



# INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

## **Forty-Ninth Meeting April 18–19, 2024**

Statement No. 49-24

**Statement by Mr. Van Weyenberg  
Kingdom of the Netherlands–The Netherlands**

On behalf of

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



**Statement by Mr. Steven van Weyenberg, Minister of Finance, the Netherlands**

**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 continue to stand firmly by Ukraine and its people and recall the United Nations General Assembly's strong condemnation of the aggression by the Russian Federation against Ukraine and demands that the Russian Federation immediately cease its use of force against Ukraine. With thousands of lives lost, millions of refugees and a large part of the country's economy being destroyed, the war has had a massive humanitarian, economic, and financial impact on Ukraine, its neighboring countries, and the global economy. We therefore welcome the Fund's ongoing assistance to Ukraine with the highest priority and welcome the progress made by Ukraine under the EFF arrangement and the launch of a capacity development fund for Ukraine in February 2024. In parallel, we will continue to work closely with international partners, including the EU, to support Ukraine in meeting its immediate external financing needs and substantial financing needs for post-war reconstruction.

The conflict that ensued Hamas' terror attack on Israel on October 7 continues to take a terrible toll. We are gravely concerned about the humanitarian situation in Gaza. Immediately and unconditionally releasing all the hostages, ensuring humanitarian access, ending civilian suffering, and preventing further loss of life is an absolute priority.

We welcome the Fund's continued engagement, through both financial support and policy advice, with members of our Constituency, including Ukraine, Armenia, Georgia, Moldova, and North Macedonia.

*Rebuilding economic resilience in the context of structural and geopolitical challenges*

The global economy has shown resilience in times of consecutive shocks, such as the COVID-19 pandemic, the consequences of Russia's war against Ukraine and the tensions in the Middle East, in the context of tightening monetary policy in response to elevated levels of inflation. The forecast of moderate growth combined with a steady decline of inflation suggests that the global economy is making its way towards a 'soft landing'. However, we see challenges related to persistent inflation, elevated debt levels, inequality, climate change, and geo-economic fragmentation. Moreover, more efforts are needed to sustainably raise long-term growth prospects and productivity, through structural reforms and growth-enhancing investments.

While in many countries headline inflation has declined, core inflation rates remain above central bank targets, largely due to more persistent services inflation and higher wage growth. Moreover, increased tensions in the Middle East and disruptions in the Red Sea raise transport costs and may generate supply chain disruptions that could result in renewed inflationary pressures. Central banks should therefore remain cautious in concluding that inflationary pressures have subsided entirely and avoid a premature normalization of monetary policy, which would require a stronger and more harmful correction down the road.

Against a background of high public debt levels and increased borrowing costs, structural challenges, such as the ageing of populations and climate change add to fiscal pressures. Careful policy prioritization and fiscal consolidation efforts are needed to safeguard the sustainability of public finances. However, efforts to this end should not come at the expense of growth-enhancing investments. In fact, structural reforms and both public and private investments in (digital) infrastructure and R&D, and the potential provided by artificial intelligence are essential to reverse the decline in productivity growth and to tackle elevated fiscal risks.

Greening economies by investing in energy transition and climate mitigation and adaptation policies is urgently needed to avoid further damage to economies, people, and the planet. The cost of climate policy inaction substantially outweighs the costs of an orderly and just climate transition. A strategy of relying solely on spending measures to reach net zero by 2050 could put public debt on an unsustainable path. Instead, stronger emphasis on (implicit) pricing is crucial to achieve emission reduction targets in a fiscally prudent manner. For example, the phasing out of fossil subsidies offers the possibility of both creating fiscal space and addressing climate change.

Addressing the distributional impact of these reforms remains crucial to protect the most vulnerable, including through better targeting of social spending.

Geopolitical tensions and growing fragmentation continue to pose significant risks to the global economy and financial stability. Further geo-economic fragmentation and trade restrictions add to price pressures and lower productivity growth, reducing the efficiency in the allocation of resources, hindering diffusion of innovations, and limiting policy space to address longer-term challenges for which international cooperation is essential, such as the green transition. It remains a key priority to foster the rules-based international system and strengthen multilateralism to the benefit of all.

*The IMF should continue to stand ready to support its members if future shocks occur*

In these times of elevated risks and uncertainty, we reiterate our support to ensure a timely implementation of the 16<sup>th</sup> general review of quotas in order to strengthen the role of the IMF at the center of the global financial safety net. We welcome the creation of an additional Chair in the IMF Executive Board for Sub-Saharan African countries to improve the representation of the African continent. We look forward to continuing the discussion in the Executive Board on possible approaches towards quota realignment. Any realignment is a shared responsibility among all members and should thus be supported through fair and broad burden-sharing among all overrepresented members based on the current formula, as the current formula delivers on the objective of realignment. At the same time, it is important to protect the share of the poorest members.

We are concerned about the large number of countries currently in debt distress or at high risk thereof. Debt vulnerabilities are related to lagging economic growth, together with high borrowing costs and liquidity constraints due to limited access to financial markets. We believe that debt transparency is the first recourse to address debt vulnerabilities and therefore welcome the work by the IMF and World Bank in this area. We also emphasize the need to improve the predictable, timely, orderly, and coordinated implementation of the G20 Common Framework for Debt Treatment (CF) and welcome the progress made for the countries that have already requested treatment under the CF, as well as the work provided by the Global Sovereign Debt Roundtable. In addition, we look forward to the review of the Debt Sustainability Framework for low-income countries and encourage the IMF and World Bank to better include climate change, local currency financing, and subnational debt in their DSA frameworks.

We underscore the importance of an adequately resourced Poverty Reduction and Growth Trust (PRGT) to support low-income countries. Demand for concessional IMF-financing remains elevated due to the challenging economic outlook and serious financing pressures that low-income countries face. We welcome the successful completion of the first stage of fundraising for the PRGT subsidy account by international donors in the lead up to the Annual Meetings in Marrakech. However, the funding gap remains significant. We therefore look forward to the comprehensive review of the PRGT Facilities and Financing, with the aim to restore the long-term self-sustaining character of the PRGT and ensure continued support to low-income countries. It is essential that all possible options that can contribute to this objective are considered in the upcoming comprehensive review including a combination of different types of measures.

We continue to encourage the integration of climate-related risks in Fund surveillance and welcome the swift operationalization of the Resilience and Sustainability Trust, as we consider this facility to be an important instrument for countries to improve their resilience to future climate- and pandemic-related shocks. By better integrating climate change risks into debt management, financial and fiscal frameworks, countries are better equipped to withstand the prospective pressures on their balance of payments from climate-related risks. We reiterate the importance of ambitious reforms within the expertise of the IMF to ensure the Resilience and Sustainability Trust's signaling and catalytic function. These reform measures will contribute to improving the enabling environment for climate-related investment from donors, MDBs, and private investors. We encourage the IMF and the World Bank to enhance their collaboration to exploit synergies and ensure the complementarity of their engagement with countries. We also continue to encourage the integration of climate-related risks in Fund surveillance.

Given the elevated risks to the Fund's balance sheet (including credit and investments risks), we stress the need to further strengthen the IMF balance sheet, to enhance the monitoring of the IMF programs and we look forward to the forthcoming review of conditionality and program design.

Various upcoming reviews may affect the pace of accumulation of the Fund's precautionary balances and the structure of internal resources. We emphasize the importance of assessing the Fund's financing and lending policies in a holistic manner to enable integrated decision-making about their adequacy and consistency, as well as the size and allocation of the Fund's net income.

Last but not least, only a diverse and inclusive organization, in which every individual can contribute up to one's full potential, is best placed to act upon the needs of its diverse membership. We would therefore welcome additional efforts to reach the FY25 diversity targets for staff, while working towards broader diversity targets for FY30. This also includes having a staff base with a broad range of skills and academic backgrounds, trained at different universities worldwide. Gender diversity in the Executive Board is lagging behind and should further be addressed to achieve a better outcome. The Executive Board should also be able to demonstrate leadership on this front.