



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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Statement by Mr. Jambon Belgium

On behalf of

Principality of Andorra, Republic of Armenia, Belgium, Bosnia and Herzegovina, Bulgaria,
Republic of Croatia, Cyprus, Georgia, Israel, Luxembourg, Republic of Moldova,
Montenegro, Kingdom of the Netherlands–The Netherlands, Republic of North
Macedonia, Romania, and Ukraine

Statement by Mr. Jan Jambon, Minister of Finance, Belgium

On behalf of Andorra, Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Moldova, Montenegro, Republic of North Macedonia, Romania, the Netherlands, and Ukraine

We are gravely concerned about geopolitical conflicts and tensions, including the protracted Russian war against Ukraine, and the conflict in the Middle East. We are deeply troubled about the immense human suffering and the adverse impact of these wars and conflicts on the global economy.

We continue to stand firmly by Ukraine and its people in the face of Russia's unprovoked and unjustified war of aggression. The conflict has had and is still having a massive negative humanitarian, economic, and financial impact on Ukraine, its neighboring countries, and the global economy. We recall the strong condemnation of Russian aggression by the United Nations General Assembly and call on Russia to immediately cease any use of force against Ukraine and threats to peace on the European continent. We welcome the Fund's ongoing assistance and look forward to discussions on a new IMF program for Ukraine this fall to ensure continued support. In parallel, we will continue to work closely with international partners, including the EU, to support Ukraine in meeting its immediate external financing needs as well as the substantial financing needs for post-war reconstruction.

The conflict in the Middle East that ensued Hamas' terror attack on Israel on October 7, 2023 has taken a terrible toll impacting lives and livelihoods across the region. We underline the importance of respect for international law and call upon all parties to avoid further loss of innocent civilian life. The dire humanitarian situation in Gaza calls for a ceasefire and for the unimpeded delivery of humanitarian aid to those in need. The release of all the remaining hostages and alleviation of the humanitarian crisis are necessary. We welcome the agreement on the first phase of the Comprehensive Plan to End the Gaza Conflict to secure an immediate ceasefire and the release of all hostages, living and deceased, and to proceed with entry of distribution and aid in the Gaza Strip without interference from the two parties. We call on all parties to implement it. The Plan offers a major window of opportunity to de-escalate the conflict. Israelis and Palestinians should be allowed to live in peace side by side, by detailing robust security guarantees for both while, at the same time, enabling them to build a prosperous future and returning political and socio-economic stability to the region.

The economic consequences of these conflicts, in combination with the current volatility in international trade, provide for an economic outlook characterized by uncertainty and continued challenges. We therefore reiterate the importance of sound policymaking, grounded in solid data, that aims to foster economic growth and fiscal sustainability while respecting the multilateral order and international laws and agreements. We stress that central bank independence is crucial to maintain long term macro-economic and financial stability.

We welcome the Fund's continued engagement with members of our Constituency through financial support and policy advice, including the Fund-supported programs in Armenia, Georgia, Moldova and Ukraine.

Although the global economy has thus far remained surprisingly resilient, we caution against complacency against the backdrop of elevated (trade) uncertainty, geopolitical tensions and protracted conflicts.

Economic growth continues to show resilience in many advanced and emerging market economies, in the face of trade protectionism, geopolitical tensions and protracted conflicts. Frontloading of exports to the US in anticipation of the implementation of high tariffs, an AI-related investment boom and, more recently, improved financial conditions have supported growth in the first half of the year. However, signs of an economic slowdown are emerging. Labor demand is weakening in most advanced economies. The frequent succession of tariff announcements and temporary suspensions has pushed up economic policy uncertainty, discouraging businesses from undertaking large-scale investment projects, which are vital for sustaining long-term growth.

We therefore continue to stress the importance of rules-based multilateralism, free trade (with respect for international trade rules ensuring a level playing field) and sound fiscal policies as cornerstones of economic growth and stability. Trade tariffs and protectionism more generally distort the efficient allocation of production and capital and decrease productivity growth, raising costs for businesses and consumers. As a result, they diminish global welfare, making all countries worse off. Open economies, like those in our Constituency, are particularly exposed to international spillovers, including via inflation, tighter financial conditions, and trade deflection. Trade diversification and strengthening economic cooperation, for example by reinforcing the EU's internal market, are therefore indispensable.

We are concerned that mounting geopolitical tensions, elevated policy uncertainty, high public debt levels and modest growth prospects are raising financial stability and fiscal sustainability risks. The need to ramp up defense spending in many countries puts additional strain on fiscal policy which also must cope with the rising costs from an aging population, the green transition and higher long-term interest rates. Fiscal consolidation and budget reprioritization are paramount to rebuild buffers against future shocks and to prevent the risk of adverse financial markets reactions. Such an approach should be embedded in a credible multi-annual fiscal framework with clear priorities and limits on general government spending growth. Furthermore, front-loading structural reforms that enhance potential growth can help to generate additional fiscal room for maneuver.

Inflation developments are diverging, with some economies facing persistent core inflation while others see disinflation. It is important that central banks continue to monitor economic developments closely and take a data-dependent approach to monetary policy. In this context, past experiences have proven that independent central banks are essential safeguards for price stability and well-anchored inflation expectations.

The consequences of climate change are increasingly tangible. Climate change poses a significant macro-critical risk, which may undermine the foundations of long-term economic resilience. Even though the costs of an orderly green transition are well below the costs of inaction, it is important to

focus on cost-efficiency and technological solutions that strengthen competitiveness. Appropriate measures for climate adaptation are also important to ensure resilience. A successful strategy relies on a wide range of policy instruments while paying attention to distributional impacts (on both households and business) and fiscal sustainability.

The IMF continues to play a key role in the Global Financial Safety Net (GFSN)

We reaffirm that the IMF should remain at the center of the Global Financial Safety Net, retaining its ability to be a truth teller based on solid and trustworthy data. We encourage the Fund to assist members facing balance-of-payments needs, including –where appropriate– through well-designed and conditional Fund-supported programs.

While we eagerly await the implementation of the 16th General Review of Quotas, we stand ready to discuss quota realignment under the 17th General Review of Quota to better reflect members' relative position in the world economy. Such realignment should be based on a fair and broad burden-sharing, while protecting the quota shares of the poorest members. Furthermore, increased quota shares for members should be accompanied by increased responsibility to uphold and support the multilateral system. We stress that a quota and governance reform should follow a package approach: nothing is agreed until everything is agreed. . Negotiations need to be fully anchored in IMF bodies, serving the interests of the entire membership.

We look forward to the discussions on several policy reviews in the coming months, which we see as an opportunity to further strengthen the central role of the IMF in the Global Financial Safety Net. The Comprehensive Surveillance Review and the Financial Sector Assessment Program review should be addressed in a holistic manner to ensure an adequate allocation of resources between the various surveillance instruments. Furthermore, it is essential to integrate the lessons learned from the Fund's surveillance on topics like AI, digitalization and climate change – including the upcoming IEO evaluation of the Fund's climate work in line with the Fund's core mandate. In the context of the Review of Program Design and Conditionality, we underline the catalytic role of IMF financing and the importance of debt sustainability, ambitious reform measures accompanied by technical assistance, contingency planning, realistic macroeconomic projections, well-designed conditionality with sufficient frontloading of reform measures, such as in public finances, governance, or the labour market while taking into account their social and distributional impact, and program ownership.

A high number of low-income countries currently face liquidity pressures, often driven by high debt servicing costs. In this context, we support ongoing work by the IMF and World Bank through the three-pillar approach to help countries to address liquidity constraints where debt is still sustainable, through structural reforms, stronger domestic resource mobilization, external financing, capacity development and sound debt management frameworks. Increased debt transparency can help detect vulnerabilities at an early stage and improve public accountability. We re-emphasize the importance of timely, orderly, predictable, and coordinated debt treatments for countries with unsustainable debt. We welcome the recent progress made in implementing debt treatments under the G20 Common Framework but see scope for further improvement. We look forward to the IEO's evaluation of the Fund's engagement on debt issues in low-income countries.

Finally, a diverse and inclusive IMF with highly qualified staff, where every individual can contribute to their full potential, is best equipped to meet the needs of its diverse membership. Therefore, we encourage efforts to build a staff base with a broad range of skills, expertise, and diversity of perspectives that enhance the organization's effectiveness, while safeguarding institutional effectiveness and merit-based recruitment.