



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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Statement by Ms. Wolden Bache Norway

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

Statement by Governor Ida Wolden Bache on behalf of Denmark, Republic of Estonia, Finland, Iceland, Republic of Latvia, Republic of Lithuania, Norway, and Sweden

Recent trade developments cause large disruptions to the global economy, increasing uncertainties, impacting financial and macroeconomic stability, and global growth prospects. The Nordic and Baltic countries underscore the principles of the IMF Articles of Agreement.

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 condemn in the strongest possible terms Russia's continued unprovoked and illegal war of aggression against the independent and sovereign country of Ukraine, which constitutes a gross violation of international law, including the UN charter, and recall our support for Ukraine's independence and sovereignty. We call on Russia to immediately, completely, and unconditionally withdraw all its military forces from the territory of Ukraine within its internationally recognized borders and stop the war. It is for Ukraine to negotiate and determine the terms of peace and there can be no negotiations on Ukraine without Ukraine, nor negotiations that affect European security without Europe's involvement. We will continue providing Ukraine and its people 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 deplore the breakdown of the ceasefire in Gaza and the civilian casualties and call for the unconditional release of the hostages, unimpeded humanitarian assistance and for an immediate return to the full implementation of the ceasefire agreement.

The best way to navigate the challenges of the low growth-high debt path is to embrace international cooperation and rules-based economic openness

1. Rising economic protectionism, including announcement and introduction of trade tariffs, pose significant risks for economic growth, jobs and inflation. Protectionist measures contribute to economic headwinds. Trade wars leave every country worse-off. The Nordic and Baltic countries remain committed to an open, rules-based and predictable global trading system that benefits all partners. We continue to promote it with our international partners to leverage the benefits of free trade, which contributes to harnessing comparative advantages and economies of scale.
2. The global economy is adapting to multiple shocks, including significant policy changes, transformations related to climate change, artificial intelligence, digitalisation and demographic transitions. We emphasize the importance of the Fund communicating their assessment clearly on all relevant developments that have a significant impact on the state of the global economy. Russia's war against Ukraine has aggravated the cost-of-living crisis across the world and represents a major downside risk to growth going forward.
3. Central banks need to tread carefully going forward, monitoring the ongoing shifts in the global economy and potential risks to the inflation outlook, including due to increasing protectionism. Preserving central bank independence is essential to maintaining well-anchored long-term inflation expectations.
4. As public debt levels remain elevated, we underline the importance of rebuilding fiscal buffers, implementing necessary structural reforms and improving debt transparency. More effective

domestic revenue mobilisation would support efforts to address development financing needs, security and aging challenges, as well as facilitate green and digital transitions. In the context of rapid and significant policy changes, vigilance to preserve macroeconomic and financial stability is key.

The Fund is a unique multilateral institution with a clear and crucial role

5. It is essential to preserve the unique role of the Fund at the centre of the global financial safety net. The Fund should continue to promote multilateralism and cooperative solutions, which are key in the context of the ongoing economic transformations and increasing risks of geoeconomic fragmentation. An appropriate use of the Fund's main instruments – surveillance, lending with conditionality and capacity development – is key to deliver on the Fund's mandate. The Fund must continue to be a voice of reason, providing impartial analysis, including on the macroeconomic consequences of wars and conflicts, trade restrictions and industrial policies.
6. The Nordic-Baltic countries are substantial contributors to the IMF's work through financing arrangements such as New Arrangements to Borrow, Bilateral Borrowing Arrangements, and SDR Voluntary Trading Arrangements, supporting capacity development, the Poverty Reduction and Growth Trust, the Resilience and Sustainability Trust, the Catastrophe Containment and Relief Trust. The countries in our constituency are among the largest providers of Official Development Assistance globally.

The Fund should use its main instruments to ensure strong conditionality and support crisis prevention and management

7. The Fund's surveillance is a key tool for the IMF to prevent crises. The upcoming Comprehensive Surveillance Review is well-timed to assess whether some re-prioritization in surveillance is necessary. Also, we are looking forward to the upcoming review of the Financial Sector Assessment Program. The Fund should strengthen its leadership in monetary, fiscal, exchange rate, and financial sector policies, while working to better integrate structural issues (including relevant aspects of governance, climate, and gender) into macroeconomic frameworks when they are deemed macro-critical. We expect that the Fund will continue to serve its membership by providing high-quality, granular, and tailored advice on macroeconomic and financial policy challenges as well as risks and opportunities arising from climate change and the ongoing energy transition. Additionally, the ongoing technological advancements require investments in human capital and life-long learning.
8. The upcoming Review of Program Design and Conditionality should maintain and enhance the quality and traction of IMF conditionality to reduce the number of countries that need repeated financial support from the Fund, and tackle debt vulnerabilities. The Fund's lending toolkit with strong conditionality, safeguards, debt sustainability assessments and price-based incentives serves members well. In this context, we would like to note that measures to foster good governance, strong institutions and to reduce corruption are often key elements of successful lending arrangements, which also support ownership of reforms and the catalytic role of the Fund's financing. We also maintain that it is important to design programs with clear requirements and offer incentives for compliance to ensure sound credit risk management. Continued active and consistent Fund engagement on governance and anti-corruption policy is needed.

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

9. We look forward to the implementation of the 16th General Review of Quotas, which will 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. In addition, we reiterate the need for further efforts to increase gender diversity in the Executive Board.