



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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**Statement by Mr. Dombrovskis
European Commission**

**Statement of Commissioner Valdis Dombrovskis to the International Monetary and
Financial Committee on behalf of the European Commission**

Washington, 17 October 2025

1. The global economic landscape is changing fast, but it is clear to the EU that the rules-based multilateral system remains the most effective framework to govern global relations to the benefit of all. In this context, we remain firmly committed to a strong, quota-based and adequately resourced IMF at the centre of the Global Financial Safety Net (GFSN) to promote international macroeconomic and financial stability, whilst recognising the need to address macro-critical challenges. It is crucial to uphold the IMF's role as an independent adviser and reliable truth-teller on economic and financial risks, thereby promoting sound macroeconomic policies, growth-enhancing reforms, open, fair and free markets, and stable financial markets.
2. The outlook for the global economy remains surrounded by exceptional uncertainty. Tariffs, both announced and implemented, weigh on global growth and increase economic uncertainty. They will not resolve global imbalances, which are mainly the result of domestic, macroeconomic and structural factors. Excessive imbalances should therefore be further analysed by the IMF and addressed through country-specific reforms and multilateral coordination. The EU made a trade deal with the US to provide crucial stability in the bilateral relation with this major trading partner at a time of grave global insecurity. At the same time, the EU will continue to play a leading role in the reform of the WTO, building a coalition of like-minded countries aimed at making the global trading system fit for purpose. The EU will also double down on diversification and partnerships, prioritising dialogue, defending its interests and values, and building bridges with other countries. At the same time, we are deeply concerned about non-market policies and practices that lead to market distortions and overcapacity with negative spillovers around the globe.
3. Russia's illegal war of aggression against Ukraine, its increasing escalation and attacks targeting critical infrastructure and killing civilians as well as persistent violations of the EU and NATO airspace continue to fuel uncertainty, deepen geoeconomic fragmentation, and pose broader security risks. The EU is determined to sustain and increase its comprehensive support to Ukraine on all strands and will continue working with G7 and other international partners until a just and lasting peace is achieved. Russia must stop the killing. On 1 October 2025, G7 Finance Ministers agreed to take joint steps to increase pressure on Russia to bring it to the negotiation table.
4. The EU welcomes the agreement on the first phase of the Comprehensive Plan to end the Gaza Conflict put forward by President Trump. We warmly welcome the release of all remaining hostages and the resumption of sustained distribution of humanitarian assistance throughout Gaza. This is a real chance to end the devastating war and the human suffering, and to forge a credible political path towards lasting peace and security, based on the two-state solution. The EU will continue to support the delivery of humanitarian aid at scale and stands ready to contribute to Gaza's stabilisation and reconstruction.
5. The uncertainty over the end of Russia's war in Ukraine and broader security risks in Europe pose challenges to the European economy. The EU is stepping up action to strengthen our defence capabilities and our industrial and technological base. The ReArm Europe Plan, announced on 4 March 2025, will help Europe to step up its defence capabilities by mobilising up to EUR 800 billion in defence spending. This will be achieved by activating the national escape clause of the Stability and Growth Pact, launching the EUR 150 billion Security Action for Europe (SAFE) loan instrument, incentivising defence-related investment within the EU

Multiannual Financial Framework (MFF), supporting the European Investment Bank Group in expanding its lending to defence and security projects, and accelerating the Savings and Investment Union to mobilise private capital. There is a special support planned for the EU Eastern flank to strengthen defence, security, including cyber security of the region and economic resilience.

6. The Commission has also proposed a new Multiannual Financial Framework (MFF) for 2028-2034, commensurate to the challenges the Union is facing. Specifically for Ukraine, the Commission has proposed to dedicate EUR 100 billion, over and above the MFF ceiling through a dedicated Ukraine Reserve. The EU is Ukraine's largest international donor, with over EUR 178 billion provided so far in assistance to Ukraine and its people, together with the European Financial Institutions and bilateral support provided by EU Member States, including through hosting those fleeing Russia's war of aggression. This includes the grants and highly concessional loans given through the Ukraine Facility and the Macro-Financial Assistance instruments. Starting this year and under the G7-led 'Extended Revenue Acceleration (ERA) Loans for Ukraine' initiative, the EU has committed EUR 18.1 billion in exceptional macro-financial assistance, of which EUR 14 billion have already been disbursed (up to October 2025). These loans will be repaid from windfall profits generated by Russia's immobilised central bank assets through the Ukraine Loan Cooperation Mechanism. Looking ahead, EU support will continue to be delivered in a way that ensures Ukraine can meet its financing needs and withstand Russia's war of aggression. As announced by our President, we are working actively on a new financing solution – a Reparations Loan, using cash balances associated with immobilised sovereign Russian assets. The EU would use the cash balances to fund a "limited recourse" loan to Ukraine, only to be repaid by Ukraine should it receive war reparations from Russia.

7. We commend the IMF's close engagement with Ukraine and its continued support. We welcome the successful completion of the eighth review of the Extended Fund Facility (EFF), and we commend the Ukrainian authorities for the continued strong programme performance despite challenging conditions. So far, USD 10.6 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 EU accession negotiations. We take note of the authorities request for a new programme and look forward at working closely with the IMF and our Ukraine's international partners, especially the G7, to ensure a continued sound set-up in the context of a programme playing out under an exceptionally high degree of uncertainty.

8. Economic activity in the EU grew at a faster pace than expected in the first half of the year, and especially in the first quarter, with investment and exports exceeding expectations. Looking ahead, we expect the growth momentum in the EU and globally to moderate due to the higher tariffs and persistent geopolitical uncertainty. Still, the EU economy is expected to remain reasonably resilient thanks to its solid economic fundamentals and institutional strengths. Employment continues to grow, though at a softer rate than during the last few years while financial conditions remain favourable even as interest rates increased slightly over the last few months. The EU economic outlook faces downside risks and significant uncertainty but also potential opportunities coming largely from additional defence and infrastructure spending – especially in Germany, and full deployment of the Recovery and Resilience Facility.

9. The EU is taking bold action to enhance the competitiveness, productivity and resilience of the European economy through our ability to invest, reform, innovate, support a competitive

economy, and promote sustainable public finances. For the next five years, the European Commission has put forward the “Competitiveness Compass” as strategic framework to guide this work. A key priority is the Single Market Strategy to remove existing intra-EU barriers to trade with a particular focus on services. In addition, the Commission has presented several key initiatives in areas such as clean industry to support competitive decarbonisation, regulatory simplification on a wide range of areas, and the EU Savings and Investment Union to better channel savings to productive investments by providing better access to capital markets. The Commission proposal for the next MFF envisages the creation of a Competitiveness Fund aimed at better addressing competitiveness objectives at the EU level, while also ensuring significant support to our defence readiness.

10. The new EU economic governance framework is now fully in place. All Member States have submitted their plans outlining their fiscal policy, reforms, and investments over the medium-term. Based on the assessment by the Commission, the Council has set country-specific fiscal paths with differentiated adjustments aimed at ensuring debt sustainability. The fiscal stance is projected to be broadly neutral in the euro area in 2025. In total, 16 Member States submitted requests for the activation of the national escape clause for defence, 15 of which were already approved by the EU Council. This will enable a temporary deviation from the net expenditure paths set by the Council to facilitate an increase in defence spending between 2025 and 2028, whilst safeguarding the sustainability of public finances in the medium term.

11. The Recovery and Resilience Facility (RRF) continues to support Member States reforms and investments, with EUR 362 billion disbursed so far in grants and loans to Member States, out of a total EUR 650 billion allocated. In synergy with other EU programmes, national plans contribute to strengthening the EU’s economic and social resilience and dedicate more than 40% and 20% of their expenditure to climate and digital-related measures, respectively. Since the RRF expires at the end of 2026, national authorities are focused on accelerating implementation and on simplifying their plans to address bottlenecks and facilitate the fulfilment of targets.

12. We welcome the IMF’s increased focus on carbon pricing, which is one of the most effective tools to bring emissions down. The EU is continuing the decarbonisation of its economy and is fully committed to becoming a climate neutral continent by 2050. 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 Commission proposed an amendment to the EU Climate Law, setting out a legally binding EU net greenhouse gas emissions reduction target of 90% for 2040. The EU continues to actively support decarbonization efforts worldwide, especially by providing technical and financial assistance to developing and least developed countries to this end.

13. The EU considers its internal energy market as the best protection against country-specific shocks. The EU welcomes the IMF background note on the EU energy market integration, which underlines the value of market integration and the need to remove obstacles to market integration. The Commission is actively developing a comprehensive Clean Energy Investment Strategy for the end of the year, aimed at unlocking investments in low-carbon technologies, to accelerate the energy transition and achieve a climate-neutral economy.

14. Over the years, the IMF has developed highly relevant expertise, policies, tools and practices that make it a key pillar of the international financial architecture. The European Commission supports the work of the Fund and welcomes the ongoing key policy reviews to further strengthen the Fund's role through its Comprehensive Surveillance Review, Financial Sector Assessment Program (FSAP) Review and the Review of Program Design and Conditionality. We highlight the Fund's role on addressing cross-cutting issues such as climate change and gender, based on macro-criticality. We note the importance of vigilance and close international coordination with respect to financial stability risks emanating from the growing adoption of crypto assets.

15. 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. We call on all IMF members to provide consent to the quota increase and NAB rollback as soon as possible. We are working constructively on a set of principles to guide future discussions on IMF quotas and governance by the 2026 Spring Meetings, as agreed in the IMFC Chair's Statement in April 2025. We reiterate that an ad hoc approach would be useful to consider, noting that fair and broad burden sharing and protecting the quota shares of the poorest members are essential. We recall that the relevant IMF bodies remain the primary forum for discussion and decision making on the 17th General Review of Quotas.

16. EU Member States have collectively pledged around USD 39 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 have transferred around 85 per cent to IMF trust funds. We encourage countries to consider new voluntary contributions to bolster both the PRGT and the RST, and to deliver on their pledges. We underline the vital role of these resources in strengthening climate resilience and supporting a just green transition, particularly through the RST.

17. We need to step up the implementation of the G20 Common Framework for Debt Treatment (CF) and call for additional efforts for more predictable, timely, orderly, and coordinated debt restructurings. Important progress has been made with the endorsement by G20 Finance Ministers in July of two G20 notes to provide more clarity and predictability on the process, and the publication of factsheets on CF cases on the G20 Presidency and Paris Club websites to enhance information-sharing and transparency. The agreements on debt treatment for Chad, Zambia, Ghana and Ethiopia show that the Common Framework delivers. We encourage further effective multilateral coordination of debt treatments in middle-income countries and support exploring how to extend the Common Framework to them. We welcome the ongoing IMF and World Bank work to support countries faced with liquidity challenges, but whose debt is sustainable. We stress the need to enhance debt transparency, including by the private sector.