

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Ninth Delegated Legislation Committee

DRAFT INTERNATIONAL MONETARY FUND  
(LIMIT ON LENDING) ORDER 2020

*Tuesday 22 September 2020*

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**not later than**

**Saturday 26 September 2020**

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**The Committee consisted of the following Members:**

*Chair:* STEWART HOSIE

† Anderson, Lee (*Ashfield*) (Con)  
 † Bailey, Shaun (*West Bromwich West*) (Con)  
 Barker, Paula (*Liverpool, Wavertree*) (Lab)  
 Begum, Apsana (*Poplar and Limehouse*) (Lab)  
 † Coutinho, Claire (*East Surrey*) (Con)  
 Efford, Clive (*Eltham*) (Lab)  
 † Fletcher, Mark (*Bolsover*) (Con)  
 † Gibson, Peter (*Darlington*) (Con)  
 † Glen, John (*Economic Secretary to the Treasury*)  
 † Green, Chris (*Bolton West*) (Con)  
 † Hunt, Tom (*Ipswich*) (Con)

† Johnston, David (*Wantage*) (Con)  
 † McFadden, Mr Pat (*Wolverhampton South East*)  
 (Lab)  
 Oppong-Asare, Abena (*Erith and Thamesmead*) (Lab)  
 † Rutley, David (*Lord Commissioner of Her Majesty's*  
*Treasury*)  
 † Smith, Jeff (*Manchester, Withington*) (Lab)  
 Thompson, Owen (*Midlothian*) (SNP)  
 Martyn Atkins, *Committee Clerk*  
 † **attended the Committee**

# Ninth Delegated Legislation Committee

Tuesday 22 September 2020

[STEWART HOSIE *in the Chair*]

## Draft International Monetary Fund (Limit On Lending) Order 2020

2.30 pm

**The Economic Secretary to the Treasury (John Glen):**  
I beg to move,

That the Committee has considered the draft International Monetary Fund (Limit On Lending) Order 2020.

It is a pleasure to serve under your chairmanship, Mr Hosie. The International Monetary Fund plays a critical role at the very heart of the international economic system that ensures global economic stability and facilitates long-term economic growth and poverty reduction around the world. It operates as the global lender of last resort, providing crucial financial assistance to countries in economic crisis and supporting their return to a stable economic footing. This helps to prevent economic instability overseas from spilling over into the UK economy.

The indispensable role of the IMF has never been more evident than during the covid-19 pandemic. The fund has responded with unprecedented speed and breadth to support countries' health and economic responses, in turn preventing further instability overseas from affecting the UK. The order will increase the legal limit on the amount that the UK is able to lend to the IMF, allowing us to fulfil the internationally agreed outcome of the 15th general review of quotas.

In December 2019, IMF members, including the UK, agreed to maintain the size of overall IMF resources at current levels. It was agreed that this would be done by maintaining the level of quota resources, doubling the new arrangements to borrow and significantly reducing the bilateral borrowing agreements. Quota resources are permanent while the NAB and BBAs are intended to be temporary and are together classed as borrowed resources. IMF members agreed to implement the agreement by the end of 2020, ahead of the existing NAB and BBAs' expiry. The UK contributes to both types of borrowed resources and therefore must implement the agreement by doubling our commitment to the NAB and decreasing our commitment to the BBAs. As the UK contributes a relatively larger share of the NAB than the BBAs, that will result in an increased UK commitment to the IMF overall.

The UK's loan agreements to the IMF are denominated in the IMF's unit of account, the special drawing right. The UK's maximum commitment to IMF borrowed resources stands at 18.66 billion SDR, which is approximately £20.65 billion at today's exchange rate. The order will raise the UK's ceiling for lending to the IMF to 22.91 billion SDR, equivalent to £25.36 billion. The new ceiling is equal to our new contribution as agreed at the 15th general review of quotas and represents an increase in the UK's commitment to IMF borrowed resources of 4.25 billion SDR or £4.7 billion.

I want to make it clear that lending to the IMF does not represent public spending and such loans do not detract from money that we need to spend in the UK; nor do they contribute to UK net debt levels or the deficit. The IMF holds primary creditor status, meaning that it is repaid even if other creditors are not. It conducts rigorous analysis on all lending and cannot lend into unsustainable debt positions. A loan to the IMF is a loan to probably the most creditworthy institution in the world. No country has ever lost money lending to the IMF. I also want to make it clear that such lending does not represent an additional up-front financing commitment for the UK, but simply increases the potential amount of financing from the UK that the IMF can call on, should it be required. At present, neither the NAB nor the BBAs are being used. While that may change if global financial conditions deteriorate, the UK can use its independent seat at the IMF's executive board to continue to scrutinise, debate and vote on the use of such resources.

It is in our interests to support the IMF in implementing the 15th general review of quotas. It preserves the IMF's resources, allowing it to respond quickly to economic crises and retain market confidence. Key members such as the US are also significantly increasing their commitments under the agreement. Although the agreement was reached in December 2019, the covid-19 pandemic makes its implementation more important than ever. Over the past few months, the IMF has provided financial assistance to 80 countries, totalling about £67 billion, and has approved debt service relief grants to 28 of its poorest members. A well resourced IMF is critical to achieving a strong global economic recovery, ensuring a strong trading environment for the UK, and reducing the risk of overseas crises having an impact on UK growth.

The Government believe that it is in the UK's interests to have a strong and effective IMF at the heart of the international financial system. It is essential that the UK plays its part by increasing its ceiling for lending to the IMF, and in so doing implementing the internationally agreed 15th general review of quotas. I hope that hon. Members will join me in supporting the order, which I commend to the Committee.

2.35 pm

**Mr Pat McFadden** (Wolverhampton South East) (Lab):  
As the Minister explained, the order authorises an increase in the UK's contingent contribution to the IMF of just under £5 billion, and it does so at an important time. The increase was agreed by Finance Ministers and central bank governors in December last year, before it was known how big a challenge the pandemic would become. The question we are faced with is whether what we are doing internationally is anywhere near enough.

The pandemic has produced drastic economic effects across the world. Of course, many of the lowest income countries lack the medical resources to fight it, to treat patients, to test on a large scale or to support workers who have lost their jobs as a result of lockdowns or a decrease in economic activity. The International Labour Organisation estimates that 400 million full-time equivalent jobs were lost in the second quarter of this year. The World Bank projects that an additional 71 million people will fall into extreme poverty.

The race is on to devise an effective vaccine to help the world to recover. We should be proud that British science is at the forefront of that effort, but even if it is successful, there will be a huge logistical and healthcare challenge to make sure that a vaccine can be administered to the world's population. Many countries will need economic help to make sure that that can happen. If ever there were a situation where we are all in it together, this is it.

Our chief medical officer reminded us yesterday that no one can think of just themselves in this situation; the actions that we take affect others. What goes for individuals goes for countries too. In a world as connected as ours, it is in all our interests to make sure that every country is as equipped as possible to fight the virus. As the managing director of the IMF, Kristalina Georgieva, wrote earlier this month:

“An uneven rollout might improve economic conditions in countries that secured the vaccine first but would not shield them from weak demand from trade partners struggling to recover without a vaccine.”

There are also the damaging social effects of what is already happening. She continued:

“young children, especially those from poor households, may suffer permanent losses...from a lack of schooling, adequate nutrition, and medical access.”

In the face of such challenges, it is striking how little international co-ordination there has been. Country by country, we have fought the virus, but the world has lacked the leadership to bring different countries together and co-ordinate a truly global economic or health response. We approve the increased funding for the IMF, but the real question is why more has not been done globally to co-ordinate the fight against the pandemic that we are in the midst of.

2.39 pm

**John Glen:** I thank the right hon. Member for Wolverhampton South East for his support of the order. He makes some general points, probably outside the scope of this specific order, about the need for greater collaboration among nations in supporting the dire circumstances of the most vulnerable. I will just point out that at a time when the UK is providing, through the order, more money for the IMF, the IMF's lending toolkit consists of the general resource account and the poverty reduction and growth trust, and the £2.2 billion loan announced by my right hon. Friend the Chancellor of the Exchequer was directed to the PRGT, which is the IMF's concessional lending resource. Similarly, the £150 million grant through the IMF's catastrophe containment and relief trust is targeted only at the poorest and more vulnerable PRGT members.

Quoting the managing director of the IMF, the right hon. Gentleman makes some very valid points about how we will need to look at how we co-ordinate responses to the full effect of the pandemic, but I think that those matters are perhaps beyond the scope of today's order. What is clear is that it is in the UK's interest to have a strong, effective and legitimate IMF at the heart of the international financial system and it is therefore key that we implement our part and our duty in this agreement.

I do not wish to detain the Committee any further. I hope that everyone will be able to join me in supporting the order this afternoon.

*Question put and agreed to.*

2.41 pm

*Committee rose.*





