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EU Council of Economic and Finance Ministers

Statement on behalf of the Presidency of the EU Council of Economic and Finance Ministers, at the IMFC Annual Meeting,

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1. Following the tragic earthquake of September 9 in Morocco, and the floods in Libya, the European Union expresses its deep-felt solidarity with Moroccan and Libyan authorities and people and offer condolences to the families of the victims. We express our desire to support Morocco and Libya in the best possible way. With all our international partners, we stand by Morocco and Libya to provide all the necessary support.

2. The European Union stands united in its unwavering support of Ukraine in the face of Russia's unprovoked and unjustified aggression and illegal annexation of Ukrainian territories by Russia. We will be by Ukraine's side for as long as it takes. We continue to work very closely with our international partners to support Ukraine directly and indirectly. The EU supports a comprehensive, just, and durable peace in Ukraine that will uphold all the Purposes and Principles of the UN Charter.

3. The state of food insecurity worldwide remains worrying. The termination of the Black Sea Grain initiative on 17 July 2023 augurs difficulties for the supply and demand of food commodities in the months ahead. The EU strongly urges Russia to immediately resume the implementation of the Black Sea Grain Initiative and continue all efforts towards that end. The EU strongly rejects the claim by Russia that sanctions have contributed to the food crisis.

4. So far in 2023, the EU has provided macro-financial assistance ('MFA+') to Ukraine in the form of highly concessional loans of EUR 13.5 billion out of a total support available for 2023 of up to EUR 18 billion, making a substantial contribution to addressing Ukraine's funding gap. This support follows EUR 7.2 billion of MFA provided in 2022. Disbursements of EUR 1.5 billion have taken place on a monthly basis, based on satisfactory progress in implementing the agreed policy conditionality, which was also designed to support Ukraine's progress on its path towards the EU, having become a candidate country in 2022. Beyond budget support, the overall level of assistance to Ukraine and its people provided by the EU and its Member States, which so far amounts to about EUR 76 billion. It includes EUR 17 billion from the EU budget to support Members State hosting around 4 million people benefitting from 'temporary protection' status. The EU and its Member States will continue supporting Ukraine's funding needs in 2024 and beyond, along with a continued coordinated effort by the international community. Looking ahead, international efforts and the EU-G7 multi-donor platform will accelerate the recovery and Ukraine's EU-accession path as well as transform long-term growth prospects.

5. We commend the Fund's close engagement with Ukraine and its continued support. We welcome the successful completion of the first review of the Extended Fund Facility for Ukraine. So far, USD 3.6 billion has been disbursed under the EFF, which aims to support the Ukrainian authorities in anchoring policies that sustain fiscal, external, price and financial stability, while furthering the ongoing gradual economic recovery and promoting long-term growth in the context

of post-war reconstruction and Ukraine's path to EU accession. We look forward to the successful completion of the second review.

6. Even though it has slowed down considerably, growth in the EU has continued to prove resilient, despite the fallout of the war in Ukraine and the weakening of global growth momentum. EU economic growth is set to slow down to 0.8% in 2023, after 3.4% in 2022, and pick up to 1.4% in 2024. The globally synchronised tightening of monetary policy, in response to high inflationary pressures, will weigh on global growth going forward. In the context of high inflation and tighter financing conditions fiscal policies need to be prudent, credible and appropriately calibrated and facilitating disinflationary monetary policy. A strategy of determined, gradual and realistic fiscal consolidation is warranted, to strengthen fiscal sustainability, to rebuild fiscal buffers, to deliver higher sustainable growth, to boost the European economy's resilience to future challenges including intergenerational equity. Absent renewed energy price shocks, we should strive to wind down energy support measures, using the related savings to reduce government deficits as soon as possible in 2023 and 2024. We will avoid permanent deficit-increasing measures to facilitate lasting deficit and debt reduction. We will continue to closely monitor economic and fiscal developments regularly and adjust the policy advice as needed, including adapting it to economic circumstances.

7. Implementing structural reforms as well as safeguarding and increasing investment, through both public and private sources and the Recovery and Resilience Facility (RRF) and other EU mechanisms remains an essential goal, in particular given common priorities such as the green and digital transitions and defence capabilities. The EU and its Member States are robustly implementing the "Next Generation EU" (NGEU) recovery instrument. The total amount of grants and loans disbursed so far under the RRF, which is the performance-based instrument at the heart of NGEU, stands at EUR 156.2 billion. The 27 plans approved will spend on average around 40% on climate-related measures, above the 37% green transition target. The RRF instrument has been aligned to REPowerEU priorities, the EU plan to diversify energy sources, reduce demand and accelerate the clean energy transition. Close to EUR 270 billion are available to support Member States' reforms and investments contributing to the REPowerEU objectives, and the national plans are currently being updated to reflect these new priorities. Further, the EU also aims to catalyze private investments towards EU policy priorities through the InvestEU Programme, which intends to mobilise over EUR 372 billion of investment through the backing of an EU budget guarantee (EUR 70 billion already mobilized by end 2022). At the same time, reforms to reduce bottlenecks to private investment are a necessary complement to public investments for the green and digital transitions and energy security.

8. To advance the transition towards a climate-neutral and environmentally sustainable economy, the EU has adopted key pieces of legislation of the Commission's "Fit for 55" package to reinforce the EU's main climate, energy and transport legislation. This entails a WTO-compliant Carbon Border Adjustment Mechanism, a strengthening of the EU Emission Trading System, and the establishment of a Social Climate Fund to compensate vulnerable energy and transport users. The EU responded to the increased urgency to reduce the dependence of energy systems from Russia, following the war, by accelerating the transition to a decarbonised energy system, including through the REPowerEU plan, by providing a toolbox of measures that Member States can use to protect consumers and businesses and with energy saving measures. Europe is also

determined to lead the clean tech revolution. To this aim, the EU Council is currently discussing the Net-Zero Industry Act proposal as part of the European Commission's European Green Industrial Plan. The plan outlines ways to mobilise all relevant national and EU tools, to provide timely and targeted support in strategic sectors, and improve framework conditions for clean tech investment. The EU will also continue to work closely with international partners to advance the green transition.

9. The EU continued providing macro-financial assistance (MFA) to partner countries experiencing a balance of payment crisis, thus amplifying the impact of IMF engagement. In particular, the remaining MFA operation for Jordan, bolstered as part of the EU's global response to the COVID-19 pandemic, was successfully completed in March 2023. In June 2023, in view of the severe economic consequences of Russia's war against Ukraine, the EU further increased the ongoing MFA operation to Moldova and adopted a new MFA operation for North Macedonia, following a deterioration of the country's economic situation.

IMF Policy Issues

10. EU Member States continue to support the commitment by the IMFC to a strong, quota-based and adequately resourced IMF to preserve its role at the centre of the Global Financial Safety Net (GFSN). We are committed to concluding the 16th General Review of Quotas, no later than December 15, 2023. To this end, we support a quota increase commensurate to the size of the Bilateral Borrowing Agreements that expire end-2024, which would result in at least maintaining the Fund's current resource envelope. A quota increase would strengthen the IMF's permanent quota base and reduce its reliance on borrowed resources. It would be a strong signal of support to the Fund in times of elevated uncertainty in the global economy. EU Member States support an equiproportional increase in quotas, which seems the most pragmatic way forward to achieve a timely agreement of the Review. At the same time, we continue to support a limited realignment, based on a broad and fair burden sharing, including all major advanced economies and guided by the quota formula, even if the option of a selective increase is not feasible. The EU considers that the current formula is working well and delivers on the set realignment objectives. We support protecting the voice and representation of the poorest and most vulnerable members, as well as the creation of a 25th chair at the IMF Executive Board, to be attributed to Sub-Saharan Africa. We are open to work constructively towards the 17th General Review.

11. EU Member States recall the Ministerial meeting between EU, Latin America and the Caribbean held in Santiago de Compostela on 15 September. The meeting served to make further progress towards critical common goals to strengthen the Global Financial Safety Net.

12. The EU welcomes the achievement of the global ambition of SDR channelling or equivalent contributions of USD 100 bn in support of vulnerable countries. The EU Member States taken together pledged USD 31.2bn for channelling to the Resilience and Sustainability Trust (RST) and the Poverty Reduction and Growth Trust (PRGT). We welcome the total SDR 1.38 billion pledges so far to the PRGT Subsidy Accounts. EU Member States have contributed SDR 436 million and, in addition, SDR 78 million has been contributed by the European Union. We support increased fundraising efforts to achieve the agreed 2021 fundraising targets for the PRGT subsidy and loan resources, on the basis of fair burden sharing. We call on G20 members and other countries, especially those that have not yet contributed, but also those who may be able to

contribute more, to consider new voluntary contributions to bolster the PRGT, especially subsidy resources, as well as the RST, and to deliver on their pledges, so that resources are effectively available for vulnerable countries. We agree to explore viable options to ensure the longer-term self-sustainability of the PRGT with a view to meeting the growing needs of low-income countries in the coming years. The EU takes note of the proposal for a new funding target of USD 60 bn for the RST. EU Member States are open to weigh this option taking into consideration the results of the first review of the RST planned in 2024. Further voluntary funding of the RST should be achieved on the basis of fair burden-sharing and accompanied by prudent lending policies.

13. The Fund plays a critical role in providing financial support to its members, with adequate safeguards to help deal with balance of payments problems. The Resilience and Sustainability Trust has assisted eligible countries in addressing prospective balance of payments needs related to broader long-term structural challenges posed by climate change and pandemic preparedness. We take note of the programmes approved so far and note the strong demand prospects for 2024. Given the long-term perspective of the RST and its limited resources, RST programs should be ambitious with well-underpinned access levels and significantly catalyze other sources of private and public financing. We agree with further deepening the Fund's engagement, in line with its mandate, on macro-critical climate change related issues across its activities, including through climate-related surveillance, lending through the RST, policy advice and capacity development. We welcome the announcement by the IMF and the World Bank of an enhanced collaboration on global challenges, including climate change, along their respective mandates. We welcome the completion of the review of the precautionary instruments, which have proven to be of great value in a context of increasing global economic uncertainty. We continue to encourage members to leverage the positive signaling effect of the instruments in order to make progress towards self-reliance.

14. EU Member States welcome the efforts to further implement the G20/Paris Club Common Framework (CF) for Debt Treatments and call for additional efforts for a more predictable, timely, orderly and coordinated debt restructuring, in a context of increasing debt vulnerabilities for developing countries, also driven by energy and food insecurity. After the conclusion of the debt treatment for Chad early this year, we strongly welcome the announcement by Zambia in June that it reached an agreement with its official creditors on a debt treatment under the Common Framework and we look forward to a swift agreement on the Memorandum of Understanding. We also welcome the approval by the IMF Board of a program for Ghana thanks to the financing assurances provided by the official creditor committee and we look forward to an agreement on a debt treatment between Ghana and its official creditors. We look forward to a staff-level agreement between Ethiopia and the IMF to allow the creditor committee to resume its work on a debt treatment. We encourage all G20 members, together with the IMF, the World Bank and other stakeholders, to improve the functioning of the CF and develop a user manual for its implementation based on the lessons learned from the country cases, providing additional clarity to debtor countries on the process and initiative timelines, including through the implementation of the information-sharing process by the IMF and the WB on macroeconomic projections and debt sustainability assessments with creditors early at each stage of the restructuring process. We stress the need for effective multilateral coordination of debt restructuring in middle-income countries (MICs), where needed, and support exploring how to extend the CF to these countries. We support at least a form of ad hoc coordination between official creditors for MICs, as for the

provision of financing assurances for Sri Lanka. We welcome ongoing work in the Global Sovereign Debt Roundtable and support its main outcomes to be further discussed in the G20 and the Paris Club. We are also supportive of considering including climate resilient debt clauses in sovereign debt contracts.

15. We stress that debt transparency is essential to ensure a sound assessment of debt sustainability, for debtor government accountability, and to enable informed decisions by borrowers and creditors in the context of debt relief. We reiterate our support for strengthening the international efforts aimed at enhancing debt transparency and debt data sharing, including the IMF and WB efforts to promote debt data reconciliation and disclosure and the debt transparency pillar of the IMF-WB Multi-pronged approach to address debt vulnerabilities. We support a broader use of IMF conditionality to foster debt transparency, where necessary and as appropriate. We welcome the recent IMF-WB Guidance Note on collateralised financing practices. We encourage all private sector lenders to contribute to the joint Institute of International Finance/OECD Data Repository Portal.