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IMFC Statement by Valdis Dombrovskis
Executive Vice President

European Commission

Statement of Executive Vice President Valdis Dombrovskis and Commissioner Paolo Gentiloni to the International Monetary and Financial Committee on behalf of the European Commission

Marrakesh, October 13–14, 2023

1. The EU deplores the devastating loss of lives in Libya and Morocco after the violent floods and earthquake and will continue to provide assistance together with its Member States.

2. The EU stands united in its unwavering support for Ukraine in the face of Russia's unprovoked and unjustified aggression and its illegal annexation of Ukrainian territories. We will be by Ukraine's side as long as it takes. We continue to work very closely with our international partners. The EU supports a comprehensive, just, and durable peace in Ukraine that will uphold all the Purposes and Principles of the UN Charter. Since February 2022, the EU, in cooperation with its international partners, has imposed eleven packages of powerful sanctions alongside the G7+ price cap on oil and petroleum.

3. The EU has disbursed a total of EUR 13.5 billion in macro-financial assistance ('MFA+') out of a total EUR 18 billion in 2023, on top of the EUR 7.2 billion in MFA provided last year. In total, Team Europe (i.e. the EU, its Member States and European financial institutions) has provided about EUR 81 billion in financial assistance, including EUR 17 billion made available to host around four million Ukrainians in Member States. The EU and its Member States are crucial providers of military aid and equipment as well as material for the civilian population. The European Commission has proposed a dedicated Ukraine Facility to provide coherent, predictable and flexible support for the period 2024-2027. We welcome the successful completion of the first review of the IMF Extended Fund Facility for Ukraine.

4. The state of food insecurity worldwide remains worrying, with a historically high number of people facing acute food insecurity. Supply chain disruptions are driving high food prices that are straining the budgets of households and states and causing difficulties in accessing agricultural inputs. The EU deeply regrets the non-renewal of the Black Sea Grain Initiative, which has been crucial in guaranteeing the export of Ukrainian grain to world markets and helping vulnerable populations in need. The EU urges Russia to reconsider its decision and immediately resume implementation of the Initiative. We will continue bringing agri-food products out of Ukraine to global markets via the EU-Ukraine Solidarity Lanes. The total EU support for food security reaches more than EUR 8.3 billion from 2021 to 2024.

5. The EU economy has shown resilience in the face of the shocks it has endured. However, the multiple headwinds facing the EU economy have led to a weakening growth momentum in the first half of the year. This is owed largely to high and still increasing consumer prices, despite declining energy prices, rising wages and continued record strength in the labour market. The marked slowdown in the provision of bank credit shows that monetary policy tightening is working its way through the economy. The EU banking sector remains resilient, largely thanks to banks' robust capital position. The weaker growth momentum in the EU is expected to extend into 2024, and the impact of tight monetary policy is set to continue restraining economic activity. However, a mild rebound in growth is projected next year.

6. Strong fiscal policy coordination is key to ensuring a consistent fiscal and monetary policy mix. In 2023 and 2024, fiscal policies should be prudent, focusing on medium-term debt sustainability while raising potential growth and ensuring the green and digital transition in a sustainable and resilient manner. Depending on their debt challenges, Member States should keep debt at prudent levels or ensure a plausible and continuous debt reduction in the medium term. The fiscal adjustment for 2024 should be consistent with the current EU fiscal rules and all Member States should maintain or work to bring their deficit below the 3% of GDP Treaty reference value.

7. On 26 April 2023, the European Commission presented a comprehensive reform of the EU's economic governance rules with the dual objectives of strengthening public debt sustainability and promoting sustainable and inclusive growth through reforms and investment. EU Finance Ministers, in conclusions also endorsed by EU Heads of State and Government, have called for the legislative work to be concluded in 2023.

8. The implementation of the EU's Recovery and Resilience Facility (RRF) is well under way, driving reforms and investments in the Member States. The Commission has disbursed a total amount of EUR 156.2 billion so far. Besides delivering on their reform and investment commitments, Member States have been preparing to modify their plans to rapidly reduce EU dependence on Russian fossil fuels. The RRF is the main instrument to channel financial support from EU funds towards the REPowerEU objectives. The InvestEU programme, through its sustainable infrastructure window, is also supporting clean investments that further help in accelerating the phasing out of Russian fossil fuels.

9. Although the energy market outlook for the 2023/2024 winter remains challenging, the situation in Europe has improved significantly thanks to extensive and timely policy measures undertaken by the EU and its Member States and close cooperation with international partners. The REPowerEU plan and the European strategy for external energy engagement have been drawn up to achieve a more resilient energy system. European measures, such as fast-forwarding the clean transition through energy efficiency measures or accelerating the renewable energy roll-out, have been successfully implemented in all key areas of energy policy and have helped to reduce uncertainty in European and global markets.

10. The European Commission started its current mandate in 2019 by setting a long-term perspective with the EU climate law and the 2050 target for climate neutrality. The European Green Deal provides the necessary frame, incentives, and investment strategy. The EU emissions trading system (ETS) is the world's largest carbon-pricing system and on October 1, the EU's new carbon border adjustment mechanism entered into application in a transition phase, which will last until 2025. We welcome the IMF's increased focus on carbon pricing, which is one of the most effective tools to bring emissions down. Agreeing on a price level may prove difficult, but the EU strongly supports initiatives for international carbon pricing. We welcome the IMF and World Bank working together on supporting countries to implement climate change policies.

11. The EU considers it an utmost priority to finalise the remaining work needed to ensure the implementation of the two-pillar agreement on the revision of the international tax rules. Inclusive Framework members should sign the Multilateral Convention on Pillar 1 by the end of 2023 and ensure its swift ratification, while moving forward with the implementation of Pillar 2.

12. The EU's trade policy builds partnerships by developing the network of Free Trade Agreements and other forms of engagement; contributes to sustainability by combatting climate change, strengthening environmental protection, and defending labour rights; and defending the EU from unfair trade practices and strengthening economic security. The EU promotes stability by safeguarding and playing a leading role in reforming the WTO, which provides the guardrails against protectionism and fragmentation.

13. The EU is reinforcing its "open strategic autonomy" and economic security by minimising risks exacerbated by geopolitical tensions and rapid technological evolutions, whilst at the same time preserving maximum levels of economic openness. We are reinforcing the resilience of our supply chains by promoting our European industrial base in strategic areas with our Green Deal Industrial Pan – including the Critical Raw Materials Act and the Net-Zero Industry Act – and supporting our industries through the "Strategic Technologies for Europe

Platform". The EU is collaborating with like-minded partners to coordinate polices to strengthen supply chains, diversifying sources of supply, trade, and developing sustainable critical raw material partnerships.

14. The EU continues 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. The EU is committed to concluding the 16th General Review of Quotas, no later than 15 December 2023. To this end, the EU supports 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 broad and fair burden sharing including all major advanced economies and guided by the formula quota, 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 the 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 of Quotas.

15. The EU welcomes the landmark achievement of the global ambition of USD 100 billion of voluntary contributions (in SDRs or other equivalent). The EU Member States taken together pledged USD 31 billion for rechannelling to the Resilience and Sustainability Trust (RST) and the IMF Poverty Reduction and Growth Trust (PRGT). The EU leads the way in transferring the resources to the IMF Trust Funds and calls on other countries to swiftly deliver on their pledges. We support the call from the Managing Director to reach the agreed 2021 target for the PRGT subsidy resources. We welcome the total SDR 1380 million pledges so far to the PRGT Subsidy Accounts, of which SDR 436 million were contributed by EU Member States and SDR 78 million by the EU. We call for new voluntary contributions to bolster the PRGT's subsidy resources to meet the 2021 fundraising target.

16. We need to step up the implementation of the G20 Common Framework for Debt Treatments and progress with the ongoing country cases. We strongly welcome the agreement between Zambia and its official creditors, the approval by the IMF Board of a programme for Ghana as well as the conclusion of the debt treatment to Chad. We stress the need to swiftly proceed with the technical work for Ethiopia in the creditor committee. We welcome the agreement on an IMF programme for Sri Lanka. We encourage G20 and Paris Club members, together with the IMF and the World Bank and other stakeholders, to review and improve the functioning of the Common Framework and develop a user manual to provide clarity to debtor countries on the process and timelines. We firmly consider that the MDBs' role in the Common Framework consists of ensuring net positive concessional financing flows. We also need effective multilateral creditor coordination for middle-income countries in debt distress and we support exploring how to extend the Common Framework to them. We welcome the ongoing work of the IMF-World Bank Global Sovereign Debt Roundtable.

17. We reiterate our support for strengthening the international efforts aimed at enhancing debt transparency, in both debtor and creditor countries including the debt transparency pillar of the IMF-World Bank multipronged approach (MPA). We look forward to further guidance on the use of collateral in sovereign borrowing. We encourage all private sector lenders to contribute to the joint Institute of International Finance/OECD Data Repository Portal.