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Statement by Mr. Cuerpo
Spain

On behalf of
Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, and Spain

Statement by the Hon. Carlos Cuerpo

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On Behalf of Colombia, Costa Rica, El Salvador, Guatemala, Honduras, México y España

Spain continues to condemn Russia's war of aggression against Ukraine and its effect on the global economy. We also express deep concern for the appalling humanitarian situation in Gaza and the unbearable loss of civilian life. We also strongly condemn Iran's attack on Israel and call on all parties for restraint to avoid a regional escalation of violence.

I would like to begin my first IMFC Statement as Spain's Minister of Economy, Trade and Business, and as Governor of the International Monetary Fund, by congratulating His Excellency Saudi Minister of Finance Mohammed Al-Jadaan on his selection as IMFC Chair. Having been deeply involved in the IMFC process, I am aware of the challenge facing him and his team and I am confident that they will succeed in their endeavour. I also congratulate Managing Director Kristalina Georgieva on her reappointment to lead this institution for five more years.

The global economy continues to show economic resilience despite the challenges of the past few years, among which are the global pandemic, Russia's war against Ukraine, the subsequent increase in food and energy prices and tightening monetary conditions. International economic policy efforts, including concerted multilateral action by International Financial Institutions, have successfully managed to maintain financial stability, despite some turbulence last year, and reduce inflation faster than expected, while supporting demand. A soft landing is increasingly likely, but the outlook is still uncertain, particularly for middle-income, emerging and low-income economies. These countries are made all the more vulnerable by a rising debt burden after the recent tightening of financial conditions, by increasingly frequent and costly climate events and food insecurity, by social frictions associated with technological change and by the costs of geoeconomic fragmentation.

Against this backdrop, Spain's economic performance continues to exceed analysts' forecasts, and the direction of travel bodes well for the future. GDP grew 2.5% in 2023, with momentum remaining strong in the first quarter of 2024, confirming its role as one of the Euro Area's main engines of growth. The Spanish labour market continues its strong performance, reaching an unprecedented level of social security affiliations, with permanent and full-time employment gaining weight, and

the purchasing power of wages improving as inflation pressures subside. As has been the case for several years, strong growth continues to be paired with a sustained current account surplus and record high financing capacity has been achieved. This process has gone hand in hand with a steady reduction of public debt and deficit, outperforming our fiscal targets. At the same time, Europe's Next Generation EU program, incarnated in Spain in the government's Recovery, Transformation and Resilience Plan, provides financing for transformative investments, a roadmap for far-reaching reforms to achieve more inclusive growth, and a sense of mission for the wider population, and it is already having an impact in terms of GDP growth, employment and productivity. The European Commission estimates that the investments have raised Spain's GDP by 1.9% in 2022 and that they could raise Spain's GDP around 3.5% in 2026.

The new EU fiscal rules, agreed under the Spanish presidency of the European Council, will provide EU countries with a credible fiscal framework to reduce debt ratios and deficits in a gradual, realistic, sustained and growth-friendly manner while protecting investments in strategic areas. The Spanish government expects to achieve a 3% deficit already in 2024.

We have also witnessed remarkable resilience in emerging markets. A major feature of the current international economic context is that, in contrast to previous global cycles of interest rate increases, there has not been a generalized emerging markets crisis. We can highlight, in this regard, the very useful role of the IMF's precautionary instruments like the Flexible Credit Line, which continue to serve as crucial policy and institutional anchors for major countries in our constituency. Used effectively, these facilities provide insurance against tail risks, bolster market confidence and contain negative spillovers, thus contributing to crisis prevention and global macroeconomic stability.

To ensure it can remain a forceful and effective instrument of multilateralism, the IMF needs to remain a strong, quota-based, adequately resourced institution at the center of the Global Financial Safety Net, and whose governance can respond to its diverse membership's needs. The agreement reached under Spain's IMFC Presidency was a significant step in strengthening the Global Financial Safety Net and shows that the multilateral system can deliver even in a complex geopolitical environment. The priority now is to ratify the 16th General Review of Quotas at a national level by the agreed deadline of November 2024. As part of that process, we must roll back the New Arrangements to Borrow as agreed, and also ensure that the Bilateral Borrowing Agreements

remain in place so that the Fund's lending capacity is maintained throughout the transition. We look forward to welcoming the 25th Chair of the Executive Board, representing countries in sub-Saharan Africa, by the Annual Meetings this Autumn.

The Fund needs to be in a strong position to assist low-income and vulnerable members, at concessional rates, with their current and foreseeable Balance of Payments imbalances. In this regard, we would like to highlight the importance of keeping the Poverty Reduction and Growth Trust and the Resilience and Sustainability Trust sufficiently funded to meet the demand of its most vulnerable membership. The 2021 Special Drawing Rights allocation provided members with needed reserves and, through these Trusts, has allowed advanced economies to put to work more than 100 USD billion to bolster global economic stability, fulfilling its target of 20% of the 2021 Special Drawing Rights allocation. In 2024 we have finalized the disbursement of our commitment of 62 EUR million fiscal contribution to the Poverty Reduction and Growth Trust Subsidy account. In the October 2023 Annual Meetings in Marrakech, Spain stepped up its commitment to 50%, equivalent to an additional 2.742 billion Special Drawing Rights. We encourage other members to reach beyond the 20% target in the interest of the poorest and most vulnerable membership and to turn these pledges into effective contributions.

Beyond these, more creative efforts are needed to meet growing financing demands by the most vulnerable countries. Spain continues to advocate exploring new forms for Special Drawing Rights rechanneling, to enhance their use, including through Multilateral Development Banks, in a way that is coherent with legal frameworks. In weathering global transitions, many members need external multilateral assistance but also, more than ever, structural economic transformations. Multilateral Development Banks have the expertise and the mandate to make a difference, but they need resources – loanable funds and capital – to fulfil this mission. I strongly believe that the International Financial Institutions, the IMF and Multilateral Development Banks, complement each other's missions. A holistic, cooperative approach can make for a more effective and efficient multilateralism, which is crucial to bring the membership closer together.

Ensuring the long-term self-sustainability of the Poverty Reduction and Growth Trust should remain a priority given the high demand for Poverty Reduction and Growth Trust concessional lending and the high cost of funding. Every option should be explored to enable the trust to fulfil its purpose, including all options to mobilize internal resources. The decisions surrounding the use of internal

resources should be based on an evenhanded approach that considers all options and should include the appropriate level of precautionary balances, access levels as well as the revision of the charges and surcharges policies, which currently lay too much burden on the countries that need the Fund the most.

We are encouraged by the Fund's efforts to remain involved in important but highly complex issues related to debt restructurings. We appreciate the positive engagement shown by the wider creditor landscape in the Global Sovereign Debt Roundtable. We highlight the importance of inclusivity in creditor dialogue, as reflected in the tried and tested methods of the Paris Club. We need to improve and extend the scope of the Common framework and foster debt transparency, in which the Fund can play an important role. We also welcome the recent reforms designed to support the existing architecture for debt resolution and ensure that the Fund can assist its members as they undergo complex debt restructurings, because that is when they are most vulnerable. Spain is contributing with measures of its own, in particular, with new contingent debt clauses to be incorporated in its sovereign lending. The clauses will offer low-income countries and lower-middle-income countries debt relief in the event of a severe climate shock or natural disaster, health emergency or, as a novelty, food crisis. We are therefore expanding the scope of these promising tools, which confirms Spain is proactively searching for ways to help countries approaching debt distress in their hour of need.

I would like to remind my colleagues of the enormous benefits that a broad array of countries derives from Fund technical assistance and capacity development, complementing program engagement. The push for even-handedness within the Fund extends also to the availability of adequate financing for these activities, particularly for countries in the Latin American region.

Finally, we urge members to step up their efforts to improve the gender balance in the top positions of the Executive Board.