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Statement by Mr. Giorgetti Italy

On behalf of
Albania, Greece, Italy, Malta, Portugal, and Republic of San Marino

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IMFC Statement by Mr. Giancarlo Giorgetti, Minister of the Economy and Finance, Italy

On behalf of Albania, Greece, Italy, Malta, Portugal, and Republic of San Marino

Russia's unprovoked and unjustified war of aggression against Ukraine continues to cause tragic loss of lives and human suffering and to increase insecurity worldwide. We continue to stand firmly by the Ukrainian people and remain committed to work with our international partners to support Ukraine for as long as it takes. We support a comprehensive, just, and durable peace in Ukraine that will uphold the UN Charter. We reiterate our unequivocal condemnation of Hamas attacks in Israel on October 7, 2023; we express deep concern about the humanitarian situation and the escalation of the conflict in Gaza and Lebanon, and the recent attacks against the UNIFIL mission. We call for an immediate humanitarian pause leading to a sustainable ceasefire, the unconditional release of all hostages, and the provision of humanitarian assistance. Russia's war of aggression against Ukraine, the spiraling conflict in the Middle East, and the tensions in the Red Sea are a major source of uncertainty and risks to the global economy. Multilateral efforts to ensure global peace are needed more than ever, in order to secure economic and social stability, and to promote prosperity.

The global economy has been remarkably resilient considering the adverse shocks that have occurred in recent years. World GDP continues to expand, albeit with a diversity of performances and prospects across countries and regions. Uncertainty remains high and policy space is limited at a time when higher volumes of public investment look warranted. Headline inflation has declined toward or even below central banks' targets in most countries, but core inflation remains relatively high and supply shocks would lead to new flare-ups. The key policy priorities remain to revive economic growth, consolidate the decline in inflation, and ensure financial stability and fiscal sustainability.

Ongoing conflicts and high levels of geopolitical uncertainty have worsened the global economic outlook. Russia's war against Ukraine and escalating conflicts in the Middle East are still the main headwinds for the global economy. Moreover, the potential for these conflicts to extend beyond their current borders further exacerbates the uncertainty, affecting global supply chains and trade dynamics. Many countries are grappling with high public debt ratios, necessitating a balance between debt reduction, increased investment and social spending. In the medium run, policymakers should improve resilience and boost potential growth through well-prioritized investments and structural reforms, focusing on education, labor market, and the green and digital transitions, while protecting the most vulnerable and building a better future for future generations.

In Europe, structural weaknesses, such as low productivity growth and an aging population, continue to affect the economic outlook, already impacted by geopolitical tensions. A comprehensive reform of the economic governance framework has entered into force in the European Union (EU) this year, with the aim of striking a better balance between sound public

finances and sustainable growth while following a countercyclical fiscal rule. The framework also considers the need to support reforms and investments in strategic areas such as the green and digital transitions, social and economic resilience, and energy security. Given the current energy landscape, investing in renewable energy sources and optimizing energy management will be critical for reducing dependency on imports and enhancing energy security. In a more shock-prone environment, the EU – through better coordination of national policies and new common initiatives – should continue addressing structural challenges and bottlenecks to growth, raising investment in Research and Development, and increasing productivity and competitiveness, as recommended in the recent Reports on the future of the single market and on European competitiveness.

Countries in our constituency are expected to continue growing, albeit at different paces. On average, inflation has steadily decreased, and long-term expectations are anchored. Financial systems have remained resilient and capable of financing our economies even during the shocks of previous years, underpinned by the implementation of the post-Global Financial Crisis regulatory framework and balance sheet improvements.

Going forward, countries in our constituency remain committed to implementing structural reforms aimed at strengthening macroeconomic and financial stability. In the current phase, central banks will continue to follow a data-dependent approach to monetary policy making. Fiscal policies will appropriately strike the right balance between the achievement of legitimate policy priorities and the need to reduce debt-to-GDP ratio, while supporting public investment and structural reforms to boost productivity, facilitate fair twin transitions and reinforce economic and social resilience.

We welcome the Fund's commitment to enhancing its support for the membership while tailoring its policy recommendations and lending to the members' needs. As global and regional conditions evolve, the Fund should be ready to address new challenges: in this context, we welcome the work underway in the areas of climate and trade and industrial policies and the forthcoming Comprehensive Surveillance Review (CSR), which will analyze the future surveillance landscape, including trends related to climate, digitalization (e.g., AI) and geoeconomic fragmentation, while setting the Fund's medium-term surveillance priorities and its engagement in new policy areas.

The Fund should continue to advocate the enhancement of public debt data coverage and quality, and promote transparency, including through joint efforts with the World Bank to reconcile creditor and debtor data. We welcome proposals to support the most vulnerable economies to tackle near-term liquidity challenges, including by promoting multilateral collaboration through a country-led multipronged approach tailored to local circumstances, with the IMF and the World Bank at the forefront. We welcome recent policy changes to accelerate lending to countries negotiating debt restructuring, while safeguarding the Fund's resources. The G20/Paris Club Common Framework (CF) for Debt Treatments is bearing fruits, as evidenced by the recent creditors' agreements with Ghana and Ethiopia, but further efforts are needed to improve its timely implementation. Lessons learned from the first cases can be very useful. At the same time, building on the Sri Lanka case,

we acknowledge progress achieved in the coordination with non-Paris Club bilateral creditors to address debt vulnerabilities of countries not covered by the CF.

We have endorsed the agreement to increase the quotas of Fund's members by 50 percent, under the 16th General Review of Quotas (GRQ). Our countries are working to ensure the finalization of domestic procedures to provide consent to their quota increases, and, where relevant, rollbacks of New Arrangements to Borrow (NAB) credit lines and the temporary extension of Bilateral Borrowing Agreements (BBA) until the quota increases under the 16th GRQ become effective. We are open to discuss further a quota realignment under the 17th GRQ, while ensuring fair and broad burden-sharing and protecting the voice and representation of the poorest members.

We continue to advocate a comprehensive and integrated review of Fund's lending policies, frameworks, and instruments. Only such a holistic approach will ensure that policy choices are consistent, feasible, and appropriate for the membership.

We remain committed to strengthening the Fund's concessional facilities that add to the Fund's General Resources for eligible members. Countries in our constituency have contributed to the Poverty Reduction and Growth Trust (PRGT) and to the Resilience and Sustainability Trust (RST); we urge other members with strong external positions to contribute to these trusts. In this context, we welcome the recently completed review of the PRGT, which should allow the Fund to maintain adequate financial support for Low-Income Countries (LICs) and restore the self-sustainability of the Trust. Considering the subsidy needs of the PRGT and the heterogeneity of PRGT-eligible countries, it was advisable and necessary to differentiate lending terms. The approved tiered interest rate structure is designed to protect the most concessional borrowing conditions to the poorest countries. On the financing side, the strategy to strengthen PRGT finances began with the crucial step of the membership collectively deciding to utilize distributed Fund income or reserves at a time of robust Fund finances. Even so, we encourage further efforts to explore other viable options to strengthen the PRGT finances, including gold sales.

We welcome the first interim review of the operationalization of the RST and support a more comprehensive review, which should provide inputs on how to increase the effectiveness of the facility and its catalytic role in providing climate finance. We welcome the finalization of the broad cooperation principles with the World Health Organization and the World Bank that will lead to the first RST operations for pandemic preparedness.

We support the goal of alleviating the cost of borrowing from the General Resources Account (GRA), including through the Review of Charges and Surcharge Policy, which will reduce the debt service burden of GRA borrowers while safeguarding incentives for prudent and temporary borrowing. We welcome the forthcoming review of the GRA normal access limits and the exceptional access framework. We welcome the Review of Program Design and Conditionality, which will allow identifying the best strategies for countries to undertake necessary macroeconomic adjustments while promoting growth and building resilience.

We also welcome the Fund's support for countries via its Capacity Development (CD) activities, which help enhance institutional capabilities and policy frameworks of members and the development of human capital. In this context, we wish to highlight Italy's upcoming contribution to the IMF Anti-Money Laundering and Combating the Financing of Terrorism Thematic Fund (AML/CFT TF).

We welcome the establishment of the 25th chair on the Executive Board for Sub-Saharan Africa, which will improve representations of these countries in the decision-making process of the Fund.

We support the operationalization of the Fund's gender strategy to promote inclusion and reiterate our support for increasing gender diversity within the Executive Board. We appreciate the continued implementation of the recommendations from the Institutional Safeguards Review.