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Constituency

**VIEWS AND POSITIONS ON POLICY  
DEVELOPMENTS IN THE  
INTERNATIONAL MONETARY FUND**  
*2024 Annual Report*

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# 1. INTRODUCTION

## 1.1 INTRODUCTION

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In 2024, economic activity remained resilient, albeit with significant differences across regions and countries. Inflation continued to descend from its mid-2022 peak, but at a slower pace and with continued sticky services inflation. The descent was managed relatively smoothly, without pushing the global economy into a recession or causing large-scale job losses, as seen after past inflation episodes. However, the trade landscape became more fragmented, with increasingly more trade occurring within geopolitical blocs rather than between them. The IMF cautioned about a medium-term growth outlook well below historical averages. With slower growth and high debt levels, the Fund called for policy shifts to boost domestic resource mobilization, promote open trade, and enhance productivity.

2024 marked the 80<sup>th</sup> anniversary of the founding of the Bretton Woods institutions. The Fund reiterated its commitment to deliver on its mandate of macroeconomic and financial stability and to ensure it remains a strong Fund for the future, continuing to bring members together through surveillance, lending, and capacity development. A joint initiative was announced with the World Bank, aiming to develop a long-term view on the world economy, international cooperation, and the roles of the Bank and Fund.

Important reviews concerning the IMF's lending policies and resources were completed in 2024. In March, the IMF's precautionary balances reached the medium-term target of SDR 25 bn, providing an adequate buffer against financial risks to the Fund. The review of the IMF's charges and surcharge policy reduced the cost of borrowing for member countries while maintaining the IMF's financial capacity to support its members in times of need. The review of the Poverty Reduction and Growth Trust (PRGT) aimed to ensure the long-term sustainability and adequacy of resources for low-income countries (LICs). Finally, building on efforts to strengthen countries' debt sustainability, the IMF adopted reforms to foster faster engagement with countries undertaking debt restructurings.

Further milestones last year included the creation of the 25th chair to the Executive Board. The intention is to strengthen the voice and representation of Sub-Saharan Africa within the IMF, addressing regional imbalances and making the Board more inclusive. Moreover, the number of members in the IMF increased to 191 when Liechtenstein joined in October. The Managing Director of the IMF, Kristalina Georgieva, was selected by the membership to serve a second five-year term from 2024-29. The implementation of the 16<sup>th</sup> General Review of Quotas, which was planned for mid-November 2024, was delayed awaiting the consent of members to the agreed quota increase.

In 2024, the Nordic-Baltic Constituency (NBC) remained steadfast in its support for multilateralism, emphasizing the IMF's key role at the center of the global financial safety net. Condemning Russia's war against Ukraine and considering risks from geoeconomic fragmentation, the NBC stressed the need to further strengthen rules-based global economic cooperation.

The NBC continued to prioritize strong **IMF surveillance** of the global economy and member countries. We called for analysis and advice on sound fiscal frameworks, managing risks from fragmentation, and sustainably boosting growth while containing inflation. We also welcomed economic policy engagement on members' green transition and resilience to climate risks. Further, the NBC emphasized the importance of focusing on trade, governance, digitalization, and closing gender gaps in the Fund's surveillance activities.

The NBC supported **IMF lending** with strong multi-year policy programs based on adequate conditionality, safeguards, and debt sustainability assessments. We called for programs to include measures fostering good governance and reducing corruption. Moreover, we worked to advance impactful policies to build climate resilience and accelerate the green transition as part of Resilience and Sustainability Facility arrangements, but also in the Fund's traditional programs.

In 2024, new financing arrangements were approved for 16 countries, totaling USD 41.1 billion including precautionary arrangements and USD 19.5 without. Total outstanding credit was approximately USD 114.2 billion by the end of the year. Standing firmly by Ukraine and its people, the NBC strongly supported the four reviews of Ukraine's USD 15.6 billion program, commending the authorities for the strong program implementation under very difficult circumstances. The NBC also supported the Fund's efforts to strengthen debt sustainability in member countries by boosting debt transparency and management and facilitating timely restructuring where needed.

The NBC acknowledged the importance of **IMF capacity development** (CD) support, integrated with the Fund's lending and surveillance. During a 2024 review of the Fund's CD strategy, we stressed the need to tailor CD to country-specific needs and absorptive capacities, focusing on IMF comparative advantages and enhancing collaboration with other partners.

In the following, the 2024 Annual Report provides an overview of the main discussions and decisions of the Executive Board in the calendar year 2024 and outlines the views of the NBC. Section 1 describes the Fund's assessment of global economic developments, the work program of the Executive Board and priorities of the Managing Director's Global Policy Agenda (GPA), and progress on the 16<sup>th</sup> and developments on the 17<sup>th</sup> General Reviews of Quotas. Section 2 provides an overview of the Fund's work on surveillance and economic policy, including bilateral surveillance of the eight NBC countries and overviews of Fund engagement on climate, gender, and digitalization. Section 3 covers Fund lending activities, including important reviews and an overview of lending arrangements. Section 4 reviews the Fund's capacity development support, and section 5 covers the work of the Independent Evaluation Office.

## 1.2 GLOBAL ECONOMIC AND FINANCIAL DEVELOPMENTS

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**Context:** The IMF's three flagship reports, the World Economic Outlook (WEO), Global Financial Stability Report (GFSR), and the Fiscal Monitor were issued in April ahead of the spring Meetings, and in October ahead of the Annual Meetings. Shorter updates of the WEO were released in January and July.

The October WEO (subtitled "Policy Pivot, Rising Threats") highlighted that while the global growth was expected to remain stable, divergencies between economies were increasing and risks shifted to the downside from the balanced outlook presented in April. Growth was projected to hold steady yet underwhelming at 3.2 percent in 2024 and 2025. The forecast for the United States was upgraded, offsetting downgrades for other advanced economies, notably the largest European countries. In addition, downward revisions for the Middle East and Central Asia and for Sub-Saharan Africa were compensated for by upgrades to the forecast for emerging Asia. The report highlighted that the global economy was increasingly likely to achieve a smooth landing, as inflation had been reduced without significant impact on output. The risks to the global outlook included further disruptions to the disinflation process, potentially triggered by new spikes in commodity prices amid persistent geopolitical tensions. Deeper- or longer-than-expected contraction in China's property sector, sudden eruptions in financial market volatility, tightening financial conditions, and an intensification of protectionist policies exacerbating trade tensions, were also mentioned as risk factors. The report stressed the need for careful calibration of policies to ensure a smooth landing and emphasized the urgent need for shifting gears on fiscal policy to rebuild buffers. It also highlighted the importance of structural reforms to lift medium-term growth prospects and the need for multilateral cooperation.

The October GFSR (subtitled "Steadying the course: Uncertainty, Artificial Intelligence, and Financial Stability") highlighted that while short-term risks remain contained, the accommodative financial conditions facilitate the buildup of vulnerabilities. The report emphasized how high policy uncertainty amplifies downside tail risks to global growth, markets, and credit supply. These relationships are stronger during episodes of macro-market disconnect. The GFSR highlighted the subdued volatility which is at odds with the broader geopolitical risks and uncertainty, increasing the risk of more frequent events of volatility spiking with a sudden selloff in markets. Policy advice included the importance of clear communication of monetary policy, as well as focusing on credibly building buffers to keep external financing costs reasonable, anchoring medium-term inflation expectations, strengthening policies that address nonbank leverage and liquidity mismatches, and implementing internationally agreed prudential standards. Enhancing and expanding recovery and resolution preparations was also emphasized. The GFSR also included a chapter on the impact on capital markets from a widespread adoption of generative AI and recommended enhancing regulation and supervision in AI-related areas.

The October Fiscal Monitor (subtitled “Putting a Lid on Public Debt”) highlighted that the risks to the debt outlook are heavily tilted to the upside and that much larger fiscal adjustments than currently planned are required to stabilize debt with high probability. Policy recommendations emphasized the need for gradual and sustained fiscal consolidation. The Fiscal Monitor highlighted the importance of composition and timing of fiscal adjustments, warning that cuts in public investment have severe effects on growth. The report argued in favor of policies that promote innovation and good governance, eliminate vulnerabilities to corruption, improve the tax system, and foster education and health.

**NBC view:** At the Executive Board meeting on the flagship reports in October, the NBC broadly agreed with staff’s assessments and reiterated that Russia’s war against Ukraine continues to negatively affect the global macroeconomic outlook. We agreed that fiscal policies should start to prioritize debt sustainability with the large fiscal adjustment needs, noting that it is an opportune time to start as monetary policies are moving to a less restrictive stance. We agreed that short-term risks to financial stability seem contained and concurred with staff’s policy advice. We highlighted the need to improve transparency, address data gaps and enhance the reporting requirements of nonbanks, given the continued growth and high leverage of the sector. We also stressed the importance of sound policy frameworks and well calibrated macro prudential tools, including to address the impact of uncertainty.

**Further reading:** [World Economic Outlook, October 2024: Policy Pivot, Rising Threats Global Financial Stability Report, October 2024 - Steadying the Course: Uncertainty, Artificial Intelligence, and Financial Stability](#) [Fiscal Monitor October 2024: Putting a Lid on Public Debt](#)

### 1.3 THE MANAGING DIRECTOR’S GLOBAL POLICY AGENDA

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**Context:** The MD’s Global Policy Agenda (GPA) titled “*Rebuild, Revive, Renew*” was discussed at the 2024 Spring Meetings. It recognized that the global economy had shown remarkable resilience and appeared headed for a soft landing. However, buffers had been eroded, growth prospects were lackluster, and vulnerable countries at risk of falling further behind. Against this background, key priorities were to: (i) rebuild buffers with a shift in focus to medium-term fiscal consolidation while carefully managing the descent of inflation to target and prudently safeguarding financial stability; (ii) revive sustainable and inclusive medium-term growth through preserving the large gains from trade and economic integration, accelerating climate transition, and harnessing AI for the benefit of all; and (iii) renew the IMF’s commitment to ensure fit-for-purpose policies, lending toolkit, and governance. This included helping countries reduce debt vulnerabilities, build capacity to implement good policies, and making progress on the Fund’s governance and quota realignment.

For the Annual Meetings in October, the MD delivered the Global Policy Agenda with the title “*Secure A Soft Landing and Break from The Low Growth–High Debt Path*”. The GPA highlighted that the global economy had remained resilient, and a soft landing was within reach, but recognized that uncertainty

remained significant with risks tilted to the downside, including from Russia’s ongoing war in Ukraine and the expanding conflict in the Middle East. Given the tepid medium-term growth prospects and global public debt at record highs, the GPA emphasized the need to shift away from a low-growth-high debt path. Furthermore, geoeconomic fragmentation was threatening to undo decades of gains from economic integration, while, at the same time, transformative changes—the green transition, demographic shifts, and digitalization, including AI—were poised to reshape the global economy, creating challenges but also opportunities. The GPA set out the key priorities to (i) tackle growth and debt challenges, (ii) focus on multilateral efforts to enhance global prosperity and address shared medium-term challenges, (iii) deliver on the Fund’s commitment to its members with tailored surveillance, lending, and capacity development, and (iv) ensure that the Fund evolves with a medium-term vision to support members. The GPA stressed that this support was critical as members navigate an uncertain and shock-prone world, address macroeconomic challenges, and adapt to transformative changes.

**NBC view:** The NBC supported the messages of the Global Policy Agenda presented at the Spring and Annual Meetings. The NBC highlighted that Russia’s war against Ukraine continues to be a significant risk and source of uncertainty to the global economy. We emphasized the importance of the Fund supporting its membership, guided by its mandate and the Fund’s core task in helping members navigate today’s and tomorrow’s economic challenges while fostering international cooperation.

**Further reading:** [The Managing Director's Global Policy Agenda, Spring Meetings 2024: Rebuild, Revive, Renew](#); [The Managing Director's Global Policy Agenda, Annual Meetings 2024: Secure A Soft Landing And Break From The Low Growth–High Debt Path](#)

## 1.4 16TH AND 17TH GENERAL REVIEW OF QUOTAS

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**Context:** At the end of 2023, the membership came together to increase the IMF’s quota resources by 50 percent under the 16<sup>th</sup> General Review of Quotas (GRQ). Together with a reduction (“rollback”) in credit arrangements under the New Arrangements to Borrow (NAB) and expiration of the bilateral borrowing arrangements (BBAs), the quota increase would reinforce the quota-based nature of the IMF and strengthen its capacity to safeguard financial stability and respond to members’ needs. In January 2024, the Executive Board approved the proposal for the implementation of the NAB rollback, which broadly preserves relative shares of individual creditors. During 2024 members made progress towards securing domestic consents to the quota increases and participants in the NAB to secure consents to the reduction in the size of their NABs. The initial deadline for consents was mid-November 2024, but the Board approved an extension until May 15, 2025.

As a transitional arrangement to preserve the IMF’s lending capacity in case of delays with the implementation of the 16<sup>th</sup> GRQ, the Executive Board approved an extension of the Fund’s 42 bilateral borrowing agreements (BBAs) in March, otherwise set to expire at the end-2024. The extension was subject to the consent of individual creditors. The BBAs would be extended until the effectiveness conditions for the quota increase under the 16<sup>th</sup> GRQ had been met, with a maximum term of end-

2027 if requested by the individual creditor. In the same context, the Fund's borrowing guidelines were reviewed with limited modifications.

In June, the Executive Board approved a proposal for the renewal of the NAB Decision for five years until end-2030, along with proposals for targeted modifications to the NAB Decision. This will take effect on January 1, 2026. The NAB renewal is consistent with the 16<sup>th</sup> GRQ, which envisages maintaining the Fund's lending capacity, and ensures that supplemental resources would be available for the Fund should the need arise. NAB participants are deemed to continue to adhere to the NAB Decision as renewed unless they notify the Fund no less than six months before the end of the period (i.e., June 30, 2025).

During the 2024 Spring and Annual Meetings the IMFC continued to highlight the urgency and importance of a quota share realignment to ensure that quota shares better reflect members' relative positions in the world economy, while protecting the voice of the poorest members. The IMFC renewed its call for the Executive Board to develop, by June 2025, possible approaches for further quota realignment, including through a new quota formula, under the 17<sup>th</sup> General Review of Quotas.

Governance of the IMF was strengthened during 2024 with the expansion of the Executive Board with a third chair for Sub-Saharan Africa as the 25<sup>th</sup> chair of the Board. The addition took effect in November, strengthening the voice and representation of the African region at the IMF Board. In October 2024, the membership expanded as the Principality of Liechtenstein became the IMF's 191<sup>st</sup> member.

**NBC view:** The Nordic-Baltic countries are committed to the timely finalization of domestic procedures for implementation of the 16<sup>th</sup> GRQ and call on all countries to deliver on the collective commitment to finalize domestic procedures within the set timeframe. The NBC is committed to working constructively on possible approaches for a quota share realignment under the 17<sup>th</sup> GRQ, stressing that it must serve multilateralism and the legitimacy of the Fund as a representative multilateral institution. The NBC welcomed strengthening of the IMF's governance with the 25<sup>th</sup> Chair for Sub-Saharan Africa.

**Further reading:** [Rollback of Credit Arrangements in the New Arrangements to Borrow](#); [Renewal of And Modifications To The New Arrangements To Borrow](#)

## 2. SURVEILLANCE AND ECONOMIC POLICY

A core part of the Fund's implementation of its mandate is to conduct economic and financial surveillance. To enable the Fund to conduct bilateral surveillance, each member of the Fund is required to provide the necessary information and to consult with the IMF when requested. During FY 2023/2024, the Fund conducted 117 Article IV consultations across all regions. For 11 countries, the Fund conducted a comprehensive Financial System Stability Assessment, which is a more resource-intensive exercise conducted less frequently than Article IV consultations. One change to the practice of IMF surveillance came in April when the Board concluded the "2024 Review of Data Provision to the Fund." The review led to updates to the data that all member countries are obligated to provide to the Fund. In 2024, the IMF continued to integrate issues such as climate, gender, and digitalization into its surveillance, lending, and capacity development work, in line with the principle of macro-criticality, as these issues can significantly impact economic and financial stability and sustainable growth.

**Further reading:** [Economic Surveillance | IMF Annual Report 2024](#)

### 2.1 IMF ARTICLE IV CONSULTATIONS

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#### 2.1.1 DENMARK 2024 ARTICLE IV CONSULTATION

In September, the Executive Board concluded the 2024 Article IV consultation with Denmark. The IMF highlighted that the Danish economy had continued to expand at a robust pace, driven by an exceptional surge in the pharmaceutical sector. In contrast, the rest of the economy remained relatively subdued, aside from the maritime and information and communication technology industries, reflecting sluggish demand. With a decline in global energy prices and weak domestic demand, inflationary pressures had largely dissipated. The IMF anticipated growth to gradually moderate in the near term but become more balanced across industries. The IMF recommended managing fiscal policy in a manner consistent with near-term cyclical conditions while taking account of long-term spending pressures without risking fiscal sustainability. Other policy recommendations included ensuring financial stability and pursuing structural reforms to lift potential growth and achieve climate goals. The financial system was assessed to be sound, while risks remain. Continued reform efforts were called for to boost labor supply and enhance productivity, aiming to sustain the welfare state. Reform priorities include enhancing work incentives, addressing skill mismatches through foreign labor, modernizing active labor market policies, and enhancing education outcomes for children with immigrant backgrounds.

The Danish authorities agreed that the Danish economy is in a sound position and that the outlook remains positive. Growth in domestic demand is set to recover, propelled by higher real wages, high level of employment, as well as less tight fiscal policies. The authorities highlighted that fiscal policy was tightened substantially in 2022 and 2023 in light of capacity pressures in the economy. The expected gradual easing of these pressures in 2024 and 2025 allows for a gradual easing of fiscal policy. The authorities agreed that the financial sector is generally sound and resilient, although risks

from higher interest rates persist. The authorities also agreed on the need for continued focus on reforms to strengthen labor supply and enhance productivity.

**Further reading:** [Denmark: 2024 Article IV Consultation-Press Release; Staff Report; and Statement by the Alternate Executive Director for Denmark](#)

## 2.1.2 ESTONIA 2024 ARTICLE IV CONSULTATION

The Executive Board concluded the 2024 Article IV consultation with Estonia in June, focusing on competitiveness, fiscal policy, and financial sector issues. The economy's prolonged downturn, exacerbated by Russia's war on Ukraine, caused supply-side disruptions and increased costs and prices, hurting Estonia's competitiveness. These issues compounded longer-standing problems, with Estonia's export market share stalling since the Global Financial Crisis (GFC) due to falling productivity growth and the erosion of its competitive edge. Growth was expected to recover with a rebound in export demand and supportive policies. Despite the cyclical upswing, higher input costs and weak productivity growth were likely to have a lasting negative impact on Estonia's external performance and potential output. The outlook remained uncertain, with risks skewed to the downside. As the economy exits the recession, the IMF recommends implementing revenue and spending measures to support fiscal consolidation and preserve policy space for productivity and structural transformation. The macroprudential stance was deemed appropriate, and preserving bank capital buffers was seen as essential for effective credit provision and shock absorption. Financial stability risks, although contained, required close vigilance. Structural reforms were advised to focus on increasing corporate investment, improving labor and capital allocation, enhancing R&D investment, and adopting digital technologies in traditional sectors. A more ambitious green transition was recommended to improve energy security and ensure long-term growth sustainability.

The Estonian authorities broadly agreed with staff's views and recognized that a budget stimulus would no longer be needed as the economy returns to growth. They concurred that fiscal adjustment should involve both expenditure and revenue measures, though significant fiscal consolidation in 2025 may be challenging. The authorities showed interest in strengthening the national fiscal framework. They assessed the financial sector as healthy with limited risks but agreed that commercial and residential real estate risks warranted close vigilance. They emphasized the importance of boosting productivity and restoring competitiveness, highlighting the role of human capital in raising potential growth. They also noted ongoing efforts to enhance Estonia's digital advantage and attract investments. They committed to improving the energy mix by reducing reliance on oil shale in electricity generation and boosting investment in renewables.

**Further reading:** [Republic of Estonia: 2024 Article IV Consultation-Press Release; and Staff Report](#)

### 2.1.3 FINLAND 2024 ARTICLE IV CONSULTATION

The 2024 Article IV consultation with Finland was concluded by the Executive Board in March 2024 on a lapse of time basis. The IMF expected a shallow recovery in the Finnish economy in 2024 and growth to improve to around 1½ percent in the medium term with risks to the downside. On fiscal policy, the IMF advised the authorities to start with a modest fiscal consolidation in 2024, growing in ambition, with the aim of achieving a balanced budget by 2028. Such efforts should put debt to GDP on a firm downward trajectory and help build fiscal buffers. The IMF considered enhancing employment and productivity as essential for strengthening Finland’s economic growth. The authorities labor market reform efforts were considered to have the potential to boost employment in coming years. The IMF encouraged complementing these reforms with measures to reduce skills mismatches, strengthen tertiary educations, and better attract and integrate talent from abroad. To meet Finland’s ambitious climate goals, the IMF suggested strengthening carbon pricing and increasing the role of carbon-sinks in the land use sector. The financial system was assessed as resilient, but exposed to rising systemic risks. Banks were assessed to have sufficient capital to withstand adverse shocks, but their high dependence on short-term wholesale funding was considered to make banks susceptible to liquidity risks. The IMF noted the recent tightening of macroprudential policy, yet saw merit in further tightening to target pockets of vulnerability and increase financial system resilience. They recommended further enhancements to the macroprudential toolkit, including through an introduction of a positive neutral counter-cyclical capital buffer and additional borrower-based tools.

The Finnish authorities broadly agreed with staff’s assessment and recommendations. The authorities agreed that the Finnish economy faces challenges with high uncertainty surrounding the pace of the recovery. They noted that elevated fiscal deficits would continue and the debt to GDP ratio would further increase, while expressing their commitment to fiscal consolidation efforts and stabilizing the debt to GDP ratio. The authorities expressed confidence that the labor market reforms would enhance work incentives, increase labor participation, and improve fiscal balance. They agreed with the importance of improving longer-term growth potential. The authorities evaluated the financial system as resilient but recognized the need of vigilant monitoring of risks.

**Further reading:** [Finland: 2024 Article IV Consultation-Press Release; and Staff Report;](#)

### 2.1.4 ICELAND 2024 ARTICLE IV CONSULTATION

The Article IV consultation with Iceland was concluded in July on a lapse of time basis. Staff highlighted that tight monetary and fiscal policies have successfully slowed domestic demand growth, strengthened the current account, and started to lower inflationary pressures. The medium-term growth outlook was assessed broadly favorable and risks to the outlook balanced. Real GDP growth was projected to decline to 1.2 percent in 2024 before recovering to 2.4 percent in 2025. Staff projected the 2.5 percent inflation target to be reached in the first half of 2026. Staff assessed the fiscal targets as broadly appropriate but suggested that additional measures are required over the next five years to build fiscal buffers. The report suggested that the reactivation of the fiscal rules in 2026 presents an opportunity to revisit their design to ensure that fiscal policy is both sustainable and contributes to macroeconomic stability. The monetary policy stance was found to be appropriately tight. The

application of the IMF's Integrated Policy Framework (IPF) to Iceland suggested that given the shallow foreign exchange markets, interventions could be warranted when there is a risk of disruptive exchange movements during times of stress, reducing the burden on monetary policy and helping cushion the shock. Staff suggested exploring options to deepen the foreign currency derivatives market, in a manner consistent with continued foreign exchange market stability. According to the report the banking sector was well-capitalized, profitable, and liquid. Systemic risks in the financial sector declined slightly from 2023 and the tight macroprudential stance was appropriate. Achieving the ambitious climate agenda requires additional policy efforts and raising carbon taxes in sectors where they were currently low could be advisable according to staffs' recommendations.

The Icelandic authorities appreciated staff's assessment and recommendations. They broadly agreed with staff's views on the outlook and risks. They reiterated their commitment to a gradual build-up of fiscal buffers and saw the merits in proposals of revised fiscal rules, replacing the overall balance rule with an expenditure rule. They appreciated the application of the IPF and the positive assessment of progress on implementation of FSAP recommendations. They underscored their strong commitment to climate goals and the emission reduction target.

**Further reading:** [Iceland: 2024 Article IV Consultation-Press Release; and Staff Report](#)

### 2.1.5 LATVIA 2024 ARTICLE IV CONSULTATION

The Executive Board concluded the 2024 Article IV consultation with Latvia in September 2024 on a lapse of time basis. The IMF highlighted that output growth contracted by 0.3 percent in 2023, due to tighter financial conditions and weak external demand, but is projected to recover to 1.7 and 2.4 percent in 2024 and 2025. Headline inflation was projected to decline to 2.0 percent in 2024, but core inflation remained at elevated levels in 2024.

Fiscal performance in 2023 was stronger than expected, reflecting revenue buoyancy linked to inflation and expenditure under-execution. Nevertheless, to build buffers for future spending, staff and the Executive Board recommended a less expansionary, neutral fiscal stance for 2024 and a tighter fiscal stance in 2025. Although Latvia has some fiscal space, structural fiscal measures are needed to provide buffers for medium-to long-term spending pressures. The Executive Board recognized that the banking sector remained well capitalized and liquid, with a low NPL ratio. The Board recommended that the new untargeted interest subsidy scheme for variable-interest-rate mortgages should not be renewed at its expiration in 2024, and the authorities should refrain from further initiatives to increase taxation on bank profits given their adverse impact on bank capital and financial stability. The Board encouraged pursuing structural reforms to enhance productivity and resilience and more vigorous efforts regarding the green and energy transition. In this respect, the authorities were encouraged to expedite the adoption of the climate law and the National Energy and Climate Plan (NECP).

The Latvian authorities broadly agreed with staff's assessment of economic outlook and risks, though they expected a somewhat higher growth in 2025. They agreed with staff's fiscal policy advice but saw benefits in a less ambitious adjustment in the short term, noting that the recommend 2025 adjustment would be significantly higher than required by the new EU fiscal rules. The authorities are committed

to pursuing structural fiscal reforms and agreed with staff's policy advice on labor market reforms, climate change and energy security. They highlighted their plans to implement a comprehensive and ambitious action plan on digitalization and stressed that work is under way to design carbon taxation to make faster progress towards emissions goals.

**Further reading:** [Republic of Latvia: 2024 Article IV Consultation-Press Release; and Staff Report](#)

### 2.1.6 LITHUANIA 2024 ARTICLE IV CONSULTATION

The Executive Board concluded the 2024 Article IV consultation with Lithuania in July 2024 on a lapse of time basis. The IMF noted that after a slowdown in 2023, economic activity was expected to recover quickly, with real GDP growth reaching 2.4 percent in 2024 and 2.6 percent in 2025. Although core inflation remains elevated, headline inflation is projected to remain close to 1 percent in 2024 and converge towards levels slightly above 2 percent afterwards.

The Executive Board supported the staff's advice to maintain a broadly neutral fiscal stance, considering the small and decreasing output gap. To address long-term pressures from defense spending, higher borrowing costs, aging, and climate, which would add between 5 and 10 percent of GDP to spending pressures, the Board advised formulating a comprehensive strategy focused on pension, education and healthcare reforms, revenue mobilization, and the commitment to preserve a strong fiscal position. The banking system remains liquid, well capitalized, and highly profitable, despite declining interest margins. The Board encouraged the authorities to phase out the levy on banks, while noting it had little disincentive effects due to careful design, and to refrain from introducing any new levies, in order to avoid being perceived as a tax on foreign investment and to minimize the negative impact on efficiency that would accrue over time. They also highlighted the significant progress in strengthening the AML/CFT supervision framework and the need to continue to reduce ML/TF risks. The Board encouraged addressing persistent structural inefficiencies in the labor market and the education system. The Executive Directors encouraged the Lithuanian authorities to accelerate green transition, and more specifically, to introduce an economy-wide carbon tax on fossil fuels, alongside the EU's emission trading system.

The Lithuanian authorities broadly agreed with the Executive Directors' assessment. They project a more gradual recovery of the external sector in 2024, with domestic demand expected to lead growth. The authorities recognized that spending pressures over the medium- and long-term will require significant reforms. The authorities also highlighted the ample buffers in the banking sector and emphasized that the levy on banks is temporary and has been designed to avoid distortions. The Lithuanian authorities also stressed their determination to continue reforms in education and healthcare as well as innovation and green transition.

**Further reading:** [Republic of Lithuania: 2024 Article IV Consultation-Press Release; and Staff Report](#)

### 2.1.7 NORWAY 2024 ARTICLE IV CONSULTATION

The Executive Board concluded the 2024 Article IV consultation with Norway in September. Economic growth in Norway slowed in 2023 partly due to tighter financial conditions. The IMF projected real

GDP growth to increase from 0.5 percent in 2023, to 1.5 and 1.8 percent in 2024 and 2025 accordingly. While retreating from its 2022 multiyear peak, headline inflation remained high in 2023 and still above the 2 percent target in 2024. Staff projected inflation to return to the target by mid-2026.

Staff, supported by the Board, highlighted the need to carefully navigate policy trade-offs arising from elevated inflation and financial sector vulnerabilities. They recommended adopting a neutral fiscal stance, advocating that removing the current fiscal stimulus would support disinflation. They also underscored the need to maintain a tight monetary policy stance to ensure that inflation converges to target and to mitigate risks of a de-anchoring of inflation expectations. The Norwegian financial system was assessed to be sound with robust bank buffers, but staff and the Board argued that macroprudential policy settings should remain tight as vulnerabilities are high. Staff and the Board underscored the importance of comprehensive structural reforms to address the challenges posed by population ageing, productivity slowdown, and geoeconomic fragmentation. Important measures include increasing the efficiency of the tax system, restructuring the pension and social protection regimes, and complementing the fiscal policy framework with enhanced medium-term budgeting and an expenditure rule. The Board welcomed the authorities' commitment to enhancing climate mitigation and adaptation.

The Norwegian authorities welcomed the assessments and recommendations. They acknowledged the importance of restraining fiscal policy in order not to create unnecessary inflationary pressure, while underlining their emphasis on easing the burden of increased cost of living for vulnerable households and the need for imperative investments in defense and security. The authorities said they would consider complementing the fiscal framework by introducing medium-term budgeting and an expenditure rule. They agreed with staff that ensuring a sustainable development in public finances will require several measures. Norway's commitment to address global warming and reduce domestic emissions by at least 55 percent by 2030 compared to 1990 was reiterated.

**Further reading:** [Norway: 2024 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Norway](#)

#### 2.1.8 SWEDEN 2024 ARTICLE IV CONSULTATION

The Executive Board concluded the 2024 Article IV consultation for Sweden in March. After a strong post-pandemic performance, economic activity weakened, and GDP contracted slightly in 2023. IMF staff projected economic activity to remain subdued in 2024 and recover gradually with an average GDP growth of 0.2 percent in 2024 and 2.3 percent in 2025. Inflation declined through 2024 after peaking in the end of 2022 and was expected to reach target mid-2025.

Staff, supported by the Board, considered the planned broadly neutral fiscal stance in 2024 appropriate, that the budget included well-targeted measures, and that substantial fiscal space provides for further fiscal room should the recession deepen. While the balance of risks to growth were considered tilted to the downside, arising mainly from larger than projected effects from the tight financial conditions, the restrictive monetary policy stance was assessed appropriate to ensure that inflation returned to target. The Riksbank should remain ready to adjust monetary policy if inflation

pressures materialize on either side. The financial system is assessed to be prudent, but staff stressed that the macroprudential policy setting should remain tight amid elevated risks, notably in the RRE and CRE sectors. Staff commended the Swedish authorities for progressing on key FSAP recommendations and encouraged continued momentum. The Board and staff also underscored that structural reforms will be instrumental to strengthen medium-term growth, support social inclusion, and the green transition. Addressing housing market challenges and easing restrictions on new construction was also emphasized.

The Swedish authorities welcomed the analysis on the economic outlook and risks, as well as policy recommendations. While observing resilience in the labor market, they underscored that the high share of variable rate borrowing could result in some further slowing in economic activity on the back of full monetary policy transmission. The authorities also agreed with staff that monetary policy needs to be data-driven while cautiously ensuring that reaches and stabilizes at its target. They agreed with staff's assessment of elevated systemic risk, while stressing that risks are broadly stabilized. They also reiterated their intention to maintain a broadly neutral fiscal stance in support of inflation efforts and agreed with the thrust of staff's structural reform recommendations.

**Further reading:** [Sweden: 2024 Article IV Consultation-Press Release; and Staff Report](#)

## 2.2 EXTERNAL SECTOR REPORT

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**Context:** In July, the Executive Board discussed the 2024 External Sector Report, subtitled "Imbalances Receding". The report showed that the global current account balance (defined as the cross-country sum of absolute values of current account) narrowed significantly in 2023, after having widened the preceding three years. The narrowing reflects a reversal of large current account surpluses in commodity exporting countries. Continued recovery from the COVID-19 pandemic and a slowdown in global trade in goods during 2023 also contributed. Net capital inflows to emerging market and developing economies recovered slightly from the lows experienced in 2022 but remained negative in 2023. Over the medium term, the global current account balance was projected to continue narrowing, as current account deficit countries embark on fiscal consolidation and commodity prices moderate. When discussing the report, the Board stressed that ensuring an adequate global financial safety net, with the Fund at its core, remains critical, and noted that timely consent by members to quota increases under the 16th General Review of Quotas is crucial in this regard.

**NBC view:** The NBC broadly supported the assessments and the policy recommendations. While agreeing with the expectation of narrowing current account balances in the medium term, the NBC noted that the projections were subject to sizable downside risks and that further policy and reform efforts in both surplus and deficit countries are necessary for external rebalancing to continue. The NBC also noted that while commodity prices (energy prices included) have moderated, they remain elevated largely owing to disruptions caused by the Russian invasion of Ukraine and intensifying geopolitical fragmentation. Furthermore, the NBC strongly supported the policy recommendations to maintain stable and transparent trade policies and avoid trade and investment distortions by applying protectionist policy measures.

**Further reading:** [2024 External Sector Report: Imbalances Receding](#)

## 2.3 REVIEW OF DATA PROVISION TO THE FUND FOR SURVEILLANCE PURPOSES

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**Context:** In April, the Executive Board concluded a review of the policy on Data Provision to the Fund for Surveillance Purposes. Guided by the priorities identified in the 2021 Comprehensive Surveillance Review, the Board supported updating and expanding the overall envelope of mandatory data provision in the areas of public sector, foreign exchange interventions (FXI), and swaps and repos among central banks, while reiterating their support for expanding macrofinancial data requirements. The Board agreed that addressing these data gaps will reduce blind spots and support even-handedness in Fund surveillance. Moreover, the strengthened framework will facilitate policy dialogue with the authorities on data issues and improve prioritization of capacity development efforts.

**NBC view:** The NBC supported the proposals, also encouraging further work in other areas to ensure that the Fund has the data to conduct macrocritical surveillance in priority areas, such as climate change, inequality and gender, technological change, etc. The NBC encouraged enhancing the framework dealing with cases of delayed provision of data and provision of inaccurate data remains an outstanding issue.

**Further reading:** [Review of Data Provision to the Fund for Surveillance Purposes](#)

## 2.4 USE OF SDRS IN THE ACQUISITION OF HYBRID CAPITAL INSTRUMENTS OF THE PRESCRIBED HOLDERS

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**Context:** In May, the Executive Board approved the use of Special Drawing Rights (SDRs) for the acquisition of hybrid capital instruments issued by prescribed holders. This new use of SDRs, which adds to seven already authorized prescribed SDR operations, is subject to a cumulative limit of SDR 15 billion to minimize liquidity risks. The Executive Board established a strong expectation that members channeling SDRs to acquire hybrid capital instruments from prescribed holders have Voluntary Trading Arrangements (VTAs) in place to ensure sufficient liquidity and equitable distribution of potential SDR exchanges into currencies. A review of the proposed use is expected to be conducted when cumulative hybrid capital contributions surpass SDR 10 billion or two years after the authorization, whichever comes first.

**NBC view:** The NBC raised strong concerns regarding the proposal and asked to be recorded as abstaining from the vote. In our view, allowing the use of SDRs for hybrid capital to provide capital contributions to MDBs constitutes a fundamental departure from the role envisioned for the SDR in the IMF Articles of Agreement. The proposed decision could open the door for demands to use SDRs for development financing or other purposes outside the Fund's mandate, which could erode confidence in the reserve asset status of the SDR. Furthermore, using SDRs in the acquisition of hybrid capital instruments is not legally feasible for EU countries due to the EU treaty's prohibition of monetary financing. Moreover, the NBC was not convinced that expanding the authorized use of SDRs to hybrid capital would enhance the attractiveness of the SDR as a reserve asset. We stressed the importance of implementing the appropriate risk mitigations to limit potential implications the

decision may have on the liquidity and operations of the VTA market. And we called for careful communication to manage expectations and clearly explain the role of SDRs to supplement members' reserve assets.

**Further reading:** [Use of SDRs in the Acquisition of Hybrid Capital Instruments of the Prescribed Holders](#)

## 2.5 TRANSPARENCY POLICY REVIEW

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**Context:** The Board concluded the 2024 Review of the Fund's Transparency Policy and Open Archives Policy in November. The Transparency Policy (TP) governs the publication of documents prepared for the Executive Board, sets expectations for the communication of Board views through press releases, and contains the modalities for modifying documents. The Open Archives Policy (OAP) sets out the rules for public access to the Fund's archives. The Fund has made significant progress since the inception of the policy and nearly all documents are now available in the public domain. This enhances the Fund's credibility, efficiency, and traction of policy advice and helps improve the quality of the Fund's surveillance work. However, there has been room for improvement regarding timeliness of publications and evenhanded application of the policy.

The Board approved a range of amendments to the Transparency Policy. The changes will (i) reinforce the objective of the policy and the importance of protecting the independence and candor of staff's analysis; (ii) ensure the adequate scope and coverage of the policy, by updating the indicative list of Board documents covered; (iii) support faster publication of Board documents e.g., by establishing a publication path for press releases for surveillance country reports and a timeframe for members to communicate their publication decision, and (iv) strengthen the rules and processes for modifying Board documents.

**NBC View:** The NBC expressed full support for the principles of the TP and OAP that aim at protecting the independence and candor of staff analysis, as well as governing the publication of Board documents. We welcomed efforts to ensure faster publication of Board documents and were generally supportive of the proposals to strengthen the rules for modifying Board documents while emphasizing that there should be no negotiation of the text and that reopening reports would be subject to considerable reputational risk.

**Further reading:** [2024 Review Of The Fund's Transparency Policy And Open Archives Policy](#)

## 2.6 COMMUNICATION STRATEGY REVIEW

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**Context:** Related to the review of the IMF's Transparency Policy, the Board revised the Fund's communication strategy in November. The Executive Board supported staff's proposal to transition from "doing more" to being more evidence based and selective in communications. The review stressed that communication should focus on topics within the Fund's mandate with the most value added; strengthen communication channels and platforms controlled by the Fund; unite the Fund's traditional media operations with social media; and internally, continue to bolster staff community and

dialogue on institutional priorities. Many Directors emphasized the importance of ensuring that Fund communications does not preempt Executive Board discussions, with some calling for more active engagement on strategic or sensitive issues. The Executive Board agreed that, while policymakers must remain the Fund's main target audience for communications, reaching a wider audience of policy influencers and the general public will be essential to achieving the Fund's institutional objectives. They therefore welcomed staff's proposals to expand and deepen engagement with local/regional media and stakeholders, particularly in program countries, including early engagement to inform policy advice.

**NBC View:** The NBC regards the Fund's communications as a strategic tool to increase effectiveness in delivering on the Fund's mandate and supported the proposed modifications of the communications strategy. We emphasized that the IMF's communications should ensure an understanding of the Fund's mandate and its distinct role in the International Monetary System, including what sets the Fund apart from development financing institutions. The Fund should use communications to manage expectations and address possible misperceptions about the organization, its policies, and tools. The NBC also emphasized the importance of early Executive Board involvement in strategic communication, particularly ahead of key external communication.

**Further reading:** [Review of the IMF's Communications Strategy](#)

## 2.7 TRADE STRATEGY IMPLEMENTATION

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**Context:** In 2023 the Fund reviewed the Role of Trade in the Work of the Fund. During 2024 global trade growth remained subdued, driven by more restrictive trade policies and weak investments. There was limited progress on longstanding policy issues, such as subsidies, and new risks emerged, including from disruptions in critical shipping routes, weaker trade linkages between politically distant trade partners, supply chain reconfiguration, and increased use of industrial policy measures. In 2024, the Fund started implementing the enhanced trade strategy approved in the 2023 review in the areas of data, analysis, surveillance, and dialogue.

**NBC view:** The large benefits that the rules-based multilateral trading system has brought over the last decades should not be taken for granted. The NBC continuously advocates in favor of the IMF having a strong voice on the consequences of trade fragmentation and facilitating a balanced growth in trade. Our constituency welcomed progress in implementing the Fund's trade strategy, while calling for further efforts to integrate available data and analytical work both in bilateral surveillance and in the multilateral macro-framework.

**Further reading:** [Review of the Role of Trade in the Work of the Fund, Trade](#)

## 2.8 THE IMF'S ENGAGEMENT IN CLIMATE ISSUES

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**Context:** In 2024, the Fund continued its climate work guided by the [2021 climate change strategy](#), including through surveillance, analytical work, technical assistance, and financial support. Surveillance covered climate mitigation, adaptation, and transition aspects as well as climate-related financial sector

risks in Article IV reports and FSAPs. Analytical work published in the IMF’s Staff Climate Notes focused on assessing global climate mitigation policies, fostering green FDI, understanding the implications of nature-related risks for macroeconomic and financial sector policies, climate adaptation finance, climate fintech, and implementing global carbon tax on aviation and shipping. Wide ranging capacity development support was provided, including on fiscal management through the climate module of the Public Investment Management Assessment (C-PIMA), and climate policy diagnostics. In November, the IMF launched a new tool to help countries assess long-term climate change risks to public finance (Q-CRAFT). Financing was provided through Resilience and Sustainability Trust (see section 3.10 under Lending).

The Fund continued close collaboration with the World Bank on climate issues through an enhanced framework to help countries scale up action to confront the threat of climate change. In June, Madagascar became the first pilot country for the IMF-World Bank [Enhanced Cooperation Framework](#) for scaled-up climate action. In October, five international organizations – the IMF, World Bank, OECD, UNCTAD, and WTO - [released a landmark report](#) outlining pathways for coordinated approaches to climate action, carbon pricing, and the cross-border effects of climate change mitigation policies, with an aim of achieving global climate goals.

**NBC view:** The NBC strongly supports the implementation of the IMF’s climate strategy and the deepening of the Fund’s engagement on macro-critical climate change issues across its activities. In our view, the Fund should continue leveraging its high-quality policy analysis, surveillance, capacity development (CD), and lending activities to assist members in improving governance and the investment environment, promoting climate and financial policy reforms, and assessing risks. This will help member countries prevent and address macroeconomic and financial stability risks related to climate change, while ensuring economic sustainability. The IMF should collaborate closely with the World Bank and other external partners to continue deepening the Fund’s climate-related surveillance, which in tandem with CD, are powerful assets available to all Fund members.

**Further reading:** [Climate Change](#); [Climate PIMA](#); [Quantitative Climate Risk Assessment Fiscal Tool \(Q-CRAFT\)](#); [World Bank Group and the IMF Deepen Joint Effort to Scale Up Climate Action](#)

## 2.9 THE IMF’S ENGAGEMENT IN GENDER ISSUES

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**Context:** Endorsed by the IMF Executive Board in 2022, the IMF Strategy for Mainstreaming Gender aims to incorporate gender considerations into the IMF’s core activities - surveillance, lending, and capacity development (CD) – when macrocritical. The strategy focuses on four key pillars: (i) collecting gender-disaggregated data and developing modeling tools to enable comprehensive policy analysis; (ii) establishing a robust governance framework to ensure an evenhanded approach across members based on the macro-criticality of gender; (iii) strengthening collaboration with external partners; and (iv) efficiently utilizing resources by creating a central unit to achieve economies of scale and support country teams.

Progress has been made in implementing the strategy. Analytical and policy work has examined the macroeconomic impacts of gender disparities, resulting in more nuanced policy recommendations.

Enhanced collaboration with external partners has complemented these efforts, and capacity development (CD) has increasingly included gender training. In January 2024, the IMF published an [interim note](#) providing operational guidance to staff, linking gender inequality to macroeconomic outcomes and identifying and addressing macrocritical gender gaps. The note also explores synergies between gender, climate, digitalization, and fragile states, lists available resources, and emphasizes external collaboration. A comprehensive guidance note is due by FY26.

**NBC view:** The NBC strongly supports the gender mainstreaming strategy, and welcomes the work done by staff in surveillance, analytical work, and CD since the strategy's adoption. The NBC supports its aim to focus on macro-critical aspects of gender issues in areas in which the Fund has expertise. Collaboration with external partners to benefit from peer learning, knowledge sharing, leveraging complementarities, and avoid duplication is crucial. In bilateral surveillance, regular follow-up on previous recommendations would be important to assess policy traction and to allow further deepening of the policy dialogue.

**Further reading:** [IMF Strategy Toward Mainstreaming Gender](#)

## 2.10 DIGITALIZATION AND CBDCS

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**Context:** The global interest in Central Bank Digital Currencies (CBDC) remains strong with many Central Banks around the world exploring CBDC, although the motivations differ. The IMF is responding to the high interest and large demand from member countries with a CBDC virtual Handbook which is intended to be a reference for policymakers and experts, in both advanced economies and emerging market and developing economies. In addition, the Handbook is a basis for Capacity Development in the area of CBDC, and the topics of the chapters are chosen based on demand from member countries. The chapters are first published as Fintech Notes and views of IMF member countries are incorporated in the process. The Handbook chapters are among the most downloaded documents from the IMF website. The first wave of Handbook chapters was published in November 2023 and the second wave in November 2024. The six chapters, published in 2024 address i) how to position CBDC vis-a-vis fast payment systems and e-money networks, ii) cyber risk resiliency, iii) CBDC adoption challenges, iv) data collection and privacy issues, v) the impact on monetary policy operations and vi) how CBDC can be designed to help improve cross-border payments.

**NBC view:** The NBC welcomed the work on CBDC noting that the Fund is well placed to guide the CBDC exploration of member countries, given its global membership. The NBC called for clearly distinguishing between retail and wholesale CBDC in the Fund's publications, as well as for increased focus on cross border payments going forward and on the implications of the introduction of CBDC in a wider context, including its effects on the international monetary system and cross border spillover risks.

**Further reading:** [Central Bank Digital Currency: Progress And Further Considerations](#)

## 3. LENDING

### 3.1 ADEQUACY OF IMF PRECAUTIONARY BALANCES

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**Context:** In March, the Executive Board reviewed the adequacy of the IMF's precautionary balances. Precautionary balances are a key element of the IMF's multilayered risk management framework, providing a buffer against potential losses from credit, income, and other financial risks. The medium-term target for precautionary balances is set by the Board, guided by an indicative range of forward-looking outstanding non-concessional IMF lending. The Board assessed that the SDR 25 billion medium-term target remained adequate given broadly unchanged financial risks from the last review, further accumulation of reserves, and the strengthening of some risk mitigants. While the medium-term target was set at SDR 25 billion in 2020, it was reached for the first time in 2024. The Board approved raising the floor of precautionary balances from SDR 15 billion to SDR 20 billion, to maintain an adequate minimum level of reserves given higher credit peaks and more volatile commitments, and to ensure sufficient investment income. The precautionary balances adequacy assessment framework itself was found broadly adequate although some methodological enhancements were introduced.

**NBC view:** The NBC agreed that the overall balance of credit and financial risks had remained broadly unchanged since the previous review in 2022 and that the medium-term target should be maintained at SDR 25 billion. The NBC welcomed and supported the proposal to raise the minimum floor to SDR 20 billion. We also agreed that the rules-based framework for assessing the adequacy of precautionary balances remained broadly appropriate although refinements might be needed in the future to address concentration risk in the credit portfolio.

**Further reading:** [Review of the Adequacy of the Fund's Precautionary Balances](#)

### 3.2 REVIEW OF CHARGES AND THE SURCHARGE POLICY

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**Context:** In October, the Executive Board reached consensus on reforms of the IMF's charges, surcharges, and commitment fees. The agreed changes will reduce the cost of borrowing from the General Resources Account (GRA) while safeguarding the strength of the Fund's financial position and preserving incentives for prudent and temporary borrowing from the Fund. The Board approved lowering the margin for the basic rate of charge from 100 basis points to 60 basis points. It also increased the level-based threshold for surcharges from 187.5 to 300 percent of quota, reduced the time-based surcharge rate from 100 basis points to 75 basis points and aligned the thresholds for commitment fees with GRA annual and cumulative access limits at 200 and 600 percent of quota, respectively. The reform package is expected to lower borrowing costs for members by about USD 1.2 billion annually and reduce payments on the margin of charges and surcharges on average by 36 percent. The Board also supported setting the regular cycle for a review of surcharge policy for every 5 years, or earlier if warranted, and strengthening transparency procedures about the cost of Fund borrowing. To further bolster the strength of the Fund's balance sheet, the Board agreed to increase the level of special reserves to the minimum floor of the Fund's precautionary balances (PBs), set at

SDR 20 billion. This was considered beneficial to further strengthen the backstop provided by PBs for the absorption of possible losses.

**NBC view:** The NBC supported the proposed reform package as a compromise, although more moderate adjustments would have been preferred. The changes to the charges and the surcharge policy were considered to provide meaningful relief to GRA borrowers. The NBC noted that the multitiered system of charges and surcharges is a vital component of the Fund's risk-mitigation framework. The NBC supported increasing the level of the special reserve to the minimum floor of the precautionary balances and stressed the importance of continued close monitoring of the Fund's finances and reserve generation capacity.

**Further reading:** [Review Of Charges And The Surcharge Policy—Reform Proposals](#)

### 3.3 POVERTY REDUCTION AND GROWTH TRUST (PRGT) FACILITIES AND FINANCING

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**Context:** In October, the Executive Board approved a set of reforms to the Fund's concessional lending facilities and an associated funding strategy for the Poverty Reduction and Growth Trust (PRGT). The exceptionally high demand for the Fund's concessional support in recent years, amid sharply higher funding costs, has put PRGT finances under strain and reduced the Trust's self-sustained lending capacity to about SDR 1 billion a year. The Board generally considered it appropriate to set the PRGT's long-term lending envelope to SDR 2.7 billion a year to ensure adequate support to LICs. The Board also supported a new tiered interest rate mechanism that recognizes the increasing heterogeneity of LICs. The mechanism enhances targeting of scarce PRGT subsidy resources to the poorest LICs and charges higher-income LICs positive, while still concessional, rates. The approved package included several other reforms, including lowering the access norm to help anchor the average size of PRGT arrangements while maintaining access limits unchanged. Also, the safeguards for a robust risk management framework were strengthened and streamlined and the PRGT investment strategy was modified.

The Board accepted the proposed financing strategy to help close the PRGT's subsidy gaps. The strategy deploys IMF internal resources in the context of a historically strong financial position of the GRA, alongside some additional bilateral subsidy contributions and suspension of GRA reimbursements. The framework is designed to attain SDR 5.9 billion additional contributions to PRGT subsidies, facilitated through distribution of GRA net income and/or reserves over the next five years, subject to the adequacy of financial position of the GRA. The principal amounts of the GRA distributions will be held in an interim placement administered account until members have provided sufficient assurances, equivalent of 90 percent of the distribution amounts, to commit their share/equivalent amounts of the GRA distribution for PRGT subsidies. The interest income earned on the administered account will be transferred to PRGT subsidy reserves, helping alleviate the subsidy gap already in the short term.

**NBC view:** The NBC expressed their strong commitment to support LICs and considered the PRGT a key element of the Fund's toolkit. The NBC was willing to go along with the proposed long-term

lending envelope of SDR 2.7 billion a year, while noting that lending projections should be guided by realistic assessments of resource availability and with due attention to the catalytic role of Fund financing. We emphasized the importance of strengthening IMF programs. The NBC supported the introduction of the tiered interest rate structure to generate subsidy savings while targeting the most concessional financing terms to the poorest members. The NBC did not oppose the proposed financing strategy but expressed concerns about the strategy's effectiveness in ensuring self-sustainability of the PRGT given the high uncertainty about achieving sufficient assurances. The NBC emphasized that the Board's decision does not entail commitments from members about future contributions to the PRGT.

**Further reading:** [2024 Review Of The Poverty Reduction And Growth Trust Facilities And Financing — Reform Proposals](#)

### 3.4 GRA ACCESS LIMITS

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**Context:** In December, the Executive Board concluded the Comprehensive Review of General Resources Account (GRA) Access Limits. Access limits set limits on overall annual and cumulative access to IMF resources. They represent a key element of the Fund's risk management framework to ensure enhanced safeguards for Fund financing above normal limits, while providing confidence about the Fund's ability to support its members. The access limits are not ceilings but thresholds for enhanced scrutiny. Access levels in individual cases are guided by the Fund's standard access policy criteria, such as balance of payment needs, program strength, and capacity to repay the Fund. As part of the review, the Board agreed to maintain the overall annual and cumulative GRA access limits at 200 and 600 percent of current quotas, respectively, keeping them unchanged from the existing temporary limits that were set to expire at the end of 2024. The decision was considered to strike a balance between offsetting a large portion of erosion of access limits against key macroeconomic metrics since the last comprehensive review in 2016 while maintaining adequate risk safeguards and supporting stability of the policy. The Board also approved keeping other instrument-specific limits and thresholds broadly unchanged. To maintain access levels in nominal (SDR) terms when the 50 percent quota increase under the 16th GRQ becomes effective, the Board supported dividing GRA and RST access limits and other specified quota-based thresholds by 1.5 with some rounding. This would ensure stability and predictability of Fund policies.

**NBC view:** The NBC supported maintaining annual and cumulative GRA access limits at 200 percent and 600 percent of quota, respectively. We emphasized the importance of access limits in the multi-layered risk management framework, while noting that access limits are not a ceiling to Fund financing support but rather trigger additional scrutiny and enhanced safeguards. The NBC supported automatic recalibration of all quota-based limits and thresholds once the 16th GRQ becomes effective to avoid undue relaxation of policies.

**Further reading:** [Comprehensive Review of GRA Access Limits](#)

### 3.5 PROGRAM MONITORING WITH BOARD INVOLVEMENT

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**Context:** In February, the Executive Board reviewed the policy on Staff-Monitored Program with Executive Board Involvement (PMB). The PMB was created in 2022 as a subset of Staff-Monitored Programs (SMPs) that help a member build a policy implementation track record towards a UCT-quality program. While not replacing SMPs as the primary tool for building a track record, the PMB plays a specific role in supporting members when there is benefit in targeted Board involvement because of either (i) an ongoing international effort to provide substantial new financing or debt relief or (ii) significant outstanding Fund credit under emergency financing (EF) instruments. It allows the Executive Board to opine on the robustness of the member's policies to meet the program's objectives, while not constituting the Board's endorsement of the program. Since 2022, experience with the PMB has been limited to three country cases – Ukraine, Malawi, and South Sudan. In all three cases, the PMB provided a robust macroeconomic framework in the context of high emergency financing and in two cases (Ukraine and Malawi) it supported concerted international efforts by creditors or donors. While use of the PMB has been limited so far, the PMB could be useful to support a greater catalytic effect and donor coordination when there is a large financing gap or deeper need for debt restructuring. It was recognized that further experience would be needed to draw more definitive conclusions in terms of the usefulness of the PMB vis-à-vis alternative instruments and a more parsimonious Fund toolkit. In this context, it was proposed to keep the PMB in the toolkit and conduct the next review of the instrument in three years.

**NBC view:** The NBC supported keeping the PMB in the Fund's toolkit and having a more substantial review in three years. Recognizing the role of the PMB in specific circumstances, the NBC considered the experience with the PMB encouraging, albeit limited. The NBC noted that regular SMPs should be the main mode of engagement for building a track-record towards a UCT-quality program. The NBC emphasized the importance of clear communication of the Board's limited role in PMB to avoid diluting the signaling effect of the Board's endorsement of UCT-quality programs. As further evidence is gathered, the next review would provide a good opportunity to assess the PMB's value added.

**Further reading:** [Review of the Policy on Staff-Monitored Program With Executive Board Involvement](#)

### 3.6 EFFORTS TO STRENGTHEN DEBT SUSTAINABILITY

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**Context:** The IMF's efforts to strengthen debt sustainability in member countries are anchored in its policy advice and surveillance activities, capacity development support (e.g., debt management), and its financing arrangements. By providing in-depth analysis of a country's macro-financial stability and assessing its debt sustainability prospects, the IMF plays a crucial role in supporting restructurings when necessary and defining the necessary financing or debt relief envelope.

In April, the IMF Executive Board endorsed a set of reforms aimed at improving the IMF's support for countries undergoing debt restructuring. These reforms are designed to enhance information flows and make the Fund more agile while maintaining adequate safeguards for IMF financing and reinforcing the existing debt resolution framework. Some IMF-programs faced delays in securing official creditor assurances, but recently, countries have moved more quickly through the process. The reforms of the IMF's processes focus on clarifying additional safeguards, strengthening financing assurances reviews, establishing a more robust approach for deriving assurances from official bilateral

creditors, adjusting the IMF's *Approval-in-Principle* procedures, and clarifying IMF support for members facing arrears to official creditors in emergency situations.

In 2024, progress was made in ongoing debt restructuring cases both under the Common Framework (CF) and outside it. The Global Sovereign Debt Roundtable (GSDR), launched in 2023 by the IMF, World Bank, and the G20, continues to work towards fostering consensus on debt sustainability and debt-restructuring challenges. The Roundtable brings together representatives from official bilateral creditors both within and outside the Paris Club, as well as private sector creditors and borrowing countries. There is now a greater common understanding of key aspects of debt restructuring, such as comparability of treatment, information sharing, and expected timelines. The GSDR has facilitated this progress by providing a platform for discussion and advancing common understanding, while recognizing that individual debt restructurings are handled on a case-by-case basis through relevant negotiating processes, including creditor committees.

Supporting countries with sustainable debt but high liquidity pressures has become a priority, as many low-income countries and some emerging markets face significant liquidity challenges. The IMF and World Bank have proposed a three-pillar approach to address current liquidity challenges, combining structural reforms, adequate financial support, and actions to reduce debt servicing burdens. This approach is tailored to each country's unique circumstances and needs. The GSDR has also continued its work on technical issues, including the use of state-contingent debt instruments (SCDIs) and the trade-offs associated with collateralized debt from private creditors.

**NBC view:** The NBC strongly supports the Fund's work on debt sustainability. We welcome reforms aimed at improving the IMF's support for countries undergoing debt restructuring, and the progress achieved under the Global Sovereign Debt Roundtable, which has helped facilitate mutual understanding of issues that hinder restructurings. The NBC also supports the Fund's proposals to further accelerate the implementation of the G20 Common Framework for Debt Treatments. Additionally, we support the Fund's initiatives to further improve public debt transparency, which will facilitate good governance, contributing to debt sustainability and swifter debt resolutions for countries in debt distress.

**Further reading:** [Policy Reform Proposals To Promote The Fund's Capacity To Support Countries Undertaking Debt Restructuring](#), [Global Sovereign Debt Roundtable — 2nd Cochairs Progress Report](#), [Global Sovereign Debt Roundtable — 3rd Cochairs Progress Report](#)

### 3.7 STANDARD LENDING FACILITIES

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At the end of 2024, the Fund was engaged in 28 active programs (including eight precautionary arrangements). The IMF has approximately USD 205 billion in total lending commitments and credit outstanding under the General Resources Account. The largest exposures were to Argentina, Ukraine, Egypt, Pakistan, and Ecuador. During 2024, the Executive Board approved five new loans or precautionary arrangements under the standard non-concessional lending and conducted regular reviews of ongoing programs. The NBC supported requests for new programs, as well as the reviews completed during 2024.

**Further reading:** [Weekly Report December 20, 2024](#)

### 3.7.1 ARGENTINA

**Context:** In 2024, the Executive Board completed the seventh and eighth reviews of Argentina's Extended Arrangement under the Extended Fund Facility (EFF), enabling disbursements of USD 4.7 and 0.8 billion bringing the total disbursements under the arrangement to about USD 41.4 billion. The seventh review took place in early 2024. Expansionary and inconsistent policies ahead of the 2023 general elections had led to a further rise in the fiscal deficit, depletion of international reserves, and increased reliance on distortive measures. Following the elections, the new administration began implementing an ambitious stabilization plan with a strong fiscal anchor, actions to rebuild reserves, boost the trade balance, correct relative price misalignments, strengthen the central bank's balance sheet, and implement a market-oriented reform. It also scaled up social assistance to protect the most vulnerable. With the corrective action by the authorities and strong ownership to implement their stabilization plan, the seventh review was completed with some modifications.

The eighth review took place in June 2024 with the program firmly on track and the stabilization plan producing welcomed results, including fiscal and external surpluses, improvement in FX reserves, and faster-than-expected disinflation. Program risks had somewhat moderated yet remained elevated. The Executive Board emphasized that the path ahead remains challenging, requiring further policy adjustments to tackle still large imbalances and growth bottlenecks. These include (i) strengthening the fiscal anchor by improving the quality and durability of the ongoing consolidation; (ii) enhancing the monetary and FX framework to entrench the disinflation process and support reserve accumulation.

**NBC view:** The NBC agreed with the conclusion of the seventh and eighth reviews of Argentina's EFF arrangement. The NBC acknowledged that the authorities' decisive implementation of the stabilization plan had produced initial promising results. However, the path to successful stabilization of the economy remained narrow and surrounded by risks. The NBC underlined that broader political support was needed to improve the quality of the fiscal adjustment and stressed the importance of clear and consistent communication about the new monetary and FX policy regime.

**Further reading:** [Argentina: Seventh Review under the Extended Arrangement under the Extended Fund Facility](#); [Argentina: Eighth Review Under the Extended Arrangement Under the Extended Fund Facility](#)

### 3.7.2 UKRAINE

**Context:** Following Russia's full-scale invasion of Ukraine in February 2022, the IMF has been actively supporting Ukraine and remained closely engaged with the Ukrainian authorities. In 2024, the Executive Board completed the third, fourth, fifth, and sixth reviews of Ukraine's Extended Arrangement under the Extended Fund Facility (EFF) enabling disbursements of about USD 5.3 billion in total. This comes after the Fund disbursed about USD 4.5 billion under the program in 2023, USD 1.4 billion in emergency financing in March 2022, and USD 1.3 billion in October the same year under the Food Shock Window (FSW).

While Russia's war of aggression continues to take a devastating social and economic toll on Ukraine, the performance under its program remained strong throughout 2024. Macroeconomic stability was preserved through skillful policymaking and a strong commitment to the program. GDP growth in 2024 was updated to 4 percent given the stronger-than-expected resilience against energy shocks. Inflation picked up more than expected to 9.7 percent yoy in October driven by food prices, higher wages due to labor market shortages and higher energy costs, but inflation expectations remained anchored.

Tax collection performed robustly throughout the year and the fiscal deficit at the end of the 3<sup>rd</sup> quarter was slightly narrower than expected. The newly adapted tax package expected to raise revenue by an amount equivalent to 1.5 percent of GDP in 2025, will strengthen the fiscal position. However, further revenue mobilization efforts will be needed to cope with increasing spending needs. The National Bank of Ukraine (NBU) held the key policy rate at 13 percent in October and November, raised it to 13.5 percent in December and stand ready to adjust the monetary policy stance if inflation shows sign of de-anchoring from expectations. The exchange rate has fluctuated within a band and interventions have been significant while the NBU has prepared a conditions-based strategy to move to a more flexible exchange rate, ease FX controls and transition to inflation targeting. Reforms to strengthen governance, rule of law and anti-corruptions are progressing supporting growth and the EU accession process.

The program remains fully financed in both the baseline and downside scenarios with firm commitments over a 12-month rolling horizon. This includes commitments under the G7 and EU's Extraordinary Revenue Acceleration (ERA) loans, as well as Norway's continued support for Ukraine.

**NBC views:** The Nordic-Baltic countries continue to condemn Russia's aggression and remain strong supporters of Ukraine and the authorities' continued efforts under the EFF arrangement. The NBC commended the authorities for the strong program performance and commitment under exceptional circumstances. In the program reviews we have stressed that continued advancement in domestic revenue mobilization will be important going forward and highlighted the need for continued efforts to improve governance and anti-corruption.

### 3.7.3 EGYPT

The first and second reviews of Egypt's extended arrangement under the Extended Fund Facility (EFF) were completed in March 2024. The third review was completed in July 2024, bringing total disbursements to USD 1.64 billion. The Executive Board approved an augmentation of the original program by USD 5 billion at the time of the combined first and second reviews, bringing total access to USD 8 billion. Following the Board approval of the 46-month program in December 2022, external shocks, including the impact of the war in Gaza, the Red Sea disruptions, and an influx of refugees further exacerbated existing vulnerabilities and contributed to a widening of the financing gap. An economic stabilization plan was introduced at the time of the first and second reviews to correct policy slippages. The plan centers on the implementation of a flexible exchange rate regime, tightening the policy mix, reducing public investment, and leveling the playing field to allow the private sector to become the engine of growth. At the third review, the Executive Board emphasized the importance of

firm implementation of reforms, especially noting that stepped up efforts are needed on the structural reform agenda.

**NBC view:** The NBC supported the completion of the reviews, emphasizing that the program success is based on a sustained reform implementation and the authorities' program ownership. Among priority areas that the NBC emphasized were the importance of a sustained shift to a flexible exchange rate, increasingly revenue based fiscal consolidation, progress on the implementation of the State-Ownership Policy and increased transparency of state-owned enterprise activities.

**Further reading:** [Arab Republic of Egypt: Third Review Under the Extended Arrangement Under the Extended Fund Facility, Monetary Policy Consultation Clause, Requests for Waivers of Nonobservance of a Performance Criterion and Applicability of Performance Criteria, and Request for Modification of Performance Criteria-Press Release; and Staff Report](#)

### 3.7.4 PAKISTAN

**Context:** In September, the Executive Board approved a 37-month Extended Arrangement under the Extended Fund Facility (EFF) for Pakistan, amounting to 262 percent of quota (SDR 5,320 million), with SDR 760 million disbursed upon approval. Pakistan has made significant strides in restoring economic stability through consistent policy implementation under the 2023-24 Stand-by Arrangement (SBA). Economic growth rebounded to 2.4 percent in FY24, while inflation fell to single digits due to tight fiscal and monetary policies. A stable current account and calm foreign exchange market helped rebuild reserve buffers. Despite this progress, Pakistan faces significant challenges and risks falling behind its peers without substantial reforms. Key priorities under the new EFF-supported program include: (i) enhancing policy credibility and macroeconomic sustainability through sound policies and a broader tax base; (ii) advancing reforms to boost competition, productivity, and competitiveness; (iii) reforming SOEs and improving public services and energy sector viability; and (iv) building climate resilience. Executive Directors emphasized the importance of sustained program implementation, capacity development, and collaboration with partners to mobilize financing, restore market access, and ensure durable and inclusive growth while reducing debt. They underlined that vigilant monitoring, close consultation with the Executive Board, and robust contingency planning are crucial for the program's success.

**NBC view:** The NBC supported the authorities' request for a new extended arrangement under the EFF noting that the risks to the program and economic outlook are exceptionally high, but close engagement with the Fund is indispensable for Pakistan at this critical juncture. The NBC urged the authorities to demonstrate strong ownership and steadfastly implement key reforms that urgently address the root causes of the economic problems. This will be necessary for program success and for ensuring adequate support from international partners.

**Further reading:** [Pakistan: 2024 Article IV Consultation and Request for an Extended Arrangement under the Extended Fund Facility - Press Release; Staff Report; and Statement by the Executive Director for Pakistan](#)

### 3.7.5 ECUADOR

**Context:** In May, the Executive Board approved a new 48-month arrangement under the Extended Fund Facility (EFF) for Ecuador, with access equivalent to USD 4 billion. The program aims to support Ecuador’s policies to stabilize the economy, safeguard dollarization, and lay the foundations for sustainable and inclusive growth. Key elements of the authorities’ policy agenda include cementing fiscal and debt sustainability, expanding the social safety net, enhancing financial sector resilience, and further strengthening transparency and governance. In December, the first review of the program was concluded. All quantitative targets had been met and implementation of structural benchmarks were progressing well. Ecuador is currently the fifth largest debtor of the IMF and the second largest as a share of quota.

**NBC view:** The NBC supported the request for the EFF program but expressed reservations about the program being heavily frontloaded as it may increase the risk of policy slippages in the second half of the program. In December, we supported the completion of the first review and commended the authorities for their program performance. In both May and December, the NBC emphasized the risks of the program as it hinges on continued political ownership in a potentially shifting political and social landscape and renewed access to international capital markets.

**Further reading:** [IMF Executive Board Approves 48-Month US\\$4 Billion Extended Fund Facility Arrangement for Ecuador](#), [IMF Executive Board Concludes First Review of the Extended Fund Facility for Ecuador and 2024 Article IV Consultation](#)

## 3.8 PRECAUTIONARY LENDING ARRANGEMENTS

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As of December 31, 2024, the Fund was engaged in five precautionary arrangements (Morocco, Mexico, Jamaica, Colombia, and Chile) with about USD 62 billion available in lending commitments. This marked a decrease both in terms of the number of arrangements and the size of the overall commitment, as at the end of 2023, the IMF was engaged in seven arrangements with USD 76 billion in lending commitments. During 2024, the Executive Board approved two precautionary arrangements for Colombia and Chile, although in both cases those were successor arrangements to the previous precautionary Flexible Credit Lines (FCLs). All five arrangements have been treated as precautionary. Mexico’s tenth arrangement under the FCL since 2009, amounting to about USD 35 billion (300 percent of quota), continues to be the largest. The NBC supported the requests for the new arrangements, as well as the reviews completed during 2024.

## 3.9 PROGRAMS IN LOW-INCOME COUNTRIES

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As of December 31, 2024, the Fund was engaged in 32 active programs and had approximately USD 28.8 billion in total loans outstanding and lending commitments under the Poverty Reduction and Growth Trust (PRGT). During 2024, the Executive Board approved 6 new Fund-supported programs with financial from PRGT. The Executive Board also completed several regular reviews of ongoing Fund-supported programs.

The NBC supported most requests for new programs, as well as the reviews completed during 2024. The NBC abstained from voting on a request for an ECF program from Burkina Faso in September 2023 and on subsequent first and second Reviews of the program held in June and December 2024 due to concerns about significant risks related to political instability, governance, and transparency. The NBC also abstained on Niger's request for completion of the fourth and fifth reviews under the ECF arrangement and the first review under the RSF arrangements, given risks related to governance, accountability, and ownership, as well as the security crisis and the program's inability to catalyze support from development partners. Three of the major new Fund-supported programs under the PRGT are described in more detail below.

**Further reading:** [Weekly Report December 20, 2024](#)

### 3.9.1 ETHIOPIA

**Context:** In July, the Board approved a USD 3.4 billion ECF arrangement with Ethiopia enabling the immediate disbursement of USD 1 billion. The first review was approved in October enabling disbursement of 341 million. In addition, a staff-level agreement for the second review was reached in December. The authorities' economic program, supported by the four-year ECF arrangement, envisages a comprehensive policy package to stimulate private sector activity and increase economic openness to promote higher and more inclusive growth. Strengthening social safety nets to mitigate the impact of reforms on vulnerable households is a critical component of the authorities' reform program. Key policies include: (i) moving to a market-determined exchange rate to help address external imbalances and relieve FX shortages; (ii) combating inflation through modernizing the monetary policy framework, eliminating monetary financing of the budget, and reducing financial repression; (iii) creating space for priority public spending through mobilizing domestic revenues; (iv) restoring debt sustainability, including through securing timely debt restructuring agreements with external creditors; and (v) strengthening the financial position of state-owned enterprises to tackle critical macro-financial vulnerabilities.

**NBC views:** The NBC considered the approval of the program a critical step for Ethiopia's economic development and an important anchor for the country's needed economic turnaround. Ethiopia's longstanding economic issues, including an unsustainable debt position, coupled with political and security instability in recent years, have exacerbated the economic challenges.

**Further reading:** [IMF Executive Board Approves Four-Year US\\$3.4 billion Extended Credit Facility Arrangement for Ethiopia](#); [IMF Executive Board Completes the First Review under the Extended Credit Facility \(ECF\) Arrangement for Ethiopia](#)

### 3.9.2 GHANA

The second and third reviews of Ghana's Extended Credit Facility (ECF) arrangement were completed in 2024, bringing total disbursements under the program to roughly USD 1.9 billion. The USD 3 billion, 36-month arrangement was approved by the Executive Board in May 2023. Continued progress was made in 2024 on a comprehensive public debt restructuring. An agreement was reached on a Memorandum of Understanding with Ghana's Official Creditors committee (OCC) under the G20 Common Framework in June 2024, the government completed the exchange of its Eurobonds and

continued the engagement with remaining external commercial creditors. Domestic debt restructuring was completed in 2023. Key policies under the authorities' program include fiscal consolidation to bring public finances back on a sustainable path, complemented by efforts to protect the vulnerable. The adjustment efforts are supported by ambitious structural reforms in the areas of tax policy, revenue administration, and public financial management, as well as steps to address weaknesses in the energy and cocoa sectors. The program focuses on preserving financial stability and encouraging private investment and growth. Performance under the program is assessed to be satisfactory, and efforts have yielded recovering growth, declining inflation and improving fiscal and external positions. Executive Directors emphasized the importance of staying the course of macroeconomic policy adjustments and stressed the importance of structural reforms.

**NBC view:** The NBC welcomed the generally satisfactory program performance but stressed that significant challenges remain and that continued steadfast structural reform implementation and fiscal prudence will be essential. The NBC welcomed progress made on debt restructuring and supported measures to strengthen debt management.

**Further reading:** [Ghana: Third Review Under the Arrangement Under the Extended Credit Facility, Request for Modification of Performance Criteria, and Financing Assurances Review-Press Release; Staff Report; and Statement by the Executive Director for Ghana](#)

### 3.9.3 ZAMBIA

The third and fourth reviews under Zambia's Extended Credit Facility (ECF) Arrangement were completed in 2024, bringing total disbursements under the program to roughly USD 1.3 billion. The 38-month program was approved by the Board in August 2022. The originally approved access of 1.3 billion was augmented to USD 1.7 billion in June 2024. The augmentation was approved in light of a historic drought adding to external and fiscal financing needs. GDP growth in 2024 was revised downwards both at the third review in June (to 2.3 percent) and at the fourth review (to 1.2 percent), to a large extent due to the drought significantly impacting agriculture and electricity production. The current account improved over the year, but inflation rose due to higher food prices and currency depreciation. Progress continued on Zambia's debt restructuring efforts. The first bilateral agreements were signed to implement the MoU signed by the Official Credit Committee under the G20 Common Framework, a Eurobond exchange was completed in June and Agreements in Principle (AIP) were reached with most private commercial creditors. Public debt was assessed as sustainable at the fourth review, as restructuring of external debt has been incorporated into the macro-framework, although the risk of debt distress remains high. Program performance is assessed to be satisfactory, and the Executive Board stressed the need for continued fiscal consolidation while preserving social spending, prudent monetary policy, further reserve accumulation, exchange rate flexibility and sound financial policies. In addition, it highlighted the need to strengthen policy frameworks and institutions, implement reforms in the energy sector and improve transparency and governance.

**NBC view:** The NBC welcomed the generally satisfactory program performance under challenging circumstances but stressed the importance of a revenue driven fiscal consolidation and contingency planning in light of the high risks going forward. The NBC emphasized that debt management should

be strengthened and highlighted that strengthening governance and increasing transparency will be key in supporting growth.

**Further reading:** [Zambia: Fourth Review Under the Arrangement Under the Extended Credit Facility and Financing Assurances Review-Press Release; Staff Report; and Statement by the Executive Director for Zambia](#)

### 3.10 RESILIENCE AND SUSTAINABILITY TRUST (RST)

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**Context:** In May, the Executive Board completed the interim review of the RST and the review of the adequacy of RST resources. Since the RST became operational in October 2022, demand has been strong, with 20 Resilience and Sustainability Facility (RSF) arrangements approved by the end of December 2024, totaling SDR 7.1 billion. All approved programs were climate-related, aiming to help low-income and vulnerable middle-income countries build resilience to climate shocks and ensure sustainable growth. The highest demand has come from African countries, with 13 arrangements in Sub-Saharan Africa and four in Latin America and the Caribbean. Eleven approved programs featured maximum access (150 percent of quota or SDR 1 billion). In line with the eligibility criteria, all countries with RSF programs also have a concurrent IMF-supported UCT-quality program. Although most arrangements were in their early stages, the Executive Board approved adjustments to several elements of the RST design to improve its effectiveness. These adjustments include facilitating early disbursements for timely reform measures and ensuring continuity when switching between qualifying UCT - quality programs. The review also assessed the Trust's resources, indicating a need for increased near-term fundraising to meet demand, though reserves remain adequate under various scenarios. A more comprehensive review is planned for 2026.

The approved RST programs include a wide range of reforms for climate mitigation, adaptation, and transition. These cover public financial management (green budgeting), fiscal policy (carbon pricing), the financial sector, disaster risk management, renewables, energy efficiency, and security. The Fund's C-PIMAs and the World Bank's Country Climate and Development Reports (CCDRs) provide crucial input for the RSF arrangements. Although no RSF request on pandemic preparedness was approved by the end of 2024, the IMF, World Bank, and WHO have [agreed on cooperation principles](#) to enhance pandemic preparedness. This collaboration aims to strengthen health systems' resilience and improve their response to health emergencies, optimizing financial resources and technical expertise.

**NBC view:** The NBC welcomes the swift progress in operationalizing the RST. In the interim review, we underlined the importance of ensuring that the RSF programs contain strong reform measures to help countries reduce climate-related macro-critical risks, thus promoting economic resilience and sustainability and enhancing BoP stability. We welcomed the RSF's catalytic role in encouraging financing from other sources, including the World Bank, national authorities, and other development and private partners. The NBC also encouraged close coordination and complementarity with the World Bank and other partners when designing and implementing the RSF programs.

**Further reading:** [The Resilience and Sustainability Facility \(RSF\); Interim Review of The Resilience and Sustainability Trust and Review of Adequacy of Resources; Climate PIMA; Country Climate and Development Reports \(CCDRs\)](#)

## 4. CAPACITY DEVELOPMENT

**Context:** The IMF's Capacity Development (CD) work, covering technical assistance and training, is one of the three core functions of the IMF (along with surveillance and lending). With a focus on areas critical to better economic management, CD activities support countries' efforts to develop more robust public fiscal management systems, improve revenue mobilization, bank supervision, and governance. The Fund's CD continues to support transformative policy actions that address longer-term challenges, including inequality, fragility, digitalization, and climate change.

The Executive Board concluded the third quinquennial review of the Fund's CD in April. The review presented proposals in six broad areas. (i) Prioritization and integration. The review emphasized flexibility while addressing new prioritized needs which do not always require additional resources. (ii) The funding model. To increase flexibility and decrease risk, the Fund will continue to broaden external funding vehicles and diversity in financing resources. (iii) Impact. The review clarifies the expectation that CD activities would require explicit discussion and agreement between staff and the authorities on targeted results ex-post commencing projects. (iv) Modalities. It was agreed that the modernization of tools including the conduct of virtual CD activities, would be updated but tailored on a case-by-case basis. (v) Field presence. It was agreed that regional CD centers are an integral part of the Fund and clarify their governance structure to reflect their integral nature. (vi) HR model. Further strengthening the Fund's policies and addressing CD-related governance issues would help safeguard the quality and agility of Fund CD.

**NBC views:** The NBC agreed with the focus of the review and the goal of making Fund CD more flexible, integrated, and tailored, and agreed that the current size of CD spending is in line with the Fund's mandate and aligned with member demand. We emphasized that Fund CD activities should remain concentrated in areas where the Fund has comparative advantages and supported efforts to make CD activities more effective. We also considered the broadening and diversification of funding resources to be appropriate and agreed that leveraging technology can further increase efficiency, tailoring and the impact of CD.

**Further reading:** [IMF webpage on Capacity Development](#)

## 5. INDEPENDENT EVALUATION OFFICE (IEO)

In 2024, the IEO completed two evaluations, on *The Evolving Application of the IMF's Mandate* and on *The IMF's Exceptional Access Policy*, and launched two new evaluations, on *The IMF's Advice on Fiscal Policy* and on *The IMF and Climate Change*.

In July 2024, the Executive Board discussed the Fourth External Evaluation of the IEO for the period 2019–2023. Directors agreed with the external evaluators that the IEO has established a high degree of credibility and reputation for rigor, which has been essential in enhancing the Fund's learning culture, supporting its institutional governance and oversight, and bolstering its external credibility.

In November, the Executive Board completed the Fourteenth Periodic Monitoring Report (PMR) on the Status of Management Implementation Plans in Response to Board-Endorsed IEO Recommendations. Substantial progress has been made with the implementation of management actions since the last PMR. A record number of 49 actions (out of 91) are deemed to have been satisfactorily implemented, which is more than double that of the previous PMR (24 closed actions), and also much higher than that of the pre-pandemic annual average (17 closed actions). At the end of the year, the IEO conducted consultations with the Fund's management and staff, the Executive Board, external experts, and civil society on possible topics for future IEO evaluations.

**Further reading:** [IEO Evaluations](#)

### 5.1 IEO EVALUATION ON THE EVOLVING APPLICATION OF THE IMF'S MANDATE

**Context:** In December, the Executive Board discussed the IEO evaluation of the Evolving Application of the IMF's Mandate. This evaluation assessed, for the period 2012–23, the evolving application of the IMF's surveillance mandate that resulted in the extension of Fund activities into newer policy areas such as governance, social spending, digital money, climate change, and gender beyond its four traditional core policies—exchange rate, monetary, fiscal, and financial sector—explicitly mentioned in the 2012 Integrated Surveillance Decision. The IEO found that the expansion of the scope of the Fund's mandate has been consistent with its legal framework and there has been a consensus across the membership on the relevance of the newer policy areas. However, the systemic increase in the Fund's work in newer topics has occurred in the context of limited resources and expertise, which has presented serious adaptation challenges, trade-offs and overburdening of staff. The evaluation found that the Fund's decisions on engagement in newer policy areas were conducted in a piecemeal way, and through ad hoc processes, leading to operational challenges.

The IEO made four key recommendations. (i) The Executive Board and Management should enhance the decision-making process by developing an inclusive Fund-wide institutional strategy for engagement in newer policy areas, and by taking a more holistic approach when endorsing individual strategies for newer policy areas with considerations for appropriate scope, required resources, and risk management implications. (ii) Operational challenges should be addressed by producing budget data in a manner that allows tracking by policy area across all Fund activities and operations, with appropriate level of granularity. (iii) The 2022 Guidance Note for Surveillance Under Article IV

Consultations should be updated in order to enhance the clarity of key elements regarding Fund surveillance in newer policy areas, including on macrocriticality, IMF expertise, and appropriate depth and frequency of engagement. (iv) An Executive Board-approved high-level Statement of Principles for Engagement with Partners should be adopted to establish a coherent best practice framework.

**NBC view:** The NBC broadly concurred with the IEO's assessments and recommendations. While expressing support to the Fund's engagement in newer policy areas, the NBC emphasized that it should be implemented in line with the Fund's mandate in a disciplined manner, steered by macrocriticality and the Fund's expertise. At the same time, we noted that the Fund should continue to integrate emerging global economic developments with a clear impact on its core policies and be capable to adapt via reprioritization, upskilling and retraining. The NBC emphasized the importance of developing a more systematic framework to guide engagement in newer policy areas and having a stronger, more transparent, and inclusive role for the Executive Board to guide the evolving application of the Fund's mandate. We underlined that the long-term sustainability of the Fund's budget should be an important factor when deciding on engagement in new policy areas.

**Further reading:** [The Evolving Application of the IMF's Mandate; The Chair's Summing Up Independent Evaluation Office—The Evolving Application of the IMF's Mandate: Executive Board Meeting June 10, 2024](#)

## 5.2 IEO EVALUATION ON THE IMF'S EXCEPTIONAL ACCESS POLICY

**Context:** In June, the Executive Board discussed the IEO evaluation of the IMF's Exceptional Access Policy (EAP). The EAP is a key policy at the Fund that applies to lending from the IMF's General Resources Account (GRA) above the normal limits and aims to ensure that higher access comes with higher safeguards and more scrutiny. It has three key elements: a set of criteria that members seeking exceptional access must meet, enhanced decision-making procedures, and the requirement of ex post evaluations (EPE) for all exceptional access programs. The IEO evaluation assessed the EAP during a period of 2002-2023, and covered the objectives and design of the policy, its successive reforms, and the experience with its implementation. The IEO found that the Fund has sought to find a generally good balance between rules and flexibility in applying the EAP, while reinforcing transparency and accountability and adopting adequate safeguards. At the same time, the IEO found that the experience with the EAP has revealed gaps in the design and application of the EA criteria, and the policy has not been generally able to ensure explicitly higher standard for EA programs relative to normal access programs. EA programs have generally been ineffective in catalyzing private capital inflows, have rarely involved debt restructuring, and in a number of cases have not been able to resolve BoP problems, reflected in members' repeated use of Fund resources and continued debt vulnerabilities.

The IEO proposed five recommendations. (i) The Fund should conduct a dedicated review of the EAP and schedule subsequent reviews on a regular basis, taking due account of strategic considerations, including the adequacy of existing access limits and the balance between rules and flexibility within the policy. (ii) The Fund should clarify the fundamental role of sound program design in providing higher safeguards in EA cases relative to normal access. (iii) The technical gaps in the EA criteria should be addressed to facilitate better alignment with the policy's objectives and enhance evenhandedness.

(iv) The Fund should strengthen the application of the EAP's enhanced procedures and adopt measures to better leverage EPEs for risk mitigation, accountability, and learning. (v) Greater coherence should be established between the EAP and the IMF's enterprise risk management (ERM) policy.

**NBC view:** The NBC welcomed the IEO's assessment of the EAP and broadly agreed with the recommendations. The NBC considered it important to conduct regular reviews of the EAP to ensure that the policy remains fit for purpose, delivers on its objectives, and upholds the principle of higher safeguards against higher access. We strongly supported strengthening the role of program design to provide higher safeguards in EA cases and considered it essential to address gaps and improve the analytical framework for assessing EACs to increase effectiveness, transparency, and evenhandedness. The NBC supported strengthening application of the EAP's enhanced decision-making procedures, and better leveraging the EPEs, and enhancing coherence between the EAP and the Fund's ERM policy.

**Further reading:** [The IMF's Exceptional Access Policy](#); [The Chair's Summing Up Independent Evaluation Office—The IMF's Exceptional Access Policy: Executive Board Meeting: Executive Board Meeting December 5, 2024](#)

## THE IMF's EXECUTIVE BOARD

The International Monetary Fund (IMF) has 191 member countries. Its highest decision-making<sup>1</sup> body is the Board of Governors where all countries are represented. The Board of Governors approves only a few of the Fund's major decisions and has delegated the rest of its decision-making powers to the IMF's Executive Board where all countries are represented by 25 Executive Directors. Some of the Executive Board's 25 chairs are single-country chairs, whereas most of the chairs represent multi-country constituencies. The task of the Executive Board is to conduct the daily business of the IMF in all aspects of its work, including surveillance, lending, and capacity development. The Board normally takes decisions based on consensus, but in some cases formal votes are cast. Each member country's voting power is determined predominantly by its quota, and the quota in turn is calculated to reflect member countries' relative position in the world economy.

## THE OFFICE OF THE NORDIC-BALTIC CONSTITUENCY

The Nordic-Baltic Constituency (NBC) comprises Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden. The Nordic Baltic Executive Director leads the Office of the Constituency (ONBC) and presents the views of our member countries in the Executive Board in close coordination with the national authorities. The office also regularly meets with representatives from the member countries' administrations or private delegations. All positions in the office rotate between the eight member countries according to an agreed schedule and all countries are represented at all times. In 2024, our staff included:

Vitas Vasiliauskas	Executive Director, Lithuania
Anne Marcussen	Alternate Executive Director, Denmark
Ingrid S. Solberg	Senior Advisor, Norway
Bjornar Slettvag	Senior Advisor, Norway
Henna Karhapaa	Senior Advisor, Finland
Peter Wallin	Advisor, Sweden
Krista Kollo	Advisor, Estonia
Raido Kraavik	Advisor, Estonia
Gundars Davidsons	Advisor, Latvia
Inese Allika	Advisor, Latvia
Gudrun Ogmundsdottir	Advisor, Iceland
Maria P. Marin	Executive Assistant
Tammy Timko	Executive Assistant

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