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**Statement by Mr. Dombrovskis
European Commission**

**Statement of Commissioner Valdis Dombrovskis to the International Monetary and
Financial Committee on behalf of the European Commission**

Washington, 17 April 2026

1. The global economy is facing significant challenges related to an exceptional degree of policy uncertainty, trade restrictions, geopolitical conflicts and tensions at the current juncture. This includes Russia's long-lasting war of aggression against Ukraine, now compounded by the war in the Middle East – disrupting key supply chains, threatening energy security, amplifying fiscal vulnerabilities, fueling inflation, and putting pressure on price stability.

2. Developments in Iran and the wider region threaten regional and global security, lead to elevated energy prices, and could jeopardise food security for the most vulnerable countries. We welcome the two-week ceasefire concluded between the United States and Iran and the ceasefire between Israel and Lebanon. The goal must now be to negotiate a swift and lasting end to the conflict. We underline our strong commitment to ensuring well-functioning, stable, and transparent energy markets and sustaining adequate supply in global oil and gas markets. To ease the import of LNG in the context of tight global gas markets, the European Commission has provided guidance to maximise REPowerEU Regulation flexibility and avoid barriers to non-Russian LNG imports. It is important that any short-term measures to alleviate the immediate impact of high energy prices on businesses and consumers are temporary and targeted, minimise fiscal costs, do not delay the decarbonisation of the energy system, and do not increase the demand for oil and gas. The EU considers its internal energy market as the best protection against country-specific shocks.

3. Economic activity in the EU in 2025 expanded slightly above what was expected in the Commission's Autumn Forecast. The growth outlook for the EU for 2026 and 2027 was set for a marginal upgrade, with inflation on a steady downward path. However, the military escalation in the Middle East and its repercussions on energy supply have materially changed this outlook, with higher energy prices unleashing a stagflationary shock compounded by tightening financial conditions, declining confidence effects and weakening global growth. Energy inflation is already on the rise and set to progressively spill over to other inflation components – first food and eventually services. Growth is also set to take a hit. Conditional on current market expectations for energy prices, inflation is set to slow down in 2027, though the drag on GDP is likely to extend further, fuelled by a weakening labour market. Should disruptions to energy supply be larger or last longer than currently anticipated by markets, the adverse effects on inflation and growth would be stronger.

4. The outlook for the global economy also remains surrounded by exceptional uncertainty on trade. Non-market policies and practices that lead to market distortions and overcapacity with negative spillovers around the globe are one of the root causes of increasing trade tensions and remain a source of concern. Tariffs will not resolve global imbalances, which are mainly the result of domestic, macroeconomic and structural factors. Even though the WTO 14th Ministerial Conference (MC14) in March 2026 did not bring a breakthrough in the necessary reform of the WTO, the EU will continue working with likeminded countries on making the global trading system fit for purpose. The EU trade deal with the US helps provide certainty. Despite this complex context, through our trade policy we are working to manage our relationships with important partners, notably the US and China, to ensure the long-term competitiveness of our industry and strengthen our economic security. The EU is also deepening and broadening its trade partnerships with third countries, with a view to opening new markets for EU exports, supporting EU jobs, boosting competitiveness, diversifying sources of supply, and tackling security risks more effectively.

5. Global macroeconomic imbalances have widened and warrant renewed policy attention. Some imbalances reflect underlying fundamentals such as relative income levels or demographics in the context of free international trade and free global capital flows. However, excessive imbalances beyond those justified by fundamentals are a concern. They should be addressed in a cooperative and timely manner by all the main players to avoid disorderly adjustment. Policy should target unsustainable domestic policies, distortions or rigidities that contribute to excessive and persistent imbalances. We encourage and support the IMF's role in providing impartial and well-founded analysis for discussions on global imbalances, including by updating and refining the External Balance Assessment (EBA) model. We note the EU's own role in this, alongside China and the US. The EU needs to invest more and implement outstanding reforms, notably by completing the Single Market and deepening Europe's capital markets.

6. As we enter the fifth year of Russia's war of aggression against Ukraine, the EU reaffirms its continued firm and unwavering support for Ukraine's independence, sovereignty and territorial integrity within its internationally recognised borders. We will continue to provide, in coordination with like-minded partners and allies, comprehensive political, financial, economic, humanitarian, military and diplomatic support to Ukraine and its people. At the same time, the EU will sustain pressure on Russia to constrain its ability to pursue its war of aggression. We remain committed to the effective implementation and further strengthening of restrictive measures, in close coordination with international partners. These efforts, together with diplomatic and other measures, complement our continued support to Ukraine. We look forward to the swift adoption of the 20th EU sanctions package, constraining Russia's banking system and undermining Russia's shadow fleet. We strongly condemn Russia's systematic and deliberate attacks on Ukraine and its people, and urge Russia to agree to a full, unconditional and immediate ceasefire and engage in meaningful negotiations towards a just and lasting peace.

7. Given the further deteriorating geopolitical environment, and with Russia's war of aggression against Ukraine remaining an existential challenge for European security, the EU reaffirms its determination to decisively ramp up Europe's defence readiness by 2030, reduce strategic dependencies and address critical capability gaps. Our aim is to uphold peace in Europe through credible deterrence.

8. The EU remains Ukraine's largest international donor, with EUR 194.9 billion provided so far in assistance to Ukraine and its people, together with European financial institutions and bilateral support provided by EU Member States, including through hosting those fleeing Russia's war of aggression. This support includes the grants and highly concessional loans given through the Ukraine Facility and the Macro-Financial Assistance instruments. The EU's contribution of EUR 18.1 billion to the G7 'Extended Revenue Acceleration (ERA) Loans for Ukraine' initiative has been fully disbursed in 2025. The G7 ERA loans have by now been almost completely disbursed and will be repaid from windfall profits generated by Russia's immobilised central bank assets through the Ukraine Loan Cooperation Mechanism. A second payment is foreseen by end April.

9. A legislative package establishing the Ukraine Support Loan was adopted by the European Commission on 14 January 2026. It reflects the European Council agreement of 18 December 2025 to provide a limited-recourse loan to Ukraine of EUR 90 billion for 2026-2027, funded by EU borrowing on capital markets, to be repaid by Ukraine only if it receives reparations. Two out of the three key pieces of the legislative package have entered into force on 27 February, namely the Ukraine Support Loan Regulation and the amendment to the Ukraine Facility Regulation. Preparatory work is progressing well, aimed at enabling first disbursements by Q2, once the legislative package is fully approved. The Ukraine Support Loan

was essential in providing the strong and credible financing assurances that enabled the approval of the new IMF programme for Ukraine. As per the regulation, the EU support is expected to be sufficient to cover Ukraine's budgetary financing gap in 2026, and is to overall address two thirds of Ukraine's financing needs over 2026-2027. As such, more support will be needed from other donors, including to address Ukraine defence needs, for 2026-2027 and beyond.

10. We commend the IMF's close engagement with Ukraine and its continued support. We welcome the approval of the new USD 8.1 bn IMF programme with Ukraine, that took place on 26 February, despite the challenging conditions. USD 1.5 billion have already been disbursed, supporting Ukrainian authorities in anchoring policies that sustain fiscal, external, price and financial stability, while promoting long-term growth in the context of post-war reconstruction and Ukraine's EU accession negotiations. The European Union strongly supports the IMF's reform agenda, and is committed to ensuring close alignment and the complementarity of policy conditionality, including under the budget support component of the Ukraine Support Loan.

11. In a more volatile and shock-prone world, we will redouble our efforts to advance Europe's competitiveness agenda. The EU competitiveness agenda is reflected in the "Competitiveness Compass", a strategic framework to guide the work of the Commission building on the findings and recommendations of the reports by Mario Draghi on the future of European Competitiveness and Enrico Letta on the future of the EU Single Market. Good progress is being made. The proposal for the 28th regime-EU Inc. puts forward an EU-wide corporate legal framework which will make it easier, particularly for innovative companies, to start, scale up and operate across the Single Market.

12. In addition, the Commission has presented key initiatives in areas such as industrial competitiveness with the recently adopted Industrial Accelerator Act, which is a cornerstone in reinforcing Europe's industrial sovereignty and long-term competitiveness. Other key initiatives include regulatory simplification on a wide range of sectors with a series of omnibus and other legislative proposals, and the EU Savings and Investment Union Roadmap to better channel savings to productive investments by providing better access to capital markets.

13. Finally, to translate the components of European competitiveness into action, in March 2026 EU leaders launched a 'One Europe, One Market' agenda. On 16 April the European Commission adopted 'One Europe, One Market' Roadmap, which sets out key legislative measures with a very clear timeline, targets, and milestone for the delivery of this agenda by the end of 2027 at the latest.

14. In 2026, the fiscal stance in the euro area is projected to be broadly neutral. Small restraint in national budgets is offset by the increasing absorption of Recovery and Resilience Facility (RRF) grants, in its last year of implementation. This broadly neutral stance is consistent with the need to sustain growth in an uncertain and very challenging global environment. It is also coherent with euro area Member States' efforts to comply with the maximum growth rates of net expenditure recommended by the EU Council and the use of flexibility under the national escape clause for defence, with defence spending projected to rise steadily (to 1.7% of GDP in 2026 from 1.4% in 2024¹). In total, 17 Member States submitted requests for the activation of the national escape clause for defence. This will enable a temporary deviation from the net expenditure paths set by the EU Council to facilitate an increase in defence spending between 2025 and 2028, whilst safeguarding the sustainability of public finances in the medium term.

¹ This is according to the Classification of the Functions of Government (COFOG) and not NATO estimates

15. The EU Recovery and Resilience Facility (RRF) continues to support Member States' reforms and investments, with EUR 396 billion disbursed so far in grants and loans to Member States, out of a total EUR 577 billion allocated. Since the RRF expires at the end of 2026, national authorities are focused on accelerating implementation, after having streamlined their plans to address bottlenecks and facilitate the timely fulfilment of all milestones and targets by end August 2026.

16. The IMF is a key pillar of the international financial architecture, and its analysis and policy advice are key, especially in times of uncertainty. The European Commission is a firm supporter of the work of the Fund and welcomes the ongoing key policy reviews to further strengthen the Fund's role through its Comprehensive Surveillance Review, Financial Sector Assessment Program (FSAP) Review, and the Review of Program Design and Conditionality. We highlight the Fund's role on addressing cross-cutting issues such as climate change, gender, digitalization and artificial intelligence, based on macro-criticality.

17. We welcome that many IMF members have already consented to their quota increase and look forward to the implementation of the 16th General Review of Quotas (GRQ) as soon as possible, which will maintain the Fund's current resource envelope and strengthen the quota-based nature of the Fund. EU Member States support the work on the Diriyah Guiding Principles on IMF Quota and Governance Reforms to guide future discussions on the topic. This includes the 17th General Review of Quotas. EU Member States remain open to discussing a possible quota realignment to better reflect members' relative positions in the world economy based on fair and broad burden sharing, while protecting the poorest members. We also underline that higher quota shares should, as a matter of principle, come hand in hand with corresponding responsibilities.

18. EU Member States have collectively pledged around USD 39 billion of voluntary channelling of Special Drawing Rights (SDRs) (or equivalent contributions) to the Resilience and Sustainability Trust (RST) and the Poverty Reduction and Growth Trust (PRGT) and have transferred around 97.5 per cent to IMF trust funds. We encourage countries to consider new voluntary contributions to bolster both the PRGT and the RST, and to deliver on their pledges. We underline the vital role of these resources in strengthening climate resilience and supporting a just green transition, particularly through the RST.

19. Addressing global debt vulnerabilities remains a key priority. The EU Commission welcomes progress under the G20/Paris Club Common Framework (CF) for Debt Treatments and encourages further strengthening to ensure debt treatments are delivered in a predictable, timely, orderly and coordinated manner. We should also consider further actions to encourage effective multilateral coordination of debt treatments in middle-income countries, such as expanding the Common Framework to middle income countries. For countries with a strong reform agenda whose debt is sustainable but are facing liquidity challenges, we support the ongoing work by the IMF and the World Bank (WB) based on three pillars and look forward to proposals to advance the discussions. We moreover encourage further efforts from all stakeholders, including the private sector, to enhance debt transparency and data accuracy, including by participating in the WB data sharing exercise.