INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-Fourth Meeting
October 14, 2021

Statement No. 44-20

Statement by Mr. Franco
Italy

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

Annual Meetings – October 11-17, 2021
IMFC Statement by Mr. Daniele Franco, Minister of the Economy and Finance, Italy
On behalf of Albania, Greece, Italy, Malta, Portugal, and Republic of San Marino

Progress on vaccinations and continued policy support are bearing fruits. The global economy is recovering from the COVID pandemic despite the spread of new and more contagious variants. At the same time, growing divergences across and within countries, largely reflecting uneven access to vaccines, policy space, and lingering scars in some sectors, send a stark warning to policymakers. As the global economy continues to heal, **it is paramount to accelerate global vaccination, and better target policy support, with a view to strengthening the recovery and laying the foundations for a more equitable, digital, and green economy.**

The economic recovery is taking hold in the countries of our constituency, as national immunization campaigns have made great strides towards targets. Following a strong rebound in the first half of the year, a faster than anticipated return of tourism has sustained the momentum during the summer, while manufacturing has strengthened further, despite some supply bottlenecks. Employment and economic sentiment have been improving on the back of credible policy support and less stringent containment measures. Leading indicators point to a stronger-than-expected recovery this year. However, growth is still uneven and vulnerable to risks of pandemic resurgence. Against this backdrop, **the countries in our constituency remain committed to using all policy levers, as health and economic conditions evolve, until the pandemic is overcome, and the recovery becomes fully entrenched.**

Within the European Union (EU), we continue to coordinate our policy response in order to strengthen our economies and contribute to the global recovery. Our policies will be increasingly focused on longer-term environmental and social challenges that have become even more pressing due to the ongoing health crisis. While addressing the legacies of the pandemic, we will promote the transformation of our economies. The Recovery and Resilience Facility of Next Generation EU has entered its implementation phase following the approval of **Recovery and Resilience Plans** of most Member States**.** Leveraging both national and EU resources, these plans will support **the green and digital transitions, while creating new jobs and income opportunities and also raising potential growth.** We will put in place important structural reforms that will also contribute to these objectives. We remain committed to supporting the recovery with targeted fiscal measures until the health crisis is resolved and real GDP has not only recovered the steep drop in 2020, but also returned to the pre-crisis trend. However, our approach will be prudent and aimed at achieving a consistent reduction in public debt-to-GDP ratios. In fact, we are pleased to report that, according to the latest projections, public debt ratios will edge down already this year in most countries in the constituency. **Over a longer horizon, we remain committed to reducing deficit and debt levels so we can respond to future shocks and demographic changes.**

The EU is gearing to meet its ambitious 2030 targets on greenhouse gas emissions and reach climate neutrality by 2050. The catastrophic effects of climate change are evident, as weather-related disasters have become more frequent, widespread, and severe. Action to mitigate and adapt our economies to climate change and reverse biodiversity losses cannot be delayed any longer. We must honor our climate pledges and be ready to make bolder ones. With Italy holding the Presidency of the G20 and partnering with the United Kingdom for the United Nations Climate Change Conference (COP26), we are committed to building trust and reaching broad consensus on ambitious objectives along the three pillars of the Paris Agreement: mitigation, adaptation, and financing.

The massive resources necessary to finance the transition to a more resilient and greener economy will also require private investments. Under the Italian Presidency, the G20 has established the Sustainable Finance Working Group with the view to fostering the development of sustainable financial markets. To this end, the Group is working to broaden the global climate information architecture by developing disclosure requirements for corporates and financial institutions, alongside comparable and consistent standards for financial instruments.

The digital transformation of our economies will likewise be decisively buttressed by our Recovery and Resilience Plans. The pandemic intensified the use of digital technologies and we will seize this opportunity to promote inclusion and foster productivity. This will be achieved by enhancing connectivity, broadening access to digital technologies, expanding the digitalization of the Public Administration, and investing in human capital.

We are ready to promote an ambitious transformation of our economies, and we will strive not to leave anyone behind. We are fully aware that sectoral adjustments, reflecting technological progress, and the greening of the economy may have transitory social costs that we will address. We will seek to ensure better employment opportunities by expanding access to high-quality education, and training and facilitating reskilling and upskilling, while pursuing gender equality. In parallel, we intend to enhance our social safety nets to alleviate the transition costs.

We fully support the goals of the Multilateral Leaders Task Force to vaccinate at least 40% of the population in all countries by the end of 2021, and at least 70% by the first half of 2022. More than 2.5 billion people are fully vaccinated worldwide but we still witness unacceptably low levels of vaccine availability in low-income countries. Multilateral mechanisms, such as the ACT-Accelerator and COVAX, remain the most effective ways to deliver vaccines and build the capacity to administer them. The countries in our constituency have recently increased their contributions to these multilateral initiatives, while also donating vaccines directly to countries in need. Furthermore, the EU has already exported half of its vaccine production of 1.4 billion doses, while having donated 200 million doses and pledged to deliver another 200 million doses by the middle of 2022. We count on the Fund to continue shedding light on how vaccine inequities and different degrees of policy constraints are weighing on the global recovery and contributing to divergent performances.

Divergences in policy support are also contributing to a slower recovery in emerging and developing economies. Too many countries are being forced to scale down their measures to support their economies amidst growing public debt, rising commodities and food prices, and external imbalances. IMF policy advice for vulnerable countries facing these multiple challenges will be vital. Furthermore, as the pandemic has exacerbated pre-existing debt vulnerabilities for a wide set of Low-

Income Countries (LICs), providing adequate international aid and concessional finance to the most vulnerable countries remains essential. The IMF has commendably provided substantial financial support through its emergency lending facilities and we welcome the shift to structured programs. Furthermore, we welcome the progress achieved on the **Debt Service Suspension Initiative** (DSSI) and support initiatives to enhance and facilitate the implementation of the **Common Framework** (CF) for Debt Treatments beyond the DSSI. We expect private creditors to rise to the challenge and ensure comparability of debt treatment in these difficult times. This initiative should move hand in hand with other streams of work to address debt vulnerabilities, such as efforts to promote debt transparency, governance, and fiscal accountability.

We have much appreciated the recent, historic, Special Drawing Right (SDR) allocation, which will help meeting the long-term global need to supplement reserves, while supporting the most vulnerable countries to address the impact of the crisis. The allocation has significantly increased reserves that can be held as buffers or channeled to where most needed. We are closely engaged in the discussions to re-channel SDRs both through the well-established Poverty Reduction and Growth Trust (PRGT), and through the possible new Resilience and Sustainability Trust (RST). We believe that both the PRGT and an appropriately designed RST constitute helpful tools to channel SDRs towards countries which most need them.

We remain committed to a timely completion of the **16th General Review of Quotas** underpinning a strong, quota-based, and adequately-resourced Fund at the center of the Global Financial Safety Net.

Furthermore, **we also remain committed to resolving trade tensions and strengthen the rule-based multilateral trading system**. Trade liberalization alongside well-designed product and labor market reforms can alleviate many of the supply bottlenecks that are impeding a faster recovery and exerting inflationary pressures.

We support increasing gender diversity in the Executive Board and look forward to working on further proposals to facilitate this process.

Though we are still going through difficult times, **we are determined to turn the challenges we face into opportunities** to durably make our economies and societies more prosperous, fair, diverse, sustainable, and respectful of the environment.