



ANNUAL MEETINGS

2020 | VIRTUAL

INTERNATIONAL MONETARY FUND
WORLD BANK GROUP

October 15, 2020

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to the Board of Governors of the Fund

A New Bretton Woods Moment

By Kristalina Georgieva, IMF Managing Director
Washington, DC, October 15, 2020

1. Introduction: 'A sisterhood and brotherhood of humanity'

I first want to thank **Dr. Ernest Kwamina Addison** for his excellent remarks and contributions as Chairman of the IMF's Board of Governors.

Reflecting on the dramatic change in the world over the last year, I paid a visit to the Bretton Woods, New Hampshire, where 44 men signed our Articles of Agreement in 1944. Our founders faced two massive tasks: to deal with the immediate devastation caused by the War; *and* to lay the foundation for a more peaceful and prosperous postwar world.

At the conclusion of the conference **John Maynard Keynes** captured the significance of international cooperation as hope for the world. "If we can continue...The brotherhood of man will have become more than a phrase", he said.

As we look forward to welcoming Andorra as our 190th member, the work of the IMF is testament to the values of cooperation and solidarity on which a **sisterhood** and **brotherhood** of humanity is built.

Today we face a new Bretton Woods "**moment.**" A pandemic that has already cost more than a million lives. An economic calamity that will make the world economy 4.4 % smaller this year and strip an estimated \$11 trillion of output by next year. And untold human desperation in the face of huge disruption and rising poverty for the first time in decades.

Once again, we face two massive tasks: to fight the crisis today—*and* build a better tomorrow.

We know what action must be taken right now. A durable economic recovery is only possible if we beat the pandemic. Health measures must remain a priority—I urge you to support production and distribution of effective therapies and vaccines to ensure that all countries have access.

I also urge you to continue support for workers and businesses until a durable exit from the health crisis.

We have seen global fiscal actions of \$12 trillion. Major central banks have expanded balance sheets by \$7.5 trillion. These synchronized measures have prevented the destructive macro-financial feedback we saw in previous crises.

But almost all countries are still hurting, especially emerging market and developing economies. And while the global banking system entered the crisis with high capital and

liquidity buffers, there is a weak tail of banks in many in emerging markets. We must take measures to prevent the build-up of financial risks over the medium term.

We face what I have called a *Long Ascent for the global economy*: a climb that will be difficult, uneven, uncertain—and prone to setbacks.

But it is a climb *up*. And we will have a chance to address some persistent problems — low productivity, slow growth, high inequalities, a looming climate crisis. We can do better than build back the pre-pandemic world – we can *build forward* to a world that is more resilient, sustainable, and inclusive.

We must seize this *new Bretton Woods moment*.

2. Building Forward: Three Imperatives

How? I see three imperatives:

First, the right economic policies. What was true at Bretton Woods remains true today. Prudent macroeconomic policies and strong institutions are critical for growth, jobs, and improved living standards.

One size does not fit all—policies must be tailored to individual country needs. Support remains essential for some time—withdrawing it too early risks grave and unwarranted economic harm. The stage of the crisis will determine the appropriate shape of this support, generally broader early on and more targeted as countries begin to recover.

Strong medium-term frameworks for monetary, fiscal and financial policies, as well as reforms to boost trade, competitiveness and productivity can help create confidence for policy action now while building much-needed resilience for the future.

That includes keeping a careful watch on risks presented by elevated public debt. We expect 2021 debt levels to go up significantly – to around 125 percent of GDP in advanced economies, 65 percent of GDP in emerging markets; and 50 percent of GDP in low-income countries.

The Fund is providing debt relief to its poorest members and, with the World Bank, we support extension by the G20 of the Debt Service Suspension Initiative.

Beyond this, where debt is unsustainable, it should be restructured without delay. We should move towards greater **debt transparency** and enhanced **creditor coordination**. I am encouraged by G20 discussions on a *Common framework for Sovereign Debt Resolution* as well as on our call for improving the architecture for sovereign debt resolution, including private sector participation.

We are there for our member countries—supporting their policies.

And policies must be for people—my second imperative.

To reap the full benefits of sound economic policy, we must invest *more* in people. That means protecting the vulnerable. It also means boosting human and physical capital to underpin growth and resilience.

COVID19 has underscored the importance of strong **health** systems.

Rising inequality and rapid technological change demand strong **education and training** systems—to increase opportunity and reduce disparities.

Accelerating **gender equality** can be a global game-changer. For the most unequal countries, closing the gender gap could increase GDP by an average of 35 percent.

And investing in our **young people** *is* investing in our future. They need access to health and education, and also access to the internet—because *that* gives them access to the digital economy – so critical for growth and development in the future.

Expanding **internet access** in Sub Saharan Africa by 10 percent of the population could increase real per capita GDP growth by as much as 4 percentage points.

Digitalization also helps with *financial inclusion* as a powerful tool to help overcome poverty.

Just as the pandemic has shown that we can no longer ignore health precautions, we can no longer afford to ignore **climate change—my third imperative**.

We focus on climate change because it is *macro-critical*, posing profound threats to growth and prosperity. It is also *people-critical* and *planet-critical*.

In the last decade, direct damage from climate-related disasters adds up to around **\$1.3 trillion**. If we don't like this health crisis, we will not like the climate crisis one iota.

Our research shows that, with the right mix of green investment and higher carbon prices, we can steer toward zero emissions by 2050 *and* help create millions of new jobs.

We have an historic opportunity to build a *greener* world—also a more *prosperous* and *job-rich* one. With low interest rates, the right investments today can yield a **quadruple dividend** tomorrow: avert future losses, spur economic gains, save lives and deliver social and environmental benefits for everyone.

3. The IMF's Role

At the Fund, we are working tirelessly to support a durable recovery—**and** a resilient future as countries adapt to structural transformations brought on by climate change, digital acceleration and the rise of the knowledge economy.

Since the pandemic began, we have committed over \$100 billion—and we still have substantial resources from our \$1 trillion in lending capacity.

We will continue to pay special attention to the urgent needs of emerging markets and low-income countries—especially small and fragile states, helping them to pay doctors and nurses and protect the most vulnerable people and parts of their economies.

Our unprecedented action was only possible thanks to our members' generous support. The doubling of the New Arrangements to Borrow and a new round of bilateral borrowing arrangements preserves this financial firepower. Members have also stepped up with essential contributions to our Catastrophe Containment – and Relief and Poverty Reduction and Growth—Trusts.

This has allowed us to support our low-income members with debt relief and to triple our concessional lending. We are engaging with members to further boost our concessional lending capacity adapt our lending toolkit and increase support for capacity development.

IMF staff, working day and night, have been magnificent in this crisis. My sincere thanks to them and my Management team.

My deep appreciation also to our Executive Directors – they have been there every step of the way over the past six months.

4. Conclusion: Seize the Moment

The best memorial we can build to those who have lost their lives in this crisis is, in the words of **Keynes**, *“that bigger thing”*— building a more sustainable and equitable world.

Our founders did it. It is now our turn. This is our moment!

Now it's my pleasure to introduce my friend, and great partner to the IMF: President David Malpass of the World Bank Group.