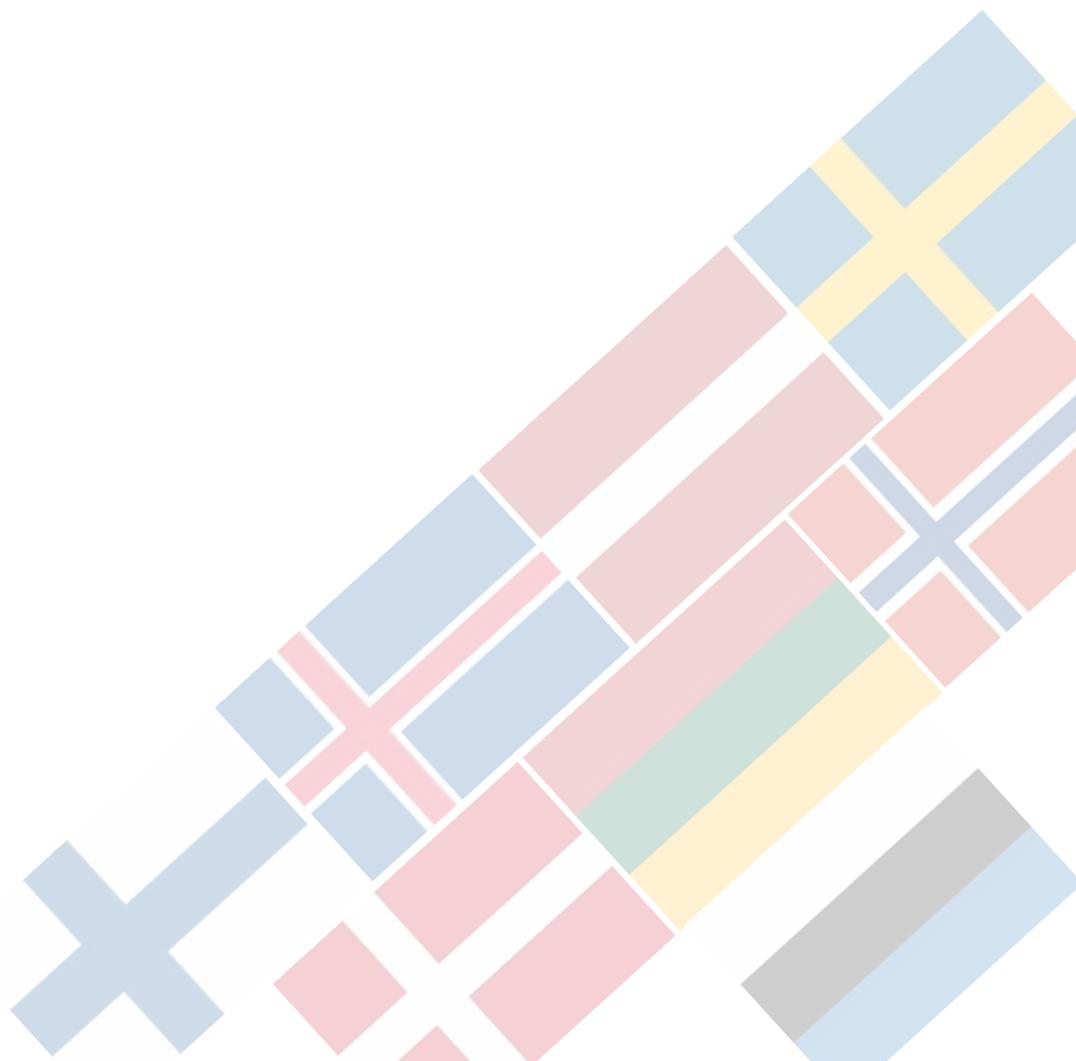


2025 ANNUAL REPORT

VIEWS AND POSITIONS ON POLICY DEVELOPMENTS IN THE INTERNATIONAL MONETARY FUND

Office of the Nordic-Baltic Constituency
International Monetary Fund
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1. NAVIGATING UNCERTAINTY

1.1 INTRODUCTION

Increasing trade tensions and strained international ties influenced the work and discussions at the IMF throughout 2025. These developments came together with decreasing development aid and continued uncertainty caused by ongoing wars and conflicts. The Fund provided advice on how best to navigate in the uncertain situation and stood ready to assist where necessary.

In the Spring of 2025, the US announced significant increases in tariffs, trade policy uncertainty rocketed and financial markets became more volatile. At the same time global public debt levels were rising and expected to rise further. The IMF significantly lowered its global growth forecasts. The main policy messages from the Fund were for countries to restore fiscal sustainability and build sufficient buffers, including through measures to lift productivity and boost growth, as well as to collaborate internationally to promote a stable and predictable trade environment.

As the year progressed, global growth proved more resilient than anticipated, and growth forecasts were lifted. Uncertainty stayed elevated while the imposed tariffs were lower than assumed. At the same time, headwinds from increased trade barriers were offset by tailwinds from surging investment related to technology, including artificial intelligence (AI), not least in the US and Asia.

Throughout the year, the IMF has assessed the outlook to be tilted to the downside. Trade tensions, geopolitical frictions, increasing fiscal deficits and higher public debt, as well as lingering fragilities in financial markets, are some of the key risks.

In the discussions on international developments and the economic outlook, the Nordic-Baltic Constituency (NBC) remained steadfast in our support for multilateralism and rules-based global economic cooperation, including on trade. We continued to express our support for Ukraine and to condemn Russia's unlawful war. Furthermore, our constituency supported the Fund's emphasis on restoring fiscal sustainability and limiting the build-up of public debt, and we continued to argue that safeguarding central bank independence is essential for macrofinancial stability. Our chair has also stressed that climate change is imposing significant macroeconomic costs on many countries, both in the near-term and by increasing longer-term risks.

The IMF is undertaking reviews of several of its core activities. These include the Comprehensive Surveillance Review (CSR), the review of the Financial Sector Assessment Program (FSAP), and the Review of Program Design and Conditionality (ROC). Together with the World Bank the IMF is also reviewing the Debt Sustainability Framework for Low-Income Countries (LIC DSF) to ensure it remains fit for purpose amid evolving global challenges. These reviews have been progressing throughout 2025, with several Board discussions on scope, backward-looking evaluations and direction going forward. All these reviews are expected to be completed in 2026.

The implementation of the 16th General Review of Quotas, which was first planned for mid-November 2024 and then postponed to May 2025, was further delayed awaiting the consent of members to the agreed quota increase. In the Spring of 2025, the International Monetary and Financial Committee (IMFC) agreed to develop a set of high-level principles to guide future quota and governance reforms. The principles are expected to be completed by the Spring of 2026.

In 2025, new financing arrangements, including concessional financing arrangements, were approved for 10 countries, totaling USD 35.1 billion including precautionary arrangements and USD 28.7 billion without. Total outstanding credit was approximately USD 123.8 billion by the end of the year. The new financing arrangements included a new program for Argentina, the Fund's largest debtor. Moreover, towards the end of the year Ukraine requested a new IMF program, and a staff-level agreement has been reached on November 26. The new program is expected to be approved by the Board early in 2026.

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, robust Anti-Money Laundering / Countering the Financing of Terrorism (AML/CFT) frameworks and reducing corruption. 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. 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.

The NBC continued to prioritize strong IMF surveillance of the global economy and member countries. We called for analysis and advice on prudent fiscal policies, 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.

Throughout the year, the NBC has reiterated the importance of IMF capacity development (CD) support, integrated with the Fund's lending and surveillance. We have stressed the need to tailor CD to country-specific needs and absorptive capacities, focusing on IMF comparative advantages and enhancing collaboration with other partners.

The following 2025 Annual Report provides an overview of the main discussions and decisions of the Executive Board in the calendar year 2025 and outlines the views of the NBC. Section 1 describes the Fund's assessment of global economic developments, the priorities of the Managing Director's Global Policy Agenda (GPA) and the work with the General Review 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 global imbalances, stablecoins, lending reviews and ongoing policy reviews. Section 3 covers Fund lending activities, 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

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.

In the April World Economic Outlook (subtitled “*A Critical Juncture amid Policy Shifts*”), global growth forecasts were revised sharply downward, reflecting tariff rates at levels not seen in a century and an unusually unpredictable environment. It was emphasized that the global landscape had shifted as governments reordered policy priorities and uncertainty rose to new highs. Downside risks were assessed to dominate the outlook amid rising trade tensions and financial market adjustments. Rapidly changing policy stances or weaker sentiment were seen as potentially tightening global financial conditions, while escalating trade wars and heightened trade policy uncertainty could further weigh on short- and long-term growth. A retreat from international cooperation was also seen as undermining efforts to build a more resilient global economy. The main policy recommendation was for countries to promote a stable and predictable trade environment, strengthen international cooperation, and address domestic policy gaps and structural imbalances to safeguard internal and external stability.

The October WEO (subtitled “*Global Economy in Flux, Prospects Remain Dim*”) highlighted that the growth outlook for 2025 had improved compared to April, while the outlook for 2026 remained largely unchanged, that is, subdued. The stronger 2025 outlook was mainly due to front-loading of trade and inventories, more accommodative fiscal policies, and lower tariffs than assumed in April. The WEO also highlighted that the global economy was undergoing a period of transition, marked by heightened policy uncertainty, rising fiscal vulnerabilities, and increasing trade fragmentation. Uncertainty remained elevated, and risks were assessed to be tilted to the downside, including further increases in protectionism, prolonged policy uncertainty, and fiscal and financial market fragilities. There were also some upside risks, including from durable trade agreements, a faster pace of reforms, and productivity gains from AI. The WEO policy recommendations included promoting clear, transparent, and rules-based trade policies; implementing fiscal consolidation to build buffers against adverse shocks; safeguarding central banks’ institutional independence; strengthening policy frameworks; and maintaining high-quality data. Medium-term recommendations included implementing structural reforms to lift growth and deploying fiscal policy as a structural tool to improve growth prospects and create conditions for private investment.

The April GFSR (subtitled “*Enhancing Resilience amid Uncertainty*”) noted that uncertainty about economic policies, notably tariffs, was testing the financial system. It highlighted that financial stability risks had increased along with financial market volatility and investor concern. Elevated equity and

bond markets were tightening financial conditions and indicating a turning point in financial markets. There were also concerns about elevated levels of sovereign debt given the interaction of financial sector imbalances and government debt. The GFSR noted that prudent management of the financial sector in recent years had strengthened the financial system's ability to weather shocks, highlighting increased levels of capital and liquidity in banks. It warned that the growing role of Non-bank Financial Institutions (NBFIs) and the increased exposure of banks to NBFIs warranted improved regulation of NBFIs.

The October GFSR (subtitled *"Shifting Ground beneath the Calm"*) highlighted that financial conditions had eased since the April report, with receding policy uncertainty, more accommodative monetary policy by major central banks and a weaker US dollar. Equity markets had rebounded to record highs and corporate and sovereign credit spreads were at historically narrow levels. Below this tranquil surface, the IMF warned that risk asset valuations appeared stretched and risk concentrations were high in certain segments. An asset price correction could have significant implications for the broader economy to the extent that stock-market driven wealth supports stronger consumption. Higher long-term yields on major sovereign benchmarks could also be transmitted through the system, influencing hedging strategies and correlations with risky assets. Strains would need to be carefully monitored in the NBFIs sector and foreign exchange markets with growing size and interconnectedness. The IMF emphasized the need for fiscal discipline, credible debt stabilization strategies, central bank independence and strengthened financial sector supervision. The IMF also advocated enhanced reporting and oversight of NBFIs, improving the efficiency of local bond markets and implementation of internationally agreed prudential standards, including on crypto assets.

In April, the Fiscal Monitor (subtitled *"Fiscal Policy under Uncertainty"*) emphasized that escalating uncertainty and policy shifts are reshaping the fiscal outlook. Global public debt projections were revised upwards, while tariffs, uncertainty and market volatility, increased defense spending, and challenging foreign aid are intensifying risks. The report stressed that countries must implement gradual fiscal adjustments within credible medium-term frameworks to reduce debt and build buffers against heightened uncertainty. Reforms to major expenditure programs, such as energy subsidies and pensions, are crucial to reducing fiscal vulnerabilities while fostering growth. Stakeholder acceptance is critical for advancing such reforms. Shoring up public support requires strategic design, effective communication, robust safety nets, and trust in governance.

The October Fiscal Monitor subtitled *"Spending Smarter: How Efficient and Well-Allocated Public Spending Can Boost Economic Growth"*, examined how policymakers can change the composition of public spending within a fixed total spending envelope to lift economic growth. The report noted that redirecting public spending toward infrastructure, education, health, and research and development, without increasing overall spending, can deliver significant long-term gains in output. Closing gaps in efficiency can further magnify these gains, with institution-building being the most effective strategy. The analysis provides new global and time-varying datasets of public spending efficiency and rigidity.

NBC view: At the Executive Board meetings on the flagship reports, the NBC stressed the importance of the flagships continuing to provide candid and impartial analysis, delivering on the IMF's role as an independent adviser. The NBC emphasized the analyses and messages on central bank independence

and trade and stressed that the Fund should remain an advocate for an open, transparent, and rules-based trading system, as well as for a rules-based international system more broadly. The NBC welcomed the focus on vulnerabilities and significant downside risks, as well as the discussion of potential upside scenarios. In this context, the ending of wars and conflicts, including Russia's invasion of Ukraine, could contribute to reduced uncertainty and fragmentation. The NBC stressed that the elevated financial stability risks explored in the GFSR could pose significant downside risks to the real economy. The NBC emphasized the need for heightened alertness from policymakers in view of the elevated financial stability risks and build-up of mutually reinforcing vulnerabilities. The growing role of NBFIs and crypto assets called for robust regulatory oversight, including stablecoins. With public debt and deficit levels well above pre-pandemic averages, the NBC underscored the urgent need to return to fiscal prudence, as highlighted in the Fiscal Monitor.

Further reading:

[World Economic Outlook, April 2025: A Critical Juncture amid Policy Shifts](#), [World Economic Outlook, October 2025: Global Economy in Flux, Prospects Remain Dim](#), [Global Financial Stability Report, April 2025: Enhancing Resilience amid Uncertainty](#), [Global Financial Stability Report, October 2025: Shifting Ground beneath the Calm](#), [Fiscal Monitor: Fiscal Policy under Uncertainty](#), [Spending Smarter: How Efficient and Well-Allocated Public Spending Can Boost Economic Growth](#)

1.3 THE MANAGING DIRECTOR'S GLOBAL POLICY AGENDA

Context: The MD's Global Policy Agenda (GPA) for 2025 Spring Meetings, titled "*Anchoring Stability and Promoting Balanced Growth*", highlighted immediate challenges ahead and set the medium-term direction for the IMF. The GPA acknowledged that the world economy is at a pivotal juncture with soaring trade tensions and elevated policy uncertainty posing significant risks to global economic and financial stability, while transformative forces – digitalization/AI, demographic shifts, and climate transition – are reshaping the economic landscape. To preserve stability, propel growth, and harness transformative forces, countries should resolve trade tensions and embark on well-calibrated policies and deliberate reforms. For the medium-term priorities of the IMF, the GPA underlined the unique role of the institution as a macroeconomic policy advisor and financial firefighter in times of crises. The five priorities for the IMF were considered to be (i) further sharpening the focus of surveillance, (ii) addressing debt challenges, (iii) fortifying the lending toolkit and the Global Financial Safety Net, (iv) enhancing capacity development, and (v) maintaining a strong and agile institution.

For the Annual Meetings in October 2025, the MD delivered the Global Policy Agenda with the title "*Navigating a World in Transition*". The global economy was noted to be undergoing a profound transformation with major changes in international frameworks and sweeping policy shifts across many areas. While the global economy had been resilient so far, strains were emerging and high uncertainty elevated risks to the outlook. Excess external imbalances were considered to pose risks to the International Monetary System and the need to tackle the low-growth high-debt challenge had become increasingly urgent. In this context, the GPA underscored the importance of policies that foster confidence, build resilience, and safeguard macroeconomic and financial stability, including by

restoring depleted policy buffers, promoting medium-term growth, resolving shared challenges with cooperation, and safeguarding strong and independent core economic institutions, such as the central banks. The GPA noted that the IMF is advancing its five key priorities set by the medium direction in the Spring 2025 Global Policy Agenda by modernizing its policy frameworks and internal processes to remain an agile and focused institution that responds to the evolving needs of members.

NBC view: The NBC broadly supported the messages and priorities underlined in the Global Policy Agenda presented at the 2025 Spring and Annual Meetings. The NBC reiterated that Russia’s war against Ukraine continues to negatively affect the global economy. We emphasized the importance of multilateralism and international cooperation and underlined the Fund’s role in facilitating an open, rules-based, and predictable global trading system. We appreciated the emphasis on strong and independent economic institutions, including central banks, and noted the Fund’s important role in helping members improve institutional resilience and policy frameworks.

Further reading: [The Managing Director’s Global Policy Agenda, Spring Meetings 2025: Medium-Term Direction for the IMF: Anchoring Stability and Promoting Balanced Growth](#); [The Managing Director’s Global Policy Agenda, Fall 2025: Navigating a World In Transition](#)

1.4 16TH AND 17TH GENERAL REVIEW OF QUOTAS

Context: At the end of 2023, the IMF Board of Governors concluded the 16th General Review of Quotas (GRQ), approving a 50 percent increase in members’ quotas, together with a reduction of the IMF’s reliance on borrowed resources by reducing (“rollback”) the New Arrangements to Borrow (NAB) credit arrangements. Bilateral borrowing arrangements (BBAs) were set to expire once the quota increase becomes effective. During 2025 members made further progress towards securing domestic consents to the quota increases and to the NAB rollback, but the consents received continued to fall short of meeting the effectiveness conditions for the 16th GRQ. Therefore, the Executive Board approved an extension to the deadline for consents to May 15, 2026, following a consistent practice of deadline extensions in similar situations.

The International Monetary and Financial Committee (IMFC) reaffirmed during the 2025 Spring Meetings their commitment to a strong, quota-based, and adequately resourced IMF at the center of the Global Financial Safety Net. They agreed that implementation of the 16th GRQ remained a priority and recognized that the realignment in quota shares should aim at better reflecting members’ relative positions in the world economy, while protecting the voice of the poorest members. During the 2025 Spring Meetings the IMFC agreed on a “Diriyah Declaration” on the way forward on IMF quota and governance reforms. It was acknowledged that building consensus among members will require progress in stages. As a first step, the Executive Board was called upon to develop, by the 2026 Spring Meetings, a set of principles to guide future discussions on IMF quotas and governance, including under the 17th GRQ. Establishing these guiding principles would help to ensure that governance changes are gradual, widely acceptable, and reflective of the interests of the entire membership, as well as maintain the Fund’s financial soundness.

NBC view: The NBC considers the prompt implementation of the 16th GRQ as an urgent priority to strengthen the quota-based nature of the Fund. We stand ready to work constructively on possible approaches for a quota share realignment under the 17th GRQ, underscoring that any realignment must serve multilateralism and the legitimacy of the Fund as a representative multilateral institution. We support the Diriyah Declaration and are committed to engage on developing the guiding principles on future IMF quota and governance reforms by the 2026 Spring Meetings.

Further reading: [Extension of the Period for Consent to Increase Quotas under the Sixteenth General Review of Quotas and to the NAB Rollback](#); [Chair's Statement: Fifty-First Meeting of the IMFC](#)

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 2024/2025, the Fund conducted 134 Article IV consultations across all regions. For 8 countries, the Fund conducted a comprehensive Financial System Stability Assessment, which is a more resource-intensive exercise conducted less frequently than Article IV consultations.

Further reading: [Economic Surveillance](#)

2.1 IMF ARTICLE IV CONSULTATIONS OF THE NORDIC-BALTIC COUNTRIES

2.1.1 DENMARK 2025 ARTICLE IV CONSULTATION

On July 1, the Board concluded the 2025 Article IV consultation with Denmark on a lapse-of-time basis. Strong growth had continued, primarily driven by the expansion of pharmaceutical exports, while domestic demand had remained relatively sluggish. Inflation had stayed low. Public finances and external positions were robust, and the financial system had demonstrated resilience to multiple shocks in recent years.

Although Denmark’s fiscal position is strong, the IMF assessed that significantly higher and more persistent increases in defense spending would require adjustment measures to ensure long-term fiscal sustainability. The IMF recommended further intensification of structural reforms to sustain high income levels, preserve fiscal space, and safeguard the welfare state. The IMF also recommended that the government continue promoting entrepreneurship, harnessing the benefits of digitalization and AI, and reducing regulatory burdens while carefully balancing costs and benefits to support growth. Ensuring a sufficient supply of skilled labor—particularly in the IT, health, and long-term care sectors—remains critical.

The authorities broadly concurred with staff’s assessment of the economic outlook and noted that the outlook was subject to significant risks from trade conflicts, geopolitical unrest, and weaker global growth. They view that the widening of the current account surplus largely reflects merchanting and processing activities driven by a few large firms.

Further reading: [Denmark: 2025 Article IV Consultation-Press Release; and Staff Report](#)

2.1.2 ESTONIA 2025 ARTICLE IV CONSULTATION

In 2025, the IMF Executive Board concluded Estonia’s Article IV consultation in July. The discussion focused on restoring competitiveness and ensuring fiscal sustainability amid a fragile recovery and increased defense spending needs. After a sharp contraction in 2023, economic growth resumed but remained modest. At the time of the consultation, GDP was projected to increase by 0.5 percent in

2025 and 1.5 percent in 2026, while inflation was expected to average close to 5 percent in 2025, driven by tax changes and service costs. Despite the rebound, high input costs and weak productivity continued to weigh on Estonia's external performance.

The IMF recommended further fiscal adjustment in response to fast-rising defense spending needs, to stabilize the debt ratio and preserve critical buffers against future shocks. Macroprudential policies were considered broadly appropriate, and financial stability risks were assessed as contained, though real estate developments warranted close monitoring. Structural reforms were encouraged to boost productivity by addressing skill shortages, deepening capital markets, reducing regulatory burdens, and fostering innovation. Efforts to strengthen energy security were deemed critical.

The Estonian authorities broadly agreed with the IMF staff's assessment but were more optimistic about near-term growth prospects while acknowledging ongoing risks from global uncertainty and inflation. They welcomed policy recommendations on fiscal sustainability, financial sector resilience, and structural reforms, and highlighted ongoing efforts to strengthen public finances, maintain financial sector resilience, improve productivity, and advance energy security.

Further reading: [Republic of Estonia: 2025 Article IV Consultation-Press Release; and Staff Report](#)

2.1.3 FINLAND 2025 ARTICLE IV CONSULTATION

The 2025 Article IV consultation with Finland was concluded by the Executive Board in January 2025. The IMF noted that the Finnish economy was recovering from the 2023 recession, and the recovery was expected to gain momentum in 2025. However, downside risks, especially from abroad, were considered to be elevated. The economic downturn and increases in expenditure had further increased the fiscal deficit and public debt in 2024. To put debt on a downward path, the IMF advised that the overall balance should be gradually close to around zero by 2029. While banks were considered well capitalized and have sufficient liquidity to withstand all but the most severe shocks, the IMF saw merit in further strengthening the macroprudential toolkit. Ambitious labor market reforms were seen to continue supporting employment as the economy recovers. However, there was potential to increase participation rates further, strengthen educational outcomes, and attract more highly skilled talent from abroad. Deeper structural reforms were encouraged to raise productivity growth, with attention to increasing the availability of risk capital, reducing barriers to entry into the services sector, and continuing to pursue the deepening of the EU's single market.

The Finnish authorities broadly agreed with staff's assessment and recommendations. They agreed that the Finnish economy is slowly recovering from the recession. They acknowledged Finland's fiscal challenges and expressed the government's commitment to pursue fiscal consolidation efforts. They noted resilience of the Finnish financial sector but saw merit in further enhancing the macroprudential toolkit. They noted that the government is pursuing a structural reform agenda to support a dynamic and stable society and economic vitality.

Further reading:

[Finland: 2025 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Finland](#)

2.1.4 ICELAND 2025 ARTICLE IV CONSULTATION

Iceland's 2025 Article IV Consultation was concluded by the Executive Board on 16 June 2025. The Article IV report noted that economic growth decelerated in 2024 but was expected to rise to 1.6 percent in 2025 and 2.2 percent in 2026 with inflation projected to decline to the Central Bank of Iceland's 2.5 percent inflation target in the second half of 2026. Medium-term prospects were seen as favorable with continued economic diversification towards higher value-added export sectors expected to bolster productivity growth. Risks to growth were assessed to the downside, as potential escalation in global trade tensions could have a larger impact than anticipated, while risks to inflation were broadly balanced. The direct impact of escalating global trade tensions was projected to be limited as most goods exports are destined for Europe, but lower growth in trading partners could indirectly affect Iceland's economy. The IMF viewed the authorities' plans to achieve a fiscal surplus by 2028 as appropriate given the need to build buffers and considered the monetary policy stance suitably tight given elevated inflation. Investments in physical and human capital as well as efforts to promote innovation and reduce skills mismatches would be needed to support medium-term growth.

The Icelandic authorities broadly agreed on the outlook and risks, including expectations of increasing growth and a favorable medium-term outlook as well as subsiding inflation. They affirmed their commitment to a gradual buildup of fiscal buffers. They expected measures outlined in the MTF5 to be sufficient to reach a fiscal surplus by 2028 and acknowledged that further measures might be necessary if planned measures fall short.

Further reading: [Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director for Iceland](#)

2.1.5 LATVIA 2025 ARTICLE IV CONSULTATION

On September 15, 2025, the Executive Board of the IMF completed the Article IV Consultation for the Republic of Latvia. At the time of the consultation, 2025 growth was expected to recover to about 1 percent, mainly supported by public investment, and headline inflation was projected to modestly rise due to higher energy and food prices.

Despite a series of shocks, Latvia has demonstrated a considerable degree of resilience over the last decade. However, Latvia's government is facing significant medium and long-term spending pressures driven by population aging (pensions, health care), defense spending, investments for energy security, and the costs of the green transition. To address these pressures, the Executive Board encouraged mobilizing additional revenues, improving the efficiency of public spending, and reprioritizing expenditures. They also recommended further strengthening the pension system to improve pension adequacy and sustainability and curb old-age poverty. Regarding the financial sector, the IMF urged

the authorities to carefully assess the impact of the solidarity contribution on banks and continue to monitor banks' exposure to the commercial real estate sector. The Executive Directors of the IMF also emphasized the importance of pursuing growth-enhancing reforms geared toward boosting productivity and strengthening its energy security.

The Latvian authorities broadly agreed with staff's fiscal policy advice but noted that there was limited scope for revenue mobilization to address spending pressures. The authorities are committed to pursuing pension reforms to improve adequacy and noted that recent measures modifying pension plans' management fees and enrollment modalities will contribute to higher returns and improve pension adequacy in the future. The authorities noted that the solidarity contribution on bank credit is an important measure of funding the increase in defense spending and were less concerned than staff about its potentially distortionary effect.

Further reading: [Republic of Latvia: 2025 Article IV Consultation-Press Release; and Staff Report](#)

2.1.6 LITHUANIA 2025 ARTICLE IV CONSULTATION

On September 8, 2025, the Executive Board of the IMF completed the Article IV Consultation for the Republic of Lithuania. At the time of the consultation, growth was expected to reach 2.9 percent in 2025, supported by private consumption and investment, and inflation was expected to temporarily rise to 3.2 percent, before gradually moderating.

The IMF commended the Lithuanian economy's resilience in navigating a challenging external environment. Nevertheless, the Executive Directors underscored the need for a comprehensive fiscal strategy to address pressures stemming from the expected increase in defense spending, as well as long-term expenditure needs related to ageing and the green transition. They also emphasized the importance of ensuring the long-term sustainability of the pension system and cautioned that the recent Pillar II reform could lower replacement rates and raise future public liabilities. Directors welcomed the banking system's solid capitalization, ample liquidity, and low NPL ratios. They also commended the progress in strengthening energy security through renewables and encouraged continued decarbonization and climate adaptation efforts to meet EU climate goals.

The authorities broadly agreed with the staff's assessment of the outlook and key risks but also highlighted some upside risks to growth with the increasing share of high value-added activities in both the manufacturing and service sectors. They also broadly agreed with staff on the need to mobilize additional revenues to preserve fiscal space. The government stressed that the Pillar II pension reform, an electoral commitment, aims at enhancing the attractiveness of Pillar II by introducing more flexibility. The government sees the impact of the reform on the replacement rate to be limited while it will temporarily boost economic growth.

Further reading: [Republic of Lithuania: 2025 Article IV Consultation-Press Release; and Staff Report](#)

2.1.7 NORWAY 2025 ARTICLE IV CONSULTATION

The Executive Board concluded the 2025 Article IV consultation with Norway in August 2025 on a lapse of time basis. The IMF staff noted that Norway's economy had shown resilience amid global uncertainty, supported by strong fiscal buffers, a credible policy framework, and a robust net external asset position. Staff assessed that disinflation remained Norway's central near-term priority and advised that monetary policy to remain restrictive. They also recommended strengthening the monetary-policy process through deeper scenario analysis, formalized contrarian inputs, and more structured communication to safeguard expectations.

IMF staff also considered the 2025 fiscal stance excessively expansionary, complicating disinflation. They recommended shifting toward a neutral stance, strengthening the fiscal framework with medium-term expenditure limits, and advancing structural reforms to raise labor supply, productivity, and climate-transition readiness.

IMF staff judged that the financial system remained sound with strong buffers, but that vulnerabilities were elevated. Staff warned that the easing of mortgage LTV limits risked increasing vulnerabilities and advised that macroprudential settings should not have been eased further. They called for preserving capital buffers, enhancing the accuracy of IRB models, and reinforcing contingency planning, particularly amid pressures in commercial real estate.

The authorities broadly agreed with the assessments of inflation and financial sector risks, while emphasizing that fiscal expansion largely reflected necessary defense and Ukraine related commitments.

Further reading: [Norway: 2025 Article IV Consultation-Press Release; and Staff Report](#)

2.1.8 SWEDEN 2025 ARTICLE IV CONSULTATION

The Executive Board concluded the 2025 Article IV consultation for Sweden in March. GDP contracted in 2023 but started to recover in 2024, and IMF staff projected economic activity to pick up to 1.9 percent in 2025 and further to 2.2 percent in 2026. Staff considered risks to the outlook tilted to the downside, including geoeconomic fragmentation, trade uncertainty and weakness in private consumption. Inflation had successfully been brought under control and was expected to be anchored around the 2 percent target over the forecast horizon, although risk to inflation was considered double sided. The financial system was assessed sound with robust buffers, although with persisting vulnerabilities.

Staff considered the moderately expansionary fiscal stance appropriate given the double-sided inflation risks. Medium-term fiscal policy should focus on measures to boost economic growth, facilitate the green and digital transitions, and further enhance social inclusion. They noted that the monetary policy was appropriate and that the macroprudential policy settings were appropriate and should be kept until systemic risks meaningfully subside.

Staff noted that actions on multiple fronts will be necessary to revive higher productivity growth. Reforms should leverage Sweden’s substantial strengths in R&D and deep capital markets, and include easing the regulatory burden, improving the housing and rental markets, reskilling the labor force in emerging technologies, and supporting measures to strengthen the EU single market.

The Swedish authorities agreed with staff’s assessment of the Swedish economy, emphasizing that risks to the outlook mainly stemmed from global uncertainties.

Further reading: [Sweden: 2025 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Sweden](#)

2.2 GLOBAL IMBALANCES

Context: In July, the Executive Board discussed the 2025 External Sector Report (ESR), subtitled “*Global Imbalances in a Shifting World*”. A key message was that global current account (CA) imbalances (defined as the cross-country sum of absolute values of current account) widened by a sizable 0.6 percentage points of world GDP in 2024. When adjusted to account for the volatility around the pandemic and Russia’s war in Ukraine, the widening is a notable reversal of the post-global financial crisis narrowing trend, potentially signaling a structural shift. Staff emphasized the ESR’s central role in supporting the IMF’s core mandate. While some current account imbalances reflect economic fundamentals, excessive imbalances can cause significant domestic and global spillovers.

NBC view: The NBC broadly supported the assessments and policy recommendations and noted that the increase in excess current account balances is concerning, as it reflects divergent domestic demand conditions and policy gaps in major economies, underscoring the need for decisive action to address domestic imbalances. The NBC welcomed the report’s clear distinction between excess current account imbalances—stemming from large public deficits and/or structural overcapacity—and non-problematic external deficits or surpluses that are consistent with domestic fundamentals. Current account surpluses or deficits that are aligned with fundamentals and supported by appropriate economic policies are natural and do not warrant corrective action. Furthermore, the NBC expressed concern about the rise in protectionist policies and the growing number of harmful trade-restrictive measures. Maintaining a stable, multilateral trading system is essential to support global economic growth and productivity. The NBC also highlighted that Sweden was assessed as being a country with a “substantially stronger” external balance than warranted and that this conclusion could be considered to be exaggerated. The IMF also acknowledged in the report that the assessment of the norm for Sweden is low and has been below the actual CA outcome for the past two decades.

Further reading: [2025 External Sector Report: Global Imbalances in a Shifting World](#)

2.3 GLOBAL FINANCIAL SAFETY NET – A STOCKTAKING

Context: The IMF Executive Board had a stocktaking of the Global Financial Safety Net (GFSN) in September 2025. The GFSN is comprised of many different components, chief among them international reserves, bilateral swap arrangements, regional financing arrangements and the IMF itself. The safety net is intended to complement countries' own buffers and policy responses as shocks occur. The paper found that the GFSN had performed reasonably well during the Global Financial Crisis and the Covid pandemic but highlighted also the accommodative policy actions of major economies, that reduced the demand for GFSN resources. The IMF also provides a crucial preventive role through its surveillance and CD activities. Challenges noted in the paper included the GFSN's multilayered nature and uneven access. Strengthening the GFSN would require rebuilding reserves, incentivizing sound policies, making access more reliable, and fostering better coordination across layers.

NBC views: The NBC welcomed the opportunity of discussing this important issue and agreed that the GFSN has worked reasonably well during recent crises. The NBC noted that IMF resources have enabled robust responses to numerous shocks in recent years and emphasized that the pillars underpinning the GFSN should be safeguarded and reinforced.

Further reading: [The Global Financial Safety Net – A Stocktaking](#)

2.4 STABLECOINS

Context: The Executive Board had the opportunity to discuss crypto assets, including stablecoins, during an informal briefing by staff on Payments, Crypto Assets and Financial Market Infrastructures in December 2025. The IMF had recently issued a paper on stablecoins, *Understanding Stablecoins*, see link below. The paper presented a comprehensive overview of stablecoins, including their characteristics, market developments, use cases, potential benefits and associated risks, as well as the evolving regulatory landscape. Stablecoin issuance has doubled over the past two years, driven by use in crypto trades and some expansion in use cases to include cross-border payments. Future demand could include domestic payments supported by incentives and confidence provided by enabling legal and regulatory frameworks. On the other hand, less stability could ensue if regulatory frameworks do not address potential market and liquidity risks of backing assets and redemption rights. Stablecoins may contribute to currency substitution, increase capital flow volatility by circumventing capital controls, and fragment payment systems unless interoperability is ensured. These risks are considered to be higher in countries with high inflation, weaker institutions, or diminished confidence in the domestic monetary framework. The evolving regulatory landscape shows different approaches in several important areas that may create arbitrage opportunities affecting the overall effectiveness of regulation. A comprehensive overview also requires closing data gaps.

NBC view: The NBC emphasized the need to manage emerging risks and ensure robust supervision while remaining open to financial innovations that may improve payments efficiency and provide value to households and businesses. Given the IMF's mandate to ensure macrofinancial stability, it should be proactive in facilitating cooperation and providing policy advice with the aim of harmonizing

regulation, preventing arbitrage, ensuring financial stability and monetary sovereignty, improving cross-border payments and addressing their spillover risks.

Further reading: [Understanding stablecoins](#), [IMF blog: How Stablecoins Can Improve Payments and Global Finance](#), [Elements of Effective Policies for Crypto Assets](#), [IMF-FSB Synthesis Paper: Policies for Crypto-Assets](#).

2.5 FINANCING FOR DEVELOPMENT

Context: The Fourth International Conference on Financing for Development (FfD4) took place in Sevilla in mid-2025, focusing on progress toward the Sustainable Development Goals (SDGs) and the financing challenges faced by many developing countries. The IMF contributed to the discussions by presenting its analysis of global macroeconomic conditions, debt vulnerabilities, and policy options to strengthen resilience and support achievement of the SDGs. The analysis emphasized the importance of macroeconomic stability, sound fiscal and monetary frameworks, and improved domestic resource mobilization as prerequisites for sustainable development. During the Executive Board discussion, Directors expressed broad support for these priorities and reaffirmed the Fund’s commitment to helping members achieve sustainable development goals through tailored policy advice, capacity development, and financial assistance. Directors also underscored the importance of strengthened debt sustainability frameworks and enhanced coordination on debt restructuring.

NBC views: We broadly concurred with the analysis, emphasizing the importance of clear communication on the Fund’s role and mandate in the financing for development agenda. While recognizing the IMF’s important role in maintaining macroeconomic and financial stability, Fund-supported programs should remain focused on balance of payments challenges, with development partners engaged to address broader financing needs. Strong national ownership and reform momentum, supported by coordinated external assistance, are crucial to accelerating progress toward the SDGs. We also underscored the importance of debt transparency and efficient debt resolution, supporting improvements to existing frameworks but not a new multilateral sovereign debt resolution mechanism.

Further reading:

[Press release: IMF Executive Board Discusses The 4th Financing for Development Conference—Contribution of the IMF to the International Financing for Development Agenda 4th International Conference on Financing for Development](#)

2.6 EFFORTS TO STRENGTHEN DEBT SUSTAINABILITY

Context: The IMF’s efforts to strengthen debt sustainability in member countries remain anchored in policy advice, surveillance, capacity development (including debt management), and financing arrangements. The IMF’s analytical work helps identify sovereign debt risks and provides policy advice on how to address these risks at an early stage. Jointly with the World Bank, the IMF fosters debt

transparency and supports countries in strengthening their capacity to report and manage their public debt. In cases where public debt is unsustainable, the Fund plays a crucial role in supporting restructurings when needed and defining appropriate financing or debt relief envelopes.

In 2025, progress continued in debt restructuring cases under the Common Framework (CF) and beyond. The Global Sovereign Debt Roundtable (GSDR), launched in 2023 by the IMF, World Bank, and G20, continued to work towards fostering consensus on restructuring challenges. The GSDR published the *Restructuring Playbook* to help country authorities with key steps, concepts and processes when considering debt restructuring.

Beyond solvency concerns, supporting countries with sustainable debt but acute liquidity pressures remained another focus area. The IMF and World Bank continued implementing the three-pillar approach - combining structural reforms, adequate financial support, and measures to ease debt service burdens - tailored to country-specific circumstances and complementing broader efforts to reinforce debt sustainability frameworks.

NBC view: The NBC strongly supports the Fund's work on debt sustainability. We welcome the progress achieved and continued work under the CF and the GSDR, which has helped facilitate mutual understanding of issues that hinder restructuring. 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: [Global Sovereign Debt Roundtable — 4th Cochairs Progress Report](#), [Global Sovereign Debt Roundtable - 5th Cochairs Progress Report](#), [Restructuring Playbook](#)

2.7 SHORT-TERM LIQUIDITY LINE

In December 2025, the Executive Board completed its review of the Short-Term Liquidity Line (SLL). The review concluded that the SLL will terminate in April 2027, at the end of the seven-year period following its establishment, in line with the original design of the instrument. Introduced in 2020, the SLL was established as a revolving and renewable backstop for countries with very strong economic fundamentals, policies, and track records of policy implementation. It provides liquidity support for potential short-term, moderate balance of payments difficulties, reflected in pressures on the capital account and reserves. Since its inception, uptake of the SLL has been limited as an SLL arrangement has been requested on only one occasion, and that arrangement was subsequently cancelled when the member transitioned to an FCL. It was considered that the SLL's attractiveness may be constrained compared to the FCL, which covers broader balance of payments problems, offers higher access, a longer repayment period, and has a more established signaling effect, while sharing the same qualification criteria. Looking ahead, a comprehensive review of the precautionary tool is tentatively planned for 2028. The review provides an opportunity for broader discussion on the adequacy, coherence, and effectiveness of the Fund's precautionary instruments, ensuring the IMF maintains a robust, flexible, and well-communicated toolkit that supports the resilience of the GFSN and meets the evolving needs of its diverse membership.

Further reading: [The 2025 Review of The Short-Term Liquidity Line](#)

2.8 REVIEW OF THE CUMULATIVE ACCESS LIMITS UNDER THE RAPID CREDIT FACILITY

In November 2025, the Executive Board approved a proposal to revert the Rapid Credit Facility (RCF) Cumulative Access Limits (CAL) under the Poverty Reduction and Growth Trust (PRGT) to pre-pandemic levels through a phased, two-step approach. As part of its pandemic response in 2020, the Fund temporarily increased annual and cumulative access limits by 50 percent of quota under its emergency financing instruments, the RCF and the Rapid Financing Instrument (RFI). While most of these limits have reverted to pre-pandemic levels, the CALs applicable to the RCF exogenous shock and large natural disaster windows have remained at the higher levels. Also, the additional 25 percent of quota to the CAL of the exogenous shock window for the now-discontinued food shock window (FSW) has remained in place. Without the Executive Board's action, the RCF CALs would have reverted to pre-pandemic levels on January 1, 2026. This would have reduced available borrowing space under the RCF for most low income countries, and the Fund would have had very limited ability to provide emergency financing to them in cases of new sudden shocks. The two-step, time-bound approach includes keeping the current RCF CAL unchanged for one year, after which it will be reduced by 25 percent of quota on January 1, 2027, and by an additional 25 percent of quota on January 1, 2028. For FSW users, the additional 25 percent of quota would remain until end-2029. This phase-out provides predictability for the normalization of RCF access limits while retaining adequate borrowing space for most low-income countries to cope with unexpected shocks that create urgent balance of payment needs.

Further reading: [Review of the Cumulative Access Limits under the Rapid Credit Facility](#)

2.9 ONGOING REVIEWS OF IMF CORE ACTIVITIES

Throughout 2025, supported by multiple Board discussions on their scope, backward-looking assessments, and strategic direction, the IMF worked on reviews of several of its core activities. All reviews are expected to be completed in 2026.

These reviews include the Comprehensive Surveillance Review (CSR), the review of the Financial Sector Assessment Program (FSAP), and the Review of Program Design and Conditionality (ROC). In addition, in collaboration with the World Bank, the IMF is reviewing the Debt Sustainability Framework for Low-Income Countries (LIC DSF) to ensure that it remains fit for purpose amid evolving global challenges.

2.9.1 COMPREHENSIVE SURVEILLANCE REVIEW

Surveillance is an essential and integral part of the IMF's mandate and is established in the IMF's articles of agreement and modernized in the 2012 Integrated Surveillance Decision. The IMF is currently conducting a periodic review of its surveillance: the 2026 Comprehensive Surveillance Review (CSR).

The 2026 CSR report presenting staff's findings and recommendations will be submitted to the IMF's Executive Board for consideration and approval in 2026.

The 2026 CSR will aim to support and enhance IMF surveillance by assessing its performance since the last CSR in 2021, identifying the key gaps and challenges, setting the forward-looking priorities to guide surveillance over the next 5-10 years, and developing the prioritization framework for the Fund's engagement in new policy areas. It will also include proposals to sharpen the focus of Article IV staff reports, including by streamlining some of the requirements.

The policy areas where the Fund is expected to deliver the highest value added are closely linked to its mandate and expertise. The past surveillance reviews focused on ways to improve the Fund's capacity to deliver robust analysis and advice on vulnerabilities and risks to domestic and external stability, cross-border spillovers, and macro-financial surveillance. Recognizing the need to respond to evolving global challenges, successive reviews have broadened the scope of IMF surveillance to include other policy areas relevant to domestic and external stability guided by the macro-criticality criterion.

NBC view: The NBC considers that while the current implementation of strategic surveillance priorities has delivered meaningful improvements, important gaps and challenges remain. The Fund must remain agile and sharpen its focus on core policy analysis and advice, while better integrating topics that are deemed macro-critical. The Fund should continue to determine its involvement based on the concept of macro-criticality, coordinate closely with other organizations and leverage outside expertise whenever possible. In addition to the guiding principle of macro-criticality, it will be important to holistically consider work pressures, budgetary resources, and risk management perspectives.

The 2026 Review should place particular emphasis on the following areas: i) the benefits of an open, rules-based, and inclusive global economy, as well as on impartial analysis of the macroeconomic consequences of protectionist trade and industrial policies; ii) good governance, transparency, and strong public institutions; iii) enhanced spillover analysis; iv) strengthened leadership in core Fund policy areas and structural reforms to increase productivity, investments, and labor involvement; v) continued coverage of climate and gender policies when and to the extent it is deemed macro-critical; vi) emphasis on fiscal prudence, while protecting the most vulnerable; v) continued strengthening of macro-financial analysis, including the systematic application of the Integrated Policy Framework (IPF) to consider the most appropriate blend of policies; vi) sustained emphasis on the strategic and systemic role of the Executive Board in surveillance to ensure traction and appropriate peer-review.

2.9.2 FINANCIAL SECTOR ASSESSMENT PROGRAM REVIEW

Context: The IMF's Financial Sector Assessment Program (FSAP) is scheduled for a review in 2026. It will assess the implementation of the priorities of the 2021 FSAP review and identify future priorities in line with the changing landscape of the financial system. FSAPs are key instruments of IMF surveillance and provide important inputs to bilateral surveillance in the context of Article IV consultations. In view of the close linkages, work on the CSR and FSAP reviews will be closely coordinated, including with respect to Board engagements. The close coordination will support ongoing efforts to deepen macro-financial analysis in Article IV consultations.

NBC view: The NBC is a long-term supporter of robust IMF coverage of financial sector issues and macro-financial linkages. Several countries in the NBC have financial sectors that are identified as systemically important and undergo mandatory FSAPs every five years. The NBC highly welcomes the scheduled review and will engage actively with staff and the Board as the review progresses in 2026.

Further reading: [Financial Sector Assessment Program \(FSAP\)](#)

2.9.3 REVIEW OF PROGRAM DESIGN AND CONDITIONALITY

The Executive Board is conducting the Review of Program Design and Conditionality. Fund resources are provided to members to assist them in resolving their BoP problems, in a manner consistent with the Articles of Agreement and subject to adequate safeguards for the temporary use of Fund resources. The Fund's conditionality ensures that this is done without resorting to measures destructive of national or international prosperity; while at the same time, establishing adequate safeguards for the temporary use of the Fund's resources. To this end, the conditionality framework involves setting clear and monitorable measures and targets as part of a broader strategy to achieve program objectives. Currently, this is done on the basis of prior actions, quantitative performance criteria, indicative targets and structural benchmarks, and program and financing assurances reviews.

The Board is reviewing whether the current modalities of program design and conditionality achieve their objectives while being responsive to the changing global macroeconomic environment and particular circumstances of members.

NBC view: The NBC highlights the following principles in the context of the 2026 Review: i) program success requires ambitious policy packages with strong country ownership, supporting both stability and growth. Ownership can be fostered by aligning programs with national reform priorities and implementation capacity, while frontloading sound adjustment policies. Early in the program, greater focus should be placed on governance reforms; ii) IMF programs should be characterized by appropriately phased disbursements, strong safeguards, improved contingency planning, and more realistic forecasts and adjustment payoffs. Better aligned phasing of disbursements and policy adjustment would preserve reform incentives throughout the duration of a program, thereby increasing the likelihood of program success; iii) while timely engagement with the Fund can be facilitated through reduction of stigma and synergies with country surveillance and capacity development, countries should also have a credible track-record when requesting a program. The bar should be raised for program requests or reviews, requiring stronger performance and a more credible track-record before consideration at the Board; iv) the principle of temporary access to the Fund's resources must be preserved, and strong policy frameworks and sufficient buffers should be built to help countries withstand new external shocks. Program design should always aim to avoid repeat programs. This should include well-defined BOP problems and appropriately sequenced measures to solve it; v) strong and robust program design and implementation remains central to the Fund's catalytic role, and that it is important to avoid overloading members with senior debt and crowding-out private investors. However, the IMF should not compensate for reduced official development assistance flows. More realistic and systematic assessments of financing needs and sources are

important. Coordination with other creditors and donors should be strengthened, to help align financial flows and program objectives and avoid cross-conditionality.

2.9.4 THE DEBT SUSTAINABILITY FRAMEWORK FOR LOW-INCOME COUNTRIES

Context: The IMF and World Bank are reviewing the Debt Sustainability Framework for Low-Income Countries (LIC DSF) to ensure it remains fit for purpose amid evolving global challenges. The LIC DSF guides borrowing and lending decisions by assessing countries' debt risks, using forward-looking analyses and stress tests. The ongoing review aims to enhance the framework's predictive accuracy, improve analysis on domestic debt vulnerabilities, and enhance incorporation of long-term risks, while maintaining simplicity and transparency. Key priorities also include refining risk signals, improving debt data coverage, and better alignment of the LIC DSF with the framework for market-access countries. The review is expected to be completed in 2026.

NBC View: The NBC welcomes the review as an opportunity to update and strengthen the LIC DSF. Enhancing the framework's ability to capture domestic debt and long-term risks, including climate-related vulnerabilities, is essential. At the same time, it is important to strike the right balance - maintaining robust early warning signals while avoiding unnecessary constraints on financing opportunities. This approach will help low-income countries secure sustainable financing and advance their development goals without compromising debt sustainability.

Further reading: [The Debt Sustainability Framework for Low-Income Countries](#)

3. IMF LENDING

3.1 STANDARD LENDING FACILITIES

At the end of 2025, the Fund was engaged in 21 active financial arrangements under the General Resources Account (GRA), including four precautionary arrangements. The IMF has approximately USD 197 billion in total lending commitments, including credit outstanding and undrawn commitments. The largest exposures were to Argentina, Ukraine, Pakistan, Ecuador, and Egypt. During 2025, the Executive Board approved six 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 2025.

Further reading: [Weekly Report December 19, 2025](#)

3.1.1 ARGENTINA

Context: In April 2025, the Executive Board approved a 48-month Extended Fund Facility (EFF) arrangement for Argentina totaling USD 20 billion (or 479 percent of quota), with an immediate disbursement of USD 12 billion. The EFF would provide balance of payments support to boost reserves while helping to catalyze financing from other official creditors and facilitating a timely re-access to international capital markets that would yield a gradual reduction in Argentina's exposure to the Fund after the program period. Building on the authorities' strong track record, the arrangement aims to support the transition to a new phase of the stabilization and growth plan to entrench macroeconomic stability, strengthen external sustainability, and deepen structural reforms to create a more open and market-oriented economy. Policy priorities center on sustaining a strong fiscal anchor, transitioning to a more robust monetary and foreign exchange regime, with greater exchange rate flexibility, and advancing reforms to foster productivity, competitiveness, and growth. Against the backdrop of elevated downside risks, the authorities have contingency plans in place to refine macroeconomic policies as needed to meet program objectives and durably restore stability.

In July 2025, the IMF Executive Board completed the first review of Argentina's EFF arrangement, enabling a disbursement of about USD 2 billion. The program was off to a strong start across most dimensions and performance was generally positive. The transition to a more flexible exchange rate regime was implemented smoothly, the economic growth remained robust, and the disinflation process resumed, facilitating further improvements in social indicators. These outcomes have been underpinned by appropriately tight monetary and fiscal policies. Argentina also returned to international capital markets for the first time since 2018. However, progress with net international reserve accumulation fell short of program targets, reflecting heavy reserve losses ahead of program approval amid heightened domestic and external uncertainty and the authorities' preference for greater price discovery and continued disinflation in the early transition to the new FX regime. Corrective measures were implemented and reserve accumulation was expected to accelerate further in 2026 to catch up to original NIR targets by end-2027. Risks to the program were assessed to remain

high amid a complex external and domestic backdrop, which resulted in increased FX volatility before the October 2025 mid-term legislative elections.

NBC view: The NBC was reluctantly willing to go along with the approval of Argentina’s new EFF arrangement. While we acknowledged Argentina’s progress in stabilizing the economy and improving growth prospects, we expressed deep concerns about the heavy frontloading and significant increase in the Fund’s exposure to Argentina amid already exceptionally high risks. The NBC was willing to agree to the first program review but stressed the importance of speedy reserve accumulation and maintaining the strong fiscal anchor and tight macroeconomic policies. Given elevated risks, we called for further strengthening of contingency planning.

Further reading: [Argentina: Request for an Extended Arrangement Under the Extended Fund Facility; Argentina: First Review Under the Extended Arrangement Under the Extended Fund Facility](#)

3.1.2 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 2025, the Board approved the seventh and eighth reviews of the 2023 arrangement under the Extended Fund Facility (EFF), enabling disbursement of about USD 896 million. This comes after the Fund disbursed 4.5 billion in 2024, USD 5.3 billion in 2023 and 2.7 billion in emergency financing in 2022.

In November 2025, IMF staff and the Ukrainian authorities reached a staff-level agreement on a set of macroeconomic and structural policies that could be supported under a new 48-month arrangement under the EFF with potential access of USD 8.1 billion. The new program is subject to Board approval.

While Russia’s war of aggression continued to take a devastating social and economic toll on Ukraine, the performance under its program remained strong in 2025 despite the intensification of attacks on energy and other critical infrastructure. The authorities nevertheless remained steadfast in their resolve to maintain macroeconomic stability, and to restore debt sustainability and external viability. They are also committed to addressing informality, tackling corruption, and improving governance including in the state-owned enterprise sector.

NBC views: The Nordic-Baltic countries continue to condemn Russia’s aggression and remain strong supporters of Ukraine and the authorities’ continued efforts under an 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 frameworks.

Further reading: [Ukraine: Seventh Review Under the Extended Arrangement Under the Extended Fund Facility, Requests for Modification of a Performance Criterion, Rephasing of Access, and Financing Assurances Review-Press Release; Staff Report; and Statement by the Alternate Executive Director for Ukraine](#)

[Ukraine: Eighth Review Under the Extended Arrangement Under the Extended Fund Facility, Requests for Modification of Performance Criteria, Rephrasing of Access, and Financing Assurances Review-Press Release; Staff Report; and Statement by the Alternate Executive Director for Ukraine](#)

[IMF and Ukrainian authorities reach Staff-Level Agreement on a new US\\$8.1 billion 48-month Extended Fund Facility \(EFF\) Arrangement](#)

3.1.4 PAKISTAN

Context: In 2025, two reviews were completed for Pakistan’s program, approved in September 2024 under a thirty-seven-month Extended Fund Facility (EFF) amounting to SDR 5.32 billion (about seven billion U.S. dollars). The program aims to restore macroeconomic stability, rebuild foreign reserves, and lay the foundation for sustainable and inclusive growth, with priorities including fiscal discipline, tax base broadening, governance and state-owned enterprise reform, and energy sector viability.

The first review, in May, also saw the approval of a new Resilience and Sustainability Facility (RSF) arrangement for Pakistan amounting to SDR 1 billion (around 1.4 billion U.S. dollars) to support efforts in addressing climate vulnerabilities and natural disasters. The second review, in December, brought additional disbursements under both facilities.

Macroeconomic performance during 2025 was stronger than anticipated. Pakistan’s economic growth exceeded expectations, supported by prudent fiscal and monetary policies. Inflation declined to historic lows, and a primary fiscal surplus was achieved. External sector performance improved significantly, with a current account surplus and strengthened reserves. Nevertheless, risks remain elevated due to structural weaknesses and climate shocks.

NBC view: The NBC supported the completion of both program reviews and the approval of the RSF arrangement, recognizing Pakistan’s progress in stabilizing the economy and rebuilding reserves despite ongoing risks. The NBC emphasized the need for stronger domestic revenue mobilization, sustained fiscal discipline, and decisive reforms to broaden the tax base and improve governance. The NBC also highlighted the importance of protecting health and education spending, advancing FX market reforms, and maintaining close program ownership to safeguard fragile gains and ensure resilience against climate and external shocks.

Further reading:

[Pakistan: First Review Under the Extended Arrangement Under the Extended Fund Facility, and Request for an Arrangement Under the Resilience and Sustainable Facility - Press Release; Staff Report; and Statement by the Executive Director for Pakistan](#)

[Pakistan: Second Review Under the Extended Arrangement Under the Extended Fund Facility, First Review Under the Resilience and Sustainability Facility, Staff Report; and Statement by the Executive Director for Pakistan](#)

3.1.5 ECUADOR

Context: In 2025, the Board approved the second, third, and fourth reviews under the Extended Fund Facility (EFF). The authorities have remained firmly committed to the reform agenda throughout the program. In connection with the fourth review in December, the authorities met all quantitative performance criteria, indicative targets, and structural benchmarks—some by considerable margins. The ambitious fiscal consolidation plan is progressing well, with an improvement in the primary balance of 6.6 percent of GDP projected over the period 2024–2028. Directors commended the strong program performance and the authorities’ ownership and commitment to ambitious fiscal consolidation and structural reforms. Directors also welcomed the authorities’ initiatives to strengthen the social safety net and protect the most vulnerable groups, thereby enhancing the program’s social acceptability. Fitch has upgraded Ecuador’s long-term sovereign debt rating, and sovereign spreads have declined significantly. Effective implementation of the authorities’ plan of fiscal consolidation and economic reforms, supported by the EFF arrangement, is projected to maintain public debt on a firm downward trend, supporting the authorities’ objective of further lowering sovereign spreads and regaining access to capital markets. Nevertheless, risks remain elevated and, consequently, the Fund’s exposure remains high, as Ecuador is the fourth-largest borrower under the GRA.

NBC view: The NBC commended the authorities for the strong ownership demonstrated under the ambitious program. Throughout the program period, the NBC has emphasized the importance of reforms that pave the way for Ecuador to successfully regain market access. While much has already been achieved in Ecuador’s economy, further reforms remain necessary in several areas. These include labor market reforms to reduce youth unemployment and increase overall labor force participation, as well as continued economic diversification to strengthen non-oil exports. In addition, the NBC has highlighted that strengthening macroeconomic resilience to the impacts of climate change, including droughts, wildfires, floods, and landslides, will be critical to supporting productivity and sustaining long-term economic growth. Reforms to improve security will also help strengthen economic foundations and enhance the safety and well-being of the population.

Further reading:

[Ecuador: Second Review under the Extended Arrangement under the Extended Fund Facility, Request for Augmentation and Rephasing of Availability Date for the Third Review, and Financing Assurances Review-Press Release; Staff Report; and Statement by the Executive Director for Ecuador](#)

[The IMF Executive Board Concludes Third Review of the Extended Fund Facility Arrangement for Ecuador](#)

[The IMF Executive Board Concludes Fourth Review of the Extended Fund Facility Arrangement for Ecuador](#)

3.1.3 EGYPT

Context: Egypt's 2025 Article IV Consultation was finalized in March 2025 along with the fourth review under the Extended Fund Facility (EFF) and approval of an arrangement under the Resilience and Sustainability Facility (RSF). The completion of the fourth review allowed the authorities to draw USD 1.2 billion, bringing total EFF purchases to USD 3.2 billion, or 119 percent of quota. The RSF arrangement entailed additional access of about USD 1.3 billion. In view of the difficult external conditions and domestic economic environment, the Executive Board approved the authorities' request to recalibrate the authorities' medium-term fiscal commitments. The IMF report noted that the authorities had preserved macroeconomic stability amid a difficult regional environment but with mixed progress on the structural reform agenda. Looking ahead it was emphasized that more decisive implementation of reforms would be critical to secure sustainable and robust growth, including mobilizing domestic revenues and improving the business environment, while enhancing governance and transparency. Executive Directors noted the need to implement macrocritical climate reforms to further enhance economic resilience. The RSF arrangement is expected to support key reforms to accelerate decarbonization, strengthen management of environmental risks and assess the effects of investment plans on achieving resilience. In December, a staff level agreement was reached on Egypt's 5th and 6th reviews under the EFF and first review under the RSF. The IMF team noted that the Egyptian economy is showing signs of robust growth amid a challenging regional security environment and heightened global uncertainty. They found good progress being made in delivering on RSF reform measures.

NBC view: The NBC recognized the authorities' progress in rebuilding confidence ahead of the fourth review while noting mixed program performance. The NBC urged the authorities to ensure sustained efforts on the structural agenda and emphasized strong program ownership.

Further reading: [Arab Republic of Egypt: 2025 Article IV Consultation, 4th review under the EFF and request for an arrangement under the Resilience and Sustainability Facility, IMF reaches staff level agreement on Egypt's 5th and 6th reviews under the EFF and first review under the RSF.](#)

3.2 PRECAUTIONARY LENDING ARRANGEMENTS

As of December 31, 2025, the Fund was engaged in four precautionary arrangements (Morocco, Mexico, Costa Rica, and Chile) with about USD 44.6 billion available in lending commitments. Mexico's tenth arrangement under the FCL since 2009, amounting to about USD 24.2 billion, continues to be the largest. With Costa Rica's new FCL arrangement approved in June offset by the expiration of Jamaica's PLL arrangement, and Colombia dropping off the list of FCL arrangements, 2025 marked another year of decline in both the number of precautionary arrangements and the overall size of related commitments. The NBC supported the requests and continuations of the arrangements.

Further reading: [Weekly Report December 19, 2025](#)

3.3 RESILIENCE AND SUSTAINABILITY TRUST

Context: The IMF's Resilience and Sustainability Trust (RST) helps low-income and vulnerable middle-income countries build resilience to external shocks and ensure sustainable growth, thereby contributing to their longer-term balance of payments stability. It complements the IMF's lending toolkit by providing longer-term financing to address structural challenges, such as climate change and pandemic preparedness.

Since the RST became operational in October 2022, demand has been strong, with 26 Resilience and Sustainability Facility (RSF) arrangements approved by the end of December 2025, totaling SDR 10.7 billion. The highest demand has come from African countries, with 16 arrangements. Fourteen approved programs were at maximum access, defined as the lower of 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.

Most approved programs were climate-related, aiming to help countries build resilience to climate shocks and ensure sustainable growth. The approved RST programs include a wide range of reforms for climate mitigation, adaptation, and transition. The Fund's C-PIMAs and the World Bank's Country Climate and Development Reports (CCDRs) provide crucial input for RSF arrangements. In 2025, the first RSF request focused on pandemic preparedness was approved for Jordan. The IMF, World Bank, and WHO agreed on cooperation principles in 2024 to enhance pandemic preparedness. This collaboration aims to strengthen health systems' resilience and improve their ability to respond to health emergencies, optimizing financial resources and technical expertise.

NBC view: The NBC supports the focus of the RST. We have emphasized the importance of ensuring that RSF programs include strong reform measures to help countries reduce climate-related macro-critical risks, thereby promoting economic resilience and sustainability and enhancing balance of payments stability. We welcome the RSF's catalytic role in encouraging financing from other sources, including the World Bank, national authorities, and other development and private-sector partners. The NBC also encourages close coordination and complementarity with the World Bank and other partners in the design and implementation of RSF programs.

Further reading: [The Resilience and Sustainability Facility \(RSF\)](#); [Climate PIMA](#); [Country Climate and Development Reports \(CCDRs\)](#)

3.4 THE POVERTY REDUCTION AND GROWTH TRUST

Context: The Poverty Reduction and Growth Trust (PRGT) is the IMF's primary vehicle for providing concessional financing to low-income countries. PRGT-supported lending underpins well-designed economic programs that help catalyze additional financing from donors, development partners, and the private sector. In countries facing debt distress, PRGT-supported programs also play a central role in restoring macroeconomic stability and creating the conditions for successful debt resolution.

The PRGT is designed to fund itself, using earnings from its investments to provide concessional loans to its investors. However, in response to the COVID-19 pandemic, the IMF scaled-up support to low-income countries, which, despite a successful fundraising round in 2021, put significant stress on the PRGT finance.

To resolve this issue, the IMF Executive Board unanimously approved a comprehensive package of policy reforms and financing measures for the PRGT in October 2024. The reforms will enable a long-term self-sustained lending capacity of SDR 2.7 billion a year, more than double the pre-pandemic level.

Once IMF members have provided assurances that they will collectively transfer at least 90 percent of the total principal (or the equivalent in new financing) in the Interim Placement Administered Account (IPAA) to the PRGT (SDR 6.2 billion in nominal terms, SDR 5.9 billion in net present value terms), each member's share of the IPAA principal will become available and transferable from the IPAA according to their instructions.

Since the Executive Board approved the distribution framework, assurances worth nearly 43.5 percent of the total amount to be distributed have been received. On April 18, 2025, the Executive Board approved the first annual distribution of net income transferring SDR 1.38 billion from the GRA into the IPAA.

As of December 19, 2025, the Fund was engaged in 26 active programs and had approximately USD 32.36 billion in total loans outstanding under the PRGT. During 2025, the Executive Board approved 2 new Fund-supported programs (Democratic Republic of Congo and Chad) with financial support from PRGT. The Executive Board also completed several regular reviews of ongoing Fund-supported programs.

NBC view: The Nordic-Baltic countries remained strong supporters of the PRGT in 2025. We have emphasized that importance of a self-sustainable PRGT that operated to help low-income countries. We also emphasized that the catalytic role of the PRGT is critical.

Further reading: [Weekly Report December 19, 2025](#); [Poverty Reduction and Growth Trust \(PRGT\)](#)

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 work continues to support transformative policy actions that address longer-term challenges, including inequality, fragility, digitalization, and climate change.

Following the Executive Board's conclusion of the third quinquennial review of the Fund's CD in April 2024, work to enhance the CD envelope continued in 2025. Important milestones included the launch of the second phase of the Data for Decision (D4D) fund, the IMF's main multiparter funding vehicle for statistics training and technical assistance to developing economies. The IMF online learning program continued its expansion, aligned with the recommendations of the CD strategy review, to enable ongoing delivery of CD through a range of modalities and support the integration of CD and surveillance.

NBC views: The NBC countries remained strong supporters of the Fund's CD activity, with active support to IMF CD funds from both individual countries in our constituency and the European Commission.

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

5. INDEPENDENT EVALUATION OFFICE

In 2025, the Independent Evaluation Office (IEO) completed one evaluation, on *IMF Advice on Fiscal Policy*, continued the evaluation on *The IMF and Climate Change*, and launched a new evaluation on *IMF Engagement on Debt Issues in Low-Income Countries*.

In November, the Executive Board completed the Fifteenth Periodic Monitoring Report (PMR) on the Status of Management Implementation Plans (MIPs) in Response to Board-Endorsed IEO Recommendations. It was concluded that substantial progress has been made since the last PMR. The pace of implementation observed in the Fifteenth PMR, with the closure of 24 actions, was comparable to that of the previous PMR and much higher than that of the average of 35 percent per year over the last seven PMR monitoring cycles. Overall progress has been made largely across the board, with implementation being particularly faster on actions envisaged in more recent MIPs. 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 IMF ADVICE ON FISCAL POLICY

Context: The Executive Board discussed the Independent Evaluation Office's review of IMF fiscal policy advice from 2008 to 2023. The discussion highlighted the evolution from a narrow focus on debt sustainability toward a more integrated approach that balances fiscal sustainability, output stabilization, and long-term growth. Directors acknowledged improvements in analytical tools, including debt sustainability frameworks and fiscal risk assessments, while emphasizing the need for clearer articulation of fiscal stance and better integration of long-term spending priorities. The Board reaffirmed its commitment to transparency and consistency in providing candid, country-specific advice to help members navigate fiscal challenges.

The IEO made the following four recommendations: i) to typically include in bilateral surveillance clear, specific, and well-communicated advice on the fiscal stance, the macroeconomic impact of the recommended fiscal policy, the policy mix, and spillovers, while ensuring the Fund's role as a trusted advisor; ii) to make more use of existing analytical tools and conduct further research on debt data, liquidity risks, medium-term anchors and paths, and distributional effects; iii) to enhance the provision of proactive and specific advice on debt and fiscal risks, debt management, and institutional frameworks, including fiscal rules; iv) to strengthen the articulation of trade-offs between competing long-term spending needs and fiscal sustainability, highlighting their effects on long-term growth, debt dynamics, and distributional outcomes, and propose options to generate fiscal space when financing constraints are binding.

NBC view: The NBC broadly concurred with the IEO's assessments and recommendations. While expressing support to the first recommendation on the need to provide clear, specific, and well-communicated advice on the fiscal stance, the NBC emphasized that also more efficient and well-

communicated exit strategies are essential to guide the transition from fiscal stimulus to consolidation. On the third recommendation, the NBC highlighted the need for deeper integration of debt sustainability and fiscal-risk analysis into fiscal advice.

Further reading: [IMF Advice on Fiscal Policy; The Chair's Summing Up Independent Evaluation Office—IMF Advice on Fiscal Policy Executive Board Meeting December 4, 2025](#)

THE IMF's EXECUTIVE BOARD

The International Monetary Fund (IMF) has 191 member countries. Its highest decision-making¹ 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 2025, our staff included:

Vitas Vasiliauskas	Executive Director, Lithuania
Ingrid S. Solberg	Alternate Executive Director, Norway
Henrik Thomasen	Senior Advisor, Denmark
Henna Karhapaa	Senior Advisor, Finland
Peter Wallin	Advisor, Sweden
Krista Kollo	Advisor, Estonia
Gundars Davidsons	Advisor, Latvia
Ragnheidur Jonsdottir	Advisor, Iceland
Maria P. Marin	Executive Assistant
Tammy Timko	Executive Assistant

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**The views expressed in this paper are those of the author(s) and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.*