



# INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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**Statement by Mr. Dombrovskis  
European Commission**



**Statement of Executive Vice President Valdis Dombrovskis and Commissioner Paolo Gentiloni to the International Monetary and Financial Committee on behalf of the European Commission**

**Washington, 18-19 April 2024**

1. The EU stands united in its unwavering support for Ukraine in the face of Russia's unprovoked and unjustified war of aggression and its illegal annexation of Ukrainian territories. We will be by Ukraine's side for as long as it takes. We continue to work very closely with our international partners. The EU supports a comprehensive, just, and durable peace in Ukraine that will uphold all the Purposes and Principles of the UN Charter. The EU is also deeply concerned about the latest developments in the Middle East. The humanitarian situation in Gaza is critical. We welcome the adoption by the UN Security Council of a resolution demanding an immediate ceasefire, and the immediate and unconditional release of all hostages. Implementation of this resolution is vital for the protection of all civilians. Finally, we strongly condemn the Houthi attacks on commercial vessels in the Red Sea. The EU has launched its own military maritime security operation to preserve the freedom of navigation in the Red Sea which is vital to protect the free flow of global commerce and regional security.

2. The EU has disbursed a total of EUR 25.2 billion in Macro-financial Assistance to Ukraine, including EUR 18 billion in 2023 under the MFA+ package. In total, Team Europe (i.e. the EU, its Member States and European financial institutions) has provided about EUR 88 billion in financial assistance, including EUR 17 billion made available to host around four million Ukrainians in Member States. The EU and its Member States are crucial providers of military aid and equipment as well as material for the civilian population. The new Ukraine Facility will provide coherent, predictable and flexible support for the period 2024-2027 amounting to up to EUR 50 billion, contributing to address Ukraine's financing and reconstruction needs, with the first 4.5 billion disbursed on 20 March. We welcome the successful completion of the third review of the IMF Extended Fund Facility. On 20 March, the European Commission put forward a proposal on deploying the windfall revenues from immobilised Russian sovereign assets.

3. Global food prices have declined since 2022 but remain at a high level, impacting import-dependent countries. Food inflation remains high in domestic food markets, particularly in low and middle-income countries. Food insecurity is rising around the world as almost 600 million people are projected to be chronically undernourished in 2030, despite our global commitment to eradicate hunger. The EU has committed more than EUR 8.3 billion in grants for the period 2021-24 to support food security in partner countries. We are also closely monitoring global markets and supply chain disruptions.

4. The EU economy has shown resilience in the face of the shocks it has endured. However, the multiple headwinds have led to a weakening growth momentum throughout 2023, largely due to falling household purchasing power, weak external demand, tightening monetary policy and a partial withdrawal of fiscal support. On the positive side, inflation fell faster than expected, thanks to a sharp decline in energy prices, particularly for gas, but also due to the forceful action of monetary policy that has prevented a larger pass-through of energy inflation to core inflation while keeping future inflation expectations broadly anchored to target. The weaker growth momentum in the EU is expected to extend into early 2024. However, a mild rebound in growth is projected this year while inflation is expected to recede further. A strong labour market and rising real wages are set to boost domestic consumption while investment should benefit from improved credit conditions and further deployment of the EU Recovery and Resilience Facility. External demand is also expected to rebound this year.

5. Strong fiscal policy coordination is key to ensuring a consistent fiscal and monetary policy mix. On 10 February 2024, the European Parliament and the EU Council reached a political agreement on an ambitious and comprehensive reform of the EU's economic governance rules with the dual objective of strengthening public debt sustainability and promoting sustainable and inclusive growth through reforms and investment. In 2024-2025, fiscal policies should be prudent, focusing on medium-term debt sustainability while raising potential growth. EU Member States will set out medium-term adjustment paths, extendable up to seven years if they commit to implementing reforms and investments that enhance debt sustainability and are consistent with the EU priorities.

6. The implementation of the EU's Recovery and Resilience Facility (RRF) continues to drive reforms and investments in our Member States. The European Commission has disbursed a total amount of EUR 231.8 billion so far and plans to issue EUR 75 billion of long-term EU-bonds between January and June 2024. In synergy with the InvestEU programme and EU structural funds, the RRF has demonstrated significant adaptability to the emerging challenges following Russia's full-scale invasion of Ukraine. The RRF has proved able to incentivise the implementation of structural reforms and investments linked to a green and digital economy, economic and social resilience, and inclusive growth.

7. Europe successfully stabilised and implemented structural changes in its energy markets in a very short time, to overcome the energy crisis triggered by the Russian aggression against Ukraine, particularly thanks to the REPowerEU plan. Thanks to timely policy measures to diversify energy imports, mitigate demand, increase energy efficiency and accelerate the roll-out of renewables, the EU and its Member States, in close cooperation with international partners, significantly reduced dependence on Russian fossil fuel imports, safeguarded security of supply, normalised trade flows and allowed gas and electricity prices to return to levels similar to those observed before the crisis. Europe is well prepared to the 2024-2025 winter and continues making progress to fully diversify away from Russian fossil fuel imports.

8. The EU is accelerating the decarbonisation of its economy and is fully committed to becoming by 2050 a climate neutral continent. The EU has already adopted a comprehensive legislative package to reach the 2030 55% emission reduction intermediate objective, with carbon pricing as a central tool of our approach but also with a ban on new fossil fuel vehicles in 2035 and other regulations (such as on buildings, hydrogen, efficiency, renewables, sustainable fuels, methane, and land use). We welcome the IMF's increased focus on carbon pricing, which is one of the most effective tools to bring emissions down. The EU strongly supports initiatives for international carbon pricing. In October started the transition phase of the EU's carbon border adjustment mechanism, which will last until end 2025.

9. The EU considers it as an utmost priority to finalise the two-pillar solution on international taxation with the signature of the Multilateral Convention on Pillar 1 by the end of June 2024, and to ensure its swift ratification. We also need to provide the necessary technical assistance to developing countries to encourage global implementation of both pillars.

10. The EU is reinforcing its "open strategic autonomy" and economic security. It does so by minimising risks exacerbated by geopolitical tensions and rapid technological evolutions, whilst at the same time preserving of its economic openness and reinforcing the resilience of our supply chains. The EU is collaborating with like-minded partners to coordinate policies to strengthen supply chains, diversifying sources of supply, trade, and developing sustainable critical raw material partnerships.

11. Increasing economic fragmentation is a risk we need to monitor. The EU remains the top global trader and investor, benefitting from the rules-based framework under the WTO as well as from our vast network of trade agreements and other forms of engagement. The EU's

trade policy promotes openness, environmental sustainability and social fairness in today's globalised world. The EU promotes stability by safeguarding and playing a leading role in reforming the WTO, which provides the guardrails against protectionism and fragmentation.

12. The EU continues 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. The EU welcomes the conclusion of the IMF 16<sup>th</sup> General Review of Quotas which will maintain the Fund's current resource envelope and constitute a critical step to strengthen the quota-based nature of the Fund. The priority is for all IMF members to finalise domestic procedures and provide national consent to the respective quota increases and New-Arrangements-to-Borrow (NAB) rollback by November 2024. We support the creation of a 25<sup>th</sup> Chair for Sub-Saharan Africa, ensuring the improvement of overall balance of regional representation at the IMF Executive Board. We will work constructively on possible approaches for an IMF quota share realignment under the 17<sup>th</sup> General Review of Quotas. The current formula has worked well and delivers on the realignment objectives. Fair burden sharing among all major advanced economies is essential.

13. The EU welcomes the landmark achievement of the global ambition of USD 100 billion of voluntary contributions to support vulnerable countries (in SDRs or equivalent). EU Member States pledged USD 35 billion for voluntary channelling of SDRs (or equivalent contributions) to the Resilience and Sustainability Trust (RST) and the Poverty Reduction and Growth Trust (PRGT). We call on countries to consider new voluntary contributions to bolster the PRGT and the RST, and to deliver on their pledges, so that resources are effectively available for vulnerable countries. We are open to explore all options to ensure the self-sustainability of the PRGT to meet the growing needs of low-income countries. We support the Fund to continue to provide long term financing linked to climate reforms via the Resilience and Sustainability Facility (RSF) arrangements. We welcome the interim review of the RST and draw attention to the need for ambitious reform measures to support important policy shifts towards climate mitigation and adaptation. We also emphasise the need to foster the necessary private investments in climate mitigation, adaptation and transition. We support enhanced cooperation with the World Bank through the standardisation of the assessment letter and a consistent and coherent use of diagnostic tools to systematically support the design, drafting and formulation of climate reform measures.

14. We need to step up the implementation of the G20 Common Framework for Debt Treatment. We welcome recent progress with individual country cases (Zambia, Ghana) and call for a swift conclusion of the debt treatment for Ethiopia. We encourage G20 and Paris Club members, together with the IMF and the World Bank and other stakeholders, to develop guidelines and an indicative calendar to provide clarity to debtor countries. We firmly consider that the MDBs' role in the Common Framework consists of ensuring net positive concessional financing flows. We also need effective multilateral creditor coordination for middle-income countries in debt distress and we support exploring how to extend the Common Framework to them. We welcome the ongoing work of the IMF-World Bank Global Sovereign Debt Roundtable. We welcome the work on addressing the liquidity constraints faced by vulnerable countries and measures that will prevent them from falling into debt distress. We reiterate our support for strengthening the international efforts aimed at enhancing debt transparency.