



# INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

## **Forty-Seventh Meeting April 13–14, 2023**

**IMFC Statement by Giancarlo Giorgetti  
Minister of the Economy and Finance**

**Italy**

On behalf of

Albania, Greece, Italy, Malta, Portugal, and Republic of San Marino

## **IMF-World Bank Group Spring Meetings – April 10-16, 2023**

### **IMFC Statement by Mr. Giancarlo Giorgetti, Minister of the Economy and Finance, Italy**

*On behalf of Albania, Greece, Italy, Malta, Portugal, and Republic of San Marino*

*Russia's unprovoked and unjustified war of aggression against Ukraine continues to cause tragic losses of lives and human suffering. We continue to firmly stand by the Ukrainian people and to work with international partners to support Ukraine while it fights to protect its internationally recognized borders. Peace and the rule of international law must be restored.*

**The global economy has been broadly resilient amid multiple adverse shocks, but the outlook remains challenging.** Prompt and decisive policy responses to the spillovers of Russia's invasion of Ukraine have averted a global recession. Growth is still projected to slow down this year, but by less than in the October 2022 WEO, and to accelerate in 2024. Inflation is proving to be more persistent than anticipated, reflecting the compounding effects of post-COVID supply bottlenecks, excess demand, and increased fragmentation, but it has started to decline. The cumulative effects of synchronized and sustained policy interest rate hikes on major financial systems in a context of still elevated though declining inflation, generate additional headwinds. Recent episodes of financial stress have heightened uncertainty. Flexible, balanced, and coordinated monetary and fiscal policies will be key to durably restoring macroeconomic stability in a highly uncertain environment, while preserving financial stability. Although several downside risks continue to weigh on the outlook, the ending of Russia's war in Ukraine is by far the single most impactful action to improve the global outlook.

**Europe has adjusted to the large terms-of-trade shock caused by Russia's war in Ukraine more rapidly than initially expected.** The exceptional spikes in gas and oil prices exacerbated by the Russian invasion of Ukraine have spurred swift and resolute actions to mitigate the impact on households and firms, reduce energy consumption and diversify energy sources, both externally and domestically. Importantly, the urgent need to strengthen energy security has been addressed without losing sight of national commitments to address climate change. In fact, both the use of renewable energy and investment in renewable energy generation have increased notably, supported by the improved competitiveness of these energy sources but also by the REPowerEU program established by the European Union (EU). Furthermore, energy demand has declined, reflecting reduced households' consumption and the substitution of gas in some production processes, as EU countries remain committed to both their energy security and climate goals.

**The Fund has upgraded the 2023 growth projections for most countries in our constituency,** with inflation expected to continue decreasing though still remaining elevated. The decline in energy and food prices from their peaks of mid-2022, together with accumulated savings by

households and firms, is expected to support demand during the gradual phase-out of support measures, which will be increasingly targeted to the most vulnerable until inflation abates. Labor markets have remained a source of strength, with continued job creation and historically low levels of unemployment, which have not led to a wage-price spiral. Given high debt levels, the constrained policy space must be used wisely, particularly at a moment of higher interest rates and high uncertainty.

**Achieving a soft landing requires appropriate coordination of fiscal and monetary policy decisions while being mindful of financial stability.** With inflation projected to remain higher for longer, the European Central Bank (ECB) is committed to restoring price stability while gradually reducing its balance sheet. The data-dependent meeting-by-meeting approach to interest rate decisions has become even more critical amid recent financial market tensions, to which the central bank stands ready to respond as necessary to preserve price stability and financial stability. As financial conditions tighten further, supervisory authorities are closely monitoring emerging vulnerabilities in the financial sector and stand ready to take corrective measures if warranted. Fiscal and structural policies should support the central bank's disinflationary efforts while sustaining the economic recovery. To this end, fiscal policies will strive not to create additional demand pressures on prices by targeting energy support measures and reprioritizing spending. In our EU countries, the national Recovery and Resilience Plans, coupled with the REPowerEU program, remain the blueprints for the ongoing green transition and digitalization of our economies, encompassing the public administration and the infrastructure needed to enable the development of advanced manufacturing and services, including payments.

**At a time of high uncertainty and prevailing downside risks, preserving the role of the Fund at the center of the Global Financial Safety Net (GFSN) is essential.** We remain committed to a timely completion of the 16<sup>th</sup> General Review of Quotas to preserve the Fund's strong, quota-based, and adequately resourced position at the center of the GFSN. The Fund's financial envelope has proven adequate to cope with the compounding shocks of the past few years and should, at least, be maintained for the next five years, also to provide confidence to the membership.

**We strongly support the Fund's continued engagement with Ukraine and welcome the recently approved Upper Credit Tranche (UCT)-quality program,** which can provide a strong anchor to the country's macroeconomic policies, under exceptionally high uncertainty due to the continuing war, while also containing adverse spillovers to other countries, especially the most vulnerable.

**The Fund has adjusted its lending toolkit to ensure it remains fit for purpose.** The Fund's financial support should continue to hinge on UCT-quality programs to help countries with Balance of Payments needs cope with external challenges as they pursue robust economic policies. In this regard, we welcome the temporary increase in normal access limits to the General Resources

Account to ensure that macroeconomic adjustments are feasible and properly paced at this time of great uncertainty. We look forward to the review of the precautionary instruments that have provided beneficiary countries with a valuable insurance against external downside risks while containing potential cross-border spillovers. The Food Shock Window temporarily established within the Fund's emergency facilities is helping countries address sudden financing needs stemming from spikes in international food prices.

**We encourage the Fund's member countries to contribute to the Poverty Reduction and Growth Trust (PRGT) and to the Resilience and Sustainability Trust (RST), by fully responding to the Managing Director's call, particularly for PRGT subsidies.** The PRGT and RST are key pillars of the Fund's lending strategy to provide financing to low- and middle-income countries. The stronger demand for Fund's support from these countries, which are hard hit by the current economic conditions, is a stark reminder that we need to properly finance these trusts, namely by delivering on the commitments to rechannel the Special Drawing Rights (SDR) from the general allocation of 2021. In our constituency, Italy is finalizing the rechanneling of SDR 1.89 billion to the RST, completing the 20 percent rechanneling pledge. Greece is engaged in finalizing the rechanneling of SDR 150 million to the RST and delivering on its pledge of granting SDR 13 million to the Subsidy Account of the PRGT. Portugal has finalized the agreement to rechannel SDR 264 million to the Deposit and Investment Account of the PRGT. Malta is also finalizing the rechanneling of SDR 24 million to the RST.

**While the long-term net benefits of policies devoted to the mitigation of and adaptation to climate change are indisputable, countries struggle to find financing to promote climate policies.** We trust the RST can help eligible countries in this endeavor, particularly through the implementation of robust policies that catalyze additional multilateral and private financing. We are encouraged by the first disbursements from the RST and expect other countries with a robust climate policy agenda to follow suit. Given the need to significantly strengthen countries' health systems, we also look forward to the operationalization of the RST for the purpose of pandemic preparedness.

**We count on the Fund to continue providing support to address rising public debt challenges.** With over 50 percent of low-income countries at high risk or in debt distress, it is vital to ensure the effectiveness of the Common Framework for Debt Treatments (CF). We welcome the conclusion of the debt treatment for Chad, and we urge a more rapid conclusion of pending debt treatment requests by Ghana, Ethiopia, and Zambia. We also support efforts to strengthen creditor coordination in cases of middle-income countries in debt distress. We trust that the Global Sovereign Debt Roundtable (GSDR) will help foster a common understanding and dialogue among all relevant parties to ensure more efficient debt restructuring processes in the future. We continue

to support joint Fund-World Bank ongoing initiatives to enhance debt transparency, including from a creditor perspective.

**Fund's surveillance should remain the cornerstone of Fund's work.** The Fund's role as a trusted advisor should help national and regional authorities to better devise sets of economic policies that ensure macroeconomic and financial stability and foster sustainable growth going forward.

**At a time of heightened risks of fragmentation, the Fund should continue to advocate for global economic integration.** Rising geopolitical tensions have amplified the proliferation of barriers to trade, investments, technology transfers, and financial transactions. Restrictive measures should be duly justified by legitimate concerns. When that is not the case, the Fund can play an important role by shedding light on the spillover effects of national policies that weaken cross-border economic integration, identifying options to mitigate their negative externalities, and promoting cooperative responses to global challenges.

We welcome the operationalization of the Fund's gender strategy to promote gender inclusion and support increasing gender diversity in the Executive Board and look forward to working on further proposals to facilitate this process. We look forward to the continued implementation of the recommendations from the Institutional Safeguards Review.

The global economy faces multiple challenges posed by high public debt, elevated inflation, market volatility, and the dismal reality of Russia's war against Ukraine. Times like this call for strengthened adherence to rules-based multilateralism. We are committed to playing our part in protecting and strengthening the role of the Fund as a linchpin of the global economic and monetary system.