objectives over the long term. This will require a strong, diverse and flexible workforce. The Fund must be able to continue to attract and incentivize high-quality, dedicated staff with the right skills, support a variety of career paths, and ensure the diverse workforce and transparent operating model that befits an international multilateral institution in today's changing world. We therefore support an ambitious conclusion to the **Combined Compensation and Benefits Review** and the ongoing development of the **Fund's HR Strategy**, both of which are opportunities to give the Fund the tools to better achieve these goals over the coming decades. We also reiterate the importance of promoting gender diversity in the IMF's Executive Board.