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Statement by Mr. Le Maire
France

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While proving resilient, the world economy continues to face significant downside risks.

Russia's unprovoked and unjustified war of aggression against Ukraine still takes a toll on global energy and food security. It also fuels already existing risks of geo-economic and geo-political fragmentation. Inflationary pressures persist and have forced a sharp tightening of monetary policy. Although many economies are much more prepared to shocks than before the Global Financial Crisis, recent developments in some parts of the banking sector have also put pressures on financial stability.

We must then, at the same time: keep fighting against inflation; maintain the financial sector under close scrutiny; rebuild sufficient fiscal space and invest in long-term priorities such as climate change, digitalisation and ageing, along with the enactment of structural reforms that cannot be delayed; support Ukraine and support multilateral initiatives designed to cushion the adverse effects of war on vulnerable economies.

This is why I warmly welcome the priorities laid out in the Global Policy Agenda released by the Managing Director of the International Monetary Fund: safeguard economic stability, support vulnerable countries, sustain future prosperity.

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In times of economic and financial uncertainties, multilateralism and coordinated solutions are more relevant than ever.

The role of the IMF at the centre of the Global Financial Safety Net is crucial. To make sure that the IMF is fit for purpose, I support a timely and successful completion of the 16th General Review of Quotas of the IMF by December 15, 2023. The 16th General Review of Quotas should be handled as a package. The IMF is and should remain an adequately resourced, quota-based institution; and we believe that the overall lending capacity of the Fund should at least be maintained.

The IMF has demonstrated its ability to use the full range of its lending instruments to address its membership's needs, especially through the Covid-19 pandemic and the aftermaths of the Russian invasion of Ukraine. In this very challenging outlook, the launch of the temporary Food Shock Window and the temporary increase of access limits of the facilities under the General Resources Account are sound examples of the Fund's adaptability. In this context, I look forward to the reviews of precautionary and emergency facilities. In particular, I am convinced of the relevance of precautionary facilities in a shock-prone environment and of their ability to cushion external shocks in countries with good macroeconomic fundamentals.

Risk of debt distress in emerging and developing countries is another challenge that must be tackled in a coordinated manner. With the G20 Common Framework for Debt Treatments, also endorsed by the Paris Club, we have the appropriate tool to do so for low-income countries: it is high time to speed up its implementation, in a predictable, timely and orderly manner. For lower middle-income countries, which are not eligible to the Common Framework, I suggest to continue to develop *ad hoc* coordination among official creditors, building on what has been done for the provision of financing assurances to Sri Lanka.
I welcome the IMF and World Bank's ongoing work to improve information sharing with

creditors, notably on debt sustainability. This additional information early in the process is essential to ensure a timely formation of the official creditor committee and the provision of financing assurances. I hope it could pave the way for a consensus on indicative timeline. The launch of the *Global Sovereign Debt Roundtable* is an important milestone to contribute to the dialogue between all stakeholders. It can complement decision-making bodies, such as the Paris Club and creditor committees under the Common Framework, and foster constructive engagement from official creditors into debt-related discussions.

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Through surveillance, lending and capacity development, the International Monetary Fund has an essential role to play to support vulnerable countries. The enhanced Poverty Reduction and Growth Trust (PRGT) and the recently created Resilience and Sustainability Trust (RST) are key tools which need to be appropriately funded.

The global ambition of USD 100 billion of SDR channelling or equivalent contributions must be met as soon as possible. Pledges amount to USD 87 billion. Additional pledges of USD 13 billion are therefore needed, and I call on countries with strong external positions to make new commitments. I expect these countries to channel at least 20% and up to 30% of their SDR allocated in 2021. This 30% ratio echoes France’s own pledge: France has lent SDR 1 billion and SDR 3 billion to the PRGT and the RST, it has also committed to channelling another SDR 1.8 billion, reaching a rechannelling of 30% of SDR allocated to France in 2021. Besides, pending pledges must be translated rapidly into resources available to the IMF, so that SDR channelling means actual support to low-income countries and developing countries.

However, channelling SDR will not be enough, as the PRGT is facing an imminent subsidy gap that we must bridge. As the current global economic and financial situation puts low-income countries under serious pressure, all options should be investigated thoroughly. I therefore support the Fund management’s relentless efforts vis-a-vis potential contributor countries. France intends to speed up the disbursement of its EUR 130 million commitment, and EUR 40 million are already transferred. There are diverse options at the disposal of potential contributors to generate subsidy resources for the PRGT, in particular budgetary grants or SDR loans to the *Deposit and Investment Account*. In addition to such fundraising efforts, I also call the IMF to launch technical analyses on the mobilisation of the Fund’s internal resources, including gold sales and distribution of the General Resources Account reserves.

Capacity development is a core dimension of the IMF’s support to the membership. The Institute for Capacity Development and the regional capacity development centres provide valuable assistance, especially to fragile and conflict-affected countries. While traditional areas of expertise remain of course relevant, such as macroeconomic policies and public financial management (particularly the mobilisation of domestic resources), we witness a growing demand for climate, gender, and digital issues. I therefore welcome the launch of the 2023 review of the Fund’s capacity development strategy, which takes all these dimensions into account, and insist on the importance of field-presence and cooperation with other providers of technical assistance as a key to success.

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The transition to a net-zero and resilient economy is one of the most acute challenges of this decade for the international financial community. We need an IMF that is fit for climate action.

The Resilience and Sustainability Trust (RST) highlights the integration of climate action into the Fund's lending activity. In this regard, I want to welcome the first arrangements concluded under the RST and call for further implementation of the RST, especially in LICs. I will pay special attention on the policy reforms supported by the RST and hope they will be relevant for both climate action and development, and able to crowd-in climate finance from other sources, including private finance. On these matters, a close coordination between the Fund, the World Bank and other relevant International Financial Institutions will be paramount.

The integration of climate action into our economic and financial policies will rely on the IMF policy advice, and no country should be left behind in this transition. We can facilitate the transition to a green economy if we enact policies able to catalyse private finance to support these aims. In this light, I want to praise the IMF work on carbon pricing as a key enabler of the decarbonisation of the economy. We also need to avoid that massive investments required by the green transition lead to an economic divergence among countries, and IMF guidance will be essential in that regard.

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Multilateralism is confronted with unprecedented challenges: downwards economic prospects, geo-political fragmentation, financial instability, climate change. That is why we must step up our efforts to support it.

To support decisive action, a Summit for a new Global Financing Pact will be organised in Paris on June 22-23, in close partnership with the G20 and COP28, with the support of IMF and the World Bank.