



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, 25 October 2024

1. We reiterate our resolute condemnation of Russia's war of aggression against Ukraine. We reconfirm our unwavering commitment to providing continued 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 deeply alarmed by the dramatic military escalation in the Middle East. We reiterate Israel's right to defend itself in line with international law and the EU's commitment to Israel's security and to regional stability. We call on all parties to exercise the utmost restraint and for an immediate ceasefire in Lebanon and Gaza, the unconditional release of all hostages, and the urgent improvement of access and sustained distribution of humanitarian assistance at scale throughout Gaza. International humanitarian law must be respected by all parties. The EU is fully committed to helping de-escalate the situation and reduce tensions.
2. We welcome the successful completion of the fourth review of the IMF Extended Fund Facility for Ukraine, and the staff-level agreement on the fifth review reached on 10 September 2024. Since the start of Russia's war of aggression, the EU has disbursed a total of EUR 118 billion in humanitarian, financial and military assistance to Ukraine, including EUR 25.2 billion in macro-financial assistance (MFA). Additionally, the new EU Ukraine Facility will provide coherent, predictable, and flexible support for the period 2024-2027 of up to EUR 50 billion, of which EUR 12 billion have already been disbursed this year.
3. In line with the Apulia G7 Leaders' Communiqué of 14 June and the European Council conclusions of 27 June 2024, the EU approved a proposal by the European Commission to establish the Ukraine Loan Cooperation Mechanism covering loans of up to EUR 45 billion to Ukraine under the G7 'Extraordinary Revenue Acceleration Loans (ERA) for Ukraine' initiative. This proposal 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 proportionally reduced if the total amount of the ERA loans from the EU and other partners exceeds the G7 pledge of EUR 45 billion. The MFA loan will be made available in 2024 with disbursement in one or more tranches until the end of 2025. This package will support Ukraine's additional urgent budgetary needs.
4. Europe successfully stabilised and implemented structural changes in its energy markets to overcome the energy crisis triggered by the Russian aggression against Ukraine, mainly with the REPowerEU plan. Thanks to the diversification of energy imports, mitigation of demand, increase of energy efficiency and acceleration of the roll-out of renewables, the EU and its Member States, 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 pre-crisis levels. Europe is well prepared for the winter and continues to make progress in fully diversifying away from Russian fossil fuel imports.
5. The EU remains the top global trader and investor, benefitting from the rules-based framework under the WTO and from a vast network of trade agreements. Free and fair trade will continue to drive the EU's prosperity but also drive down the EU's dependencies. The EU's trade policy will continue to focus on the core objectives of competitiveness, economic security, and sustainability, ensuring that EU businesses can compete on fair terms on an international level playing field. The EU will continue to play a leading role in improving rules-based trade notably through a reformed and strengthened WTO.

6. The EU is reinforcing its ‘open strategic autonomy’ and economic security by minimising risks exacerbated by geopolitical tensions and technological evolutions, preserving its economic openness, and reinforcing the resilience of supply chains. The EU is collaborating with like-minded partners to coordinate policies to strengthen supply chains, diversifying sources of supply, and developing sustainable critical raw material partnerships.

7. In the first half of 2024, EU real GDP expanded by 0.5%. The EU economy remained resilient thanks to strong labour market performance and a steady decline in inflation. Employment continued to grow broadly in line with GDP, implying stagnation of labour productivity. Despite some signs of loosening, the job market remains tight, and the unemployment rate remains at near record low level. Wages kept growing above inflation, allowing workers to continue recovering the loss in purchasing power accumulated over the past years. Between January and August 2024, headline inflation continued declining as expected, though inflationary pressures in services remain high. Further slowdown in wage growth and timid demand set the stage for weaker service inflation. The Report on the Future of European Competitiveness, jointly presented by former ECB President Draghi and Commission President von der Leyen in early September, will contribute to the European Commission’s work on a new plan for Europe’s sustainable prosperity and competitiveness. The resumption of growth in global merchandise trade should support the EU’s external demand for goods. At the same time, high uncertainty continues to weigh on the growth outlook. The intensity of the conflicts in Ukraine and the Middle East and the US elections are bound to have a profound impact on how the global economy unfolds next year and beyond.

8. Strong fiscal policy coordination is key to ensuring a consistent fiscal and monetary policy mix. Fiscal policies should remain prudent, focusing on medium-term debt sustainability while raising potential growth. In April 2024, a reformed economic governance framework entered into force in the EU with the objective of strengthening Member States’ debt sustainability and promoting growth through growth-enhancing reforms and priority investments. Member States are currently preparing their first medium-term fiscal-structural plans, setting out medium-term adjustment paths, extendable up to seven years if they commit to implementing reforms and investments that enhance debt sustainability and sustainable growth, and are consistent with the EU priorities.

9. 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 267.3 billion so far and plans to issue EUR 65 billion of long-term EU-bonds between June and December 2024. In synergy with the InvestEU programme and EU structural funds, the RRF has demonstrated significant adaptability to the emerging challenges and proven able to incentivise the implementation of structural reforms and investments linked to a green and digital economy, economic and social resilience, and inclusive growth.

10. 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, is accelerating the decarbonisation of its economy and is fully committed to becoming by 2050 a climate neutral continent. The EU has adopted a comprehensive legislative package to reduce greenhouse gas emission by 55% by 2030, with carbon pricing and regulatory measures on road transport and buildings, hydrogen, energy efficiency, renewables, sustainable fuels, methane, and land use. The EU continues to actively support decarbonisation efforts worldwide, especially by providing technical and financial assistance to developing and least developed countries to this end.

11. The EU considers the finalisation and implementation of the Two-Pillar Solution on international taxation an utmost priority. Pillar Two on effective minimum taxation is already implemented in EU law and is expected to be law in more than 40 countries by the end of 2024,

but we need more countries to follow suit. Pillar One is very close to being agreed and countries need to do the final push. We also need to provide the necessary technical assistance to developing countries to encourage global implementation of both pillars. The EU supports advancing the G20 agenda on tax transparency to reduce tax avoidance and ensure fair and effective taxation for all. To be effective and ensure tax certainty, international tax cooperation should maximise synergies among the existing international fora and be consensus-based, while avoiding overlaps 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. We welcome the conclusion of the IMF 16th General Review of Quotas maintaining the Fund's current resource envelope. 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 welcome the creation of a 25th Chair for Sub-Saharan Africa, thereby improving the regional representation at the IMF Executive Board. We will work constructively on possible approaches for quota share realignment under the 17th General Review of Quotas. The current formula has worked well and delivers on the realignment objectives. Changing it has proven to be complex, so it would be meaningful to also explore alternative approaches. Fair burden sharing among all major advanced economies and protecting the quota shares of the poorest members are essential.

13. The EU welcomes the achievement of the global ambition of USD 100 billion of voluntary channelling of SDRs to support vulnerable countries. EU Member States so far pledged around USD 37 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 both Trusts, and to deliver on their pledges. We welcome the review of the PRGT and support a well-functioning, self-sustainable PRGT to help meet the growing needs of low-income countries. To this, a combination of measures both on the financing and on the lending policies side will be needed. We support the Fund to continue to provide long-term financing linked to climate reforms via the RST and stress the need to foster the necessary private investments in climate mitigation, adaptation, and transition. We welcome the ongoing work on the coordination framework with the World Bank and the World Health Organization.

14. We need to step up the implementation of the G20 Common Framework for Debt Treatment and call for additional efforts for more predictable, timely, orderly, and coordinated debt restructurings. We welcome the agreements for Chad, Zambia, and Ghana as well as the four-year Extended Credit Facility arrangement for Ethiopia. We support the efforts to draw lessons learnt from ongoing country cases under the Common Framework and encourage G20 and Paris Club members, the IMF and the World Bank to develop guidelines to provide clarity to borrowing countries. We encourage further effective multilateral coordination of debt treatment in middle-income countries and support exploring how to extend the Common Framework to them. We firmly consider that the role of MDBs in the Common Framework consists of ensuring net positive concessional financing flows. We welcome the ongoing IMF and World Bank work to support countries faced with liquidity challenges based on three pillars: (i) structural reforms and domestic resource mobilisation; (ii) external financial support; and (iii) where relevant, actions to reduce debt servicing burdens. We stress the need to strengthening international efforts aimed at enhancing debt transparency.