



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

**Forty-First Meeting
April 16, 2020**

**IMFC Statement by Zdravko Marić
Chairman
EU Council of Economic and Finance Ministers**

**Statement by Deputy Prime Minister and Minister of Finance Zdravko Marić in his capacity as
Chairman of the EU Council of Economic and Finance Ministers for
the IMFC spring meeting,**

16 April, 2020

1. The spread of the coronavirus is a human tragedy and a health crisis, and it is strongly affecting the global economy. The necessary health and safety policy measures being adopted to stem the spread of the virus and the change in behaviour of the general public required by these measures have deeply disrupted global demand, labour supply and industrial output, supply chains, international trade and capital flows. The global economic outlook remains very uncertain, in particular as it still remains to be seen how long the containment measures have to remain in place and how restrictive they have to be. Although the health crisis is intrinsically of a transitory nature, it has pushed the global economy into an extremely vulnerable state, with a significant risk that financial and economic stress could escalate to the point of a major recession. Facing these exceptional circumstances, we agreed that an immediate, ambitious and coordinated policy response is needed.
2. The EU is determined to do whatever it takes to effectively address the economic challenge caused by the spread of coronavirus and to restore confidence and support a rapid recovery.¹ The EU has, as immediate reaction, put together a set of measures at national and EU level while setting a framework for further actions to respond to developments and to support the economic recovery. Member States have already decided initial fiscal measures of about 3% of GDP, on average, for 2020 to support the economy, in addition to the impact of automatic stabilisers which are very sizable and should work fully. Ministers of Finance, while remaining fully committed to respect the Stability and Growth Pact, also agreed to activate the general escape clause of the EU fiscal framework. This allows the EU to undertake the necessary policy coordination measures within the framework of the Stability and Growth Pact departing from the budgetary requirements that would normally apply in order to tackle the economic consequences of the pandemic, and therefore to not create permanent damage to our economies and to the medium-term sustainability of public finances. The use of the clause will ensure the needed flexibility to take all necessary measures for supporting our health and civil protection systems and to protect our economies, including through further discretionary stimulus and coordinated action, designed, as appropriate, to be timely, temporary and targeted, by Member States.
3. In addition to central bank measures, Member States have, as of 30 March, committed to provide liquidity facilities of at least 16% of GDP, consisting of public guarantee schemes and deferred tax payments. These figures could be much larger going forward. Additional temporary measures include fiscal spending targeted at containment and treatment of the disease as well as liquidity support for firms facing severe disruption and liquidity shortages, especially SMEs and firms in severely affected sectors and regions, including transport and tourism and support for affected workers to avoid employment and income losses. The EU and the Member states also agreed to take whatever further coordinated and decisive policy action is necessary, including fiscal measures, to support growth and employment. Further proposals should take into account the unprecedented nature of the COVID-19 shock affecting all our countries and our response will be stepped up, as necessary, with further action in an inclusive way, in light of developments, in order to deliver a comprehensive response.
4. Measures at EU level include a €37 billion “Corona Response Investment Initiative” directed at health care systems, SMEs, labor markets and other vulnerable parts of our economies, and making

¹ See the March 16th Eurogroup statement on policy response to COVID-19, <https://www.consilium.europa.eu/en/press/press-releases/2020/03/16/statement-on-covid-19-economic-policy-response/>

a further €29 billion of structural funds fully eligible for meeting these expenditures; the initiative of the Commission and the EIB group to mobilize up to €8 billion of working capital lending for European firms, backed by the EU budget with ongoing efforts to increase this amount to up to €20bn; the EIB initiative to catalyse up to € 20 billion in additional investments in SMEs and midcaps on its own balance sheet; and the package of monetary and supervisory policy measures taken by the ECB in March, including the €750 billion Pandemic Emergency Purchase Programme (PEPP). The temporary state-aid framework issued by the Commission will expedite public support to companies to mitigate the economic impact of the crisis, while ensuring the necessary level playing field in the Single Market.

5. We will coordinate appropriate border management measures aimed to protect health and ensure the availability of goods and essential services, upholding the principle of international solidarity. We recall that these measures should be targeted, proportionate, transparent and temporary. More than ever, we have to handle the ongoing trade tensions. Persistent uncertainty in trade policy as well as geopolitical and social tensions continue to weigh on global growth prospects. The G20 in Osaka has recalled the need to cooperatively handle the trade tensions. To that end, it is crucial to tackle, through multilateral rules-based solutions, any distortions that may have contributed to those tensions and to level the playing field for trade and investment. The EU will pursue its active engagement in the process of reform and modernization of the WTO to improve its negotiating, monitoring and dispute settlement functions. It is particularly urgent to restore the functioning of the WTO Appellate Body.
6. Beyond the ongoing crisis response, we are working on all the necessary measures to help the economy recover and to go back as soon as possible to sustainable and inclusive growth once the coronavirus has receded, integrating inter alia the green transition and the digital transformation, and drawing all lessons from the crisis. This will require a coordinated exit strategy, a comprehensive recovery plan and unprecedented investment.
7. Climate change, if not adequately tackled, can have a severe impact on our economies and societies. It is a global challenge that requires a coordinated global response. The economic consequences of climate change are being felt, and the cost of inaction is increasing, as is the risk of insufficient action. This affects consumers, workers, businesses, public finances and financial markets alike. As the transition towards a low-carbon and an environmentally sustainable economy relies on economic incentives and fiscal measures, Finance ministers of EU Member States will have an important role to play in this work. Key discussions include the mobilization of sustainable finance while striving for consistency across jurisdictions, the strategic long-term vision for a climate-neutral economy and initiatives related to carbon pricing, tax-like measures and taxation, including energy taxation. The EU Member States remain committed to scaling up the mobilisation of international climate finance from a wide variety of private and public sources. This will help support the transition towards a carbon-neutral global economy and to alleviate the socio-economic impact of the transition.
8. The Investment Plan for Europe has proven to be a successful tool for encouraging private investments in Member States. As of December 2019, the projects approved for financing under the European Fund for Strategic Investments (EFSI) have already mobilised close to EUR 460 billion across the entire EU. More than one million start-ups and small businesses are now expected to benefit from improved access to finance. Some 70% of the expected mobilised investment comes from private resources which is a strong crowding in effect. In implementing the initiative, strong emphasis has been put on the additionality and quality of the projects. In order to reinforce the mobilisation of private investments, policy actions both at European and Member State level are being stepped up to promote favourable framework conditions for businesses across the Single Market. Beyond traditional investment programmes related to European Structural Funds, we are currently preparing “InvestEU”, the successor of EFSI and other 13 financial instruments, which will aim at boosting private and public investment in the EU and facilitating access to financing. InvestEU

also draws some lessons from the Investment Plan for Europe, with improved geographical and sectorial coverage as well as incentive mechanisms to invest in projects with higher risk profiles and to shape private investment into greener and more social projects.

9. At the Euro Summit in December 2019, Leaders made further progress on a comprehensive package to significantly strengthen the Economic and Monetary Union (EMU). An agreement has been reached in principle, subject to the conclusion of national procedures, on the package of documents related to the reform of the European Stability Mechanism (ESM). Discussions will continue on a potential early introduction of the common backstop, ahead of the end of the transition period in 2024, provided that sufficient progress has been made on risk reduction. On strengthening the Banking Union, including a European Deposit Insurance Scheme, Finance Ministers will continue to work on all elements on a consensual basis. On the budgetary instrument for convergence and competitiveness, Finance Ministers have discussed a report on the need, the content, modalities and size of a potential Intergovernmental Agreement to top up the instrument's financing. Work will also continue on deepening the Capital Markets Union and strengthening the international role of the euro.
10. The Covid-19 crisis calls for strong and rapid international action to protect people and support our economies, especially the most vulnerable. EU Member States call on the IMF to make full use of its emergency financing facilities, including the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI), and support the IMF efforts to incorporate additional flexibility in these instruments to address country specific needs in the face of the impact of COVID-19. EU Member States are open to discuss possible additional options such as a new allocation of SDRs or the introduction of a temporary liquidity line to support liquidity under current conditions. Central bank swap lines should remain prerogative to the respective institutions in line with their mandates. We also support the IMF Catastrophe Containment and Relief Trust (CCRT) to help the poorest countries face their debt obligations to the IMF. We call on the IMF and World Bank to coordinate closely to ensure their measures are coherent and complementary. We invite the IMF and World Bank to continue work on identifying the most vulnerable countries and on estimating present and potential financing needs.
11. Against this background, the European Union fully supports the commitment by the IMFC and G20 Leaders to a strong, quota-based and adequately resourced IMF to preserve its role at the centre of the Global Financial Safety Net (GFSN). This is particularly important at a time of exceptional uncertainty and downside risks. EU Member States call for the quick implementation of the package on IMF resources and governance reached by the IMFC at its meeting in Washington in October 2019. We welcome the agreement to double the New arrangements to Borrow (NAB) and call upon all NAB participants to ratify the increase as soon as possible. We welcome the recent approval by the US to double its NAB credit line. EU Member States and National Central Banks that provided bilateral credit lines to the IMF are willing to participate in the new round of Bilateral Borrowing Agreements (BBAs), subject to the completion of domestic approval procedures. We expect similar assurances to be given by lenders outside of the EU. We are committed to revisiting the adequacy of quotas and continuing the process of IMF governance reform under the 16th General Review of Quotas, with the Review to be concluded by no later than December 15, 2023.
12. We also recognize that the IMF work agenda should be adapted to the new context, while ensuring that crisis response remains consistent with longer term objectives such as increasing resilience, fostering sustainable growth and fighting climate change and inequalities.
13. We welcome the ongoing Comprehensive Surveillance Review, especially proposals to better integrate multilateral spill-over analysis and macro-economic and financial surveillance. The Fund's understanding of economic and social sustainability should be enlarged, while continuing to select only issues or policies that are macro-critical. There is a strong merit in including macro-critical

considerations related to climate change in IMF Article IV and Financial Sector Assessment Programme (FSAP) reviews. We also believe that the Fund's surveillance practice should fully take account of the specificities of IMF members participating in economic and monetary unions.

14. EU Member States reiterate that a closer integration of findings and recommendations of the FSAP in the Article IV reports is warranted. EU Member States agree that, in cases where members have transferred their responsibility on policies concerning financial sector oversight to the supranational level, a complementary but separate assessment of supranational policies at the same frequency as for jurisdictions with systemically important financial systems with involvement of national competent authorities is also warranted.
15. We also welcome the IMF staff initiative to review and enrich its Debt Sustainability Analysis framework for Market Access Countries. It would be beneficial to work towards a convergence of approaches between the European and the IMF's frameworks on debt sustainability. We look forward to more guidance on the application of staff judgement in the IMF framework, whilst recognizing the need for sufficient flexibility to cater for country-specificities.
16. We renew our support to the IMF-WBG multipronged approach for addressing emerging debt vulnerabilities. We look forward to the upcoming review of the IMF Debt Limits Policy. We encourage the IMF to continue help enhancing debt transparency and debt management capacity for both borrowers and lenders, and further integrate the challenges created by collateralized sovereign debt into the different workstreams. EU Member States also look forward to discussions on the IMF work on the Integrated Policy Framework.