



# INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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**Statement by Mr. Lombard  
France**



**Statement by Eric LOMBARD, Minister of Economy, Finance, Industrial and Digital Sovereignty,  
FRANCE**

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Today's world is changing quickly, and economic fragmentation is accelerating, amid a high level of uncertainty. A rules-based multilateral system continues to be the most effective means to govern global relations in a way that benefits all and promotes global prosperity.

**The global economy has faced multiple shocks in recent years, recalling the importance of sound policies to build up resilience.** It continued to grow at a steady but still subdued and uneven pace in 2024, with many developing countries having difficulty to catch up.

**Introduction and announcements of new tariffs are already weighing on economic growth, they increase uncertainty to an unprecedented level and add new downside risks, particularly affecting the most vulnerable economies.** Tariffs primarily hurt the country that imposes them, weighing on jobs, inflation and economic growth. Tariffs will not resolve global imbalances, which are mainly the result of domestic, macroeconomic and structural factors. France, together with its European partners, remains committed to an open, rules-based and predictable global trading system that benefits all partners and call for actions to reduce overcapacities and unfair competition fuelled by non-market practices. We will continue to seek to forge positive agendas, including on trade, with all our partners.

**New trends and challenges are affecting our economies and we need to implement strong and growth-enhancing policies in order to boost productivity, while rebuilding fiscal buffers.** Public investment is needed to drive innovation and harvest the benefit from new technologies such as artificial intelligence. Those much-needed public investments need to be undertaken in a manner that safeguards debt sustainability, hence the critical need to create fiscal space through growth-friendly fiscal consolidation. Consolidation efforts should be targeted, gradual and realistic, while countries that do have fiscal space use it to address pressing spending needs.

**Climate change remains a pressing issue, for advanced, emerging and developing economies alike.** Extreme weather events have multiplied, affecting vulnerable population foremost, slowing infrastructure development and reducing total factor productivity. There is no doubt about the macro-critical nature of climate change: we have no choice than to pursue our mitigation and adaptation efforts. A coordinated green transition is an opportunity to strengthen growth on medium and long term, besides safeguarding our environment and ensuring global resilience.

**In this context, international coordination and multilateralism need to be strengthened.** The IMF has a key role to play, as an objective and neutral advisor, anchored by its near-universal membership and extensive knowledge acquired through bilateral and multilateral surveillance.

**While the global economy is evolving rapidly and the world order is reshaping, the IMF must remain a strong international institution, fit for purpose and responding to its membership needs.** In this context, we look forward to strategic discussion on long term IMF's priorities on surveillance, lending and capacity, including through the Bretton Woods at 80 initiative launched by IMF and WBG.

**The Fund's ability and readiness to continue working on all issues decisive for macroeconomic and financial stability will be essential to help its members navigate through changing circumstances, as a trusted adviser.** France reaffirms its support to the Fund's work and recommendations on trade and industrial policies, excessive external macro-imbalances, and financial risks, with the aim of ensuring global stability. The IMF also brings value-added by adapting its surveillance and economic recommendations to each country's situation. In this regard, the IMF must continue the mainstreaming of all macro-critical topics in its work, which encompasses climate change, demographics and AI. The comprehensive surveillance review will be a key opportunity to advance this ongoing work, while continuing prioritization efforts.

**As we enter a more shock-prone world, the Fund needs to place greater emphasis on how to better prevent crises and respond faster to balance of payments issues when they materialize.** One key aspect of this agenda should be to make the global financial safety net (GFSN) more efficient, with proper coordination of the different layers, while filling the gaps to maximize coverage and proper allocation of financing. We believe the IMF has a central role to play in this regard, including in supporting the development of regional financing arrangements (RFA) in regions currently uncovered while continuing to deepen cooperation with existing RFA. Developing the precautionary layers of the GFSN should also be a priority, to help prevent crisis and speed up the response when they materialize. IMF precautionary facilities should be better promoted, including in low-income countries, with a twin objective of, on the one hand, reducing the need for self-insurance and allowing for the immediate provision of liquidity as appropriate when a crisis materializes, and, on the other hand, strengthening the traction of Fund's advice by creative incentives for continued reforms implementation beyond the end of a successful program. To that end, the review of the Short-term Liquidity Line can be a first step, but a broader discussion on the GFSN would be needed, including more ambitious reforms to the framework for the Fund's precautionary instruments.

**The Fund also needs to reflect on ways to further enhance its support to the implementation of critical reforms for macro-financial stability, as more long-lasting reforms will be essential to reduce the frequency of crises.** There is room to enhance the sustainability of program's reforms over time and France looks forward to the review of Program Design and Conditionality to further delve into this issue. In particular, we see merit in exploring how to generate long-lasting results in domestic revenue mobilization and better safeguard social spending over the course of fiscal adjustments. Better anticipating obstacles to reform will also be needed by refining the Fund's analysis of political economy challenges, including by leveraging more surveillance ahead of program requests and through more presence in borrowing countries. The work to refine the strategy for fragile and conflict-afflicted states should continue, for example by focusing more on regional disparities and security spending. France welcomes the Fund's work on capacity development.

**Managing global debt vulnerabilities remains a key priority and we welcome the IMF current work on debt challenges.** Although the risk of debt distress has declined since 2021, ongoing trade tensions and uncertainties may introduce new vulnerabilities that require careful monitoring and management. The current debt architecture, with the IMF and the World Bank at its centre, is well-equipped to address current and future challenges. The G20-Paris Club Common Framework for debt treatment has delivered successes, as illustrated by the cases of Tchad, Zambia and Ghana, and the recent agreement on the main parameters for Ethiopia. Treatments are moving quicker but clarity and speed of delivery have to be improved further by implementing the 2024 G20 Note on the Common Framework, Lessons learnt and Ways forward. We continue to support the 3-pillar approach of the IMF and the WB for countries whose debt is sustainable but who face liquidity pressures, and we hope to have concrete operational achievements soon. We acknowledge that the Global Sovereign Debt Roundtable is a relevant platform to facilitate common understanding among various stakeholders on global debt challenges, while noting it could be more inclusive and it is not a decision-making body nor a platform to conduct debt treatment negotiations. Considering the global debt architecture, we recall that many initiatives, tools and platforms exist to help developing countries manage their debt and could be further used, such as the World Bank Debt Management Facility (DMF), the UNCTAD Debt Management and Financial Analysis System (DMFAS), African Debt Management Program (ADMP), and the IMF Global Public Finance Partnership (GFPF). In parallel, the ongoing review of the IMF/WB Low-income Country-Debt Sustainability Framework should be the opportunity to better cater for the heterogeneity of countries in the methodology and better distinguish between liquidity and solvency risks, and between short-term and long-term risks, while also ensuring the targets for debt restructuring are set so as to give significant space to countries to absorb shocks. Work on incorporating climate risks in the LIC-DSF should also continue. On this regard, the independent Expert

Review on Debt, Nature and Climate is a welcome contribution whose recommendations should be reflected on.

**France continues to support the channelling of SDRs to support vulnerable countries.** Commitments to channel Special Drawing Rights (SDR) have reached USD 111.1 bn so far, beyond the 2021 political ambition, and delivery of these pledges is progressing to support the Poverty Reduction and Growth Trust and the Resilience and Sustainability Trust. To go even further, the Executive Board took earlier, in May 2024, the decision to authorize the use of SDR by IMF members for the acquisition of hybrid capital instruments issued by prescribed holders such as MDBs. France invites all countries that are willing and legally able to do so to explore channelling Special Drawing Rights (SDRs) through MDBs, in order to strengthen MDB's financial capacity and provide additional support to vulnerable countries. France is ready to contribute, in line with its legal framework, notably through participating in the liquidity guarantee proposed by African Development Bank and Inter-American Development Bank.

**We continue to be firmly committed to a strong, quota-based and adequately resourced IMF at the centre of the Global Financial Safety Net (GFSN).** France welcomes the conclusion of the IMF's 16<sup>th</sup> General Review of Quotas which will maintain the Fund's current resource envelope and strengthen the quota-based nature of the Fund. France has finalised its domestic procedures and provided national consent to the respective quota increases and New Arrangements to Borrow (NAB) rollback, as well as signed the temporary extension of its Bilateral Borrowing Agreement (BBA). France will continue to work constructively on possible approaches for guiding an IMF quota share realignment, as agreed in the IMFC Chair's Statement in October 2024, under the 17<sup>th</sup> General Review of Quotas. A realignment in quotas must be conditional to a fair burden sharing among all major advanced economies and the protection of the quota shares of the poorest members. Moreover, a higher level of representation must, as matter of principle, lead to more responsibility in the multilateral system.