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Statement on behalf of the Presidency of the EU Council of Economic and Finance Ministers, at the IMFC Annual Meetings, Washington, DC, October 2024

1. In the face of Russia's ongoing unprovoked and unjustified war of aggression, the EU is determined to continue providing political, financial, economic, humanitarian, military and diplomatic support to Ukraine and its people for as long as it takes and as intensely as needed. Russia must not prevail. The EU is also gravely concerned about the catastrophic humanitarian situation in Gaza and the increasing tensions in the region. We urge all actors to exercise restraint and prevent further escalation, and call for the full implementation of the ceasefire proposal, which would lead to an immediate ceasefire in Gaza, the release of all hostages, and a significant and sustained increase in the flow of humanitarian assistance.

2. The ongoing Russian war of aggression against Ukraine and broadening geopolitical tensions, coupled with ongoing supply chain realignments and increasing geoeconomic fragmentation, are having a negative effect on the global economy, not least for emerging and developing economies. It remains a key priority to step up joint efforts to strengthen multilateralism and the rules-based international system to avoid harmful competition practices and subsidy races, which can lead to further fragmentation. Fair competition will help drive innovation and efficiency. A reformed and strengthened WTO and strong international coordination remain the best guardrail against geoeconomic fragmentation. International cooperation is also essential to accelerate the green and digital transitions and address the related challenges.

3. The EU has so far provided an overall level of assistance to Ukraine and its people of nearly EUR 114 billion. This includes support to Member States hosting people fleeing Russia's war of aggression. The EU remains the largest financial contributor to Ukraine among its international partners since the start of the war and will continue supporting Ukraine's funding needs. Following the disbursement of EUR 18 billion under the MFA+ instrument in 2023, the EU launched the EUR 50 billion Ukraine Facility as a framework for providing stable and predictable funding through 2027 based on progress with an agreed broad-based reform agenda, designed to be in line with and complementary to the IMF programme. These policies are carefully embedded into international efforts to accelerate the recovery and Ukraine's EU-accession path as well as to improve long-term growth prospects, including by supporting capacity building. The EU has disbursed EUR 12.2 billion in financing under

the Facility so far in 2024, with an additional disbursement planned for later this year subject to the fulfilment of the policy conditions. We underscore the importance of continued burden sharing and combined efforts from international partners crucial to safeguard Ukraine's economic stability.

4. In line with the European Council conclusions of 27 June 2024 and as a direct response to the communiqué of the G7 summit in Apulia on 15 June, the EU is working on a Commission proposal to establish the Ukraine Loan Cooperation Mechanism covering loans of up to EUR 45 billion to Ukraine under the auspices of the G7 "Extraordinary Revenue Acceleration Loans for Ukraine" initiative. This proposal for a Regulation includes the EU's own contribution in the form of a new exceptional macro-financial assistance loan of up to EUR 35 billion, to be made available in 2024 with disbursement in one or more tranches going up to the end of 2025. Once adopted by the European Parliament and the Council of the EU, this package would support Ukraine's additional urgent budgetary needs, which is vital to help Ukraine maintain essential state functions, ensure macroeconomic stability ensure macroecononmic stability and rehabilitate critical infrastructure.

5. We commend the IMF's close engagement with Ukraine and its continued support. We welcome the recent successful completion of the fifth review of the Extended Fund Facility (EFF), and we commend the Ukrainian authorities for the continued strong programme performance despite challenging conditions. So far, close to USD 7.6 billion has been disbursed under the EFF, which aims to support the 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 path to EU accession.

6. The EU continued providing macro-financial assistance (MFA) to partner countries experiencing a balance of payment crisis, thus amplifying the impact of IMF engagement. There are two ongoing MFA-supported programmes, one with Moldova (for up to EUR 220 million in loans and EUR 75 million in grants) and North Macedonia (for up to EUR 100 million in loans), both on their path to the EU accession. Given the complex geopolitical situation, the Commission has notably presented in March and April proposals for new MFA loan operations for Egypt and Jordan, with the EU Council approving the first part of the operation for Egypt in April. The EU also continues to support developing countries through the Global Gateway Initiative. In addition, the EU and its Member States continued to be the

largest global provider of Official Development Assistance (ODA) also in 2023, accounting for 42% of global ODA.

7. Global growth has held up better than expected in 2023. Future projections point to growth remaining steady in 2024 and 2025 and inflation continuing to decline. While some recovery in global trade is expected, risks remain elevated, notably in relation to geopolitical shocks. The medium-term growth outlook remains subdued. The EU economy decelerated in 2023 but continued to prove relatively resilient to major shocks and generate employment, notwithstanding the specific impacts of Russia's war on Ukraine and the weakening of global trade. EU GDP growth is set to edge up to 0.9 in 2024 and to gradually pick up to 1.3% in 2025. The robust labour market along with higher wages and a further reduction in inflation are set to progressively start supporting consumption growth, while loosening of financial conditions and the continued disbursements of "Next Generation EU" (NGEU) funds support investment. Risks to the economic outlook are, however, still tilted to the downside, with global uncertainty, largely driven by geopolitical tensions, continuing to weigh on the economic outlook.

8. The revised EU economic governance framework was adopted in April 2024 and underpins Member States' plans for fiscal policy and structural reforms for the years ahead. The framework allows fiscal policies to address uncertainty. A contractionary fiscal stance for the euro area as a whole in 2025 is considered appropriate in light of the macroeconomic outlook, the need to continue to enhance fiscal sustainability, and to support the ongoing disinflationary process. Continuing to maintain or increase investments, and structural reforms, remains essential to promote sustainable and inclusive growth and resilience.

9. The EU and its Member States continue to implement the NGEU recovery instrument. The total amount of grants and loans disbursed so far under the Recovery and Resilience Facility (RRF), the instrument at the heart of NGEU that supports structural reforms and investments within the EU, stands at EUR 265 billion of a total of EUR 650 billion[1]. Further, the EU also aims to catalyze private investments towards EU policy priorities through the InvestEU Programme, which intends to mobilise over EUR 372 billion of investment through the

[1] EUR 648 billion at 2022 prices

backing of an EU budget guarantee. As of end 2023, EUR 217 billion have been mobilised, based on approved operations (more than 60% of the target).

10. At the same time, reforms to reduce bottlenecks to private investment are necessary for the green and digital transitions and energy security. Further developments in strengthening the EU Capital Markets Union in the years to come will contribute to deepening European financial markets while improving the channelling of the EU savings and international investment towards our common priorities, especially the green and digital transitions. Moreover, tackling competitiveness challenges will require setting clear priorities for critical industries, reforms at national and EU level, and mobilising public and private funds.

11. To advance the transition towards a climate-neutral economy, the EU adopted key pieces of legislation of the European Commission's "Fit for 55" package, including a strengthening of the EU Emission Trading System, a WTO-compliant Carbon Border Adjustment Mechanism, and a Social Climate Fund. Europe is also determined to lead the clean tech revolution. To this aim, the Net-Zero Industry Act, which is a key component of the European Green Industrial Plan, has now entered into force. The EU continues to make progress on its sustainable finance framework, while encouraging the private funding of transition projects and technologies. The EU will continue to work closely with international partners to advance the green transition, and address the increasing impact of climate change.

IMF Policy Issues

12. EU Member States continue 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 (GFSN). The EU welcomes the conclusion of the IMF 16th General Review of Quotas which will maintain the Fund's current resource envelope and strengthen the quota-based nature of the Fund. The priority now is for IMF members to finalise domestic procedures and provide national consent to the respective quota increases and NAB rollback by the agreed deadline of 15 November 2024. We welcome the creation of a 25th Chair for Sub-Saharan Africa by November 2024, ensuring the improvement of the overall balance of regional representation at the IMF Executive Board. We will work constructively on possible approaches for guiding an IMF quota share realignment, as agreed in the IMFC Chair Statement in October 2023, under the 17th General Review of Quotas by June 2025. The

current formula has worked well and delivers on the realignment objectives. Fair burden sharing among all major advanced economies and protecting the quota shares of the poorest members are essential.

13. EU Member States welcome the holistic review of the IMF charges and surcharges regarding policies that affect the total cost of borrowing from the IMF. We acknowledge the case for some adjustments on those policies in view of the sharp rise of global interest rates and of the increase in the Fund's income. We also take note of staff's assessment that the Fund's income outlook for the coming years remains robust and the precautionary balances target of SDR 25 billion has been reached by the end of Financial Year 2024. We recall that any review of IMF charges and surcharges policies needs to consider that these are an integral part of the Fund's credit risk management framework which establishes the generation of income to protect the Fund's balance sheet and provides price-based incentives for measured borrowing and early repayment helping preserve the revolving nature of IMF resources, along with the general goals of IMF lending. In this respect, we stress the importance of assessing financing and lending policies in a holistic manner.

14. EU Member States taken together pledged around USD 38 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 lead the way in transferring the resources to the IMF trust funds. We encourage countries to consider new voluntary contributions to bolster the PRGT as well as the RST, and to deliver on their pledges, so that resources are effectively available for vulnerable countries. EU Member States recall the Informal meeting of economic and financial affairs ministers held in Budapest on 13-14 September, where Ministers and the IMF Managing Director discussed new financing opportunities in supporting low-income countries and possible options to put PRGT on a sustainable footing. The EU is a key contributor of the PRGT and supports a well-functioning, self-sustainable PRGT. To achieve this, a combination of measures both on the financing and on the lending policies and practices side will be needed; consistent with countries' legal constraints. The PRGT is crucial to achieve the objective of providing concessional financing to support policy measures to address balance of payment (BoP) problems and adequately respond to related needs of low-income countries in the coming

years. At the same time, to limit risks to the Fund and make most efficient use of scarce available resources, PRGT lending needs to be prudent and subject to adequate safeguards.

15. Managing global debt vulnerabilities remains a key priority. The EU welcomes the progress made under the G20/Paris Club Common Framework (CF) for Debt Treatments and calls for additional efforts for more predictable, timely, orderly and coordinated debt restructurings. The agreements on debt treatment for Chad, Zambia and Ghana show that the CF delivers, while we recognize future debt treatments could be faster. We also welcome the four-year extended credit facility arrangement for Ethiopia which would facilitate negotiations with creditors on debt restructuring and was made possible by the financing assurances provided by the Official Creditors Committee. We support the efforts to draw lessons learnt from ongoing country cases under the CF with the aim to develop clear guidelines, to help borrowing countries navigate the process. We encourage further effective multilateral coordination of debt treatment in middle-income countries (MICs) and welcome the agreement with Sri Lanka. We welcome ongoing work in the Global Sovereign Debt Roundtable as an important platform to facilitate common understanding between all stakeholders on global debt challenges. For situations where countries face liquidity pressures, but debt is still sustainable, we support ongoing work by the G20, the IMF and the World Bank to support countries based on three pillars: i) structural reforms and domestic resource mobilization; ii) external financial support, including from the IFIs; and iii) better coordination among bilateral and multilateral partners to mobilize lending from private creditors. To this end, we support work at country-level aimed at coordination of financing flows. We also encourage further efforts on debt transparency.