INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-Third Meeting
April 8, 2021

Statement No. 43-16

Statement by Mr. Le Maire
France

International Monetary and Financial Committee – April 8, 2021

Statement by Bruno LE MAIRE, Minister of the Economy, Finance and the Recovery

FRANCE

The International Monetary Fund and its Managing Director have demonstrated their strong and much-needed leadership since the outbreak of the pandemic. As the world is entering a new stage of the crisis, in a context of an uncertain and uneven recovery, the IMF action will continue to be essential to accompany countries through a smooth transition towards a strong and sustainable recovery. For countries that continue to face financing pressures, and in particular the IMF's most vulnerable members, transition from emergency answers to longer and larger full-fledged programs will be essential. The crisis has increased the risk of divergence between those countries that have the means to support their economy and those that do not. The former have every chance of benefitting from a clear rebound. The latter are likely to see their economy collapse. In this regard, the IMF cannot afford to fall short of its membership's needs. **I welcome the emerging consensus on a new SDR allocation but the IMF will also have to deliver on an ambitious review of its concessional financing**.

I therefore call for close stronger coordination and policy actions to support an inclusive economic rebound and addressing growing inequalities within our societies, between our businesses and among countries.

The COVID-19 crisis caused a historic decline in global economic activity in 2020, and while recovery is underway, the speed of the rebound vary significantly across countries. Global output contracted by 3.4 % in 2020, a decrease significantly larger than during the Global Financial Crisis with possible scarring effects on long-term growth. On health front, the rollout of vaccination campaigns has improved the medium-term outlook but access to vaccines remains uneven across countries. There also remains significant uncertainty around the outlook for the labor market, and the extent to which the productive fabric and a favorable financial environment can be preserved through the recovery. Against this background, exceptional fiscal and financial measures have been essential in supporting private consumption and limiting business failures and they will be instrumental to ensure a strong recovery, as stressed by the IMF on several occasions.

*

In France, the Government strongly reacted to the pandemic with a comprehensive package of economic measures amounting to more than EUR 500 billion. France has rapidly taken action to preserve households' income and jobs, strengthen companies' liquidity and support the sectors most affected by the drop in activity: this includes a massive extension of the short-time work scheme, the creation of a solidarity fund and a state guarantee for bank loans to companies. **To supplement these emergency measures, the French Government has launched a two-year EUR 100 billion recovery plan deployed around three main pillars**: support **the transition to a carbon-free and sustainable economy**; reinforce **competitiveness** of the economy, and social and territorial **cohesion**. This exceptional recovery plan will boost activity, with a view to returning to pre-crisis activity levels in 2022, while investing in our future.

At the European level, France strongly advocated for an ambitious recovery plan to help Europe bounce back stronger than before the crisis. The EU Leaders' deal on the EU recovery plan in July 2020 was a historical breakthrough. With Next Generation EU (NGEU), the EU will raise money to invest massively in the green and digital transitions. Support is concentrated to the Member States that were the most affected by the crisis. It is now time to speed up the implementation of the Recovery and Resilience Facility to allow for a swift disbursement of the funds.

At the international level, continuous coordination and ambitious actions are needed during both the emergency and recovery phases. In 2020, the impact of the COVID-19 crisis and the policy responses have been heterogeneous across countries. A multispeed recovery is projected for 2021 and beyond.

There is therefore a risk of **divergence** between countries, resulting in a risk of scarring effect of the crisis more pronounced for already more vulnerable countries.

*

Strong international cooperation is crucial throughout the different phases of the crisis, to prevent this divergence and to protect the most vulnerable. The situation of low-income countries need closer attention to help them respond to COVID-19, while maintaining adequate fiscal buffers, and to accelerate convergence towards advanced economies. To bridge the financing gap and prevent the loss of a decade of development progress on the African continent, we need all stakeholders, both public and private, to work together towards a new financing model for African countries. To this end, **a Summit on Financing African economies will be held in Paris next month.** **Its objective will be to define a new partnership approach to develop strong and sustainable financing flows for African economies and unlock the potential of the continent's strengths**. We thank the IMF for its valuable involvement in the Summit's preparation.

More broadly, to address low-income countries' financing needs and debt challenges, we must design together an ambitious and comprehensive package to support them, with the IMF playing a central role.

I warmly welcome the progress recently made towards a substantial, general allocation of Special Drawing Rights (SDRs) in 2021. This allocation, which France has supported since the outbreak of the crisis, would be a milestone in the package provided by the international community to vulnerable economies. An allocation of USD650 bn, almost three times the amount agreed in the context of the 2009 Global Financial crisis, is a powerful way to provide vulnerable economies with much needed financial resources, including to support vaccination programs and other urgent measures.

In addition to the direct benefits of the general allocation for vulnerable economies, advanced economies could maximize its positive effects by on-lending their SDRs. In this regard, France strongly supports new loan contributions to the Poverty Reduction and Growth Trust (PRGT) as an efficient way to scale-up concessional financing by the IMF. This should go hand-in-hand with ambitious reforms to extend concessional support by the IMF to allow adequate support to low-income countries in need**. France also advocates for a bold replenishment strategy of the PRGT subsidy account** to support this reform agenda. Such a replenishment would require the mobilization of the Fund's internal resources, including exploring the option of potential gold sales. **Alongside new contributions to the PRGT, France welcomes innovative work on other options to use SDR loans for the benefit of vulnerable economies, to accelerate their transition towards a green and sustainable recovery.**

On debt, France welcomes the final extension of the G20-Paris Club Debt Service Suspension Initiative (DSSI) until the end of 2021. Heavily indebted LICs need to **move from an emergency response to a more tailor-made approach** addressing their structural debt vulnerabilities with a fair burden sharing across all creditors, including private creditors. **The Common Framework for Debt Treatments (CF), agreed by the G20 and the Paris Club in November 2020, is the appropriate structural response to address both sustainability and liquidity pressures coming from debt vulnerabilities.** The CF facilitates a coordinated and multilateral treatment for countries eligible to the DSSI, allowing to define on a case-by-case basis the most appropriate solution, from debt rescheduling to debt relief.

•

Finally, this unprecedented crisis has drawn our attention on the pressing need to collectively tackle critical global challenges. Among them, discussions around climate change and increasing inequalities have gained more traction, thus creating strong expectations of transformative actions by the international community and its institutions.

The recent months have already marked key milestones for further embedding climate-related issues into the Fund's core activities. The **macro-criticality of climate change** is well established.

Transition, **adaptation** and **mitigation** will have large economic, social and financial consequences. Distributional impact of climate change will carry major risks for poorer regions, which are likely to be more severely affected already on a short-term basis, and will do so in a context of constrained fiscal space. In particular, alongside management of transition and adaptation risks, **domestic mitigation strategies**, which entail major spillovers for the global economy, cannot afford to be left out of the surveillance scope of the IMF. This is why France welcomes recent progress of the IMF towards the **systematic assessment of domestic mitigation policies of major emitters**.

The crisis is also widening inequalities between and within countries. This trend is a problem for all of us because inequalities lead to unbalanced growth models, which in turn carry permanent threats to macroeconomic, social and political stability of countries. As exemplified throughout the history of the IMF, the sustainable recovery of supported countries is only possible if policy advice adequately supports inclusive growth models. **In this regard, and consistent with its mandate, the IMF needs to scale up its work towards mitigating the rise of inequalities**.

Lastly, the ongoing crisis has also reasserted the increasing weight of new technologies in our lives and in our economies. **We need to coordinate closely to build regulatory, tax and governance frameworks, both at domestic level but also on the global scale,** to ensure that the digital revolution can continue to bring progress in our lives without challenging fair competition between firms and countries, consistent with the respect of national sovereignties. Thanks to its unmatched expertise, and in good coordination with the respective mandates of other pertaining institutions, the IMF can help provide relevant guidance in this field.

*

On the path to build back better the world economy, our responsibility is threefold: 1) accelerate the collective work towards the Sustainable Development Goals, 2) avoid new over-indebtedness cycles in low income countries and 3) use the recovery to prepare for the overarching social, environmental and technological challenges ahead of us. The IMF can count on the continuous support from France to achieve each of these objectives.