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Statement by Ms. Lose
Denmark

On behalf of
Denmark, Republic of Estonia, Finland, Iceland, Republic of Latvia, Republic of Lithuania, Norway, and Sweden

Statement by Minister for Economic Affairs Stephanie Lose on behalf of Denmark, Republic of Estonia, Finland, Iceland, Republic of Latvia, Republic of Lithuania, Norway, and Sweden

The Nordic and Baltic countries remain firmly committed to an open, rules-based global economy, and underscore the principles of the IMF Articles of Agreement. To fulfil its mandate, the Fund should remain a trusted provider of impartial analysis and policy advice.

Russia's war against Ukraine continues to erode European and global security, increase geoeconomic fragmentation, and negatively affect the macroeconomic outlook, while disproportionately impacting the poorest countries through spillover effects. These challenges would be alleviated by Russia ending its war.

The Nordic and Baltic countries continue to condemn, in the strongest possible terms, Russia's continued war of aggression against Ukraine, which constitutes a gross violation of international law and recall our support for Ukraine's independence and sovereignty. We call on Russia to withdraw all its military forces from the territory of Ukraine within its internationally recognized borders. There can be no negotiations on Ukraine without Ukraine, nor negotiations that affect European security without Europe's involvement. We will continue providing Ukraine all the necessary political, military, humanitarian, and economic support for as long as it takes and as intensely as needed.

The Nordic and Baltic countries urge the parties and the international community to unite in a common effort to bring the terrible conflict in Gaza to an end. In this regard, the Nordic and Baltic countries welcome the agreement reached on the initial phase of the peace proposal presented by the United States.

Economic openness, sound policies and strong institutions are crucial

1. Continued geopolitical tensions, coupled with shifting trade policies and rising protectionism, weighs on the global economic outlook, with the world's poorest economies particularly at risk. Russia's war of aggression against Ukraine further undermines growth, worsens fiscal and external balances, affects global commodity prices and exacerbates global uncertainty. Ongoing major transformations related to geoeconomic fragmentation, demographic shifts, artificial intelligence and climate change are reshaping the macroeconomic landscape. Furthermore, elevated public debt and deficit levels are a looming concern. The Fund should continue guarding macroeconomic stability to support sustainable growth for all countries.
2. Central banks must respond to global economic developments and evolving risks to the inflation outlook to maintain well-anchored long-term inflation expectations. Stretched asset valuations, growing debt levels, and developments in crypto assets, including the growing use of stablecoins, warrant vigilance to ensure financial stability. Preserving the independence of key economic institutions, such as central banks and statistical agencies, is of utmost importance to safeguard trust in institutional frameworks and ensure macroeconomic stability. Furthermore, the Fund should contribute to addressing financial stability vulnerabilities and to promoting an open, resilient, and stable financial system, including the full, timely and consistent implementation of all internationally agreed reforms and standards such as Basel III.
3. We call on the Fund to clearly deliver the message that protectionist trade measures damage growth and are counterproductive for reducing macroeconomic imbalances. The Nordic and Baltic countries remain firmly committed to an open, rules-based and predictable global trading system that benefits all partners.

The Nordic-Baltic countries support the Fund's role in promoting international monetary cooperation

4. The IMF plays a unique role at the centre of the global financial safety net. We are strongly committed to uphold the Fund's core functions to promote international cooperation and to provide independent policy advice, including on the macroeconomic consequences and spillovers of wars and conflicts, trade restrictions and industrial policies. We also support evidence-based and impartial analysis of global imbalances. As a lender of last resort, the Fund should continue to rely on programs with strong conditionality as the main instrument of its lending toolkit to address balance of payments and financial crises.
5. The Nordic-Baltic countries' strong support for the IMF's role and mission is reflected in our substantial loan and subsidy contributions. Nordic and Baltic countries also provide financing to various Fund's capacity development initiatives that help strengthen member countries' institutions and capacity to prevent crisis.
6. The Fund should continue its full engagement with Ukraine through a strong policy program that sustains macro-financial stability and further mobilizes international support amid the ongoing war and high financing needs.

We call on the Fund to secure its role as a provider of candid and independent policy advice

7. The upcoming Comprehensive Surveillance Review should ensure that Fund's surveillance remains credible, focused and aligned with the purposes and mandate of the Fund. In addition, the Fund should maintain its leadership in monetary, fiscal, exchange rate, and financial sector policy analysis and advice. The review should also focus on better integrating relevant aspects of governance, climate change, gender and inequality into macroeconomic frameworks when and to the extent these are deemed macro-critical. The review should reinforce the quality of surveillance, increase traction of policy advice and maintain even-handedness. We look forward to the review of the Financial Sector Assessment Program and its improved integration with the Fund's surveillance.
8. The Fund's lending toolkit with strong conditionality, safeguards and debt sustainability assessments has served members well. The Review of Program Design and Conditionality should focus on ensuring strong country ownership, strict conditionality, and appropriately phased disbursements to resolve macro-economic imbalances. Fund programs should incorporate deeper growth-oriented reforms focused on areas essential to achieving macroeconomic and financial stability. Continued active and consistent Fund engagement in governance and anti-corruption policies is needed. Improving risk assessment, more explicit contingency planning and greater realism of macro projections in program design, in close collaboration with country authorities is important.
9. Weak global economic growth, increasing financing needs and overall high public debt levels underscore the importance promoting structural reform and of rebuilding fiscal buffers. For EMDEs effective domestic revenue mobilisation, enhanced efficiency of spending, debt management and transparency, in line with the IMF and World Bank three-pillar approach, would support efforts to secure debt sustainability. We also look forward to the results of the LIC-DSF review. The Common Framework remains a key platform for coordinated sovereign debt restructuring and strengthening its effectiveness remains important.

We will work constructively to strengthen the Fund as a quota-based representative multilateral institution

10. The prompt implementation of the 16th General Review of Quotas is an urgent priority in order 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 General Review of Quotas. Any realignment of quota shares must serve multilateralism and the legitimacy of the Fund as a representative multilateral institution. The current quota formula reflects the Fund's mandate well, continues to capture changing economic realities and is a carefully designed compromise. A limited ad hoc realignment may offer the most pragmatic approach. A higher quota share comes with increased responsibilities and obligations. In addition, we reiterate the need for further efforts to increase gender diversity in the Executive Board.