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Statement by Mr. Giorgetti Italy

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

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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 war of aggression against Ukraine, the spiraling conflict in the Middle East, and the significant ongoing shifts in trade and other policies are major sources of uncertainty and risks to the global economy. Multilateral efforts to ensure global peace and free, rules-based international trade are needed to secure economic, financial and social stability, as well as to promote prosperity, international cooperation, and multilateralism. We express our deep concern about the humanitarian consequences of current conflicts. We stand firmly by the Ukrainian people and remain committed to working with our international partners to support Ukraine for as long as it takes. We support a comprehensive, fair, and durable peace in Ukraine that upholds the United Nations (UN) Charter. We call for the facilitation of humanitarian assistance in conflict areas and an immediate ceasefire in Gaza and Lebanon.

Having withstood several shocks in recent years, the global economy proved rather resilient in 2024, despite modest economic growth. However, the global outlook is subdued with a slowdown expected in 2025, notably on account of major trade policy shifts. In addition, the exceptionally high levels of uncertainty – which undermine confidence, investment, and consumption – and the fragmentation of the global economy, further weigh on the medium-term outlook. Protectionist measures and uncertainty will affect growth and may heighten risks to financial stability.

The European Union (EU) is one of the most open economies, centered on the free flow of capital and rules-based trade. Recent policy shifts will unavoidably affect the global economy, notably the EU, as one of the main trading partners of the United States. The EU must use this opportunity to strengthen the single market, accelerate the implementation and completion of belated reforms such as the Capital Markets Union and the Banking Union, and better adjust to a fast-moving world. These reforms should be accompanied by higher investment to increase potential growth. The implementation of National Recovery and Resilience Plans is crucial for fostering innovation and raising productivity in Europe by addressing technological progress, enhancing digitalization and increasing resilience to external shocks while safeguarding social protection and reducing poverty and vulnerability.

Amid a backdrop of rapid geopolitical shifts, the EU has decided to strengthen its defense capabilities and security. Defense expenditures should be raised within viable budget envelopes, minimizing fragmentation, while handling difficult trade-offs among other public policy priorities. The Readiness 2030 initiative and the use of existing flexibility embedded in the new EU fiscal framework could allow some member states to achieve their policy goals. On the monetary policy front, the ECB is strongly committed to maintaining price stability over the medium term while operating within a clear framework and with a data-dependent and meeting-by-meeting approach, thereby continuing to anchor inflation expectations.

The relevance of the Fund hinges on its ability to excel as a trusted advisor, deliver technical assistance and capacity development, and provide financing to address balance of payments needs. Looking ahead, the Fund should continue to focus on all macro-critical aspects of its mandate and keep pace with an ever-changing world. We welcome the recent initiative to scale up the IMF Capacity Development with the Southeast Europe Regional Technical Assistance Center. We consider supporting and hosting the center in Rome to buttress Albania's accession to the EU. In this context, we also underscore Italy's recent contribution to the IMF's Anti-Money Laundering and Combating the Financing of Terrorism Thematic Fund.

The Fund's surveillance is invaluable in preventing crises, especially in the context of uncertainty and rapid change. We emphasize the key role played by the Fund's Flagships and regional assessments in helping gauge the impact of various policies on major economic variables. The Fund's advice, including relevant analysis, should be tailor-made. We commend the ongoing work for the Comprehensive Surveillance Review, which should assess how to operationalize the principle of macro-criticality. The Fund should continue providing its insightful analysis and policy advice on climate change, demographics, artificial intelligence, and structural weaknesses and imbalances, such as those emerging from trade or income inequality.

In these times of uncertainty, we welcome the Fund's actions to review its frameworks, policies, and toolkit to better align with its mandate and members' needs and specificities, while improving their ability to address imbalances and repay the Fund. This includes considering how to better calibrate its programs in light of more frequent shocks and the need for more far-reaching structural reforms amid rapid change and political-economic shifts. The upcoming Review of Program Design and Conditionality and the Review of the Exceptional Access Policy are crucial. Additionally, the Fund should reassess the flexibility of its lending tools and precautionary instruments, beyond reviewing the Short-Term Liquidity Line to prevent balance of payments crises. Fund-supported programs should address macroeconomic imbalances, promote sustainable growth, and enhance resilience, while also protecting vulnerable populations and protecting social spending. In developing its programs, the Fund should clarify the best policy options while also

identifying the most viable and implementable ones considering global and national contexts and political economy to ensure program ownership.

The Fund should continue to play a key supportive role in addressing debt-related vulnerabilities and strengthening the debt architecture. This includes maintaining support for the Common Framework, drawing on lessons learned to make it more efficient, and supporting the work of the Global Sovereign Debt Roundtable, which is to foster common understanding among key stakeholders on technical aspects and debt restructuring challenges. Within the concerning debt landscape, the Fund needs to remain a trusted advisor to members by providing financial and technical support, especially by deploying the three-pillar approach, developed with the World Bank, to mitigate liquidity pressures in countries whose debt is sustainable.

We urge the Fund to continue prioritizing support for Low-Income Countries and Fragile and Conflict-Affected States. We commend the Fund's efforts to strengthen capacity development in conjunction with development partners. We ask management to make capacity development more flexible, agile, and outcomes-focused, while continuing to enhance integration with surveillance and lending. We appreciate the Fund's efforts to ensure the self-sustainability of the Poverty Reduction and Growth Trust and enhance its capacity to provide concessional support for Low-Income Countries. The Resilience and Sustainability Trust, which enables countries to develop climate change adaptation and mitigation strategies, can enhance resilience and sustainability, including through its catalytic role towards multilateral and bilateral programs like the Italian Piano Mattei. We strongly welcome the operationalization of the Resilience and Sustainability Trust for pandemic preparedness.

We have strongly endorsed the agreement to increase the quotas of the Fund's members by 50 percent, as part of the 16th General Review of Quotas. The implementation of the 16th review is almost completed for countries in our constituency. Looking forward, we stand ready to discuss quota realignment under the 17th review based on fair burden-sharing among all major advanced economies, while safeguarding the voice and representation of the poorest members.