INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-Ninth Meeting
April 18–19, 2024

Statement No. 49-20

Statement by Mr. Van Peteghem
EU Council of Economic and Finance Ministers

Statement by Deputy Prime Minister and Minister of Finance Vincent Van Peteghem, in his capacity as Chair of the EU Council of Economic and Finance Ministers, at the 2024 IMF Spring Meetings,

WASHINGTON, DC, APRIL 2024

1. Two years into the war of aggression that Russia launched against Ukraine, and ten years after Russia's illegal annexation of Crimea and Sevastopol, both in manifest violation of its obligations under the UN Charter and international law, the European Union (EU) is ever more steadfast in its support for Ukraine's independence, sovereignty and territorial integrity within its internationally recognised borders. Russia must not prevail. Given the urgency of the situation, the EU is determined to continue providing Ukraine and its people all the necessary political, financial, economic, humanitarian, military and diplomatic support for as long as it takes and as intensely as needed. The EU invites allies and partners across the world to join in this endeavour. The EU is deeply concerned about the catastrophic humanitarian situation in Gaza and its disproportionate effect on civilians, particularly children, as well as the imminent risk of famine caused by the insufficient entry of aid into Gaza. An immediate humanitarian pause is needed, leading to a sustainable ceasefire, the unconditional release of all hostages and the provision of humanitarian assistance.
2. The ongoing Russian war of aggression against Ukraine and broadening geopolitical tensions coupled with post-pandemic supply chain realignments increase the risk of geoeconomic fragmentation which can produce mounting economic costs, not least for emerging and developing economies (EMDEs). In this respect, a key priority is to step up joint efforts to strengthen the multilateral rules-based system and avoid harmful competition and subsidy races. In this context, a reformed and strengthened WTO and strong international coordination remains the best guardrail against geoeconomic fragmentation. International cooperation is also essential to accelerate the green transition as well as to support and the digital transition and address the challenges stemming from it.
3. The EU has so far provided an overall level of assistance to Ukraine and its people of more than EUR 88 billion. This includes support to Member States hosting people fleeing Russia's war of aggression. Specifically on financial support, with the full disbursement of the total amount of EUR 18 billion in highly concessional loans

available under the MFA+ instrument, the EU contributed crucially to closing the substantial external funding gap of Ukraine in 2023. This made the EU the largest financial contributor to Ukraine among its international partners since the start of the war. The overall good track record in implementing reforms underpinning the instrument gives testimony to Ukraine's strong commitment to fostering stability and to modernising the country's economy and its institutions. Looking ahead, the EU and its Member States will continue supporting Ukraine's funding needs in 2024 and beyond, within a continued coordinated effort by the international community. The launch of the EUR 50 billion EU Ukraine Facility establishes a framework for providing stable and predictable source of funding through 2027 based on progress with an agreed broad-based reform agenda. A first pre-financing tranche of EUR 4.5 billion was disbursed in March and financing is set to continue at a high rate throughout 2024. These policies are carefully embedded into international efforts to accelerate the recovery and Ukraine's EU-accession path as well as to transform long-term growth prospects, including by supporting capacity building. Still, while the swift mobilisation of funds by the EU addresses some of the most urgent financing needs, we underscore the importance of combined efforts from international partners. This continued burden sharing is crucial, not least to safeguard Ukraine's economic stability.

4. We commend the IMF's close engagement with Ukraine and its continued support. We welcome the recent successful completion of the third review of the Extended Fund Facility (EFF) for Ukraine, as well as the launch of the Ukraine Capacity Development Fund of the IMF. We commend the Ukrainian authorities for the continued strong programme performance. So far, close to USD 5.4 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.

5. Global growth in 2023 was subdued, but it finally held up better than expected. Going forward, projections point to growth remaining at around 3% in 2024 before edging up in 2025. While some recovery in global trade is expected, risks remain elevated, notably in relation to geopolitical shocks. The EU economy lost momentum in 2023 but continued to prove relatively resilient 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 expand by 1.7% in 2025. The robust labour market along with continued easing of inflationary pressures is set to support

consumption growth, while expected loosening financing conditions and the continued disbursements of "Next Generation EU" (NGEU) funds would support investment. Risks to the economic outlook are nevertheless tilted to the downside, as global uncertainty weighs on the economic outlook. The Council of the EU and the European Parliament reached an agreement in February on the EU's revised economic governance framework. In light of the multiple budgetary demands that the EU is facing and the need to rebuild fiscal buffers, the fiscal policy strategy should be aimed at strengthening fiscal sustainability, delivering higher sustainable growth, and boosting the European economy's resilience to future challenges. The revised economic governance framework aims at supporting EU Member States in achieving these objectives. For the euro area, based on the latest available data, the requirements of the revised economic governance framework would translate into an overall slightly contractionary fiscal stance in 2025. This would be appropriate in light of the current macroeconomic outlook, of the need to continue to enhance fiscal sustainability, and to support the ongoing disinflationary process, while policies should remain agile in view of the prevailing uncertainty. The remaining emergency energy support measures should be phased out as soon as possible in 2024 and the related savings should be used to reduce government deficits.

6. Implementing structural reforms, as well as preserving and, where appropriate, increasing investment, through both public and private sources, remain essential goals, in particular given common priorities such as the green and digital transitions and boosting defence capabilities. 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), which is the performance-based, and non-discriminatory, instrument at the heart of NGEU that supports structural reforms and investments within the EU, stands at EUR 225 billion of a total of EUR 648 billion . The RRF instrument has been amended to incorporate priorities of the REPowerEU, the EU plan to diversify energy sources, reduce demand and accelerate the clean energy transition. The 27 plans were all revised in 2023 and additional resources were mobilised. The plans dedicate around 42% of expenditure to climate-related measures, above the 37% green transition target. 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 backing of an EU budget guarantee. At the same time, reforms to reduce bottlenecks to private investment

are necessary for the green and digital transitions and energy security. In relation to this, further developments in strengthening the 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.

7. To advance the transition towards a climate-neutral and environmentally sustainable economy, the EU adopted key pieces of legislation of the European Commission's "Fit for 55" package. This entails a strengthening of the EU Emission Trading System, a WTO-compliant Carbon Border Adjustment Mechanism, and the establishment of a Social Climate Fund to compensate vulnerable energy and transport users. Europe is also determined to lead the clean tech revolution. To this aim, the EU reached a provisional agreement on the Net-Zero Industry Act, which is a key component of the European Green Industrial Plan. The plan outlines ways to mobilise all relevant national and EU tools, to provide timely and targeted support in strategic sectors, and improve framework conditions for clean tech investment. The EU continues to make progress on its sustainable finance framework. The EU will continue to work closely with international partners to advance the green transition, including through promoting global efforts to make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development in this decade, which is a critical enabler to mobilise finance at scale.

8. 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 with Moldova (for up to EUR 230 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. The complex geopolitical situation with ample risks to the economic outlook is particularly challenging for some of the more vulnerable countries in the EU's neighbourhood. The Commission has notably presented in March and April proposals for new MFA loan operations for Egypt and Jordan.

IMF POLICY ISSUES

9. 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 constitute a critical step to strengthen the quota-based nature of the Fund. The priority now is for all 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 support the delivery of the creation of a 25th 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 17th General Review of Quotas, as agreed in the IMFC Chair Statement of October 2023. In our view, the current formula has worked well and delivers on the realignment objectives. We emphasize that fair burden sharing among all major advanced economies is essential.

10. EU Member States taken together pledged USD 35 billion for voluntary channelling SDRs (or equivalent contributions) to the Resilience and Sustainability Trust (RST) and the Poverty Reduction and Growth Trust (PRGT). We call on countries, especially those that have not yet contributed, but also those who may be able to contribute more, 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. We are open to explore all viable options to ensure the longer-term self-sustainability of the PRGT in order to meet the growing needs of low-income countries in the coming years. We support the Fund to continue to provide long term financing linked to climate reforms via the Resilience and Sustainability Facility (RSF) arrangements, in line with its mandate. We look forward to the interim review of the RST and draw attention to the need for ambitious, country specific and deep reform measures to support important and purposeful country-owned policy shifts towards climate mitigation and adaptation by using the whole area of the Fund expertise (e.g., carbon pricing, phasing out fuel subsidies, and tailored tax measures). We also emphasize the need to strengthen the catalytic function of RSF financing and foster the crowding-in of the necessary private investments in climate mitigation, adaptation and transition, and to further enhance cooperation with the World Bank and other partners to avoid duplication and ensure additionality. We underscore that safeguarding the RST's financial structure remains paramount.

11. 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. We strongly welcome the announcement by Ghana in January that it reached an agreement in principle with its official bilateral creditors on a debt treatment and we look forward to a swift agreement on the Memorandum of Understanding. We also welcome the signature of the Memorandum of Understanding for Zambia by all the official bilateral creditors regarding the Zambian debt restructuring, and we hope that Zambia will soon find an acceptable agreement with its private creditors. We look forward to a staff-level agreement between Ethiopia and the IMF to allow the official creditor committee to resume its work on a full-fledged and comprehensive debt treatment. We encourage all Common Framework creditors, together with other stakeholders, to publish information regarding CF implementation based on the lessons learned from the first four country cases, providing additional clarity to debtor countries on the process and indicative timelines. We welcome and encourage further effective multilateral coordination of debt restructuring in middle-income countries (MICs), and support exploring how to extend the CF to these countries. We welcome ongoing work in the Global Sovereign Debt Roundtable and support its main outcomes to be further discussed in the G20 and the Paris Club. We look forward to learning more about ongoing work addressing vulnerable countries' funding constraints and aiming at reducing the risk of debt distress. We also encourage further efforts on debt transparency, especially more private sector disclosure as part of the IIF/OECD data repository.