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IMF POLICY PAPER

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THE 4TH FINANCING FOR DEVELOPMENT CONFERENCE— CONTRIBUTION OF THE IMF TO THE INTERNATIONAL FINANCING FOR DEVELOPMENT AGENDA

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its June 3, 2025, consideration of the staff report.

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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR25/184

IMF Executive Board Discusses the 4th Financing for Development Conference—Contribution of the IMF to the International Financing for Development Agenda

FOR IMMEDIATE RELEASE

Washington, DC – June 5, 2025: On June 3, the Executive Board of the International Monetary Fund (IMF) discussed the staff paper on the contribution of the IMF to the international financing for development agenda, prepared in view of the 4th Financing for Development Conference (FfD4) to be held in Sevilla, Spain from June 30 to July 3, 2025. The paper outlines the challenging context for development, updates staff's assessment on the achievability of Sustainable Development Goals (SDGs), and proposes actions to accelerate development progress.

The series of shocks since 2020 has added to longstanding structural challenges, with low-income and fragile countries affected the most. Debt vulnerabilities deserve attention, particularly for low-income countries. While debt appears sustainable for most countries, many are facing high interest costs and elevated refinancing needs that constrain their ability to finance critical spending necessary to progress on their development path. Against this background, achieving the Sustainable Development Goals by 2030 appears increasingly unlikely.

Accelerating development progress will require a major collective effort, including advancing a strong domestic reform agenda, providing adequate international support to complement and facilitate domestic reforms, and proactively addressing debt vulnerabilities. Importantly, while developing countries share many characteristics, increasing heterogeneity across countries calls for appropriate differentiation in countries' policy and reform agenda, as well as in the support from the international community.

The IMF has a strong role to play in supporting countries maintain or restore macroeconomic and financial stability, which is a key condition to enable sustainable growth and development. Through its surveillance, capacity development, and financial support to countries faced with balance of payment needs, the IMF helps countries advance this agenda, including through continuous adjustments in its policies to ensure they remain fit for purpose and aligned with evolving needs of the membership. It also plays a leading role on debt and the global debt architecture, through its monitoring of debt vulnerabilities and debt sustainability assessments and further enhancing its work to tackle debt challenges and improve debt restructuring processes, including through the Common Framework and progress at the Global Sovereign Debt Roundtable. In all these activities, the IMF collaborates closely with partners, particularly the World Bank.

Executive Board Assessment[1]

Executive Directors welcomed the opportunity to discuss the contribution of the IMF to the international financing for development agenda, as well as the review of recent experiences in the IMF's collaboration with the World Bank, ahead of the 4th Financing for Development Conference. Directors concurred with staff's analysis of the challenging context for development, as the series of shocks since 2020 has added to longstanding structural challenges weighing on economic and social progress in developing countries, with low-income and fragile countries affected the most.

Directors agreed that debt vulnerabilities deserve specific attention, in particular for low-income countries. They noted that, while debt appears sustainable for most countries under baseline assumptions, uncertainties and risks to the baseline have increased significantly. In addition, many countries face high interest costs and elevated refinancing needs that constrain their ability to finance critical spending necessary to progress on their development path.

Directors noted with regret that achieving the sustainable developments goals (SDGs) by 2030 appears increasingly unlikely, as it would require financing that exceeds credible assumptions and surpasses what countries could absorb without creating additional macroeconomic imbalances.

Directors agreed that accelerating development progress requires a major collective effort comprising strong domestic reforms, significant international support, and proactively addressing debt vulnerabilities. They noted that, while developing countries share many characteristics, increasing heterogeneity across countries calls for appropriate differentiation in countries' policy and reform agenda, as well as in the support from the international community.

Directors emphasized the importance of advancing a strong domestic reform agenda to maintain or promote a stable and sound macroeconomic and financial environment and boost private-sector led growth and job creation. This includes increasing the efficiency of public spending and optimizing the use of available resources, mobilizing domestic resources, strengthening debt management, and improving governance. These reforms are also key to increase resilience against external shocks.

Directors also agreed that international support, through well-coordinated and sequenced capacity development (CD), and additional public and private financing, will be critical to complement and facilitate domestic reforms. They underlined the importance of proactively addressing debt challenges and supported the proposed approach to: (i) improve further debt restructuring processes to ensure countries with unsustainable debt have access to timely and sufficiently deep debt relief, building on

[1] An explanation of any qualifiers used in summing up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

progress already made in particular under the Common Framework and through the work at the Global Sovereign Debt Roundtable (GSDR); and (ii) accelerate the implementation of the "3-pillar approach" to help countries with sustainable debt and a robust reform agenda, where productive spending is crowded out by high debt service. They welcomed the recent publication of the GSDR "*Restructuring Playbook*" and supported further strengthening the IMF's contribution to help address debt vulnerabilities, consistent with its role and policies and respecting its duty of neutrality. They also underlined the importance of further enhancing debt transparency and the accuracy of debt data.

Directors agreed that, while the IMF is not a development institution, it has a strong role to play to help member countries maintain or restore macroeconomic and financial stability, which is a key condition to enable sustainable growth and development. They underlined the importance of IMF surveillance, CD, and financial support to members faced with balance of payment needs, to achieve this objective, and looked forward to the upcoming comprehensive surveillance review and review of program design and conditionality. Directors highlighted the recent reforms to ensure that the lending framework remains fit for purpose, including the finalization in October 2024 of the review of the Poverty Reduction and Growth Trust (PRGT) facilities and financing and the review of the Charges and the Surcharge Policy, and the significant expansion of CD delivery over time, with a strong emphasis on supporting low-income countries and fragile and conflict-affected states. In this context, some Directors saw room to further scale up the IMF's concessional facilities and CD support. Some others cautioned against placing greater emphasis in IMF-supported programs on development spending needs and higher financing volumes. Directors supported the continued active role of the IMF on debt issues and its sustained engagement in international efforts to address debt vulnerabilities. Some Directors noted that a greater emphasis in the paper on the IMF's existing work on climate would have better illustrated that the Fund is already actively contributing to help address these challenges, in line with its mandate. A few Directors also highlighted the macro-critical nature of inequality and its impact on long-term stability and development, and supported a deeper analytical and operational engagement on these fronts within the Fund's existing mandate.

Directors underlined the importance of IMF collaboration with partners, in particular the World Bank and relevant UN agencies, building on comparative advantages and consistent with each institution's mandate. They welcomed the review of recent experiences in the IMF's collaboration with the World Bank and underscored the critical importance of maintaining or further deepening this efficient collaboration, leveraging the respective expertise of both institutions for an optimal division of work and avoiding duplication.

Directors underscored the importance of clear communication to promote a better public understanding of the institution's unique role, mandate, and activities in fostering macroeconomic and financial stability, which is a prerequisite for sustainable growth and development.

May 9, 2025

THE 4TH FINANCING FOR DEVELOPMENT CONFERENCE—CONTRIBUTION OF THE IMF TO THE INTERNATIONAL FINANCING FOR DEVELOPMENT AGENDA

EXECUTIVE SUMMARY

The series of major economic shocks since 2020 has added to longstanding development challenges, with low-income and fragile countries affected the most. The negative economic impact of the COVID-19 pandemic, the spillovers from the war in Ukraine, and the tightening of international financial conditions after 2022 have added to preexisting structural obstacles weighing on economic and social progress in developing countries. While some of these factors have subsided since 2023, the escalation of trade tensions at the beginning of 2025, and the resulting impact on global growth and international financial conditions, including elevated uncertainty and significant downside risks weighing on the outlook, have again negative implications for most developing countries. In addition, natural disasters, climate and demographic challenges, geopolitical tensions, political instability, and conflicts, can be expected to add further to the challenges, even though some developments, including artificial intelligence and digitalization, may be beneficial. That said, while developing countries share many characteristics, increasing heterogeneity in their economic conditions and exposures to risks calls for appropriate differentiation in countries' policy and reform agendas, as well as in the support from the international community. Particular attention must be paid to the situation of the poorest and fragile countries.

Debt vulnerabilities deserve specific attention, in particular for low-income countries (LICs). The risk of a systemic debt crisis continues to appear broadly contained under the latest updated baseline assumptions. However, uncertainties and risks to the baseline have increased significantly, including on global growth, commodity prices, international financial conditions, exchange rate movements, weaker than anticipated macro-structural policies, or renewed major shocks. Even under the baseline, LICs appear particularly vulnerable, as half of them continue to be assessed at high risk of or already in debt distress under the IMF/World Bank joint Debt Sustainability Framework for Low-Income Countries (LIC-DSF). In addition, while debt appears sustainable for most countries under staff's baseline assumptions, many are facing high interest costs and elevated refinancing needs that constrain their ability to finance critical spending necessary to progress on their development path.

Accelerating development progress requires a major collective effort. Achieving the Sustainable Development Goals (SDGs) by 2030 appears increasingly unlikely. It would require financing that exceeds credible assumptions and surpasses what countries could absorb without creating additional macroeconomic imbalances. A more realistic yet still ambitious path would still entail significant needs. Staff estimates that US$3.5 trillion would be needed over 2025–29 to progress significantly in five key areas—education (SDG 4), health (SDG 3), road infrastructure (SDG 9), electricity access (SDG 7), and water and sanitation (SDG 6), including climate needs in these sectors—even if the SDG targets in these areas would not be fully achieved by 2030.

Advancing development will require strong domestic efforts, significant international support, and proactively addressing debt vulnerabilities. The three elements need to come together. First, strong domestic efforts are urgently needed to promote or maintain a stable and sound macroeconomic and financial environment, and implement reforms to boost private-sector-led growth and job creation, increase the efficiency of public spending and optimize the use of available resources, mobilize domestic resources adequately, strengthen debt management, and improve governance. These reforms will also be key to increase resilience against external shocks. These reforms are challenging and require strong national ownership as well as careful design and sequencing to secure social support. Second, international support will be critical to complement and facilitate domestic efforts, including enhanced capacity development and additional financing from public and private sources. This should include sufficient flows of grants and concessional loans from donors, in particular for the poorest and fragile countries. Third, proactively addressing debt challenges will be essential through improved debt restructuring processes for countries with unsustainable debt, and through pro-active measures to help countries with sustainable debt and a strong and credible reform agenda, where development spending is crowded out by elevated debt service.

The IMF has a strong role to play to help countries maintain or restore macroeconomic and financial stability and implement sound policies that support sustainable growth and development. While not a development institution, the Fund is a key partner in helping countries maintain or restore macroeconomic stability and implement policies that support sustainable growth and development. The Fund supports the development agenda by providing tailored policy advice, capacity development, and financial support to countries faced with balance of payment needs. It plays a leading role on debt, and is further enhancing its work to tackle debt challenges and help improve debt restructuring processes. In all these activities, the IMF collaborates closely with partners, particularly the World Bank.

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Glossary

AAAA	Addis Ababa Action Agenda
AML/CFT	Anti-Money Laundering and Combatting the Financing of Terrorism
CCRT	Catastrophe Containment and Relief Trust
CBDC	Central Bank Digital Currency
CBR	Correspondent Banking Relationship
CD	Capacity Development
CDMAP	CD Management and Administration Program
CF	Common Framework
CID	Climate Change Indicators Dashboard
CPAT	Climate Policy Assessment Tool
C-PIMA	Climate Public Investment Management Assessment
CSR	Comprehensive Surveillance Review
DAC	Development Assistance Committee
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
DRM	Domestic Resource Mobilization
EM(E)	Emerging Market (Economy)
EU	European Union
FAO	Food and Agriculture Organization
FATF	Financial Action Task Force
FCS	Fragile and Conflict-affected State(s)
FDI	Foreign Direct Investment
FfD4	Fourth United Nations Financing for Development
FLFP	Female Labor Force Participation
FSAP	Financial Sector Assessment Program
FSSR	Financial Sector Stability Review
GDP	Gross Domestic Product
GNI	Gross National Income
GRA	General Resources Account
GFSN	Global Financial Safety Net
GPFP	Global Public Finance Partnership
GSDR	Global Sovereign Debt Roundtable
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IEO	Independent Evaluation Office
ILO	International Labor Organization
LIC	Low-Income Country
MDB	Multilateral Development Bank
MDG	Millenium Development Goals
MDRI	Multilateral Debt Relief Initiative
MIMMI	Multisector Incomplete Markets Macro Inequality Model
ODA	Official Development Assistance

OECD	Organization of Economic Cooperation and Development
PFM	Public Finance Management
PIT(A)	Personal Income Tax (Assessment Tool)
PRGT	Poverty Reduction and Growth Trust
RBM	Results-Based Management framework
RCDC	Regional Capacity Development Center
RM	Reform Measure
RSF	Resilience and Sustainability Facility
RST	Resilience and Sustainability Trust
SDG	Sustainable Development Goal(s)
SDR	Special Drawing Rights
SDS	Small Developing State(s)
SRDSF	Sovereign Risk and Debt Sustainability Framework
TA	Technical Assistance
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UN DESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNODC	United Nations Office on Drugs and Crime
WB	World Bank
WFP	World Food Programme
WHO	World Health Organization
WTO	World Trade Organization

INTRODUCTION

1. **The Fourth Financing for Development (FfD4) conference will aim to shape the international financing framework to support development in the coming years**. The conference, to be held in Sevilla, Spain, between Jun 30-Jul 3, 2025, will assess progress made over the past 20+ years in implementing the Monterrey Consensus, the Doha Declaration, and the Addis Ababa Action Agenda (see Box 1), and devise a new financing for development agenda that will supersede the Addis Ababa Action Agenda.

2. **This paper presents IMF staff's assessment of the economic context, financing needs, and policy agenda that could support the international financing for development agenda.**[1] Section II presents the challenging economic context for development, including on debt, and staff analysis of the reasons why achieving the Sustainable Development Goals (SDGs) by 2030 appears increasingly unlikely, before laying out what could be a still ambitious but more plausible path to accelerate development progress. Section III builds on these elements to propose a policy agenda consistent with the proposed path. Section IV presents an overview of the main areas for the Fund's role in support of this agenda. Section V proposes issues for discussion.

Box 1. Summary of the Key 2015 Milestones for the Development Agenda, and Related Contributions of the Fund

The **Addis Ababa Action Agenda** **(AAAA)** continues the international efforts represented by the 2002 Monterrey Consensus and 2008 Doha Declaration to align financial flows with development goals, and sets out a comprehensive approach to development finance. The AAAA sets out goals in the "action areas" of (i) domestic resources mobilization; (ii) domestic and international private business and finance; (iii) international development cooperation; (iv) international trade; (v) debt sustainability; (vi) systemic issues; and (vii) science, technology, innovation, and capacity development. Crucially, these successive "financing for development" agendas consistently upheld and reinforced the key principles that each country has primary responsibility and ownership for its own development and that a "global partnership" is necessary to support countries in achieving the development goals. These agendas are voluntary frameworks for collective action.

Ahead of the adoption of the 2015 AAAA, the **IMF assessed its own measures in support of the international financing for development agenda** (IMF 2015a, 2015b, 2015c). The IMF Executive Board viewed that the IMF's primary contribution is to help maintain macroeconomic and financial stability at both the international and national levels. At the same time, it supported increasing Fund support to: (i) strengthening tax systems; (ii) tackling infrastructure gaps; (iii) promoting economic inclusion and gender equality; (iv) developing domestic financial markets; (v) intensifying engagement with Fragile and Conflict-Affected States; (vi) improving economic statistics; (vii) expanding the financial safety net for developing countries; and (viii) addressing macroeconomic aspects of climate change. In 2019, the Board conducted the first stock-take of the IMF's contributions (IMF 2019a).

FfD4 aims to identify obstacles to and actions for achieving the 2030 Development Agenda and the previous FfD agendas – resulting in an outcome superseding the 2015 AAAA. The IMF is an observer in UN processes

[1] Country sample analyzed in the paper encompasses all countries which are not classified as high-income countries by the World Bank, excluding China and India due to their economic size and specific situations, plus all countries classified as Small Developing States by the IMF. See Appendix I for the detailed list of countries covered in the paper.

and not directly part of the FfD4 intergovernmental negotiations, nor is it bound by their outcome. The IMF, however, has an overarching interest in helping the UN and its membership arrive at a consensus in areas of its expertise. For example, the IMF contributes to the annual Financing for Sustainable Development Report as a member of the Inter-agency Task Force on Financing for Development.

A CHALLENGING CONTEXT FOR DEVELOPMENT

Several major shocks have impacted the world economy since 2020, with low-income and fragile countries affected the most. This series of shocks has added to longstanding structural obstacles weighing on development. The ongoing developments in the world economy, including on trade and official development assistance, and the resulting impact on global growth and international financial conditions, including elevated uncertainty and downside risks, have again negative implications for most developing countries. In addition, natural disasters, climate and demographic challenges, geopolitical tensions, political instability, and conflicts, can be expected to add further to the challenges, even though some developments, including artificial intelligence and digitalization, may be beneficial. Significant heterogeneity across developing countries, however, requires appropriate differentiation in countries' policy and reform agendas, as well as in the support from the international community. Particular attention must be paid to the situation of the poorest and fragile countries.

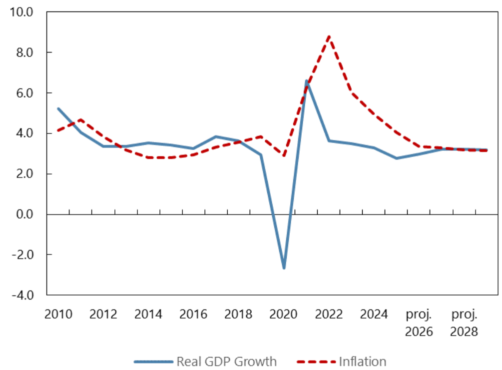
A. A Shock-Prone World

3. **Several major shocks have impacted the world economy since 2020.** The COVID-19 pandemic hit hard all economies in 2020. Just as the world began to recover from the COVID-19 shock, inflation surged in 2022, exacerbated by the adverse effects of the war in Ukraine on fuel and food markets, contributing to the cost-of-living crisis (Figure 1). The ensuing tightening of monetary policy and global financial conditions, as well as an increased risk aversion amid rising geopolitical tensions weighed on growth and worsened the global economic environment. While some of these factors have subsided since 2023, the escalation of trade tensions at the beginning of 2025, and the resulting impact on global growth and international financial conditions, including elevated uncertainty and significant downside risks weighing on the outlook, have again negative implications for most developing countries. Near term growth is now projected at 2.8 percent in 2025 and 3 percent in 2026, well below the 2000-19 average of 3.7 percent, and a cumulative downgrade of about 0.8 percentage point compared to the Fund's projections in January 2025. Depending on their individual situation, developing economies may be impacted through different channels, including the impact of new tariffs on trade, cuts in official development assistance from major donors, pressure on commodity prices due to lower global growth (with some commodity prices actually rising), tightening of international financial conditions, and exchange rate movements, which add to longstanding development challenges.

Figure 1. Global Growth and Inflation

Global Real GDP Growth and Inflation

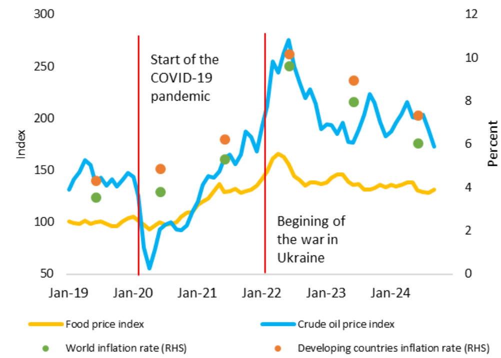
(Percent)



Sources: WEO and Fund staff estimates.

Inflation Rates and Commodity Prices

(Index and Percent)



Sources: WEO and Fund staff estimates.
Notes: Excludes countries with annual inflation rate of more than 50 percent.

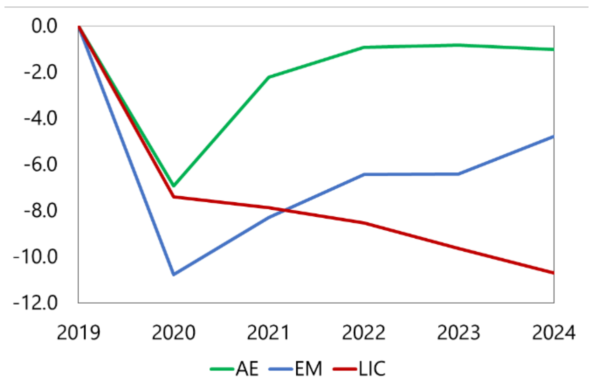
4. The general trend also masks significant differences between countries, with the poorest and fragile countries falling behind (Figure 2 and Figure 3). While Emerging Markets (EMs) faced the steepest initial pandemic-related GDP losses, their economies began to recover from 2021 on. Low-income countries (LICs) have experienced a more difficult path, with significant differences among LICs depending on key structural and institutional characteristics (IMF, 2025b). While the *38 more advanced LICs* (those characterized by higher income, more diversified export structures, and access to international capital markets) grew at 5.3 percent on average between 2022-24, the 32 *poorest LICs* grew by only 3.3 percent on average over the same period. Fragile and conflict-affected states (FCS) were also particularly impacted, with a growth rate of only 2.6 percent.[2] The difference is illustrated by the fact that, in 2024, 11 of the world's 20 fastest growing economies were LICs, but GDP fell by 23.4 percent and 27.6 percent in two others—Sudan and South Sudan—respectively. Nine LICs experienced a deterioration in GDP per capita over the past 15 years, while the more advanced LICs have realized significant gains.[3] Thus, while some fast-growing LICs are on track to achieve EM status soon, the poorest LICs are increasingly falling behind, which threatens convergence of their per-capita income with Advanced Economies (IMF, 2025b). Poverty levels and incidence of food insecurity have also disproportionately affected the poorest LICs and FCS.

[2] See Appendix II for a list of countries classified as poorest and as more advanced LICs.

[3] For instance, GDP per capita in Bangladesh and Tajikistan is around twice its level in 2010.

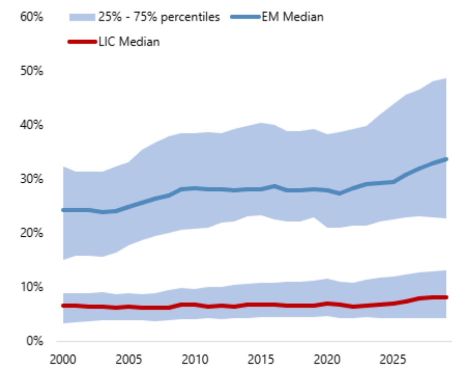
Figure 2. Developing Countries: Real GDP Effects of the Successive Shocks Since 2020

Real GDP Loss in Constant Prices
(PPP 2021 International Dollars 1/)



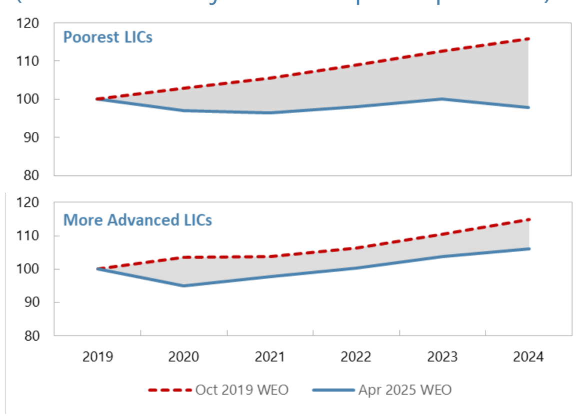
1/ Actual less the pre-pandemic projected levels.
Sources: WEO (Jan. 2020, Apr. 2025) and IMF staff calculations.

PPP-adjusted Real GDP p.c. in LIC and EM
(Percent of AE median)



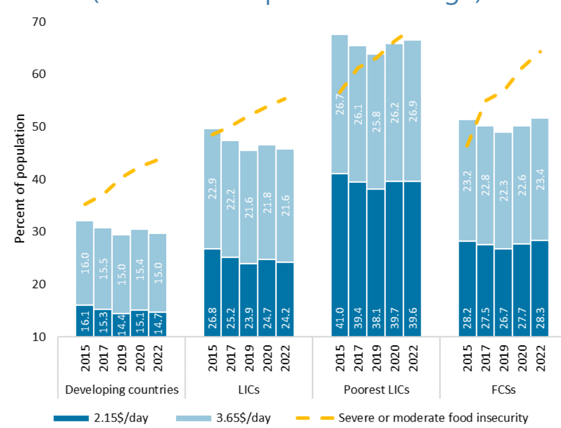
Sources: WEO and IMF Staff Calculation.

Economic Scarring
(Median PPP-adjusted Real per Capita GDP)



Source: WEO and Fund staff calculations

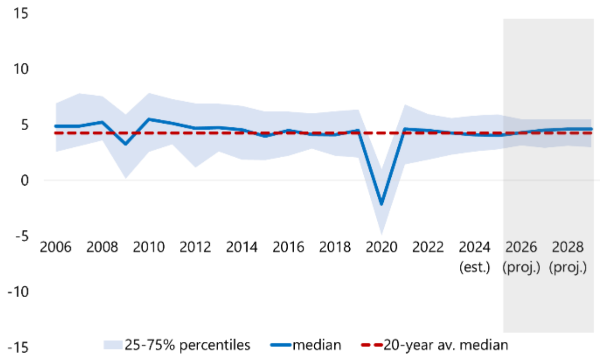
Prevalence of Poverty and Food Insecurity
(Percent of Population Average)



Source: WB World Development Indicators Database.
Notes: Includes actual and projected poverty data.

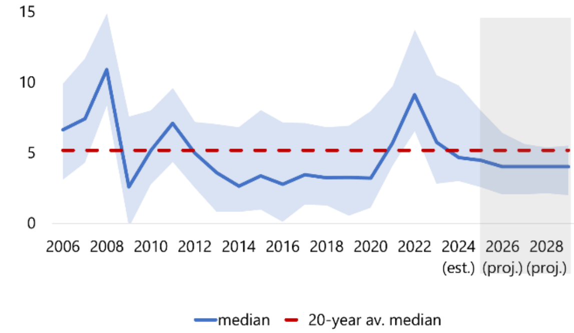
Figure 3. Inflation and Macroeconomic Prospects in LICs and EMs

LICs: Real GDP Growth
(Percent)



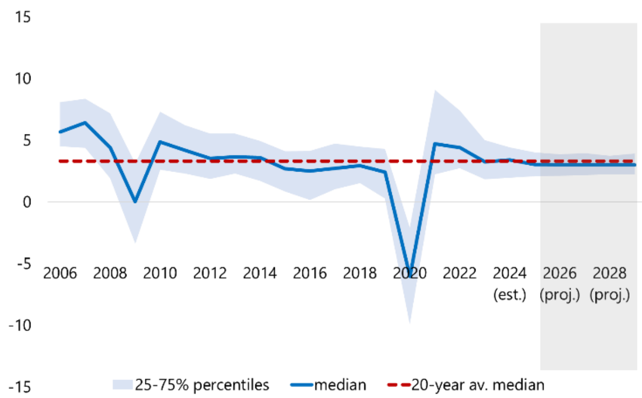
Source: WEO.

LICs: Annual CPI Inflation, e.o.p.
(Percent)



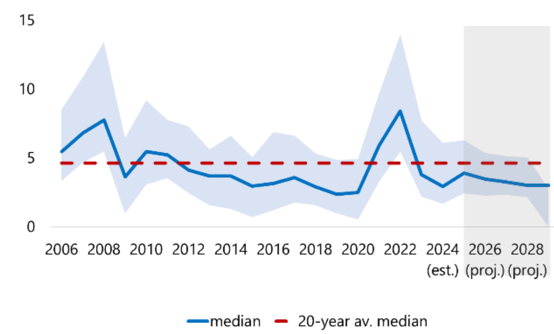
Source: WEO.

EMs: Real GDP Growth
(Percent)



Source: WEO.

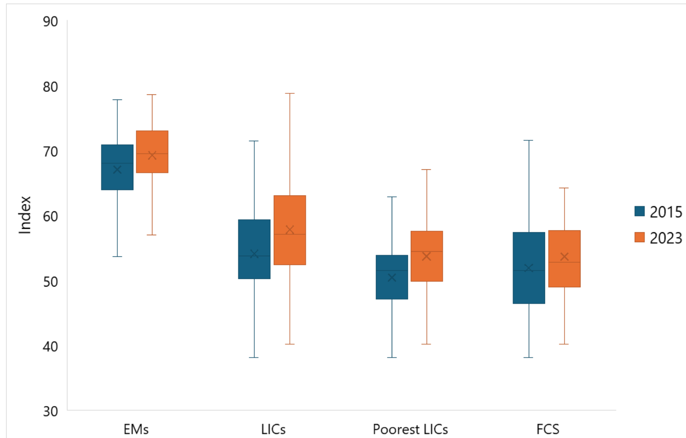
EM: Annual CPI Inflation, e.o.p.
(Percent)



Source: WEO.

5. **The series of shocks since 2020 has added to longstanding development issues, especially for the poorest LICs and FCS.** The pandemic and subsequent shocks have slowed progress on development, and by early 2024, according to the UN, only 17 percent of the 135 SDGs targets were on track to be achieved, with the remainder showing marginal/moderate progress or a regression (UN 2024a). Progress has been elusive especially in poorest LICs and FCS (Figure 4). Many countries still struggle to cover the basic needs of their population, including on food, access to electricity, health, education, not to mention investment in infrastructure and climate resilience. Progress in building institutional capacity to design and implement sound policies, and in addressing governance and corruption weaknesses, as well as social and other fragilities, has also been mixed, while these elements are essential to support sustainable development.

Figure 4. SDG Composite Index 2015, 2023
(Range 0-100)

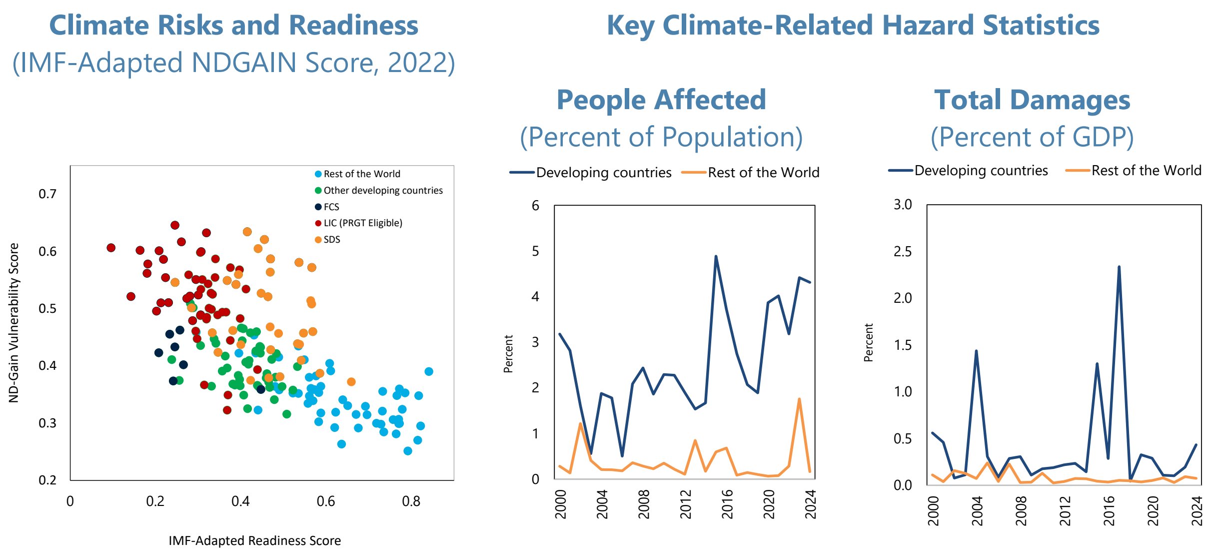


Source: 2023 SDG Index.
Note: The SDG Index aggregates data on individual SDGs into a composite index.

6. **Going forward, several trends are adding to the challenges, while some developments, including artificial intelligence and digitalization, offer opportunities.**

- **Risks associated with natural disasters, including climate events, are increasing.** The frequency, severity, and damaging impact of natural disasters, particularly those linked to climate events, are increasing and affecting more people. Developing countries, on average, experience more severe economic damage compared to other economies (Figure 5). LICs and FCS are particularly vulnerable and lack adequate preparedness and investment in resilient infrastructure (roads, housing, and water, electricity, and telecommunication networks) to prevent and mitigate the impact of natural disasters. Additionally, Small Developing States (SDS), despite often having higher per capita income levels compared to other developing countries, face especially pronounced challenges in adapting to these risks due to their limited economic resources.

Figure 5. Climate Risks, Readiness, and Climate-Related Natural Disasters



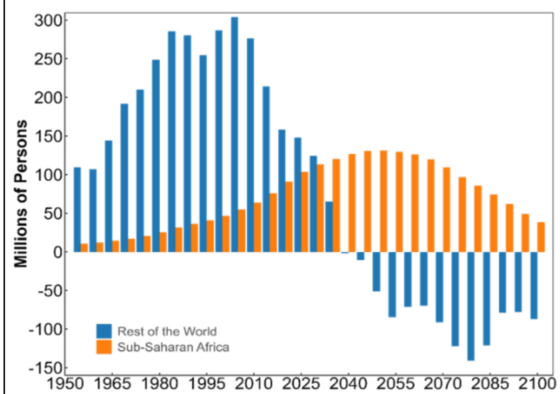
Source: IMF Climate Change Dashboard
Note: The Vulnerability Score assesses country's current vulnerability to climate, reflecting exposure, sensitivity, and adaptive capacity. The Readiness Score assesses readiness to leverage public and private sector investment for adaptative actions.

Source: EM-DAT
Note: EM-DAT data is subject to biases (time, threshold and geographical). This chart addresses the time-reporting bias by excluding pre-2000 data. Geographical threshold biases remain. Insured damages are reported more than uninsured damages, creating geographical biases where there is low insurance coverage.

- **Demographic trends call for action.** In many EMs, aging populations are putting pressures on pension systems and safety nets that need to be addressed.[4] Conversely, the rapidly growing and young population in Sub-Saharan Africa presents both opportunities and challenges (Figure 6). Generating sufficient growth and jobs in the region is especially urgent—by 2030, half of all new entrants into the global labor force will come from the region, requiring up to 15 million new jobs annually. Converting this labor supply into employment will be essential to reduce poverty and support development, and will require structural reforms, private sector involvement, and improved talent allocation (Laws and others, 2024). Moreover, growth in the region generates fewer jobs than elsewhere in the world due to fragility, conflicts and the prevalence of informal labor markets (IMF, 2024a).

Figure 6. Change in Working Age Population

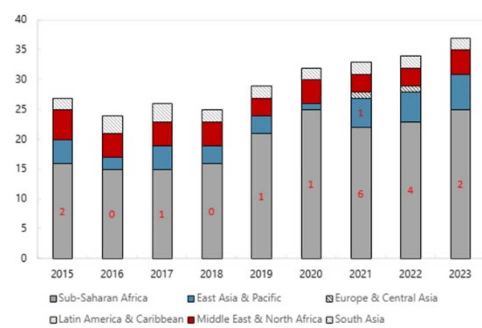
(Ages 15 – 64, Millions of Persons)



Source: United Nations, World Population Prospects, 2024 Revision.

- **Geopolitical and trade tensions, political instability, and conflicts, are adding further challenges**. International wars and conflicts (Figure 7) are also accompanied by cases of in-country political instability, with irregular changes of government (e.g., in the Sahel) and civil wars (e.g., in Sudan), or greater polarization of societies and difficulty to garner consensus. In turn, these domestic fragilities can have spillover effects on neighboring countries and beyond, including through refugee and other migration flows. Looking ahead, geopolitical tensions risk impacting economic relations, including foreign direct investment (FDI) flows, trade, and technology transfer (Figure 8). Ongoing elevated uncertainty on international trade adds to increased trade restrictions and trade tensions in recent years, which had already affected both

Figure 7. Number of Armed Conflicts and Coup Attempts in LICs



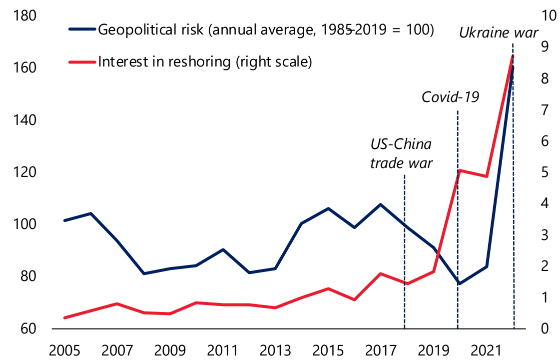
Source: Uppsala Conflict Data Program
Note: Bars represent armed conflicts, numbers in bars represent coup attempts in each region.

[4] Old-age dependency ratios, i.e., the ratio of the population beyond working age (above 64 years) relative to the working-age population (aged 15–64 years), are projected to rise steeply over the next decades in many EMs (Gu and others (2024)).

imports and exports of developing countries, even though the overall impact varies significantly from one country to another, depending on each country's import and export composition.[5]

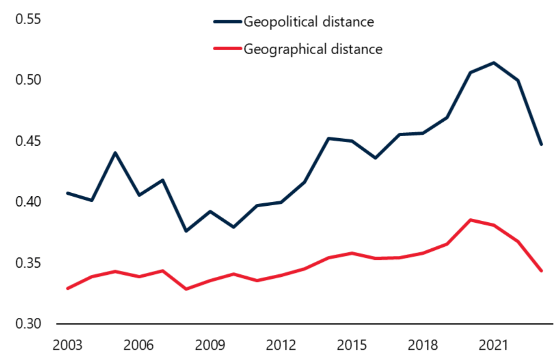
Figure 8. Impact of Geopolitical Tensions on Foreign Direct Investment and Trade

Rising Geopolitical Tensions and FDI Fragmentation
(Index)



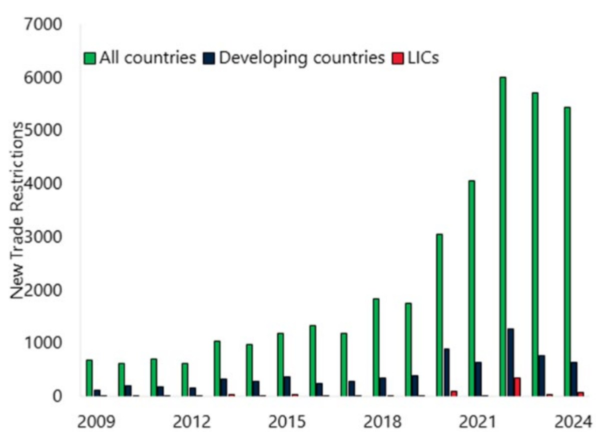
Sources: WEO 2023 April, Chapter 4; and IMF staff calculations.
Note: The interest in reshoring measures the frequency of mentions of reshoring, friend-shoring, or near-shoring in firms' earnings calls.

FDI Between Geographically and Geopolitically Close Countries



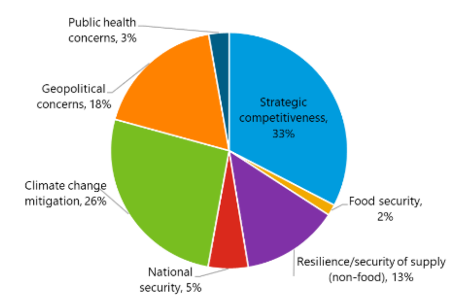
Sources: Aiyar and others, 2024.
Note: Figure shows the annual share of total FDI between country pairs that are similarly distant (in the same quintile of distance distribution), geopolitically and geographically, from the U.S.

Trade Restrictions, 2009-2024



Source: Global Trade Alert.
Notes: Data as of January 7, 2025; data for each year includes measures as of Dec 31.

Motives of New Trade-Distortive Industrial Policies, 2023



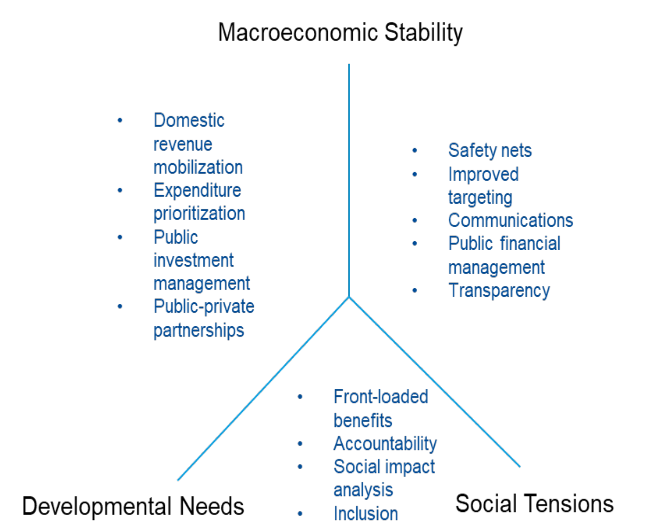
Source: Evenett and others, 2024.
Notes: Motives based on official sources, available for a subset of measures. For measures with multiples motives, each is given equal weight.

[5] Total costs of trade fragmentation could reach up to 7 percent of GDP globally and 12 percent for some countries (Aiyar and others, 2023), while fragmentation of FDI may reduce world output by about 2 percent (IMF 2023). Developing countries are disproportionately at risk due to their reliance on FDI, commodities, and exposure to food and security risks (Hakobyan and others, 2023, Bolhius and others, 2023).

- **Artificial intelligence and digitalization of the economies offer significant opportunities for developing economies, if related challenges are properly addressed**. Opportunities include efficiency gains and productivity growth, improved access to financial services and economic empowerment of women, enhanced efficiency of public spending and tax administrations (Amaglobeli and others, 2023), and increased transparency and tools to address corruption. These technologies also present challenges, such as investment in education and training to develop necessary skills to allow workers to adapt to new technologies (IMF, 2024b), or the limited access to electricity and Internet in many LICs. Additionally, the impact of these technologies on employment remains uncertain, making it crucial for LICs to prioritize the development of digital skills (Cazzaniga and others, 2024, IMF, 2025b). Harnessing the opportunities of AI and digitalization, while addressing the related challenges, will be a key policy objective in the coming years.

7. **The increasing heterogeneity across developing countries will also require appropriate differentiation in policy and reform priorities, as well as in the support from the international community, with particular attention needed for the poorest and fragile countries.** While developing countries face common challenges, they also span a wide range of per capita income levels, export structures, and institutional characteristics. The cross-country heterogeneity manifests itself also in growth trajectories: many countries like Indonesia and Bangladesh have climbed the income ladder over the past two decades, while others have stagnated, and some (South Sudan and the Syrian Arab Republic) have even regressed in the 2010s (World Bank, 2025). The growing diversity and variety of challenges across developing countries suggests that policy and reform priorities need to be carefully assessed at the level of each country.[6] In many countries, policymakers will face complex trade-offs between achieving macroeconomic stability, advancing development needs, and fulfilling high social expectations (IMF, 2025c). Investments in development may often need to be balanced against rising debt vulnerabilities and limited fiscal space (see Figure 9). The poorest and fragile countries will require particular attention from the international community as their medium-term growth outlook remains subdued and subject to elevated risks and uncertainties, and their institutional and financial capacity is often very limited.

Figure 9. The Development Policy Trilemma



Source: IMF, 2025c

[6] IMF 2025b provides a detailed analysis of this heterogeneity for the LIC perimeter, building on the analysis already covered in the 2024 vintage.

While the wealthier developing countries can more easily harness the benefit of crowding in international private finance, with the support of bilateral and multilateral partners where relevant, the poorest and fragile countries more than others need strong support in institution building and in financial support through grants or highly concessional loans.

B. Significant Debt Service Burdens Constrain Development Spending

8. Debt vulnerabilities remain elevated and, even though the risk of a systemic debt crisis continues to appear broadly contained under the latest updated baseline assumptions, uncertainty has significantly increased.[7]

- Public debt levels in developing countries were already high before the COVID-19 pandemic and have increased further due to the pandemic. They have stabilized since and, under the latest updated baseline assumptions[8], are expected to remain stable or decline slightly over the medium term for both LICs and EMs (Figure 10). However, they remain elevated and higher than pre-COVID, with a few countries particularly vulnerable. While the risk of a broad-based debt crisis continues to appear broadly contained, risks have significantly increased – notably due to important uncertainties around the baseline, including on global growth, commodity prices, international financial conditions, exchange rate movements, weaker than anticipated macro-structural policies, or renewed major shocks. If these risks were to materialize, they could lead to many more countries facing unsustainable debt levels. In addition, debt data limitations (e.g., from hidden debts), could undertime staff's assessment, which is based on reported debt data.

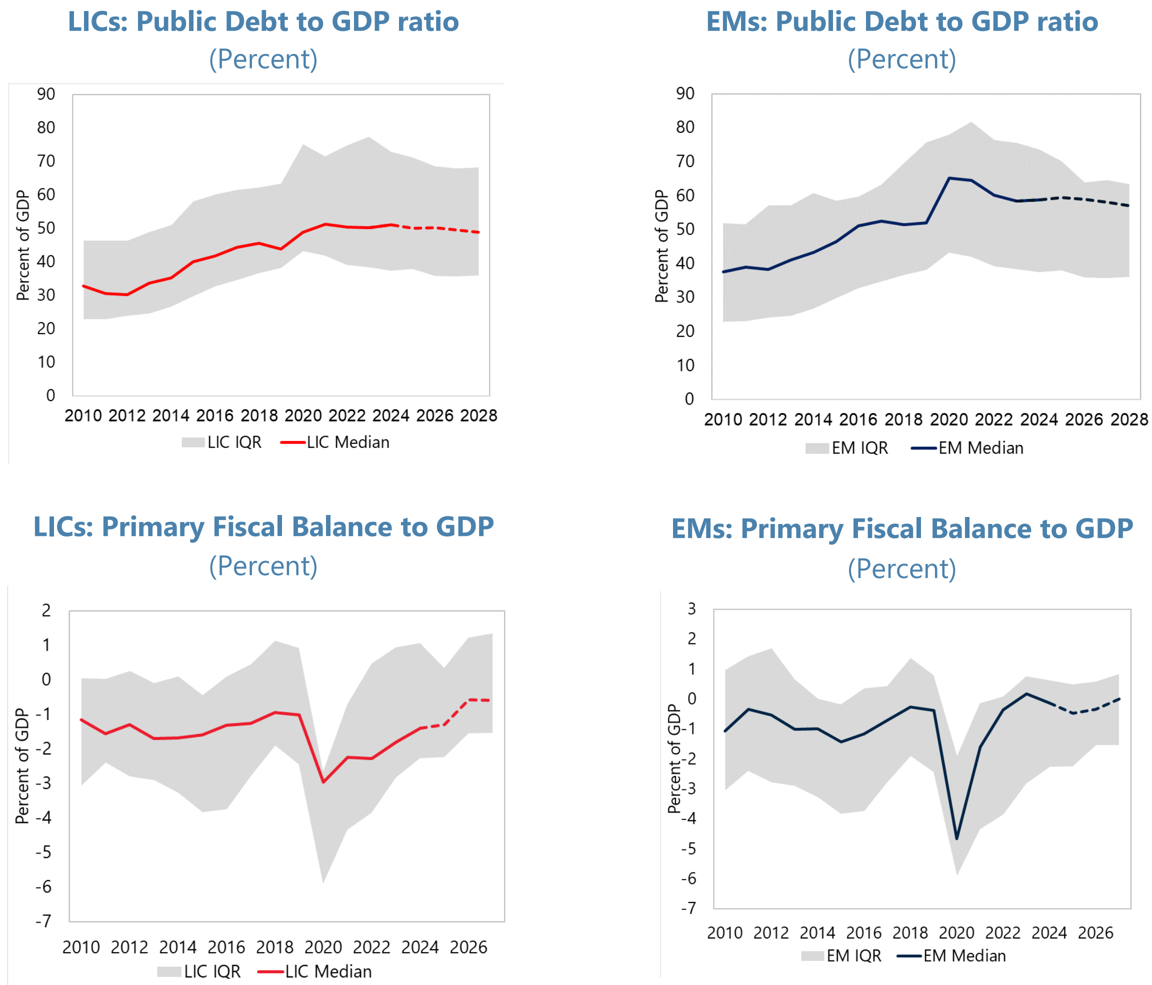
- LICs appear particularly vulnerable. Half of them continue to be assessed at high risk or already in debt distress under the IMF/World Bank joint Debt Sustainability Framework for Low-Income Countries (LIC-DSF). However, it should be noted that this share has been declining since 2021 and the share of countries at low and moderate risk (whose debt is sustainable with a high probability) has returned to pre-pandemic levels. Furthermore, a high-risk rating does not necessarily signal a risk of debt distress in the near term—around 25 percent of current high-risk ratings are driven predominantly by long-term breaches in solvency indicators (for which corrective adjustments could be made over a sufficient period of time before risks materialize) or the application of judgment to reflect longer-term considerations, rather than near-term breaches of liquidity indicators (Figure 11).[9]

[7] See detailed assessment in IMF, 2025a.

[8] Updated baseline assumptions are based on the April 2025 WEO data.

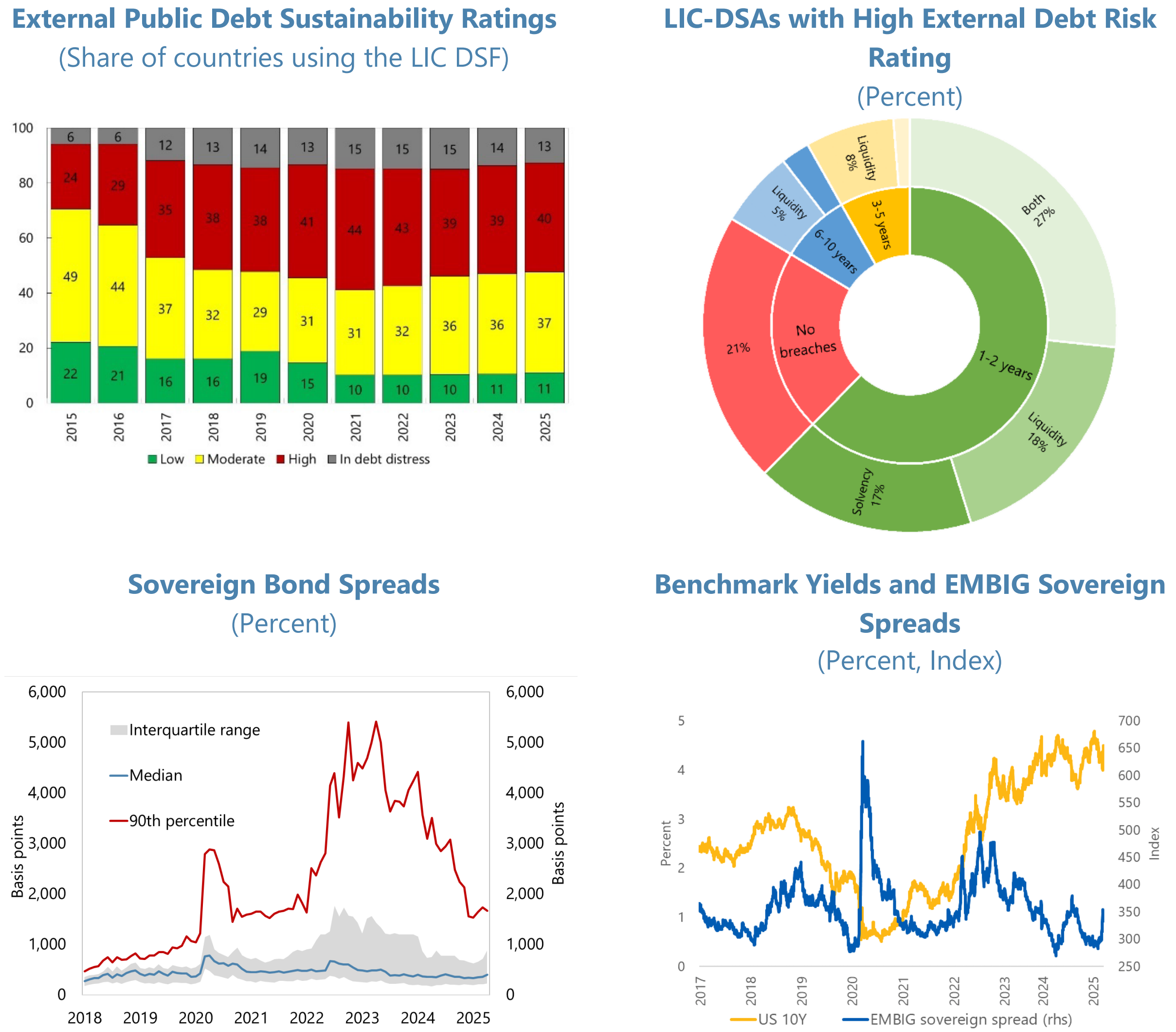
[9] The ongoing Review of the LIC DSF suggests that the category of "high risk" may be sometimes misinterpreted, as the actual transition rate to "in debt distress" is low. In practice, this category covers very different situations, as it does not differentiate between near term and longer terms thresholds breaches, and between solvency and liquidity breaches.

Figure 10. Public Debt to GDP and Primary Balances to GDP



Sources: WEO.

Figure 11. Evolution of Public Debt Risks and Market Conditions



Sources: LIC DSF database, Bloomberg and Fund staff estimates. LIC-DSF external public debt sustainability risk ratings as of March 31, 2025. Composition of high-risk ratings are as of latest DSAs through 2024. Figures on spreads and yields as of April 17, 2025.

9. **Elevated debt service burdens create important challenges, especially for LICs**. While debt appears sustainable for most developing countries under baseline assumptions, many LICs and some EMs are facing high interest costs and elevated refinancing needs. These financial pressures constrain their ability to finance critical spending such as education, health, and infrastructure, and to build buffers. The sources of these challenges vary across countries: some face more acute issues due to high refinancing needs, while others struggle with high borrowing costs despite having low debt burdens:

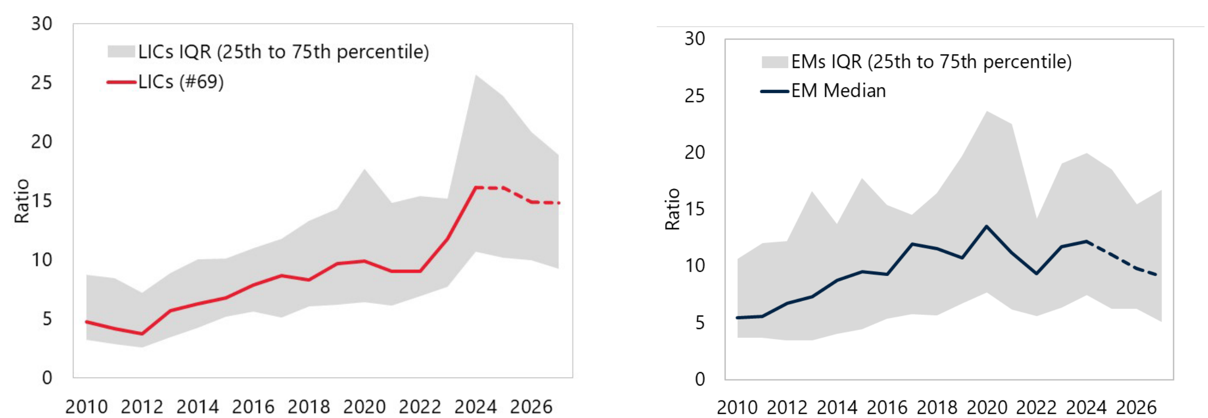
- *Growing debt burdens over the last decade have led to a large increase in refinancing needs, especially for LICs (Figure 9)*. LIC's external principal payments exceeded US$20 billion in 2023, a level more than three times higher than a decade ago, and estimated to have reached US$34 billion in 2024. Looking ahead, their external refinancing needs are close to US$40 billion per year in the near term, about four times the average from the previous decade.[10] Redemptions to private creditors will average over US$7 billion a year, accounting for 20 percent of upcoming amortizations over the next three years.

- *Debt service costs have also increased significantly, including due to greater reliance on domestic financing (Figure 12).* For the median LIC, interest payments on total debt have doubled over the past ten years, from 4 percent of revenue to 8 percent of revenue. For the median EM, this ratio has increased from about 7 percent to over 10 percent. These ratios can be much higher for some countries. Many countries with high overall interest burdens also tend to have a relatively lower revenue capacity and high domestic debt burdens with high average interest rates.

(Figure 11). Until early 2025, median spreads for EMs and frontier economies had generally declined to pre-pandemic levels following the easing of interest rates in advanced economies, though underlying yields remained high. Since then, market volatility and uncertainty have driven up the general level of spreads and underlying yields, with some frontier issuers trading at or near stress levels and therefore struggling to secure financing at an affordable cost.

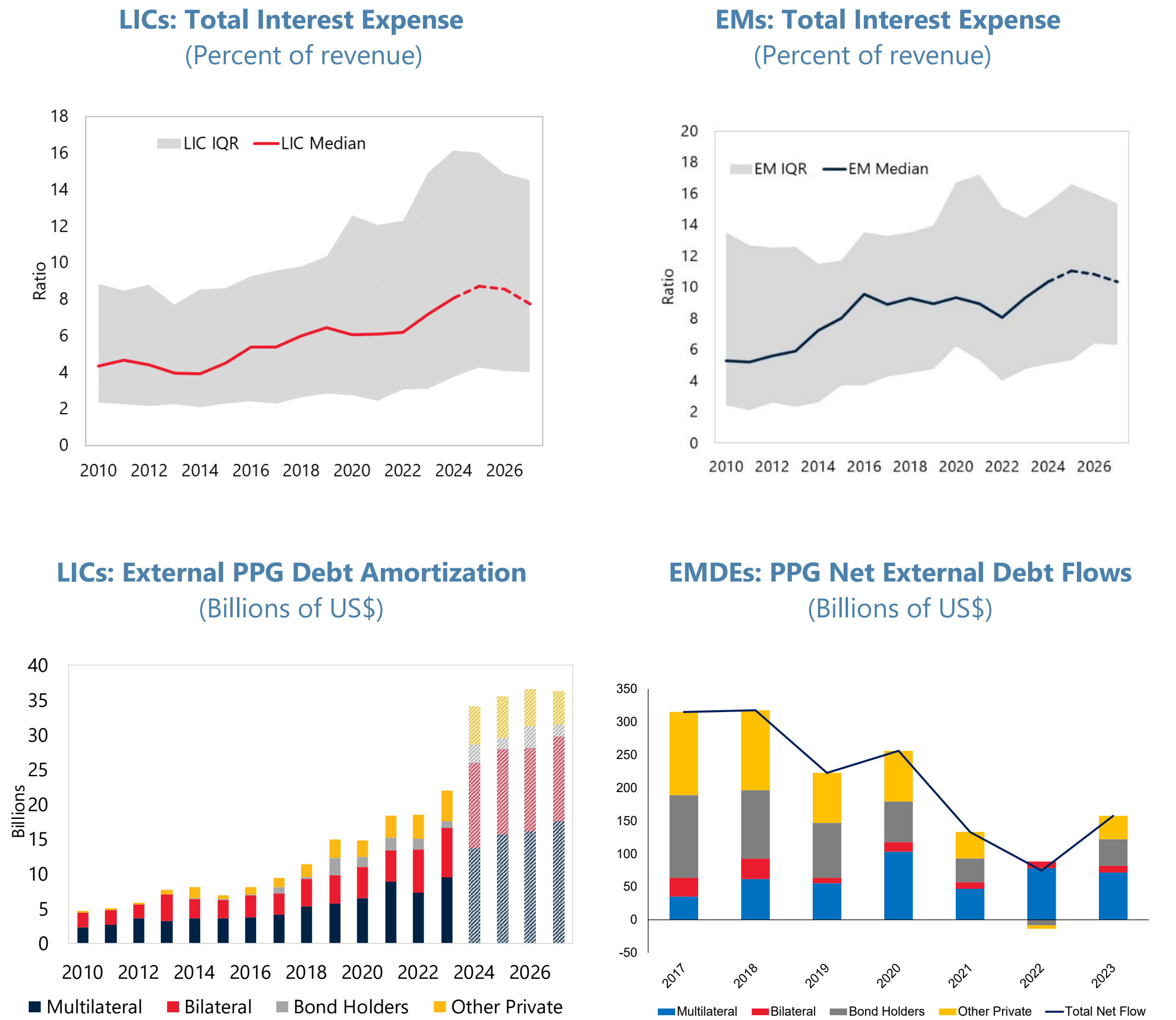
Figure 12. EMDEs Financing Challenges

LICs: External Debt Service (Percent of revenue) | **EMs: External Debt Service** (Percent of revenue)



[10] These estimates exclude countries currently undergoing a debt restructuring to avoid overestimations of future payments.

Figure 12. EMDEs Financing Challenges (Concluded)



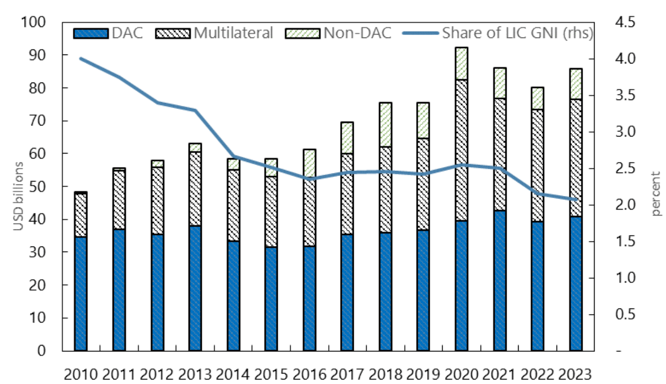
Source: WEO, World Bank IDS, and IMF staff calculations.

10. Meanwhile, financing flows to developing countries, and especially to LICs, have significantly declined since the COVID-19 pandemic.

- *New debt financing declined sharply as key creditors reassessed exposures (Figure 12*). Net public and publicly guaranteed (PPG) debt flows from bondholders turned negative after peaking at close to US$130 billion in 2017. With countries being priced out of international bond markets amid tight global financial conditions and limited financing from bilateral creditors, many have turned to domestic market financing to fill the gap. However, as the share of domestic financing has increased rapidly, the ability to continue this trend is limited for those with shallow domestic markets and large roll-over needs. Furthermore, the rise of domestic financing presents difficult challenges, including risks of crowding out private credit and deepening the sovereign-bank nexus.

- *Official Development Assistance (ODA) to LICs, as a share of their GNI, has also declined*. Total net ODA flows as a share of donor countries' GNI have remained around 0.3 percent since 2010, increasing modestly to 0.37 percent in 2022 and 2023—still far below the United Nations target of 0.7 percent. When calculated as a share of recipient countries' GNI, ODA flows to LICs have significantly declined from 2010 to 2016. After some stabilization between 2016 and 2021, these flows declined further in 2022 and 2023 (Figure 13). Recent policy announcements in major donor countries suggest further declines in ODA in coming years. Such reduction in international aid could deteriorate living and health standards in LICs and FCS. This might lead to social unrest and increased dependence on public financing, further exacerbating debt vulnerabilities in these countries. For certain aid-receiving countries, the macroeconomic consequences might be substantial, including worsening of current accounts, decline in foreign reserves, pressure on exchange rates and prices, and lower consumption and investment (IMF, 2025e).

Figure 13. Official Development Assistance to LICs
(US$ and percent of recipient countries' GNI)

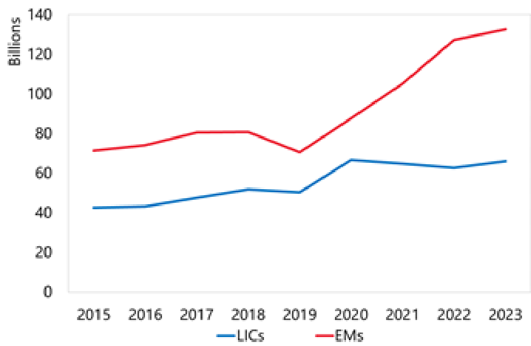


Source: OECD DAC Database, WEO, and IMF staff calculations.

- *Levels and composition of total financing flows to LICs have been affected (Figure 14).* After increasing in 2020, official flows to LICs declined in 2021 and 2022 and only modestly recovered in 2023. Conversely, flows to EMs increased throughout the period. Private inflows rebounded strongly in 2021 for both EMs and LICs, but have since declined overall, with notable drops in other investments in LICs and diminishing debt inflows in recent periods for all developing countries. Remittances have maintained a positive trend, serving as a countercyclical source of support, but these flows primarily support consumption rather than longer-term development spending (Barajas and others, 2009; Chami and others, 2005; Chami and others, 2009).

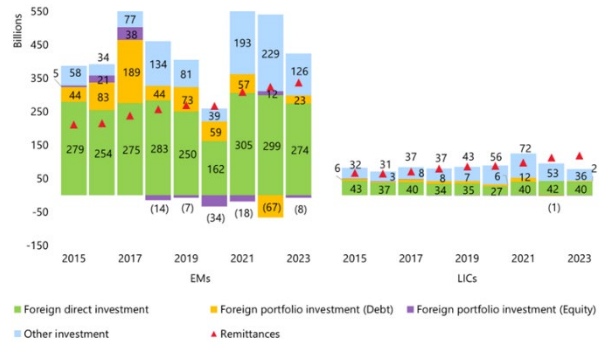
Figure 14. Gross Financial Flows to Developing Countries

Official Gross Financial Flows
(Billions of US Dollars)



Sources: OECD International Development Statistics.
Notes: Official flows (gross basis, current prices, US$) include total official donors and represent the sum of ODA and OOF disbursed to the recipient country. Data for Iraq available until 2022.

Private Financial Flows
(Billions of US Dollars)



Sources: IMF BOP Statistics and WB database.

C. Meeting the SDGs by 2030 Seems Increasingly Unlikely

11. Meeting the SDGs by 2030 would require financing that would not only exceed credible assumptions but also go beyond countries' absorption and other capacity constraints. The COVID-19 pandemic and other shocks since 2020 have further exacerbated preexisting challenges in meeting the 2030 target date. In a series of recent studies, IMF staff has computed and refined estimates of the costs of making significant progress towards meeting five core SDGs targets: education (SDG 4), health (SDG 3), road infrastructure (SDG 9), electricity access (SDG 7), and water and sanitation (SDG 6). [11] In this paper, staff has expanded the analysis in IMF, 2024c by increasing the coverage to 136 developing countries. In a first scenario, without considering absorption and other capacity constraints, the estimated cumulative financing needs to meet the SDGs by 2030 would range from US$9 trillion to US$12 trillion for 2025-29. [12] Financing on that scale would be extremely difficult to mobilize. It would also entail unrealistic growth of public spending, at a pace several orders of magnitude above thresholds of absorption capacity historically observed for developing countries.

[11] See Gaspar et. al. (2019), Carapella et. Al. (2023), Aggarwal et al. (2024), and IMF, 2024c.

[12] These results are derived from a model that covers 136 countries and allows GDP growth to react to spending scaling up through fiscal multipliers but does not impose any capacity constraints. To note, the results reported here are not directly comparable to those from the studies referenced in the previous footnote. This is due to several factors, including differences in country coverage (Advanced Economies, China, and India are excluded from this paper) and the time window (results reported here are cumulative for 2025-29).

12. In an illustrative scenario, which accounts for absorption capacity and other constraints, staff estimates that US$3.5 trillion would be needed over 2025-29 to progress significantly toward the SDGs, even if the targets would not be fully achieved by 2030. For illustrative purposes, staff developed a scenario where the key SDGs indicated above would be met by 2040 instead of 2030. The use of 2040 is purely illustrative, and the orders of magnitude would not differ significantly if other target dates were used. It is also not the purpose of this paper to discuss a possible new SDG target date, or the pros and cons of a single target date for all countries. Staff illustrative scenario is only meant to underline the significance of the needs. In staff scenario, which accounts for countries' absorption and other capacity constraints that limit the level of efficiently implementable public spending, [13] [14] US$3.5 trillion would be needed over 2025-29 to progress significantly toward the SDGs. This suggests the most ambitious path to progress toward the SDGs that seems realistic.[15] Under this scenario, cumulative additional public spending of US$2.7 trillion would be implemented over 2025-29 (provided there are sufficient financing sources to meet the needs) while the private sector would cover the residual of 0.8 trillion. While more realistic than a 2030 target date for achieving the SDGs, this scenario would still be very ambitious.

13. The SDG-related needs vary significantly across countries, with LICs having the highest requirements relative to their GDP. In the abovementioned illustrative scenario, the median additional annual financing needs for LICs over 2025-29 would stand at 4.0 percent of GDP compared to 2.6 percent for EMs. In absolute terms, however, EMs would need four times more financing than LICs, reflecting their higher economic size. Within the LIC sample, financing needs of poorest countries are also higher in relative terms than of the remaining LICs, at 4.5 percent of GDP compared to 3.0 percent.

A STRATEGIC COLLECTIVE ACTION AGENDA

Accelerating development progress will require a major collective effort. First, countries will need to promote or maintain a stable and sound macroeconomic and financial environment, and implement a strong domestic reform package to boost private sector-led growth and job creation, increase the efficiency of public spending and optimize the use of available resources, mobilize domestic resources adequately, strengthen debt management, and improve governance. These reforms will also be key to increase resilience against external shocks. These reforms are challenging and require strong national

[13] Staff has focused its estimates on the next five years. Given the five areas for which the calculations are made and the relatively short-term time horizon which limits the capacity to mobilize additional private sector financing, the scenario assumes that the new SDG spending would be mainly financed by the public sector. Thus, the private sector is counted as a residual. Annex I, Figure 3 reports sensitivity analysis with varying target dates: longer target dates (2045) require lower private sector participation and shorter dates (2035) require higher participation.

[14] To account for the limits of countries' economic absorption and other capacity constraints, the model incorporates a cap on annual and five-year increases in total public expenditures. This cap is based on the historical increases in total public expenditures observed over 1999-2019 in the sample of countries covered in this paper (See Annex I for further details). The estimations are based on the April 2025 World Economic Outlook database.

[15] Increasing countries' absorption and other capacity constraints, including through growth-enhancing reforms, is therefore a critical component of an accelerated path toward the SDGs. See following section on the proposed strategic collective action agenda.

ownership as well as careful design and sequencing to secure social support. However, they have the potential to boost growth, increase countries' absorption capacity, and durably raise both fiscal revenues (own resources) and countries' capacity to carry debt (borrowed resources) while ensuring more efficient use of all resources. Second, international support, through well-coordinated and sequenced capacity development, and additional public and private financing, will be critical to complement and facilitate domestic efforts. Third, proactively addressing debt challenges will be essential. This includes improved debt restructuring processes for countries with unsustainable debt, and proactive measures for countries with sustainable debt and a strong and credible reform agenda, where development spending is crowded out by elevated debt service.

A. Advancing A Strong Domestic Reform Agenda

14. Delivering a stable and sound macroeconomic and financial environment, and implementing strong structural reforms to strengthen growth and job creation, efficiency and prioritization of public spending, adequate mobilization of domestic resources, debt management, and governance, is critical to advance development prospects. Given limited availability of external grants, financing for development will require raising both domestic revenues (own resources) and a country's capacity to carry debt (borrowed resources) in a sustainable manner. These efforts should go hand in hand with measures to strengthen the efficiency and prioritization of public spending, and a strong and sustained emphasis on private sector-led growth and job creation, through structural reforms including to improve the business environment. All these reforms will help increase countries' absorption capacity, and related development prospects (see Section II). While many of these reforms are complex, can be socially and politically challenging, and require careful design and sequencing, they are essential to yield medium-term benefits, including better debt dynamics (Aligishiev and others, 2023). In LICs in particular, reforms to reverse declining productivity will be key to ensure that potential growth can improve and support the absorption of fast-growing populations into the labor market (IMF, 2025b). Early engagement with key stakeholders, careful consideration of distributional impacts, and effective communication, will be crucial for building social support. The Fund, along with other partners, can assist in designing and implementing such reforms.

- ***Delivering a stable and sound macroeconomic and financial environment.*** Macroeconomic and financial stability is a key condition to enable sustainable growth and development. Countries need to strengthen their efforts to maintain low and stable inflation, sound fiscal policies, adequate external sector policies, and a stable financial system.

- ***Boosting growth and job creation.*** While reforms should be country-specific, improving supply-side conditions, strengthening the business environment for both the domestic private sector and foreign investors, and easing barriers to entrepreneurship, can significantly boost productivity and job prospects.[16] Removing the most binding constraints on economic activity, bundling reforms (e.g., governance, business environment, and external sector reforms), and

[16] See IMF Managing Director, "*To restore global growth, ease barriers for entrepreneurship*", January 15, 2025.

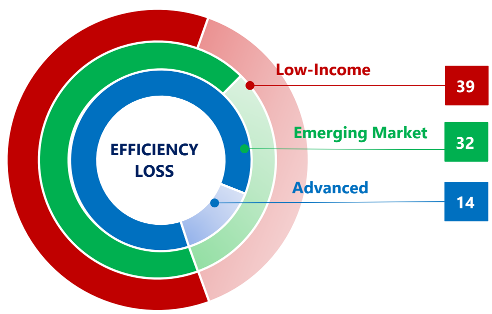
appropriately sequencing others (such as labor market and credit sector reforms) would help frontload reform gains. In countries with large initial structural gaps, in particular, such reform packages could yield significant output gains even in the short-term (Budina and others, 2023). Raising productivity in LICs will be particularly key and will require strengthening governance and an enabling environment for capital accumulation, as well as improving education, health, and vocational training to support human capital accumulation, while promoting broad labor force participation (IMF, 2025b). Ensuring that growth dividends and economic gains are broadly shared within the population and protecting vulnerable groups is also essential for sustained growth and fostering social and political cohesion. This focus on distributional effects is particularly relevant in post-pandemic environment as many countries, and in particular LICs and FCS, experienced setbacks in poverty reduction, female labor force participation, and in reducing economic informality (IMF, 2024c).

- ***Strengthening the efficiency of public spending, in particular for investment spending.*** EMs, and, even more so LICs, face challenges in designing their macro-fiscal frameworks and financial planning, impacting budget preparation and execution.[17] On average, over 30 percent of resources allocated by EMs for creating and maintaining public infrastructure, and close to 40 percent by LICs, are lost to inefficiencies (Schwartz and others, 2020). These inefficiencies are often due to poor infrastructure governance, which includes institutions and frameworks for planning, allocating, and implementing infrastructure investment. Poor fiscal risk management threatens fiscal sustainability and can have major and lasting consequences for public debt and balance sheets (Figure 15). Significant returns from health and education investments are also lost due to inefficiencies (IMF, 2021e; IMF 2023e; IMF 2025 forthcoming) while many countries could relocate certain spending toward more productive uses. Costly and distortive energy subsidies remain widespread in many EMs and LICs (Black and others, 2023) and may be difficult to reform. Thus, energy price reforms need to be carefully designed and accompanied by complementary measures to protect the vulnerable, and adequate communication can help garner support.

[17] Priority areas in LICs typically include improving cash flow management through the implementation of Treasury Single Accounts, enhancing budget planning with medium-term fiscal frameworks (MTFFs), and increasing transparency and accountability by publishing key budget documents, and curtailing generalized subsidies while strengthening well-targeted social safety nets. For EMs, key areas include integrating medium-term budget frameworks (MTBFs) with MTFFs to strengthen expenditure planning, deepening fiscal risk analysis to manage contingent liabilities and macroeconomic shocks, and develop spending reviews and performance-informed budgeting. In both LICs and EMs, better public investment management and developing spending related digital tools could significantly enhance capital spending efficiency.

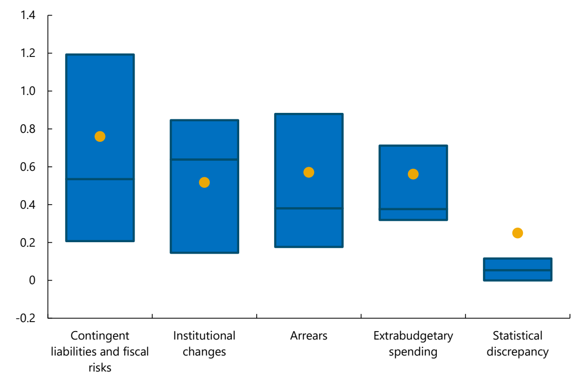
Figure 15. Public Spending Efficiency and Fiscal Risks

Public Investment Efficiency Loss
(Percentage deviation from full efficiency)



Source: IMF Template for Investment and Efficiency (2022).

Components of Unidentified Debt
(Percent of GDP per year, average of 2010-23)



Source: IMF staff calculations.
Note: The figure shows key components of hidden debt and deficits across countries. Yellow markers refer to averages, and blue bars are the interquartile ranges for each measure; lines in bars show median levels.

- ***Mobilizing domestic revenues adequately.*** Tax can be distortive and should be carefully designed. However, tax-to-GDP ratios remain low in many LICs and EMs (Figure 16), offering an important potential of revenue mobilization (Benitez and others, 2023) which, if adequately designed and efficiently used, in particular on growth-enhancing investments and spending, could significantly support development prospects. Implementing reforms of the tax system—such as improving the design of core domestic taxes, broadening tax bases, and simplifying taxes—and enhancing institutional and technical capabilities to collect taxes can boost tax revenues. [18] These reforms, however, require a medium- to long-term and comprehensive approach to tax policies, institutions, and legal frameworks (IMF and WB, 2024a). It is crucial to carefully consider the design, sequencing, and communication of these reforms, particularly regarding their impact on GDP growth and their distributional effects. [19] Targeted spending measures, such as support to the poor, can promote social acceptability.

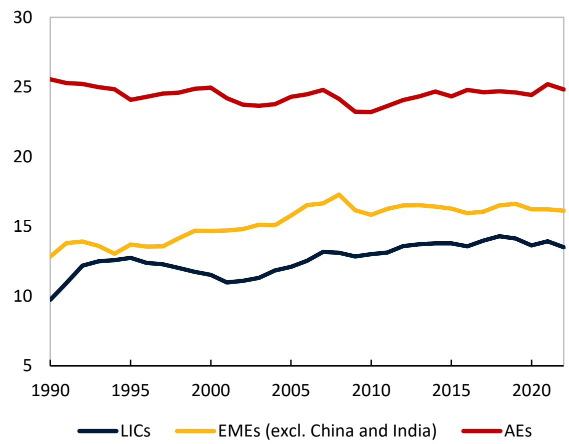
[18] Broadening tax bases can involve streamlining tax expenditures (including VAT exemptions) and improving tax administration through enhanced compliance and enforcement, training, and greater use of digital technologies (while also addressing challenges related to digital inequality such as digital exclusion, which is common in some countries). Tax systems can be simplified by reducing VAT exemptions and better taxing professionals, high wealth individuals, and capital (tax policy changes).

[19] Evidence from survey experiments, for example, indicates that taxpayers are more willing to pay taxes if they perceive the tax system as more progressive (Hoy, 2025).

Figure 16. Domestic Resource Mobilization Trends and Potential in EMDEs

Tax Revenue Collection

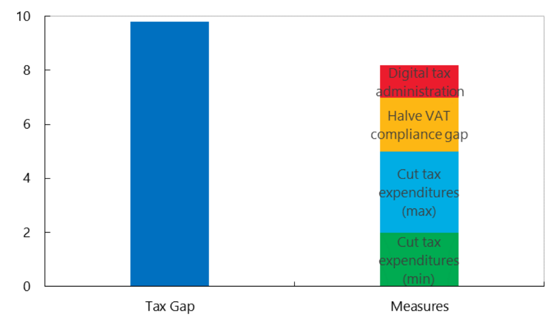
(Percent of GDP)



Source: [IMF World Revenue Longitudinal Database](#) (WoRLD) and IMF staff calculations.

Domestic Options and Tax Gap in Developing Countries

(Percent of Country GDP)



Source: [G20 Note on Alternative Options for Revenue Mobilization, June 2024](#) with [World Revenue Longitudinal Database update](#).

- ***Deepening domestic financial markets.*** Domestic financial markets increase available resources and help allocate resources more efficiently, price risk appropriately, develop the domestic investor base, facilitate private sector issuances, and support the transmission of monetary policy (Hashimoto and others, 2021). Deepening of domestic financial markets helps attract foreign investment and develop long-term finance within the economy and is, therefore part of a sound development path (World Bank, 2020a). At the same time, policymakers should not use the development of domestic financial markets as an opportunity to relax fiscal discipline. They should remain vigilant about public domestic debt vulnerabilities and risks associated with the sovereign-bank nexus, and help finance the domestic corporate sector.

- ***Bolstering debt transparency, debt management and debtor-investor relations.*** While debt vulnerabilities are already elevated in many countries, financing development will have to continue to partly rely on debt financing. Thus, in addition to efficient public spending, policies that preserve debt sustainability will be critical, including strengthening the quality of institutions and policy frameworks, and improving debt management and debtor-investor relations. As part of that, reducing gaps in debt transparency is imperative, including by building on the progress already achieved through various international initiatives.[20] Supporting initiatives that improve the quality of debt data reported, such by expanding creditor participation in the World Bank's periodic debtor and creditor reconciliation effort, or that ensure countries have the appropriate legal framework in place to facilitate debt transparency (Vasquez and others, 2024) will be important. Progress on this front will help countries improve their debt carrying capacity (Kraay and Nehru, 2004) and help lower borrowing costs and

[20] There are several ongoing international initiatives that the Fund and the World Bank support as part of their overall agenda on enhancing debt transparency. These cover the entire policy agenda with measures that address data gaps and generate incentives for debt transparency (see IMF 2023e, table 2)

increase financing flows, including through a more diverse investor base (Choi and Hashimoto, 2018; Kemoe and Zhan, 2018; Gonzalez-Garcia, 2022).

- ***Tackling corruption, strengthening governance, and improving transparency.*** Corruption and weak governance are linked to lower investment levels, reduced tax collection, and slower economic growth, all of which hinder development (IMF, 2018). Corruption also diminishes the effectiveness of spending in areas like health, education, and infrastructure projects, while undermining public trust and social support to reforms. Tackling corruption and strengthening governance is essential for achieving sustained improvement in economic performance. Countries should prioritize greater transparency and accountability, including the publication of reliable economic data.

B. Mobilizing External Support

15. Advancing the development agenda will require strong and coordinated external support to complement domestic policy and reform efforts. This includes well-sequenced and coordinated CD, to help countries strengthen institutional capacity, which is key for supporting sustained development. Financial support, in particular grants and concessional loans, will also be critical to help developing countries meet their needs, as such financing is essential to help countries invest in growth-enhancing key sectors while preserving debt sustainability. This is particularly important for LICs and FCS.

- ***Expanding and improving the delivery of CD to developing countries by bilateral and multilateral partners while, crucially, improving its prioritization, tailoring, sequencing, and coordination.*** Given the frequent shocks, high debt levels, and limited policy space in many developing countries, policymakers must intensify efforts to design macroeconomic policies aimed at boosting growth while building resilience (IMF, 2024d and IMF, 2024e). Both bilateral and multilateral partners can significantly contribute by increasing and improving CD delivery to help developing countries implement sound policies and reforms conducive to sustainable growth. The impact of CD can be enhanced by ensuring there is sufficient country ownership and the CD is well-prioritized, in line with countries' developmental objectives and absorptive capacity, well-sequenced, and coordinated among development partners, to ensure the most efficient outcomes, and to avoid duplication and overburdening the often-limited capacity of the recipient country authorities. An example of such collaboration is the new Joint Domestic Resource Mobilization Initiative (JDRMI), implemented by the IMF and World Bank. Through the JDRMI, the two institutions aim to help developing countries raise public revenues, improve the efficiency of public spending, and mobilize private savings through well-coordinated CD (IMF and WB, 2024b). [21]

[21] As of May 1st, 2025, the Fund and the Bank have advanced the implementation of the JDRMI with five "first wave" countries. For four of these countries, including Pakistan, Paraguay, and two additional countries which prefer to be mentioned publicly at a later stage, implementation has included agreement between the authorities, the Fund, and

(continued)

- ***Ensuring adequate provision of grants and concessional financing by bilateral and multilateral partners.*** Development partners will continue to play a crucial role to support developing countries through the provision of financing, particularly to the poorest LICs. The IMF and World Bank are key contributors to this collective effort, including through the catalytic effect of their financing. Recent reforms have bolstered the capacity of both institutions to support developing countries. For the IMF, these include the reform of the Poverty Reduction and Growth Trust (PRGT) facilities and financing, the review of charges and the surcharge policy, and the review of access limits under the General Resource Account (GRA) (see Section IV). The World Bank successfully concluded the 21st replenishment of the International Development Association (IDA) and is implementing its new "A Future-Ready World Bank Group" strategy. Other MDBs are also working to increase their support to developing countries. Bilateral partners should actively seek ways to strengthen their respective support, including through ODA and through the promotion of sustainable financing practices. For countries facing debt service challenges, bilateral partners should consider providing grants and loans at affordable rate and sufficiently long maturity and grace period, and aim to maintain their collective exposure to countries implementing robust domestic reform agendas with the help of an IMF-supported programs.

- ***Mobilizing private finance, especially for EMs and the more developed LICs.*** The resources provided by the official sector, both domestically and externally, will be insufficient to meet the financing needs of developing countries. Therefore, mobilizing private finance must play a key role in facilitating development. This is particularly important for EMs and the more developed LICs, as the scarcity of public (concessional) resources necessitates focusing them on the poorest countries. Developing countries have an important role to play by implementing sound macroeconomic policies to promote macroeconomic and financial stability and create enabling conditions for growth and higher FDI, and strengthening transparency and governance standards. The international community can also help by intensifying efforts to develop risk-sharing instruments to crowd-in private finance where appropriate. Given the higher costs associated with private finance, developing countries should ensure that private debt is incurred at a pace consistent with debt sustainability.

C. Pro-Actively Addressing Debt Challenges

16. Is a new debt cancellation initiative needed? As highlighted in Section II, debt vulnerabilities remain elevated in developing countries, impacting their ability to finance development spending and build buffers. A key question is whether the current debt challenges are related to unsustainable debt stocks, necessitating a stock reduction (e.g., a new Heavily Indebted Poor Countries (HIPC) Initiative), or to debt service pressures that would require a different approach. Staff analysis suggests that, under the latest updated baseline assumptions, debt stocks

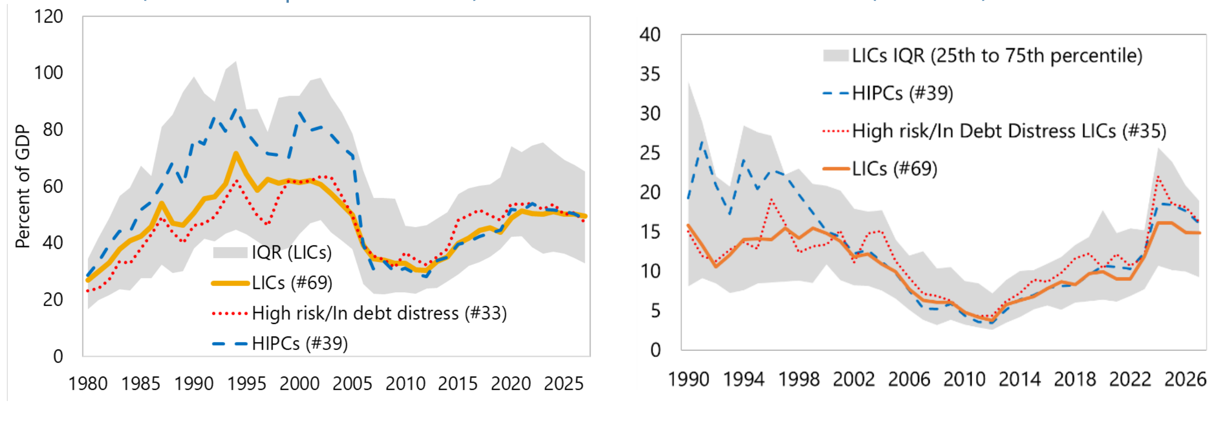
the Bank, of "joint matrices" for reforms and actions, supported by CD from the IFIs. The reform matrices are currently being implemented. The fifth country was included more recently and broader difficulties, beyond the JDRMI, have led so far to a slow start. Lessons from this "first wave" are being considered before expansion to other countries.

are high, particularly in LICs, but remain manageable for most countries, and are projected to remain stable or slightly decrease over the medium term. As indicated in Section II, uncertainty and risks around the baseline have significantly increased. Still, debt stocks are well below levels at the onset of the HIPC Initiative (Figure 17, left). LICs at high risk or already in debt distress have a median total debt-to-GDP ratio around 55 percent, compared to a ratio of 90 percent for the 39 HIPC-eligible countries at the start of the initiative. By contrast, debt service challenges are elevated (see Section II) and on a worrying trend compared to historical levels (Figure 14). In many countries, increasing interest payments and high debt redemptions are squeezing the capacity to finance essential development spending. If unaddressed, these debt service challenges could morph into a debt crisis.

Figure 17. Public Debt in LICs

Evolution of LIC Total Public Debt
(Median, in percent of GDP)

PPG External Debt Service to Revenue
(Medians)



Sources: WEO, World Bank IDS and IMF staff calculations.

17. In the current context, most developing countries need recurrent flows of new and affordable financing. A debt cancellation initiative would consume public resources that could be allocated to more impactful uses, such as funding concessional MDB financial tools to leverage donor resources and provide more concessional finance, in a context where developing countries need recurrent flows of new financing, rather than a one-off debt stock reduction. Furthermore, such an initiative would raise important moral hazard considerations and would take time to agree upon (HIPC took several years, and it was negotiated among a more limited set of creditor countries compared to today) and hence leave countries in a prolonged period of uncertainty, affecting especially their prospects for contracting new private finance. However, a debt cancellation initiative could become necessary if the situation were to worsen, and unsustainable debt burdens were becoming a widespread issue.

18. In light of current elevated uncertainty and risks, proactively addressing debt challenges has become even more pressing and should involve:

- ***Improving further the restructuring processes to ensure countries with unsustainable debt, have access to timely and sufficiently deep debt relief.*** Significant progress has been made in the past two years, including under the Common Framework, [22] with important improvements in the timeliness and clarity of the processes. The Global Sovereign Debt Roundtable (GSDR) has facilitated this progress by providing a platform to forge consensus on complex technical issues. In that regard, the recent publication of the GSDR *"Restructuring Playbook"* will help debtor country authorities considering a debt restructuring understand the key steps, concepts, and processes. However, further progress on creditor coordination is needed to ensure efficient, timely, reliable, and predictable processes.

- ***Accelerating the implementation of a robust "pathway" to help countries whose debt is sustainable but are faced with high debt service which crowds out productive spending.*** This entails a robust domestic reform agenda, strong external support from bilateral and multilateral partners, and efforts to crowd-in private sector financing at affordable costs. By helping countries build a more durable capacity to meet their financing needs, the "3-Pillar Approach" proposed by the IMF and World Bank provides the conceptual framework for this "pathway" for sustainable growth, and is being implemented flexibly based on country's specificities, including with CD support (See Box 2).

Box 2. The Three-Pillar Approach Proposed by the IMF and World Bank

Addressing debt challenges necessitates increased efforts to improve debt restructuring processes for countries with unsustainable debt. and manage debt service burdens for others. For the former, it is crucial to further advance the ongoing work to establish efficient, timely, reliable, and predictable processes, building on progress already achieved, including through the publication in April 2025 of the GDSR "*Restructuring Playbook*". On the latter, the IMF and World Bank's joint 3-pillar approach aims to support LICs and vulnerable EMs in addressing debt service challenges through a comprehensive "*pathway*" to development.

The three pillars of the "*pathway*" include:

- *Pillar I* focuses on structural reforms to boost growth and job creation, increase the efficiency of spending, and mobilize domestic resources, supported by technical assistance, CD, and policy advice. This pillar entails enhancing fiscal policies and the quality and effectiveness of institutions, strengthening the business environment to foster the domestic private sector as well as foreign direct investment, and developing domestic financial markets to enhance access to financing. The joint IMF-World Bank Domestic Resource Mobilization Initiative (IMF and WB, 2024b) has been launched to help countries increase public revenues, improve the efficiency of public spending, and strengthen domestic financial markets. Moreover, both institutions are supporting members in prioritizing and sequencing structural reforms to accelerate growth and create jobs, improve governance and tackle corruption, and support structural transitions, mindful of social and political feasibility. Strong country ownership is crucial for the successful implementation of this pillar.
- *Pillar II* aims at fostering external financial support, including from IFIs, as structural reforms and resource mobilization will take time to deliver on their potential. In the meantime, mobilizing sufficient

[22] The Common Framework (CF) was agreed in November 2020 by the G20 and by the Paris Club to provide common debt treatment between Paris Club and G20 non-Paris Club official bilateral creditors for countries that were eligible to the 2020-21 Debt Service Suspension Initiative (DSSI) and requiring a debt restructuring. Four countries have so far benefited from a CF treatment: Chad (completed), Ghana and Zambia (almost completed), and Ethiopia (ongoing).

international support will be key to help countries meet their financing needs and provide net positive flows, particularly in LICs. Support from bilateral and multilateral partners will be needed, including through the provision of concessional loans and grants. This support should be consistent with the strength and ambition of the domestic reform agenda, and the needs of the country. The IMF and World Bank are important parts of this collective effort, including through their catalytic role. For countries engaged in a Fund-supported program, official bilateral creditors should endeavor to maintain, where feasible, their exposures throughout the program period.

- *Pillar III* seeks to reduce debt servicing burdens, including through using where relevant, risk-sharing instruments to incentivize new or higher inflows from private creditors at affordable costs, as well as liability management operations such as debt-for-development swaps and debt buy-back. The World Bank guarantee platform can support some of these efforts.

Since last Fall, work to operationalize the 3-pillar approach has included:

- A granular "mapping" of the debt vulnerabilities in the 136 EMDEs covered by this paper, to have a stronger sense of the different situations faced by developing countries (see the February 2025 note on "Debt Vulnerabilities and Financing Challenges in EMDEs – an Overview of Key Data"; to note that staff has internally updated this note using the latest WEO data, with similar aggregated results as in February, albeit with heightened uncertainty and risks in line with the April 2025 WEO);
- A deeper reflection on the "tools" that could be used in the different situations highlighted by this granular "mapping", including through the early lessons learned from the implementation of the Joint DRM Initiative as well as from recent debt swap operations, including the debt swap undertaken by Cote d'Ivoire in December 2024 and supported by the World Bank.; and

The work is now moving to how the different "tools" (e.g., DRM, liability management operations) can be used in combination for certain countries where such combination would be particularly relevant. This also includes the role that official bilateral creditors can play as part of the overall effort.

Importantly, the "tools" mentioned above are available and used in practice in many countries well beyond those faced with debt service challenges. Using these "tools" does not mean that the country is faced with debt service challenges. Conversely, countries faced with such challenges can use part or all these "tools" to address their challenges.

19. The IMF should further strengthen its contribution to these efforts:

- ***On restructuring processes.*** While a legally-binding, internationally agreed debt resolution mechanism is unlikely to receive sufficient support,[23] existing processes, such as the Common Framework, could be further strengthened and the IMF could further increase its support at the different stages of the process. At the request of debtors considering a debt restructuring, IMF staff could provide scenario analyses and information on the operational aspects of the restructuring process and application of IMF policies, while preserving the institution's role as a neutral advisor. [24] Once a debt restructuring is launched, the Fund could further strengthen its engagement to promote and facilitate debtor-creditor engagement to support a timely resolution. The GSDR could also play a stronger role, such as publishing best or good practices

[23] Despite several proposals, including the Sovereign Debt Restructuring Mechanism (SDRM) proposed in 2002, key stakeholders have consistently opposed such mechanisms.

[24] See IMF 2024n for details of the role of the Fund in debt restructurings.

and clarifications on processes, building on the recent experience with the publication of the "*Restructuring Playbook*", while continuing to identify and promote ways to address debt and debt restructuring challenges, including preventing unsustainable debt build-up.

- ***On addressing debt service challenges.*** The Fund could play a stronger role in helping countries mobilize their creditors through pro-active engagement by country teams, particularly with official bilateral creditors who are typically critical partners in closing the financing gap. For countries engaging in a Fund-supported program, where development spending is crowded out by elevated debt service, while debt is sustainable and authorities have a strong and credible domestic reform agenda, IMF-supported programs could place more emphasis on development spending needs. This may involve in certain cases higher financing needs in the short term, all other things equal, which would require higher financing volumes from the Fund and partners during the "*pathway*", while respecting the framework for Fund financing, i.e. helping members address their balance of payment problems while providing adequate safeguards to Fund resources.

20. Enhancing further debt transparency and the accuracy of debt data will also be necessary. The ongoing efforts to increase debt transparency and the accuracy of debt data should be further sustained and developed. This includes efforts on the side of the debtor countries, including to strengthen the domestic legal and operational frameworks that support sound debt management, data quality, and debt recording and reporting, as well as on the side of the creditors, both official and private, for which initiatives launched in the past, such as the G20 Operational Guidelines for Sustainable Financing and the Institute of International Finance Voluntary Principles for Debt Transparency have not delivered on their full potential. The June 2023 paper on "Making Public Debt Public – Ongoing Initiatives and Reform Options" (IMF, 2023e) develops and assesses a range of options that could be implemented to improve debt transparency, including their resource implications.

A STRONG ROLE FOR THE IMF

The IMF has a strong role to play to help countries maintain or restore macroeconomic and financial stability and implement sound policies that support sustainable growth and development. The Fund supports the development agenda by providing policy advice, CD, and financial support to countries faced with balance of payment needs. The Fund is also strongly involved in helping countries address debt challenges. In all these activities, the IMF collaborates closely with partners, particularly the World Bank.

A. Providing Policy Advice and Capacity Development

21. The IMF is uniquely positioned to support countries achieve macroeconomic and financial stability through its tailored bilateral surveillance and CD. Informed by its nearly universal membership and 80 years of experience, the IMF's bilateral surveillance focuses on fiscal, monetary, external sector, and financial sector policies,[25] as well as on structural reforms critical to macroeconomic stability and on supporting sustainable growth and job creation. It plays an essential role in helping countries implement the domestic reform agenda mentioned in the previous section. The forthcoming comprehensive surveillance review will analyze the evolving landscape and set surveillance priorities and modalities for the next 5 years. Mindful of countries' heterogeneity, the IMF has further tailored its engagement over time. In particular, it has developed in recent years an enhanced strategy to engage with FCS (Annex II), and a set of actions and guidance on engagement with SDS (Annex III).

22. The IMF also supports global growth and resilience of developing countries by monitoring global policies and spillovers. Through its multilateral surveillance, the Fund publishes in-depth analyses and policy advice on issues relevant to developing countries. Recent examples have included lessons on protecting vulnerable groups amid rising food and energy prices (IMF, 2022a), the social acceptability of structural reforms (IMF, 2024f, IMF, 2025d), advice on industrial policy (IMF, 2023c, IMF, 2024g, McDonald and others, 2024), and addressing debt vulnerabilities (IMF, 2024h). This work also includes the assessment of risks to global and regional financial conditions (bi-annual Early Warning Exercises conducted with the Financial Stability Board), and the annual report on Macroeconomic Developments and Prospects for Low-Income Countries.

23. The IMF also actively supports resilient, well-regulated and supervised financial systems in developing countries. The two key diagnostic tools, the Financial Sector Assessment Program (FSAP) and the Financial Sector Stability Reviews (FSSRs) provide comprehensive evaluations of financial sector resilience.

- **The FSAP** assesses risks and vulnerabilities of the financial sector of a given country, evaluates its financial sector policy and crisis management framework, the financial safety nets, as well as emerging risks such as cybersecurity threats. Recommendations from FSAPs help build a roadmap supporting financial sector reforms, thus promoting financial stability, economic growth, financial deepening, and financial inclusion. For developing countries, FSAPs are conducted jointly with the World Bank. As the financial sector is rapidly evolving, driven by the rise of non-bank financial institutions, crypto assets, new payment platforms, and the use of AI, the forthcoming FSAP Review will guide efforts to deepen macro-financial analysis in bilateral surveillance and produce cutting-edge analysis of risks from changes in the financial system.

- **The FSSRs** have been deployed in low and lower-middle income countries and FCS. They look at the capacity of the authorities to identify, monitor, manage and mitigate risks to financial stability. Following the diagnostic, a medium-term technical assistance roadmap to strengthen the financial stability framework is prepared in partnership with the recipient country and other CD providers, including the World Bank.

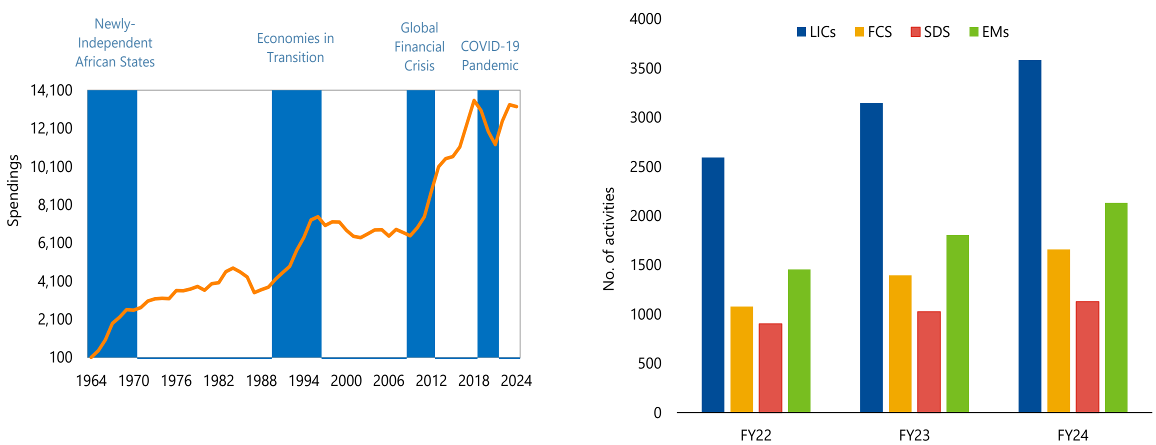
[25] The Financial Sector Assessment Program (FSAP) provides an in-depth assessment of financial sector resilience, helping build a roadmap supporting financial sector reforms over the long-term.

24. The IMF's CD is a key instrument to help countries improve their development prospects. The Fund's CD aims to enhance institutional capacity, improve human capital, and strengthen governance structures. It reinforces the IMF's policy advice, helping countries design and implement sound macroeconomic policies, maintain monetary and financial stability, create fiscal space to finance development spending, and build resilience against shocks. CD delivery focuses on areas where the Fund has a comparative advantage, such as central bank operations, financial regulation and supervision, tax and spending policy and institutions, macroeconomic and financial statistics, public debt management,[26] and financial systems.

Figure 18. Trends in CD Activities

Fund CD Spending Over Time
(Index 1964=100, in FTE)

CD Delivery by Country Groups
(Number of Activities)



Note: Periods with major economic or political events shaded in blue.
Source: Fund staff estimates

Source: Fund staff estimates

25. IMF CD delivery has expanded significantly over time to meet growing demand, with a strong emphasis on supporting LICs and in particular FCS.

- Over the past 60 years, CD spending has increased exponentially, often accelerating during major shocks such as the Global Financial Crisis, to address urgent reform and capacity-building needs (Figure 18).[27] By 2023, IMF CD accounted for 30 percent of country operations, with LICs consistently receiving the largest share—over 40 percent of activities between 2022 and 2024. FCS have benefited from the fastest growth in CD delivery during the same period, underscoring the IMF's commitment to helping vulnerable countries tackle their unique challenges.

[26] CD on public debt management is a key element of the Fund's strategy in helping countries address debt vulnerabilities, particularly in LICs. See IMF, 2022d.

[27] The transition to virtual engagements explains the dip in CD spending observed between 2019 and 2021.

- Overall, CD related to public finances accounts for more than half of the Fund's total CD activities, and monetary and financial systems represent nearly 20 percent. A large amount of capacity building is allocated to tax and customs administration and public financial management. New areas such as AML/CFT, governance, digitalization, GovTech and digital money have also been integrated into Fund's CD, reflecting evolving challenges (see IMF, 2024d and IMF, 2024e). [28] Similarly, training modalities have also evolved, with the number of Regional Capacity Development Centers increasing from 3 to 17 since 2000 and hosting over 95 percent of training participants in 2023.

26. The IMF's recent review of its CD Strategy further strengthened its ability to support member countries in building human capital and institutional frameworks. The CD Strategy Review (IMF, 2024d and IMF, 2024e) emphasized the flexibility of Fund CD, its integration with surveillance and lending, and customization to country needs. It also underscored the Fund's commitment to providing technical assistance and training in macro-critical areas where it has established expertise.

27. A key component of the IMF CD strategy going forward is the Global Public Finance Partnership (GPFP). It consolidates financing for public finance CD to help members strengthen fiscal institutions, boost revenues, and improve public spending quality. Supported by diverse development partners, the GPFP will help the IMF bolster CD delivery in public finance and thus, enhance the Fund's capacity to support countries progress toward the SDGs.

B. Financing to Help Member Countries Address BOP Needs

28. The IMF is not a development finance institution but plays a critical role at the center of the Global Financial Safety Net (GFSN). Fund financing focuses on helping countries address their balance of payments (BOP) problems and on preserving or restoring macroeconomic stability. It is also relatively limited in volume. That said, Fund financing is crucial in times of crisis, including due to its catalytic effect. While the first three layers of the GFSN—countries' own foreign exchange reserves, bilateral swap arrangements, and regional financing arrangements—have grown in importance over the past two decades, only the fourth layer—access to the IMF lending—remains almost universal and is often the only one (aside from a country's own foreign exchange reserves) that is available to developing economies. IMF lending, integrated with comprehensive policy advice and CD, helps countries address BOP problems, stabilize their economies, and restore sustainable economic growth. It also helps create fiscal space to finance development spending.

29. IMF lending has responded swiftly to the COVID-19 crisis (IEO, 2023; IMF, 2024c) and has continued to evolve since, in line with member needs. The Fund swiftly established a multi-faceted response to the pandemic, including through an immediate and large-scale round of *emergency financing* in the Spring of 2020, and a debt service relief under the Catastrophe

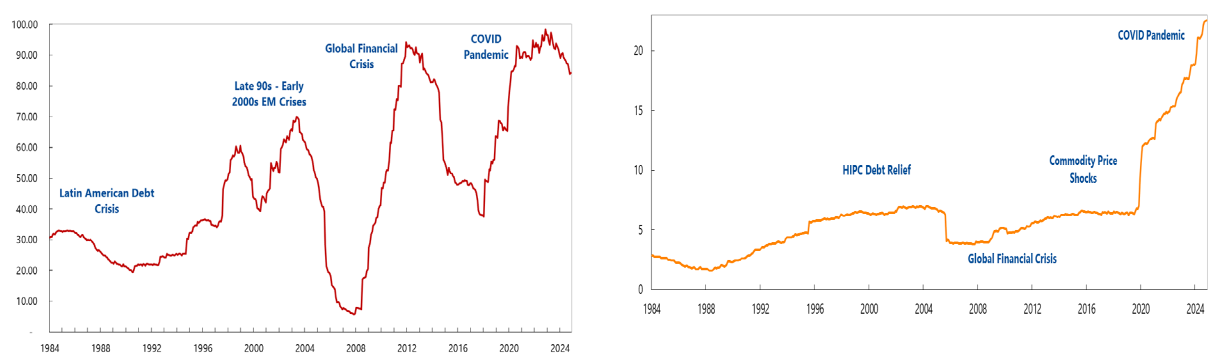
[28] See Annex IV for further detailed analysis.

Containment and Relief Trust[29]. Fund lending increased significantly following the pandemic and subsequent shock triggered by the war in Ukraine (Figure 19). It has since implemented several reforms to ensure the lending framework remains fit for purpose. This includes the Review of PRGT Facilities and Financing (IMF, 2024i) and the Review of Charges and the Surcharge Policy that were both completed in October 2024 (IMF, 2024j). The former has bolstered the Fund's capacity to support LICs, including by more than doubling the capacity of the PRGT compared to pre-pandemic levels, while restoring the self-sustainability of the Trust. The latter has significantly lowered borrowing costs for members under the GRA, while safeguarding the Fund's financial capacity to support countries in need. In addition, the comprehensive review of GRA access limits was concluded in December 2024 (IMF, 2024k).

Figure 19. Evolution of the GRA and PRGT Credit Outstanding

GRA Credit Outstanding
(SDR Billion)

PRGT Credit Outstanding
(SDR Billion)



Sources: IMF Data and IMF Staff estimates.

30. Fund's lending has helped catalyze additional resources for developing countries from public and private sources, though the magnitude varies across country groups and types of programs. For instance, He and others (2024) find that an additional Fund disbursement of one percentage point (pp) of GDP, for LICs, is associated with an increase in official development assistance of 2¾pp of GDP, half of which is from multilateral donors. Countries with IMF emergency financing saw higher COVID-related financial commitments from other financial institutions, including the World Bank during the pandemic (IEO, 2023; Cohen-Setton and Toni, *forthcoming*). An IMF-supported program can also reduce the cost of borrowing from private creditors: when program size increases by 1pp of GDP, borrowing costs decrease by 23 basis points (Chahine and others, 2024). However, while having an IMF program tends to correlate with a reduction in borrowing costs from private creditors or an increase in private capital flows, the magnitude of this

[29] 31 countries with debt service to the IMF received SDR 690 million (US$927 million) in debt service relief over the two-year period from April 14, 2020, to April 13, 2022.

impact varies considerably across studies with varying specification and samples (see for example, Chahine and others, 2024; Kogan and others, 2024; Krahnke, 2023).

31. The Fund has also advanced implementation of its first longer-term lending instrument, the Resilience and Sustainability Facility (RSF), created in April 2022. The RSF assists low- and middle-income countries in building resilience against external shocks and in addressing longer-term challenges, including climate change and pandemic preparedness. As of April 1, 2025, 23 countries have benefited from the RSF, receiving a total commitment of SDR 9.1 billion.

32. Going forward, the IMF will continue to fortify its lending framework. The forthcoming Review of Program Design and Conditionality and planned Review of Exceptional Access Policies will provide opportunities to further improve the effectiveness of IMF's financial support in light of recent program experiences as well as evolving vulnerabilities and needs.

C. Addressing Debt Challenges

33. The IMF plays a leading role on debt issues, including through its debt sustainability analyses and active engagement to support international debt initiatives. For LICs, these efforts are typically implemented jointly with the World Bank (e.g., LIC DSAs, past implementation of HIPC, or the Debt Service Suspension Initiative (DSSI)[30] and Common Framework more recently). The Fund and the Bank also jointly launched the GSDR[31] in 2023, together with the G20 Presidency, and proposed in 2024 the "3-pillar approach" to address debt service challenges. The Fund has also played a key role in improving sovereign debt resolution frameworks involving private creditors by promoting the adoption of enhanced collective action clauses in international sovereign bonds and identifying gaps in the resolution architecture.[32] Furthermore, improving debt transparency remains also an essential aspect of Fund's operations, both in surveillance, lending, and CD. On lending, in particular, the 2020 reform of the Fund's debt limits policy has significantly strengthened the requirements on debt data disclosure. The Fund is also supporting countries through technical assistance and, jointly with the World Bank, has supported the two rounds of self-assessment by G20 members of their adherence to the G20 Operational Guidelines for Sustainable Financing.

[30] The G20 DSSI was agreed in April 2020 to provide immediate debt service relief to eligible countries in the context of the COVID-19 shock. Forty eight out of the 73 eligible countries participated in the initiative, benefiting from an estimated US$12.9 billion in debt service relief over 2020-21.

[31] The GSDR was launched in February 2023 by the IMF, the World Bank, and the G20 Presidency (India in 2023). It has initially focused its work on identifying and addressing key technical bottlenecks in restructuring processes. It has progressively expanded its work to include the prevention of situations of unsustainable debt. It regularly publishes Cochairs Progress Reports, and a *Compendium* that gathers in one place all technical understandings reached by members since the launch of the GSDR. It issued the "*Restructuring Playbook*" in April 2025.

[32] See Summing Up by the Acting Chair on the "Design and Effectiveness of Collective Action Clauses and Encouraging Greater Use of Collective Action Clauses in Sovereign Bond Contracts"; Communiqué of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund of September 21, 2003, and "*The International Architecture for Resolving Sovereign Debt Involving Private Sector Creditors*", September 2020 (IMF, 2020a). Staff is currently working on updating this paper.

Finally, in response to the invitation received in the Action 50 (b) of the "Pact for the Future", adopted by the UN in September 2024, to "*undertake a review of ways to strengthen and improve the sovereign debt architecture, building on existing international processes, in collaboration with the [UN] Secretary-General, the World Bank, the Group of 20 and major bilateral creditors, and debtors"*, the IMF is advancing comprehensive workstreams on debt, focusing on enhancing the Fund's role in tackling debt challenges and supporting efforts to improve debt restructuring mechanisms.[33]

34. The IMF has also continuously improved its own debt policies to reflect the evolving debt landscape and will continue this work as needed. Work already done includes the new Sovereign Risk and Debt Sustainability Framework for Market Access Countries (MAC-SRDSF) introduced in 2023, and the ongoing work, jointly with the World Bank, to comprehensively review the IMF-World Bank LIC-DSF. While this important review is ongoing, supplementary guidance on the LIC-DSF has been issued in August 2024 (IMF, 2024l) to help address key topics, including the impact of climate change, assessing domestic debt vulnerabilities, and using the framework in sovereign debt restructuring context.[34] Adapting Fund policies has also included the 2022 review of the Fund's Sovereign Arrears Policies and Perimeter (IMF, 2022e) and the April 2024 reforms to the Lending into Official Arrears Policy and Financing Assurances (IMF, 2024m), which have strengthened the capacity for the Fund to support countries engaged in a debt restructuring, while providing stronger incentives for faster creditor processes. Additionally, the recent publication of the Guidance Note on The Financing Assurances and Sovereign Arrears Policies and the Fund's Role in Debt Restructurings (IMF, 2024n) provides a comprehensive overview of the Fund's interrelated policies on financing assurances, debt sustainability, and debt restructuring. IMF's ongoing work on a stocktaking of private creditor participation in recent sovereign debt restructurings will help provide insight on the efficacy of the current debt architecture in facilitating restructurings.

Box 3. Collaboration with Development Partners

In fulfilling its commitments to the SDG agenda, the IMF collaborates closely with development partners, particularly the World Bank. This collaboration covers policy initiatives, country-specific needs, and CD.

- **Bank-Fund collaboration spans traditional policy areas such as debt, financial sector, and fiscal issues, and has recently expanded to newer areas such as climate change and gender**. It builds on longstanding cooperation frameworks, such as the 1989 *Concordat* and the 2007 *Joint Management Action Plan*, and joint products (e.g., LIC DSAs, FSAPs), recently complemented by the September 2023 Joint Statement on Enhancing IMF-World Bank Collaboration, followed in May 2024 by the Joint Statement on enhanced cooperation on climate action, which has become operational in June 2024.[1]
- **In addition, the IMF maintains a close dialogue with other partners:** With other MDBs, collaboration includes joint actions on revenue and customs administration, social support programs, deepening of financial sector and payment systems, AML/CFT and governance, debt sustainability, climate resilience,

[33] See also Section IIIC on the role of the Fund in addressing current debt challenges.

[34] In parallel, other reforms to Fund's policies have been introduced to support sustainable financing decisions. This includes the 2020 review of the Fund's Debt Limits Policy (IMF, 2020c), aimed to contain debt vulnerabilities while allowing more flexibility for investment and debt management operations beneficial to development; and the enhanced safeguards introduced under the PRGT in 2021 (IMF, 2021c) and strengthened in 2024 (IMF 2024i), to manage and mitigate credit risk to the Fund by strengthening scrutiny of debt sustainability and repayment capacity.

and gender. In addition, the IMF Executive Board authorized in May 2024 the use of SDRs for hybrid capital instruments issued by MDBs (IMF, 2024o). Collaboration with UN entities and other international organizations entails, for example, regular participation of Fund Management and staff in UN meetings, and policy or operational work with ILO, UNCTAD, UN DESA, UNDP, UNFPA, UNHCR, UNODC, UN Women, WFP, WHO[2], WTO and others. The Fund also maintains a dialogue with the OECD, including on capital flows, tax, climate change, trade; and with the Financial Action Task Force (FATF) and FATF-Style Regional Bodies on AML/CFT.

- **The Funds also collaborates with development partners in CD delivery,** through joint missions, including with the World Bank and the European Commission; country level coordination mechanisms with both HQ and field participation; steering committees of RCDCs and Global Thematic Funds (including the Debt Management Facility that is a joint initiative with the World Bank) and global initiatives such as the Platform for Collaboration on Tax or GPFP.

1 For details, see the Companion Paper On IMF-WB Collaboration.

2 In October 2024, the IMF, World Bank and WHO agreed on broad principles for cooperation on pandemic preparedness, which provides the framework for IMF's RSF support to countries on pandemic-related issues.

ISSUES FOR DISCUSSION

- Do Directors agree with staff's assessment of the challenging context facing developing countries, and staff's estimate of the financing needs in the coming years to accelerate development progress?

- Do Directors agree with the path forward proposed by staff to help countries advance their development agenda?

- Do Directors agree with staff's assessment of the key areas and actions where the Fund can best support the international development agenda?

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Appendix I. List of Countries Included in the Sample [1, 2, 3, 4]

Caucasus and Central Asia		Emerging and Developing Asia	
Armenia	**Kiribati*^**	Bhutan*^	Philippines
Azerbaijan	**Marshall Islands*^**	Cambodia*	Samoa*^
Georgia	**Micronesia, Fed. Sts.*^**	Fiji^	Sri Lanka
Kazakhstan	**Myanmar***	Indonesia	Thailand
Kyrgyz Republic*	**Papua New Guinea***	Lao PDR*	Tonga*^
Tajikistan*	**Solomon Islands*^**	Malaysia	Vanuatu*^
Turkmenistan	**Timor-Leste*^**	Maldives*^	Vietnam
Uzbekistan*	**Tuvalu*^**	Mongolia	Nauru^
	Bangladesh*	Nepal*	Palau^
Emerging and Developing Europe		Latin America and the Caribbean	
Kosovo	**Haiti***	Ecuador	St. Lucia*^
Ukraine	**Venezuela, RB**	El Salvador	St. Vincent and the Grenadines*^
Albania	Argentina	Grenada*^	Suriname^
Belarus	Belize^	Guatemala	Antigua and Barbuda^
Bosnia and Herzegovina	Bolivia	Honduras*	Bahamas, The^
Moldova*	Brazil	Jamaica	Barbados^
Montenegro^	Colombia	Mexico	Guyana^
North Macedonia	Costa Rica	Nicaragua*	St. Kitts and Nevis^
Serbia	Dominica*^	Paraguay	Trinidad and Tobago^
Türkiye	Dominican Republic	Peru	
Middle East, North Africa, Afghanistan, and Pakistan		Sub-Saharan Africa	
Afghanistan*	**Burkina Faso***	**São Tomé and Príncipe*^**	Lesotho*
Iraq	**Burundi***	**South Sudan***	Liberia*
Lebanon	**Cameroon***	**Zimbabwe***	Madagascar*
Libya	**Central African Republic***	Angola	Malawi*
Somalia*	**Chad***	Benin*	Mauritius^
Sudan*	**Comoros*^**	Botswana	Namibia
Syrian Arab Republic*	**Congo, Dem. Rep.***	Cabo Verde*^	Rwanda*
Yemen, Rep.*	**Congo, Rep.***	Côte d'Ivoire*	Senegal*
Algeria	**Eritrea***	Equatorial Guinea	Sierra Leone*
Djibouti*^	**Ethiopia***	Eswatini^	South Africa
Egypt, Arab Rep.	**Guinea-Bissau***	Gabon	Tanzania*
Iran, Islamic Rep.	**Mali***	Gambia, The*	Togo*

[1] Country sample analyzed in the paper encompasses all countries which are not high-income countries in the World Bank's classification, excluding India and China due to their economic size and specific situations, plus all countries classified as Small Developing States by the IMF (see 2024 Staff Guidance Note on IMF's Engagement with Small Developing States).

[2] Countries with an asterisk (*) are Low-income Countries in the IMF's classification. These are countries that are eligible for IMF's concessional financial assistance from the Poverty Reduction and Growth Trust.

[3] Countries with a chapeau (^) are Small Developing States in the IMF's classification.

[4] Countries in bold typeface are Fragile and Conflict-affected States.

Appendix II. Low-income Countries Classifications by Income

Poorest LICs (GNI per capita at or below IDA cutoff of US$ 1,335. US$1,335=100 percent)	More advanced LICs (GNI per capita above IDA cutoff of US$ 1,335. US$1,335=100 percent)		
<=100 (32)	**>100=<150 (8)**	**>150<=300 (18)**	**>300 (12)**
Afghanistan	Benin	Bangladesh	Cabo Verde
Burkina Faso	Cambodia	Bhutan	Dominica
Burundi	Cameroon	Congo, Republic of	Grenada
Central African Republic	Comoros	Cote d'Ivoire	Maldives
Chad	Kyrgyz Republic	Djibouti	Marshall Islands
Democratic Republic of Congo	Senegal	Ghana	Micronesia
Eritrea	Tajikistan	Honduras	Moldova
Ethiopia	Zimbabwe	Kenya	Samoa
Gambia, The			
Guinea[1]		Kiribati	St. Lucia
Guinea-Bissau			
Haiti[1]		Lao P.D.R.	St. Vincent and the Grenadines
Lesotho		Mauritania	
Liberia		Nicaragua	Tonga
Madagascar		Papua New Guinea	Tuvalu
Malawi		Sao Tome	
Mali		Solomon Islands	
Mozambique		Timor-Leste, Dem. Rep. of	
Myanmar			
Nepal[1]		Uzbekistan	
Niger		Vanuatu	
Rwanda			
Sierra Leone			
Somalia			
South Sudan			
Sudan			
Syria			
Tanzania			
Togo			
Uganda			
Yemen			
Zambia			

[1] Guinea, Haiti and Nepal are classified as poorest LICs, even though their GNI per capita is above the IDA cutoff, for consistency with 2024 Review of PRGT Finances and Facilities approved by the Board in October 2024.

INTERNATIONAL MONETARY FUND

May 9, 2025

THE 4TH FINANCING FOR DEVELOPMENT CONFERENCE—CONTRIBUTION OF THE IMF TO THE INTERNATIONAL FINANCING FOR DEVELOPMENT AGENDA—ANNEXES

CONTENTS

ANNEXES

Annex I. Methodology for Estimating Financing Needs Considering Feasibility Constraints

This Annex outlines the methodology used to estimate the additional financing needed by developing countries to achieve a strong performance in five selected United Nation's Sustainable Development Goals (SDGs), including costs to address associated climate risks within these sectors. Following the methodology in (IMF, 2024n), it first estimates an unconstrainted financing need for 136 developing countries. Then it imposes absorption and other capacity constraints to estimate the most ambitious possible path to progress in the next 5 years toward meeting the SDGs in the future, albeit at a date later than 2030 (using an illustrative target date of 2040 – results would be similar with any other illustrative target date). It concludes that meeting the SDG targets by 2030 is unlikely, as it would require financing that would not only exceed credible assumptions, but also go beyond countries' absorption and other capacity constraints. Using 2040 as an illustrative target date for achieving the SDGs, around 80 percent of the additional spending needs over 2025-29 could be implemented by the public sector, with the private sector covering the rest. About half of the public financing over the next five years would come from domestic revenue mobilization, with the rest primarily from new debt.

1. Recent IMF studies have estimated the financing needs to make progress towards the SDGs. Gaspar, et al., 2019, focusing on needs in education (SDG4), health (SDG3), road infrastructure (SDG 9), electricity access (SDG 7), and water and sanitation (SDG 6), derived an annual need of about US$2.6 trillion in 2030 to achieve a strong performance towards the SDGs across 49 low-income countries (LICs) and 72 emerging markets (EMs) by 2030 (US$0.5 trillion for LICs, and US$2.1 trillion for EMs).[1] Carapella, et al., 2023, update the additional spending required in the five selected SDGs to US$3 trillion by 2030. Aggarwal and others, (2024) estimated that an extra annualized US$3.4 trillion in funding would be necessary to achieve a strong performance in these five SDGs, including needs for climate mitigation and adaptation within these sectors (see further details in Annex I Box 1).

2. The IMF's April 2024 Report on "*Macroeconomic Developments and Prospects for LICs*" (IMF, 2024e) expanded on these approached by considering feasibility constraints on the scaling-up of public spending. The report (which covered the 69 countries eligible for the IMF financing from the Poverty Reduction and Growth Trust at that time) built on the previous work, using nominal costs as exogenous inputs in the context of a financial programming macroeconomic framework. Unlike earlier studies, it considered public sector spending limits to account for LICs absorption capacity. Indeed, beyond a certain threshold, which can be estimated based on historical data series, adding more public spending into the economy can be expected to lead to additional imbalances (e.g., inflation, current account deficit), rather than progress toward the SDGs. To increase the realism of the estimates, the IMF (2024f) also included a fiscal multiplier effect on growth and thus allowed growth to be endogenously determined. In the estimations, higher growth generated by increased spending raised fiscal revenues over time and thus reduced external financing needs

[1] See Gaspar et. al (2023) Annex I for a detailed description of the costing methodology, including the benchmarks for measuring progress on achieving the SDGs, and assumptions on demographics and the population growth.

compared to a static exercise. To preserve realism, the resulting increase in the annual GDP growth rate was also capped at a plausible level. [2]

3. Staff new analysis extends the approach of IMF, (2024e) to 136 developing countries. [3] Since SDG costing data and all macroeconomic variables are available for only 96 countries (48 LICs and 48 EMs) out of the total of 136 countries, our estimates rely on an extrapolation by applying the median estimate of additional SDG needs in percent of GDP to the missing countries' nominal GDP levels, separately for a subsample of LICs and EMs.

4. Estimates suggest that meeting the SDG targets by 2030 is unlikely. The financing required to reach spending levels consistent with meeting the SDGs by 2030 are staggering. Without considering absorption and other capacity constraints, the estimated cumulative financing needs to meet the SDGs by 2030 would range between US$9 and 12 trillion for 2025-29 (see Annex I Table 1, respectively scenarios 1 and 2). [4] Financing on that scale seems impossible to mobilize. It would also entail unrealistic growth of public spending, at a pace several orders of magnitude above thresholds of absorption capacity historically observed for developing countries (see below and Annex I Box 2). The *unconstrainted scenario* in Annex I Table 1 reports additional financing needs before applying caps on absorption and other capacity constraints and assuming the required recurrent spending levels are reached in the first year of projections (2025). The *linear unconstrained scenario* differs by assuming a gradual increase in recurrent spending towards the required level by 2030. Such scenario is more credible because gradually increasing public spending is less likely to breach absorption capacity limits and provides more time to secure the required financing. As an illustration, under the linear unconstrained scenario, reaching the spending level required for a strong performance in these selected SDGs by 2030 would entail scaling up annual spending on education, health, roads, electricity, and water and sanitation by 15 percent of GDP for the median developing country (22 percent for LICs and 9 percent for EMs).

[2] 5.1 percent (one standard deviation above the average real growth rate over the period 1999-2019).

[3] See Appendix 1 for the list of countries included. In this paper, EMs fiscal multipliers used were 0.4, 0.5, 0.4, 0.3, 0.2, and 0.1 for years 1 to 6, respectively. Given that LICs would likely have lower multipliers due to efficiency considerations and the size of the informal sector (Colombo, et. al., 2022), we assumed 50 percent of those values for LICs. The scaling up of spending, associated with these multipliers are assumed to endogenously increase growth beyond the initial IMF staff projections for each country (as reported in WEO, April 2025).

[4] These results are derived from the model that allows GDP growth to react to scaling up of spending through fiscal multipliers but does not impose any capacity constraints. The results reported in this bullet point are not directly comparable to those from the studies referenced in the first bullet. This is due to several factors, including differences in country coverage (advanced economies, China, and India excluded from our study) and the time window (the results reported here are cumulative for 2025-29).

Annex I. Table 1. Estimation of Additional Financing Needs to Meet the SDGs by 2030
(in trillions of U.S. dollars, based on Apr 2025 WEO)

	2025	2026	2027	2028	2029	2025-29
1. Unconstrained scenario	2.1	2.2	2.3	2.5	2.6	11.7
LICs	0.6	0.8	0.9	0.9	1.0	4.2
EMs	1.5	1.4	1.5	1.5	1.6	7.5
2. Linear unconstrained scenario	1.4	1.6	1.8	2.1	2.4	9.2
LICs	0.3	0.4	0.5	0.5	0.6	2.3
EMs	1.0	1.2	1.3	1.5	1.8	6.9

Sources: Fund staff estimates

5. **When assessing SDG-related financing needs, it is crucial to consider countries' absorption and other capacity constraints.** [5] Even assuming SDGs can be financed, public spending for SDGs cannot grow fully unconstrained as, beyond a certain threshold, adding more public spending into the economy can be expected to lead to additional imbalances (e.g., inflation, current account deficit), rather than progress toward the SDGs (absorption capacity constraints). There are also limits to government's technical and institutional capacity to efficiently implement significantly higher-than-usual levels of public spending. Estimating each individual country's specific absorption and other capacity constraints is difficult. However, it seems possible to suggest a proxy by setting caps based on observed episodes of past increases of total public expenditures. [6] In practice, our approach imposes two limits on the growth in total public expenditure: (i) the maximum annual increase; and (ii) the maximum cumulative increase that could be sustained over a five-year period. Respective caps are based on the observed episodes of increases in total public expenditure in our sample of developing countries (see Annex I Box 2). [7] This sets a "highest possible" path in the increase of SDG-related public spending in the coming years. Of course, an increase in the SDGs financed by the private sector is also desirable. This increase, however, is expected to remain limited in the near to medium-term window (i.e., 2025-29), which is the focus of this paper [8], and for the set of SDGs used in our estimates (see above).

[5] Staff has focused its estimates on the next five years and has assumed that, in light of the five areas for which the calculations are made and the relatively short-term time horizon which limits the capacity to mobilize additional private sector financing, new SDG spending would be primarily covered by the public sector, with the private sector accounted as a residual.

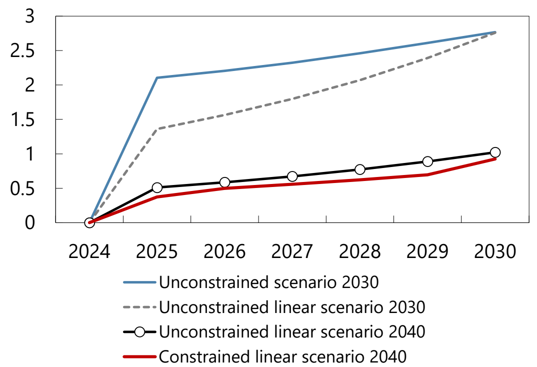
[6] Our capacity constraint cap estimates, derived from historical outturn data of public expenditure scaling-up episodes, can reflect a combination of lack of available financing, macroeconomic absorption constraints (see Tanzi and Blejer, 1984; Buffie, et al., 2012, for discussions on the numerous channels through which fiscal deficits and public investment scaling up interrelate with other macroeconomic variables), as well other types of constraints such as technical and institutional capacity weaknesses or supply bottlenecks.

[7] We have assumed a cap equal to the 80th percentile level of the change in total expenditure in percent of GDP for the relevant sub-sample of LICs and EMs over the period 1999-2019. This timeframe has been set to exclude distortions due to the COVID pandemic. The threshold is computed for each of the quartiles of the distribution of the subsamples.

[8] Over the longer-term, structural evolutions could lead to a higher contribution of the private sector, as well as to higher absorption capacities.

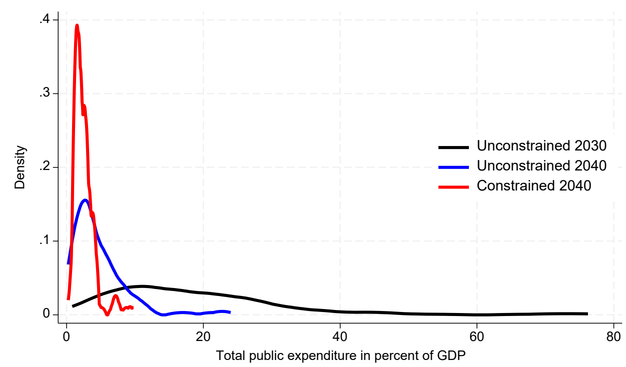
6. For illustrative purposes, staff has developed a scenario where the key SDGs mentioned above would be met by 2040 instead of 2030, with a linear progression of total additional SDG spending, and a constrained evolution of SDG-related public spending. [9,10] Annex I Figure 1 illustrates different paths of SDG spending based on alternative scenarios. Annex I Figure 2 illustrates the resulting distributions of SDG spending as a percentage of GDP across the full sample of countries in a given year (2025, for illustrative purposes only) under alternative scenarios.

Annex I. Figure 1. Estimates of Annual Additional Spending for SDGs Under Alternative Approaches 1/
(Trillions of US$)



Sources: Fund staff estimates.
1/ Data beyond 2030 are purely illustrative; the paper focuses on the 2025-29 window.

Annex I. Figure 2. Density Functions for Additional Annual Spending Needs (2025)



Sources: Fund staff estimates

7. Based on this approach, staff estimates that US$3.5 trillion would be needed over 2025-29 to progress significantly toward meeting the SDGs, with the target date extended beyond 2030. Staff analysis suggests that US$2.7 trillion (around 80 percent of the total) could be covered by additional public spending over 2025-29 (assuming sufficient financing sources are available), while the private sector could cover the remaining US$0.8 trillion (see Annex I Table 2). [11] This analysis focuses on feasibility of public sector spending, and it does not aim to assess whether the private sector could cover the residual The estimates of the maximum amount that can be

[9] To note, the use of 2040 is purely illustrative and the order of magnitude of the needs for 2025-29 would not differ significantly by using another date. It is of course not the role of this paper to suggest a new date for the SDG time target, nor to discuss the pros and cons of keeping a single target date for all countries, whatever their current stage of progress toward the SDGs, or move to a country-specific target date, which would have the merit to be closer to each country's circumstances, but would lose the time anchor to mobilize the international community.

[10] In this scenario, we use a linear progression of SDG spending and the full use of capacity in the growth of public spending over the entire period. Even by 2040, there would be a gap between what the public sector can implement and the actual spending that should be executed to achieve a strong performance in the SDGs. This gap would need to be filled by the private sector.

[11] Given that the IMF 2024 database covers only 96 countries (48 LICs and 48 EMs) out of a total of 136 developing countries, our estimate relies on an extrapolation by using the median estimate of additional SDG needs in percent of GDP for the subsamples of LICs and EMs countries covered, and projections of the missing countries' nominal GDP levels (extending country team growth projections from WEO, October 2024).

implemented by the public sector given existing absorption and other constraints also depend on the chosen target date. Annual spending needs in countries where the caps were not binding increase over shorter time horizons, sometimes reaching these caps and increasing the total needs for the aggregate group. However, over longer periods annual, spending needs in countries that were bound by the caps may fall below them, decreasing the total for the overall sample. See Annex I Figure 3 for two alternative time horizons to achieve the goals, and the associated contributions of the public and private sector under each scenario.

Annex I. Table 2. Developing Countries: Estimation of Additional Financing Needs to Meet the SDGs by 2040

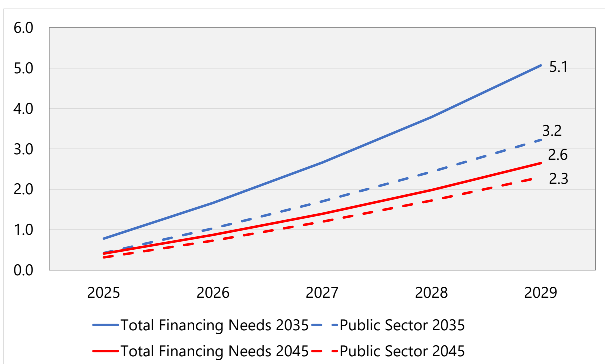
(In trillions of U.S. dollars, based on Apr 2025 WEO)

Overall Sample	2025	2026	2027	2028	2029	2025-29
Total financing needs	0.5	0.6	0.7	0.8	0.9	3.5
Public sector (capacity constrains)	0.4	0.5	0.6	0.6	0.7	2.7
Private sector (residual needs)	0.2	0.1	0.1	0.2	0.2	0.8

Source: Fund staff estimates.

Annex I. Figure 3. Estimates of SDG Total Cumulative Financing Needs at Selected Target Dates: 2035, 2045

(in Trillions of US$)



Source: Fund staff estimates

8. **SDG-related needs vary significantly across countries, with LICs having the highest requirements relative to their GDP.** The median additional annual financing needs for LICs over 2025-29 stand at 4.0 percent of GDP compared to 2.6 percent for EMs. In absolute terms, however, EMs needs are more than four times larger than those of LICs, reflecting their higher GDP (see Annex I Table 3). The public sector in LICs could potentially cover around 50 percent of the total needs over the period, while EMs could cover 90 percent of the total. These results highlight the crucial role of private sector financing of the SDGs for LICs, which adds to the challenges for policymakers as increasing these flows requires macroeconomic stability supported by strong policy frameworks.

Annex I. Table 3. Estimation of Additional Financing Needs for 2025-29 to Meet the SDGs by 2040

(in trillions of U.S. dollars, based on Apr 2025 WEO)

	Developing countries	LICs	EMs
Total additional needs public sector	2.7	0.5	2.2
Revenue mobilization	1.3	0.2	1.0
Other	1.4	0.3	1.2

Sources: Fund staff estimates

9. **To meet the projected needs of the public sector, developing economies would need to rely on a mix of domestic resource mobilization and external financing.** Mobilizing adequate financing for developing countries is a formidable challenge given the orders of magnitude involved. Staff's scenario assigns an important role to fiscal mobilization: specifically, it assumes that fiscal measures will result in a 3-percentage point increase in the tax-to-GDP ratio for the median developing country over the next 5 years. This increase is calibrated based on the country-specific gap between the current tax to revenue ratio and recently estimated medium-term tax potential. [12] It also builds on historical data, which suggest that such a 3-percentage point increase over 5 years is ambitious, but not unrealistic. [13] It requires stepping up efforts in resource mobilization, consistent with the objective of accelerating progress toward the SDGs. Importantly, this exercise should not be viewed as aiming to reflect historical statistical values, which have proven insufficient to provide sufficient financing to make significant progress on the SDGs. Instead, it represents an ambitious path, reflecting a break from the past with renewed commitment to reforms, strong political will, and support from the international community. The modeled effort could help cover as much as US$1.3 trillion of the total US$2.7 trillion of public sector's projected additional financing needs (around 50 percent of the total). The rest would need to come from additional financing from domestic and external sources (Annex I Table 3, and Annex I Table 4).

[12] In our approach, we assume a 3.0 percentage point increase in tax-to-GDP ratio for the median developing country over 5 years. The country-specific increase over the remainder of the medium and long term is calibrated depending on the gap between tax-revenue ratio projected in the medium term and the tax potential estimated by Mansour et. al. (2025), 23.3 percent of GDP for EMs and 19.0 percent of GDP for LIDCs. These should not be interpreted as optimal levels or targets for tax, but rather as reflecting the maximum that is achievable. There is an upside risk as higher potential tax revenues could be achieved if these countries were to improve their institutional framework.

[13] The average annual increase in tax revenue for the 136 developing countries in the sample over the 20-year period (1999-2019) is 1.0 percent of GDP, with the median of 0.6 percent of GDP. These results do not differ substantially between the EM and LICs subsamples.

Annex I. Table 4. Summary Table Estimation of Additional Financing Needs for 2025-29 to Meet the SDGs by 2040

(in trillions of U.S. dollars, based on Apr 2025 WEO)

	2025-29		
	EMDEs	LICs	EMs
Total Financing Needs	3.5	0.9	2.6
Public sector	2.7	0.5	2.2
Domestic Revenue mobilization	1.3	0.2	1.0
Other	1.4	0.3	1.2
Private sector	0.8	0.4	0.4
Median annual needs (% GDP)	3.3	4.0	2.6

Sources: Fund staff estimates

Annex I. Box 1. SDG Costing Exercise and Financing Tool with Capacity Constraints

The goal of the SDG costing exercise by Gaspar and others, (2019) is to estimate the additional annual spending required to achieve a meaningful progress on the SDGs in five key areas. The resulting estimates provide the additional annual spending in 2030, relative to a baseline of current spending to GDP in these sectors. The estimates are available for a sample of 155 countries: 49 low-income developing countries, 72 emerging markets, and 34 advanced economies. The study finds that delivering the SDG agenda for LICs will require an annual spending flow for education and health expenditure in year 2030 of US$ 0.2 trillion; and an additional “annualized stock” of infrastructure in roads, electricity and water and sanitation estimated at US$0.3 trillion by year 2030. The total amount of needs for LICs in both education and health and infrastructure in year 2030 is US$ 0.5 trillion. An additional US$ 2.1 trillion would be needed in year 2030 for EMs in the same sectors.

The costing exercise expresses SDG financing needs as: 1) recurrent education and health spending, and 2) an annualized amount (fixed in percent of GDP) for infrastructure spending, both in percent of 2030 GDP in 2020 constant dollars. After 2030, education and health spending would recur, whereas infrastructure spending would be expected to decline to cover depreciation of the capital stock built through 2030. To translate this exercise into required financing needs over any given period, properly discounted values of annual infrastructure spending should be added to annual health and education spending flows.

Carapella and others, (2023) provides an update of the estimations in Gaspar and others, (2019), including data and methodological updates. The study concludes that globally, additional spending required to achieve a strong performance in the selected SDGs in 2030 amounts to $3 trillion (3.4 percent of 2030 world GDP). The average additional SDG cost of LIDC group is estimated at 16.1 percent of 2030 GDP, while EMEs face additional spending amounting to 4.8 percentage points of their GDP in 2030.

Aggarwal and others, (2024) built upon the previous studies while also including cost of climate risks. The authors have done so considering adaptation and mitigation needs for the same selected SDG sectors. The study concluded that an additional annualized US$3.4 trillion is required by 2030—an increase of US$0.4 trillion compared to estimates that do not account for mitigation and adaptation needs within these sectors. The focus of this paper differs from the wider context of climate-related SDGs that specifically target climate action, such as SDG 13, which emphasizes urgent measures to address climate change and its effects. Instead, the paper concentrates on mitigation and resilience efforts within SDGs 3, 4, and certain targets within SDGs 6, 7, and 9, without attempting to estimate the financial requirements for achieving climate objectives in other SDGs.

Annex I. Box 2. Defining Expenditure Ceilings for the Annual SDG-Related Public Expenditure

Public expenditure caps are derived from historical observations of public spending increases between 1999 and 2019. Instead of imposing constraints on country-by-country basis, we set common caps for subsamples of EMs and LICs. First, we identify the 80th percentile of one-year change in total public expenditure for each country (considering only positive changes) over the 2009-19 period. Next, we define expenditure quartiles for LICs and EMs (one observation per country). Third, this quartile information is merged with the two subsamples (EMs and LICs) with all observations for 2009-2019, and the 80th percentile of one-year and five-year public spending increase are computed for each subsample.

The resulting 80th percentile values are used as the one-year and five-year expenditure caps. The one-year cap is used as the binding constraint for the first year, while for years 2-4 spending is allowed to grow in cumulative terms up to the five-year maximum. At year 6, we allow public spending to grow again by the annual cap and increase to a new 5-year cap (incremental to the previous cap) from year 7. The process is repeated every 5 years until 2040. The resulting caps for LIC and EM subgroups are reported in table below.

Annex I. Box 2. Figure 1. Change in Total Public Expenditure in Percent of GDP, 80th Percentile Within Subsample for EMs and LICs' Quartiles

(Percent Change)

Quartile	One Year	Five Years
LICs		
1	1.6	3.4
2	2.8	4.5
3	4.0	5.2
4	9.8	11.9
EMs		
1	1.5	2.6
2	2.4	3.1
3	3.6	5.8
4	5.9	5.9

Annex II. The IMF's Strategy for Engagement with Fragile and Conflict Affected States

1. Fragile and conflict-affected states (FCS), a group of 39 economies[1] that are home to one billion people, are among the most vulnerable members of the international community. While each country is different, FCS typically suffer from a mix of low state capacity and limited public service delivery, higher concentrations of extreme poverty, governance challenges, gender disparities, and armed conflict. As a result, FCS are more exposed to external shocks such as pandemics, climate events, and commodity price volatility. FCS can be destabilizing for their regional neighbors through spillovers such as cross-border insecurity, forced displacement of people, and trade disruptions. Supporting FCS to achieve the SDGs is therefore a global public good (F&D, 2023).

Around The World, Fragility and Conflict Are Intensifying

2. The global landscape of fragility and conflict continues to worsen. The years 2021, 2022, and 2023 have been the most violent in terms of battle deaths since the end of the Cold War, with an estimated 600,000 fatalities (Rustad, 2024). Research organizations estimate that 200,000 battle-related deaths occurred in one year between July 2023 and June 2024 (Mia, 2024). This trend was driven by the war in Ukraine, conflicts in the Middle East, and escalating violence in the Sahel, Sudan, Yemen, Myanmar, and Haiti. In 2020, the average duration of conflicts exceeded 30 years (Petrini, 2021), double that of the 1990s, as negotiated settlements often failed to address underlying causes of conflicts. Consequently, a record 122.6 million people have been forcibly displaced (UNHCR, 2024), including internally displaced persons and refugees in countries already facing tight fiscal conditions weak growth prospects.

3. FCS are extremely susceptible to various shocks, particularly those related to food insecurity and climate change. Currently, 19 of the 21 early warning hunger hotspots identified by FAO and WFP are in FCS, including Sudan and South Sudan, the Sahel, the Democratic Republic of Congo, Haiti, Nigeria or Yemen (FAO/WFP, 2024). According to IMF research, three years after an extreme weather event, FCS experience cumulative losses of about 4 percent of GDP compared to just 1 percent in other economies (Jaramillo and others, 2023). Additionally, IMF staff research indicates that FCS economies are more vulnerable to shocks from commodity prices, external demand, and financing conditions. This vulnerability is exacerbated by procyclical fiscal responses, ineffective spending controls, and limited access to financial resources (Boussard and others, 2024).

4. The combined impact of these dynamics and the economic scarring from the pandemic have affected the FCS more severely and persistently than other countries. Per capita incomes in FCS are projected to remain below pre-pandemic levels beyond 2025, heightening the risk of these states falling further behind and missing the SDGs (IMF Blog, 2022). By 2025, the

[1] See IMF, FY25 List of Fragile and Conflict-Affected States (FCS), https://www.imf.org/en/Publications/Policy-Papers/Issues/2023/03/22/-/media/8D60B36AB53040F5B5C7EE81156408F4.ashx

gap with pre-crisis per capita income trends is set to remain larger for FCS than for other countries. Additionally, almost ¾ of FCS using the LIC DFS are in, or at high risk of, debt distress, compared with 41 percent of non-FCS LIC DSF countries (IMF, 2024e).

The Fund's FCS Strategy: Key Highlights

5. In response to these challenges, the IMF has been scaling up engagement with FCS. The IMF has a long history of supporting FCS members through policy advice, capacity development (CD) and lending in line with its mandate and comparative advantage.[2] The engagement was significantly revamped following the adoption of the 2022 IMF Strategy for Fragile and Conflict-Affected States (IMF, 2022c). This strategy established a new operating framework for strengthening and scaling up support to FCS. Its key elements include:

- ***Enhanced tailoring of Fund engagement to country-specific drivers of fragility and conflict.*** Since the approval of the FCS Strategy, the IMF has implemented *Country Engagement Strategies (CES)* to help ensure that policy advice, CD support, and program design and conditionality are better integrated. These strategies are informed by an (i) assessment of fragility and conflict drivers; (ii) the identification of institutional constraints to reform implementation and other political economy considerations; and (iii) a long-term view on the macroeconomic policies required to exit fragility. Twenty CES informed Article IV consultations or program reviews in countries as diverse as Burkina Faso, Iraq, Mozambique, Solomon Islands, South Sudan, and Somalia. For instance, in Somalia, the CES underscored that insecurity, poor infrastructure, and the lack of a skilled labor force hindered economic growth. To address these challenges, CD focused on tax policy, revenue administration, and public financial management. Additionally, technical assistance for improving macroeconomic statistics was closely integrated with the Somalia's Fund-supported program under the Extended Credit Facility arrangement (see also Adrian and others, 2023).

- ***Addressing the macro-critical dimensions of fragility and conflict in surveillance and analytics.*** The IMF has increasingly focused its policy advice and research on highlighting the links between fragility, conflict, and macroeconomic outcomes. Policy reports, regional economic outlooks, staff working papers, and technical how-to notes have explored topics such as (i) the impact of shocks on growth, inflation, and public debt in 30 low-income FCS, as well as the policies needed to strengthen resilience; (ii) the relationship between terms of trade shocks and conflicts, as well as the factors that enhance the sensitivity of FCS to economic shocks; (iii) the nexus between political instability, exclusion, conflict, and macroeconomic factors in Sub-Saharan Africa; (iv) the impact of conflict on growth in the Middle East; (v) the economic impacts of migration flows from the Venezuelan crisis for Latin America and the Caribbean (LAC); (vi) the relationship between climate vulnerability and fragility; (vii) building cash management and statistical capacities in FCS; and (viii) the nexus between macroeconomic policies and conflict

[2] Between January 2010 and December 2021, the IMF supported 28 FCS with 88 programs and financing totaling US$20 billion. During the pandemic, 28 FCS members received emergency IMF financial support worth US$7.5 billion while Fund staff have conducted over 1,000 remote CD engagements with FCS.

prevention.[3] In addition, the Fund has also explored the nexus between crime, insecurity, and macroeconomic performance in middle-income countries in LAC that are not formally classified as FCS but which suffer from organized crime and high homicide rates.[4] Furthermore, the Fund conducted its first successful Article IV consultation with Libya in 10 years in 2024 and the first Article IV consultation in Haiti in five years. Among others, Selected Issues Papers focused on forced displacement and food insecurity in Burkina Faso; drivers of food insecurity in the Central African Republic; assessing macro-critical gender gaps in Chad; fragility, demographics, and gender inequality in Mali; social spending and food insecurity in Niger; and a model for costing the SDGs in Comoros; exchange rate pressures in Libya; and fiscal data governance in the Solomon Islands.[5]

- ***Ensuring CD is better tailored to FCS conditions.*** The FCS Strategy highlights the need to tailor Fund CD in FCS to their absorptive capacity—from design to implementation. This involves designing implementable CD projects, including through adequate consultation with relevant stakeholders and realistic results-based management (RBM) milestones and indicators. Proper sequencing of interventions is also emphasized, e.g., targeting basic needs first before cautiously moving to more demanding, but achievable medium-term projects. In addition, the strategy underscores the need to maintain a higher level of flexibility during project implementation in FCS than in standard implementation, as circumstances in FCS can change or evolve.

- ***Scaling up CD to support institution building in FCS***. Strong and accountable institutions are crucial for implementing macro-fiscal and monetary policies, which are essential for exiting fragility. In FY25, about a quarter of Fund-provided CD assistance (about US$44 million) has been allocated to FCS in support of such areas as public financial management, DRM, strengthening central banks, improving economic statistics, and governance and anti-corruption efforts. Since the adoption of the FCS Strategy, institution-building efforts have intensified through the deployment of Long-Term Experts in key Regional Capacity Development Centers and in the recipient countries (see Annex II Box 1).

6. *An enhanced engagement model and increased in-country presence.* The FCS Strategy emphasizes the importance of deepening dialogue with authorities and stakeholders to implement policies and reforms that (i) sustain inclusive growth; (ii) progressively build strong and well-governed institutions; and (iii) sequence reforms according to the capacity to implement change.

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[3] See Macroeconomic Shocks and Conflict; Global Shocks Unfolding: Lessons from Fragile and Conflict-affected States; Political Fragility: Coups d'État and Their Drivers; Fraying Threads: Exclusion and Conflict in Sub-Saharan Africa; Regional Economic Outlook for the Middle East and Central Asia, April 2024: An Uneven Recovery amid High Uncertainty; Regional Spillovers from the Venezuelan Crisis: Migration Flows and Their Impact on Latin America and the Caribbean; Climate Challenges in Fragile and Conflict-Affected States; How to Build Cash Management Capacity in Fragile States and Low-Income Developing Countries; Building Statistical Capacity in Fragile and Conflict-Affected States;

[4] Violent Crime and Insecurity in Latin America and the Caribbean: A Macroeconomic Perspective.

[5] Burkina Faso: Selected Issues; Chad: Selected Issues; Libya: Selected Issues; Central African Republic: Selected Issues; Union of the Comoros: Selected Issues; Libya: Selected Issues; Mali: Selected Issues;; Niger: Selected Issues; Solomon Islands: Selected Issues.

Since the Strategy's approval, the Fund has expanded its presence[6] by hiring 26 local economists in FCS such Ethiopia, DR Congo, Guinea Bissau, Niger, Iraq, South Sudan, Somalia, and Yemen. Additionally, seven new Resident Representative offices have been opened in Burundi, Comoros, Lebanon, Papua New Guinea, São Tomé and Príncipe, South Sudan and a joint office for Iraq and Yemen (based in Jordan).

Annex II. Box 1. Scaling Up Capacity Development to FCS: Country Examples

Recognizing that the path from fragility to stability can take decades, scaled-up capacity development to strengthen economic institutions is a core pillar of the IMF's 2022 FCS Strategy. Since its adoption, **29 additional long-term experts** have been placed in countries and in Regional Capacity Development Centers to help build authorities' capacity for economic policymaking and a total of about 100 LTX are supporting FCS. These include core areas of fiscal, monetary, and financial sector policy such as boosting tax revenues, controlling and prioritizing government spending, managing public debt, developing well-functioning central banks, establishing, or improving financial regulation and supervision, promoting good governance, publishing timely and accurate economic statistics, and building macroeconomic frameworks and basic tools to inform policy decisions. These are some country examples:

- **Supporting authorities to design and implement a public financial management strategy in Chad, strengthening tax forecasting capacity in Mali, and applying blockchain technology to strengthen wage bill control in Guinea-Bissau.**
- **Modernizing central bank operations and financial sector supervision in Mozambique and Somalia, as well as technical assistance on the consumer price index compilation system in Iraq and supporting the central bank of Haitian Institute of Statistics and Information on quarterly estimates of GDP, as well as strengthening banking supervision.**
- **Technical assistance to develop macroeconomic frameworks and improve forecasting capacity in Papua New Guinea and Timor-Leste.**
- **Assistance to Chad on updating statistics for national accounts and to Yemen on monetary data, public sector debt and government finance statistics.**

As a result, the IMF's capacity to deliver CD to these countries with field-based long-term experts working closely with authorities has increased significantly, in line with the FCS Strategy. This is especially critical for conflict-affected countries, where remaining engaged through CD is essential to preserve the viability of institutions responsible for economic policymaking in highly constrained environments.

- ***Strengthened partnerships with humanitarian, development, and peace actors***. The Fund's FCS Strategy aligns closely with the World Bank's Strategy for Fragility, Conflict, and Violence (2020-2025), sharing similar engagement principles, as well as a focus on institution building and inclusive growth. Collaboration between the IMF and WB country teams on fragility assessments has strengthened and both institutions use a unified FCS classification methodology. Given that food insecurity is a major challenge in FCS, the IMF and World Food

[6] For some FCS countries, economists are present in the country while for others they are in a third country. For example, the economists covering Yemen are based in Jordan.

Programme (WFP) regularly exchange information and analysis in countries such as Haiti, Guinea-Bissau, South Sudan, and Somalia, where WFP's extensive field presence aids in monitoring food price inflation. In FCS where forced displacement has significant impacts on fiscal issues (Burkina Faso, Jordan) or migration due to political instability (Venezuela), the IMF and UN High Commissioner for Refugees (UNHCR) maintain regular contact on macro-relevant developments caused by humanitarian crises. In the Democratic Republic of Congo, the International Organization for Migration supports monitoring of social spending indicative targets in the IMF-supported program while exchanges with MONUSCO, the UN peacekeeping mission, facilitate an understanding of security-related risks in Eastern provinces.

7. The Fund's lending to FCS remains significant. Since August 2020, the IMF has provided over US$44.3 billion in combined emergency financing and upper credit tranche (UCT) commitments to FCS. These programs make use of flexibility in the lending toolkit, and program design for these countries is characterized by parsimonious and tailored conditionality aligned with institutional capacity and informed by the CES. Fifteen IMF-supported programs worth US$24.4 billion are currently operational in countries as diverse as Burkina-Faso, Cameroon, Central African Republic, Comoros, the Republic of Congo, Ethiopia, Guinea-Bissau, Kosovo (precautionary), Mozambique, Niger, Papua New Guinea, Somalia, and Ukraine. Additionally, US$10.4 billion in emergency financing have been committed to 22 FCS since the start of the pandemic, including support to Burkina Faso, Haiti, South Sudan, and Ukraine. Furthermore, Cameroon, Democratic Republic of Congo, Kosovo, and Niger are also supported through the RSF. One FCS, Haiti, is implementing Staff Monitored Program.

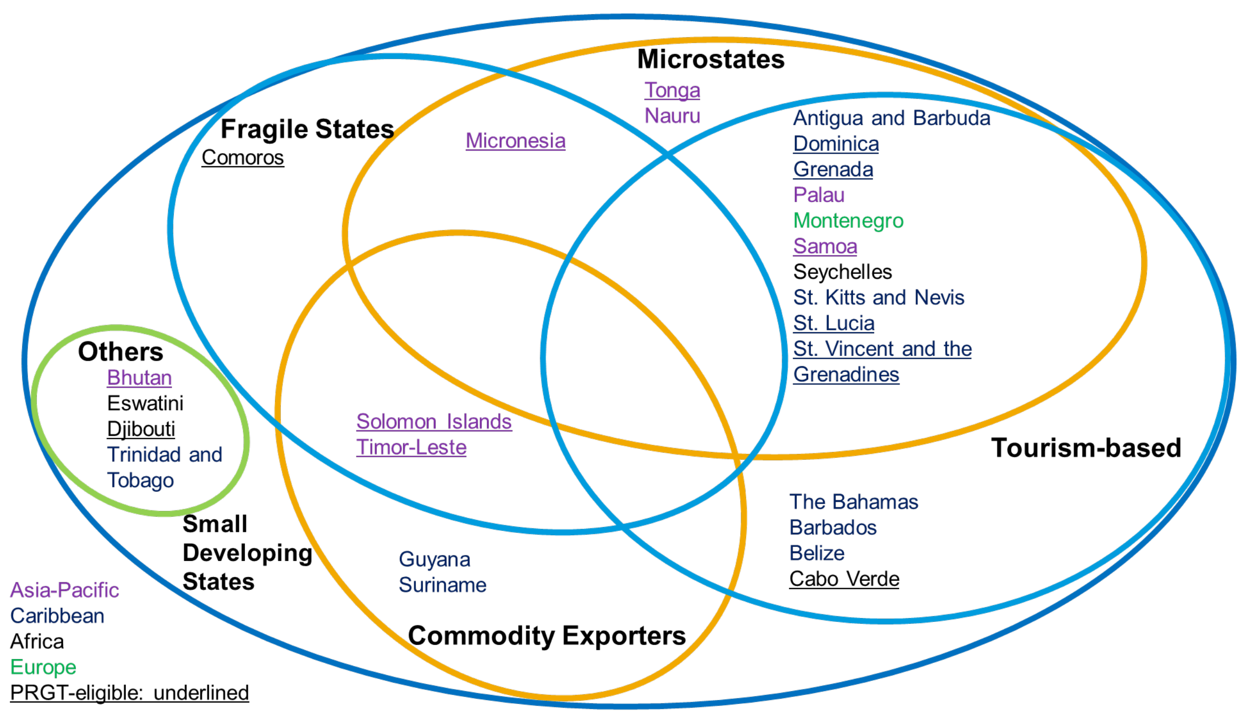
Annex III. IMF Engagement with Small Developing States

1. **Small Developing States (SDS) represent a significant share of the Fund's member countries.** The Fund has 43 small state members with a population under 1.5 million, of which 34 are considered SDS after removing advanced economies and high-income fuel exporters (see Annex III Box 1). This represents around 18 percent of the Fund's 191 member countries. While smallness means that SDS share common **challenges**, they are a heterogeneous set of countries. They are present in all regions of the world, with a large share representing island states in the Caribbean and in the Pacific, and include tourism-based economies, commodity exporters, fragile states, and micro states.

Annex III. Box 1. Small Developing States and Subgroupings

The set of small developing states can usefully be divided into several sub-groupings:

- **Tourism-based countries** are those where international tourism arrival receipts exceed 15 percent of GDP and 25 percent of total exports, based on the World Bank's World Development Indicators data.
- **Commodity exporters** are SDS that have fuel or nonfuel primary products as the main source of export earnings (SDS in Table D of the World Economic Outlook Statistical Appendix, April 2024).
- **Fragile states** are SDS classified as Fragile and Conflict-affected States by the IMF (FY24 list).
- **Microstates** are defined as having populations below 200,000.
- Four countries do not fall into the above analytical groupings—Bhutan, Djibouti, Eswatini, and Trinidad and Tobago.



Smallness Leads to Acute Economic Challenges Shared by Many SDS

2. **Because of their smallness, many SDS cannot unlock economies of scale.** Smallness—due to both land area and population size—is the fundamental characteristic of SDS. This leads to lack of economies of scale, which is heightened further for island states which are often remote and removed from foreign centers of economic activity. With a small domestic market, it can be difficult for SDS to fully develop their private sector. With limited domestic job opportunities, many SDS experience significant emigration of their workforce.

3. **Lack of economic diversification can heighten exposure to economic shocks.** Since SDS are often reliant on only a few economic sectors, sector-specific disruptions can have large macroeconomic consequences. While SDS can overcome some of the drawbacks of a limited domestic production base through greater trade openness, dependence on imports can also in some cases contribute to external balance of payment vulnerabilities.

4. **Despite their minimal contribution to global warming, SDS are disproportionately vulnerable to climate change.** Small island states are especially vulnerable to risks originating from sea level rise: they may lose a substantial share of their land and capital due to rising sea levels, and their population will be exposed to floods and storm surges. Natural disasters also pose a great threat to SDS: between 1960-2020, SDS accounted for 55 percent of global natural disasters causing 20-30 percent of GDP in damages and 70 percent of natural disasters with damages exceeding 30 percent of GDP (IEO 2022). Because of their small geographic footprint, natural disasters in SDS are more likely to affect a large share of their territory.

5. **SDS often have large and yet capacity-constrained public sectors.** High fixed costs of delivering public services to a small population mean that the public sector is both expensive relative to the size of the economy, while simultaneously suffering from capacity constraints due to the limited absolute number of skilled public sector employees.

The Fund Is Stepping Up Its Engagement to Support SDS

6. **Since the IEO Evaluation Report in 2022, the Fund has been implementing a Management Implementation Plan (MIP) to step up its engagement with SDS**. The report highlighted that the Fund has substantially stepped up its engagement with SDS over the past decade, and that SDS country officials generally viewed the Fund's surveillance and CD activities as high-quality and well-tailored to their needs. However, the report also identified challenges and recommended further actions. Thus, the MIP committed to further enhancing Fund's surveillance and CD in SDS, strengthening lending engagement according to the relevant policy frameworks, and ensuring a more effective, tailored, and continuous staff presence in SDS.

7. Recognizing the challenges faced by SDS, the Fund is providing significant support and taking steps to further increase its engagement. Various measures aim to facilitate access of SDS to Fund support, while tailoring this support to the specific circumstances of SDS. This includes:

- **The Fund has been devoting considerable resources to SDS.** SDS constitute 0.2 percent of the global population, 0.13 percent of global GDP, and 0.39 percent of the IMF's quota. However, almost 9 percent of Fund resources are dedicated to work on SDS—40 percent of this is devoted to surveillance, another 40 percent to capacity development, and a further 20 percent to lending (IEO 2022).

- **SDS are benefiting from Fund lending.** SDS have made frequent use of emergency financing in the last two decades, with a peak during the 2020 pandemic, in line with global trends. The number of UCT-quality programs in SDS is increasing amid slow post-pandemic recovery and consecutive shocks. As of December 2024, three SDS – Barbados, Cabo Verde, and Seychelles - have benefited from financing from the RST. [1]

- **Small states are subject to higher income threshold for eligibility to the Fund's PRGT and RST lending.** Among other criteria, a country is eligible for the PRGT when its income level falls below the World Bank's IDA operational cut-off, and graduates when the income is at least twice the IDA operational cut-off. For small states, the entry and exit cut-offs are set at two and three times the IDA operational cut-off, respectively. For the RST, member are eligible if their per capita GNI in 2020 does not exceed 25 times the 2021 IDA operational cutoff, as opposed to 10 times for other countries.

8. SDS receive extensive support through the Fund's surveillance and analytical work. Nearly all SDS benefit from at least one physical Fund mission per year. Support is also being flexibly scaled up when needed, such as when countries are affected by natural disasters. [2]

9. Capacity development support to SDS is significant. For instance, in 2023, the Fund devoted US$25.2m to capacity development activities in SDS. Regional capacity development centers in particular have proven to be a useful model to reach SDS, enabling CD to reach SDS cost-efficiently and to respond quickly when demands arise.

10. To further tailor the Fund's surveillance, lending and capacity development activities in the SDS context, an updated SDS Staff Guidance Note was published in 2024. It outlines the IMF's evolving areas of engagement with SDS, including climate, gender and inclusive growth, governance, and digitalization, and the importance of collaboration with development partners. To

[1] The RSF, although available to all SDS, has seen limited demand, due to capacity constraints to implement macro-critical reforms, and the relatively small financing amounts.

[2] For instance, when Vanuatu was struck by a Category 3 Tropical Cyclone in 2023, the Fund was quick to offer assistance. It orchestrated an updated Debt Sustainability Analysis, which was crucial in helping the authorities assess the challenges ahead and guiding discussions with development partners.

improve strategic engagement and traction, the note introduces Country Engagement Boxes for SDS Article IV Staff Reports.

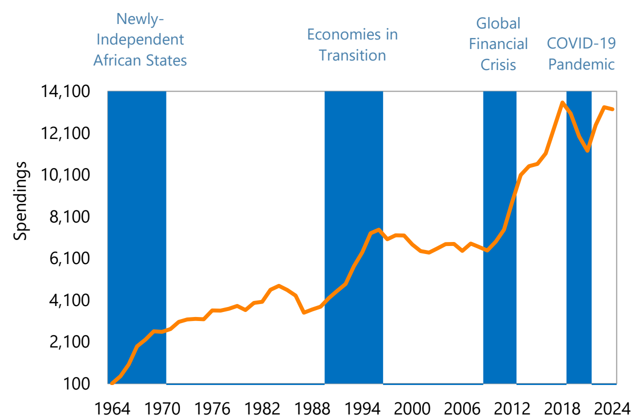
- Outreach to the SDS membership is supported through **dedicated regional SDS events organized during Spring and Annual meetings** to raise awareness to challenges facing SDS and mobilize support, as well as **seminars to familiarize the SDS authorities with Fund lending**, including the UCT lending toolkit, the benefits of the UCT-quality programs and the RSF/RST.

- **Fund-internal processes have been stepped up to support SDS:** an interdepartmental SDS working group has been established to coordinate the Fund's work on SDS. The group reports to Fund management on the support provided to SDS members, including on limiting Mission Chief and staff turnover as well as on support through capacity development missions and trainings. Internal seminars – and in 2024 a Fund-wide SDS week – encourage knowledge-sharing and peer learning on SDS among Fund staff.

Annex IV. Analysis of Capacity Development Delivery to Developing Countries

1. **The Fund's CD efforts are crucial to help countries meet the SDGs by strengthening institutional capacity and governance structures for effective policy design and implementation**. By enhancing institutional capacity, improving human capital, and strengthening governance structures, the Fund enables countries to design and implement sound macroeconomic policies, create and safeguard monetary and financial stability, create fiscal space to finance development spending, and build resilience against shocks, focusing on areas where the Fund has a comparative advantage, such as central bank operations, monetary policy, financial regulation and supervision, tax and spending policy, macroeconomic and financial statistics, and debt management. Additionally, targeted support is provided in areas such as governance and anti-corruption, gender, inclusion, digitalization, and climate action.

Annex IV. Figure 1. Fund CD Spending Over Time
(Index 1964=100, in FTE)

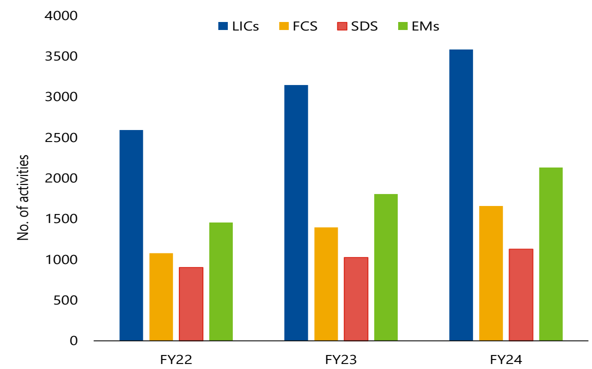


Note: Periods with major economic or political events shaded in blue.
Source: Fund staff estimates

2. **IMF CD delivery has expanded significantly over time to meet growing demand from member countries (Figure 1).** Over the last 60 years, CD spending has increased dramatically, with a marked acceleration in the past two decades. This growth partially reflects the IMF's role in responding to major global economic and political events, such as the Global Financial Crisis. During these periods, investment in CD surged to support urgent reforms and capacity-building needs. The pandemic posed unique challenges, prompting the Fund to adapt swiftly by transitioning to virtual delivery methods. This shift, while ensuring continuity amidst travel restrictions, contributed to a temporary dip in CD spending between 2019 and 2021. By 2023, CD activities accounted for 30 percent of the Fund's country operations, underscoring the importance of CD in supporting members' resilience and long-term stability (IMF, 2024g).

3. Low-Income Countries (LICs) receive the biggest share of CD activities delivered to developing economies. LICs account for more than 40 percent of CD activities on average, followed by Emerging Markets (EMs), which received about 25 percent. This allocation has remained steady even as CD delivery to developing economies increased significantly, with a 40 percent rise in the number of CD activities between 2022 and 2024 (Annex IV. Figure 2). The fragile and conflict-affected states (FCS) exhibit the most substantial growth, with a stark increase of 54 percent over the same period. CD spending data further confirm the prioritization of LICs, FCS and SDS, which together represented nearly 70 percent of single-country CD delivery spending in 2023 (IMF, 2024g). The consistent allocation to LICs and significant growth of CD delivered to developing economies underscore the Fund's commitment to supporting these countries, recognizing their unique challenges and the need for substantial investment in capacity development to promote sustainable growth, resilience, and ultimately, long-term development outcomes.

Annex IV. Figure 2. CD Delivery by Country Groups
(Number of activities)

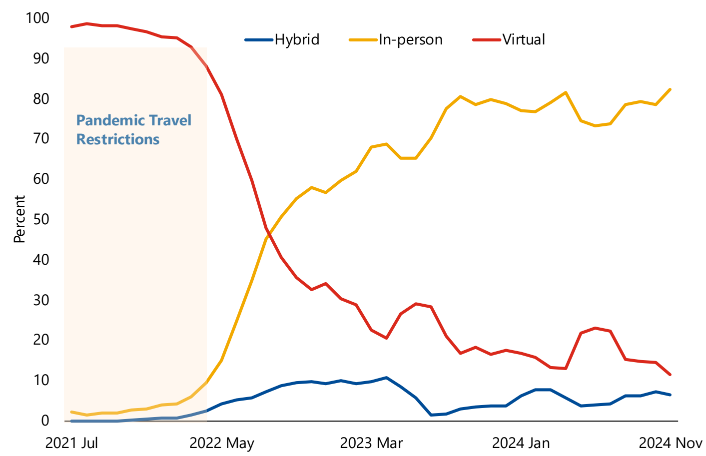


Sources: Fund staff estimates

4. Two of every three CD activities are dedicated to workstreams that contribute to financing for development. In the traditional workstreams delivered by the Fund, public finances represented more than half of the total CD activities between 2022 and 2024 while monetary and financial systems represented nearly 20 percent.[1] Activities in public finances focus on improving fiscal frameworks and spending efficiency, boosting revenue mobilization, and enhancing debt management—critical steps in creating fiscal space for achieving the SDGs. Similarly, activities in monetary and financial systems strengthen institutional and human capacity by improving financial supervision and regulation, central bank operations, debt management, monetary and macroprudential policies, systemic risk analysis, financial crisis management, and payment systems. The Fund's CD efforts also focus on addressing deficiencies in AML/CFT frameworks, including in LICs, where deficiencies could lead to illicit outflows related to corruption and tax evasion, undermining trust in and access to financial services, especially for the poorest. CD activities in the monetary and financial systems workstream can help countries build strong monetary and financial sector institutions, enhance institutional integrity, and improve access to financial services. This builds trust and strengthens global partnerships, ultimately mobilizing resources for sustainable development.

[1] Macroeconomic framework, monetary and financial system, public finances, statistics, and legal frameworks are the traditional IMF CD workstreams.

Annex IV. Figure 3. CD Modality of Distribution



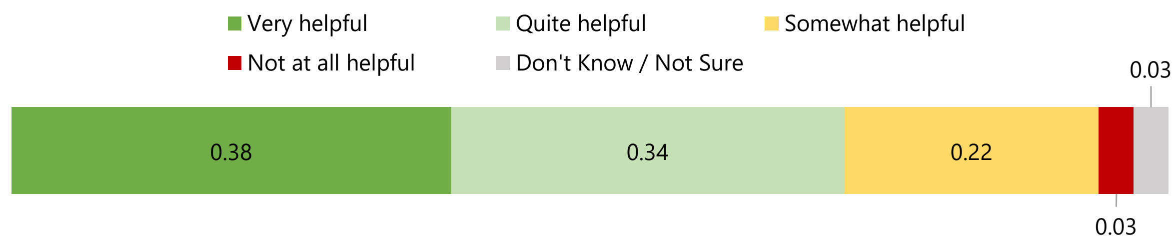
Note: The figure displays the three-month moving average for each series.

5. The Fund demonstrated agility, swiftly adapting CD delivery modalities during the COVID-19 pandemic and afterwards. To ensure continuity in CD delivery amidst global travel restrictions, the Fund swiftly transitioned to virtual delivery by investing in the necessary tools and software. This shift sustained critical CD support for member countries during the crisis (Annex IV. Figure 4). Post-pandemic, the Fund introduced hybrid models that combine virtual and in-person delivery, leveraging the flexibility of the virtual model while retaining the depth of face-to-face engagement. Virtual components have broadened access to participants in remote areas, reducing costs and logistical challenges, while in-person sessions have been reserved for hands-on collaboration. In the "new normal", CD delivery is evolving toward a programmatic approach, blending synchronous in-person and virtual CD with asynchronous online content (IMF, 2024g). These innovations have not only ensured continuity but have also expanded the reach of the Fund's CD efforts.

6. The IMF CD is widely regarded as both influential and highly beneficial by its recipients (Annex IV Figure 5). This conclusion is supported by findings from an AidData survey, which surveyed CD recipients across 60 low- and middle-income countries. [2] The results highlight the positive perception of the Fund's CD activities, underscoring their value in addressing critical economic and institutional challenges (IMF, 2024g, and Annex IV Box 1). This external validation aligns with the IMF’s Results-Based Management (RBM) framework data, which demonstrates strong progress in achieving intended CD outcomes. These results reflect the tangible impact of CD interventions, often credited with fostering sustainable reforms and advancing economic stability. Moreover, the feedback gathered through the AidData survey reveals that respondents have a clear preference for Fund CD in its areas of unique expertise: central banking, macroeconomic diagnostics and statistics, financial sector stability, regulation and supervision, and revenue mobilization (IMF, 2024f). The combined evidence from surveys like AidData and the RBM framework reinforces the role of the Fund's CD efforts as a critical component of its broader mission to promote global economic stability and development.

[2] Nearly 80 percent of the responses came from countries prioritized by the IMF as heavy users of Fund CD. Over half of the responses came from African region (53 percent), followed by Asia & Pacific (23 percent), European countries (11 percent), Middle East & Central Asia (7 percent), and Western Hemisphere (6 percent) (IMF, 2024f).

Annex IV. Figure 4. Perceived Helpfulness of IMF CD



Source: AidData Survey

Annex IV. Box 1. 2023 CD Strategy Review (CDSR): Enhancing Flexibility, Integration, and Tailoring

The CDSR is the main vehicle for the Executive Board to offer strategic direction and oversight for the Fund's CD. The 2023 CD Strategy Review (IMF, 2024f) details actions in six key areas to enhance the integration, flexibility, and tailoring of Fund CD, ensuring it remains agile and responsive to evolving global and country-specific challenges.

Key priorities identified in the 2023 CDSR include:

Strengthening prioritization and integration: Focus on aligning CD activities with global and country-specific priorities by improving prioritization frameworks and deepening integration with surveillance and lending operations.

Enhancing the funding model: Diversify and sustain funding to ensure long-term financial viability and support strategic delivery by strengthening donor partnerships and streamlining mechanisms.

Enhancing impact: Emphasize measurable results and enhanced coordination with development partners, while improving communication and outreach to demonstrate CD's tangible benefits.

Modernizing modalities: Expand the use of innovative delivery methods, such as blended learning and virtual tools, tailored to meet the evolving demands of member countries.

Expanding field presence: Increase in-country representation to strengthen engagement and effectiveness, especially in fragile and conflict-affected settings.

Adapting the HR model: Improve recruitment, retention, and capacity-building for CD experts to ensure high-quality and specialized CD delivery aligned with evolving needs.

May 22, 2025

IMF COLLABORATION WITH THE WORLD BANK—A REVIEW OF RECENT EXPERIENCES

EXECUTIVE SUMMARY

The IMF and the World Bank have a long history of close collaboration. Since their establishment in 1944 to help rebuild a world economy devastated by the global depression and World War II, the two Bretton Woods institutions have continuously adapted and worked closely together to serve the evolving needs of their members. The two institutions are organically designed to collaborate: their membership is closely aligned, and their mandates are related and complementary. The Fund focuses on promoting macroeconomic and financial stability, and helps members implement sound macroeconomic policies and foster economic conditions conducive to sustainable growth; the Bank focuses on development and structural transformation and promotes sustainable growth and job creation through support to members' investments and sectoral and structural reforms. The close collaboration between the two institutions spans all Fund activities—policy advice, capacity development, and lending—and covers key thematic areas—ranging from financial sector, fiscal sector, debt, to, more recently, macro-structural issues.

This paper reviews the experiences of collaboration between the IMF and the World Bank in recent years. Following up on the IMF 2021 Management Implementation Plan commitment to prepare a Board Paper on the Effectiveness of Bank-Fund Collaboration, the paper documents the progress made on collaboration in various thematic areas, and at strategic and functional levels. More specifically, the paper:

- Documents recent experiences in several thematic areas of collaboration, including on domestic resource mobilization, debt, financial sector issues, governance, social spending and gender issues, and climate and pandemics; and

- Discusses progress in some of the key enablers of Bank-Fund collaboration, including the high-level strategic engagement among managements of the two institutions, recent experiences with Fund's HR guidance aimed at improving internal incentives for staff collaboration, and the achievements in information and knowledge sharing between the two institutions.

Flexibility in the format of collaboration has allowed the two institutions to collaborate effectively in response to evolving needs and members' demands.

While engagement in some areas has proceeded on the basis of formal frameworks, the Bank and the Fund have also successfully collaborated in other areas without the need for formal frameworks. In many areas of longstanding collaboration (e.g., debt, DRM, financial sector), the Fund and the Bank have significantly deepened their joint work to respond to the challenges.

Approved By
Guillaume Chabert (SPR)

Prepared by the Strategy, Policy, and Review Department, with helpful contributions and comments from other departments, under the overall guidance of Guillaume Chabert (SPR). The team was supervised by Emilia Jurzyk and Baoping Shang and comprised Dominique Fayad and Samson Kwalingana (lead). Helpful inputs were provided by Richard Berkhout, Nadim Kyriakos-Saad, Trevor Rajah, Miho Tanaka, and Joel Turkewitz (all LEG), Dana Andreicut, Veronica Bacalu, Pavel Lukantsau, and Arindam Roy (all MCM), and Sherifa Abdelrazek, Kuena Diaho, Karina Garcia, and Monique Newiak (all SPR). Research assistance was provided by Tarun Sridhar, Jie Yang, and Heqing Zhao (all SPR). Ingrid Rego (SPR) provided excellent administrative support.

CONTENTS

Acronyms and Abbreviations

AML/CFT	Anti-Money Laundering and Combatting the Financing of Terrorism
CBR	Correspondent Banking Relationship
CD	Capacity Development
CF	Common Framework
CCDR	Country Climate and Development Report
CSO	Civil Society Organization
DMD	Deputy Managing Director
DMF	Debt Management Facility
DSF	Debt Sustainability Framework
DSSI	Debt Service Suspension Initiative
DRM	Domestic Resource Mobilization
EMDE	Emerging Market and Developing Economies
FAD	Fiscal Affairs Department
FATF	Financial Action Task Force
FCS	Fragile and Conflict-affected State(s)
FSAP	Financial Sector Assessment Program
FSSF	Financial Sector Stability Fund
FSSR	Financial Sector Stability Review
GSDR	Global Sovereign Debt Roundtable
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
IFC	International Finance Corporation
IDA	International Development Association
IEO	Independent Evaluation Office
IMF	International Monetary Fund
JDRMI	Joint Domestic Resource Mobilization Initiative
JMAP	Joint Management Action Plan
LIC	Low-Income Country
LIC-DSF	Debt Sustainability Framework for Low Income Countries
MDB	Multilateral Development Bank(s)
MDO	Managing Director of Operations
MIGA	Multilateral Investment Guarantee Agency
MIP	Management Implementation Plan
ODA	Official Development Assistance
PCT	Platform for Collaboration on Tax
PIMA	Public Investment Management Assessment
PPP	Public-Private Partnerships
RSF	Resilience and Sustainability Facility
RST	Resilience and Sustainability Trust
SGIAG	Senior Gender and Inclusions Accountability Group
TA	Technical Assistance

TADAT	Tax Administration Diagnostic Assessment Tool
UN	United Nations
UNODC	United Nations Office on Drugs and Crime
WHO	World Health Organization

INTRODUCTION

1. **The IMF and the World Bank have a long history of close collaboration.[1]** Since their establishment in 1944 to help rebuild a world economy devastated by the global depression and World War II, the two Bretton Woods institutions have continuously adapted and worked closely together to serve the evolving needs of their members. The two institutions are organically designed to collaborate: their membership is closely aligned[2] and their mandates are related and complementary. The Fund focuses on promoting macroeconomic and financial stability, and helps members implement sound macroeconomic policies and foster economic conditions conducive to sustainable growth; the Bank focuses on development and structural transformation and promotes sustainable growth and job creation through support to members' investments and sectoral and structural reforms. The close collaboration between the two institutions spans all Fund activities—policy advice, capacity development, and lending—and covers key thematic areas—ranging from financial sector, fiscal sector, debt, to, more recently, macro-structural issues.

2. **Two key formal agreements govern Bank-Fund collaboration: the 1989 Concordat and the 2007 Joint Management Action Plan (JMAP).[3]** The Concordat serves as the primary framework for collaboration, reaffirming guidelines from 1966 that delineate the responsibilities of each institution, enhances procedures for country-level and issue-specific collaboration, and establishes resolution processes for outstanding differences of view. The JMAP, responding to the recommendations of the Malan Committee, was established to foster the culture of collaboration by emphasizing complementary efforts, shared objectives, and the exploitation of synergies. In addition to these broad collaboration frameworks, several joint programs or actions have been launched over the years, such as the joint assessments of financial sector soundness in emerging markets and developing economies and the joint debt sustainability assessments in low-income countries.

3. **The 2020 evaluation by the Independent Evaluation Office (IEO) of IMF collaboration with the World Bank on macro-structural issues provided several recommendations to enhance collaboration on these issues.** The evaluation found that, while overall IMF collaboration with the World Bank on macro-structural issues was broad, it was also uneven. Informal consultations were widespread, but relatively few cases of in-depth collaboration were identified. The evaluation recommended that the Fund: i) develops and agrees on concrete frameworks in areas where collaboration is expected to bring the greatest strategic benefits; ii) improves internal incentives to collaborate and addresses the reluctance to engage with external partners; iii) works with the Bank to improve access to and exchange of information and knowledge across the two institutions; and iv) strengthens the IMF Board's strategic role in overseeing external collaboration.

[1] In this paper, "the IMF" and "the Fund" are used interchangeably, as are also "the World Bank" and "the Bank".

[2] To become a member of the IBRD, a country must first join the IMF. Membership in IDA, IFC and MIGA are conditional on membership in IBRD. Currently, only two countries (Andorra and Lichtenstein) are members of the IMF (191 members) without being member of the (IBRD (189 members).

[3] Since the two institutions were formed in 1944, there have been at least 25 agreements between the Fund and the Bank specifying how they should work together (Gutner, 2020).

Following the IEO evaluation, the 2021 Management Implementation Plan (MIP) laid out actions to strengthen Bank-Fund collaboration on macro-structural issues including: i) developing concrete frameworks to ensure effective Bank-Fund collaboration on strategic macro-structural issues; ii) improving internal incentives for collaboration, and iii) improving access to and exchange of information and knowledge. Importantly, the commitments included in the MIP were premised on additional staff resources.

4. In September 2023, the Heads of the two institutions issued a Joint Statement underlining a further deepening of Bank-Fund collaboration, in light of evolving needs. The Joint Statement builds on existing frameworks and signals a further deepening of the collaboration to help countries address transformative challenges—such as climate change and digital transition—in the context of more frequent shocks, high debt levels, limited policy space in many countries and rising geopolitical tensions.

5. This paper reviews the experiences of collaboration between the Fund and the Bank in recent years. It documents the progress made in various thematic areas, and at strategic and functional levels. It discusses the experiences with HR guidance aimed at improving internal incentives for staff collaboration and the achievements in information and knowledge sharing between the two institutions. The paper draws information from multiple sources, including IMF documents; external documents; and surveys of IMF staff. It follows up on the IMF 2021 Management Implementation Plan (IMF, 2021) commitment to prepare a Board Paper on the Effectiveness of Bank-Fund Collaboration. The paper is organized as follows: Section II takes stock of recent progress; Section III outlines factors enabling enhanced collaboration; and Section IV concludes.

RECENT PROGRESS ON BANK-FUND COLLABORATION

6. IMF-World Bank collaboration covers a wide range of areas aimed at promoting economic growth and building resilience to shocks, key objectives of both institutions.[4] It includes work to support growth-enhancing reforms, build institutional capacity, tackle corruption and governance weaknesses, boost investment, enhance labor force participation and raise productivity. It also includes work on tax and spending policies, financial sector policies, and building resilience to shocks, including climate-related events and pandemics. This paper does not aim at covering all aspects but rather at providing key elements to assess progress made in recent years. It also does not cover the specific collaboration in certain countries, such as Fragile and Conflict-Affected States (FCS), which is more specifically covered in the Board paper on the contribution of the IMF to the international development agenda and through the regular update to the Executive Board on the implementation of the 2022 IMF FCS Strategy .

[4] Bank-Fund collaboration spans a very large and diverse set of areas. This paper focuses on key areas, while recognizing that aspects not directly covered are also important. As an example, this paper does not review the implementation of the 2013 memorandum of understanding between the multilateral development banks, the IMF, and the United Nations, on Cooperation on Statistical Activities.

A. Mobilizing Domestic Resources

7. The IMF and the World Bank have particularly deepened in recent years their work to support members to enhance domestic resource mobilization (DRM). In light of both debt and development challenges, mobilizing domestic resources has become critical. This includes mobilizing fiscal revenues (both tax and non-tax), but also improving the efficiency and prioritization of public spending and mobilizing domestic private saving through the development of domestic financial markets (IMF, 2024a). Both the Fund and the Bank provide policy advice and capacity development to members in these areas. Collaboration on DRM between the two institutions aims to increase effectiveness of policy advice, avoid overlaps, and leverage complementarity.

8. In June 2024, the IMF and the World Bank launched the Joint Domestic Resource Mobilization Initiative **(JDRMI) to strengthen further support for DRM efforts**. The JDRMI is demand-driven, centered on the country's DRM priorities, and based on country authorities expressing interest in participating. The initiative builds operationally on two pillars:

- *A systemic coordination mechanism* to ensure coordination at global and country level. At the global level, a memorandum of understanding between the Fund and the Bank establishes the protocols for effective collaboration, including with regards to the exchange of information, list of experts working on DRM, and analytical tools. At the country level, a joint country working group ensures the fluidity of information and alignment of actions, based on a Joint Matrix agreed by the authorities, the Fund and the Bank. Depending on countries. it can also include other partners (e.g., the Joint Matrix for Paraguay also includes the Inter-American Development Bank).

- *A framework* to integrate the three components of DRM (tax policy and administration, efficiency of public spending, and development of domestic financial markets). It entails renewed efforts in both institutions to develop a cross-functional operational framework for DRM, while respecting institutional settings.

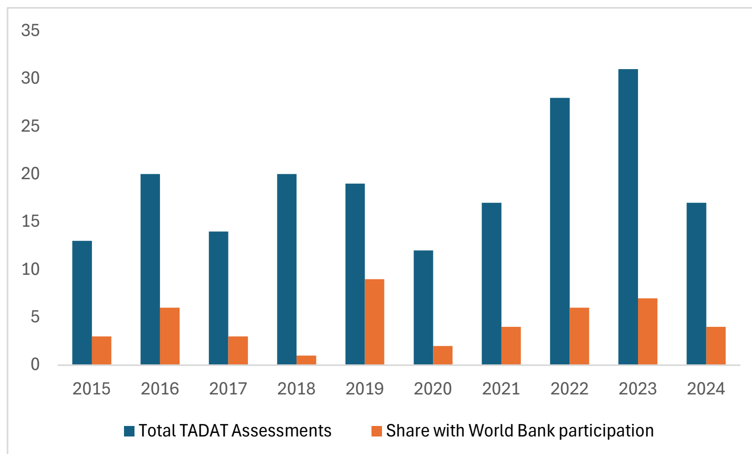
9. Actual implementation of the JDRMI is already well advanced in four countries. Joint Matrices have been finalized and are currently being implemented for each of these countries, including Pakistan and Paraguay which have publicly announced their participation in the Initiative during the latest IMF-World Bank Spring Meetings.[5] A fifth country was included more recently and broader difficulties, beyond the JDRMI, have led so far to a slow start. While it is too early to draw firm lessons from these first cases, experience suggests that the enhanced integration of Fund and Bank support in these cases is increasing efficiency, as expected, but only if there is a strong commitment to reforms as well as sufficient capacity on the side of the authorities.

[5] The two other countries have decided to make their participation public when the actual implementation of the Joint Matrices is further advanced.

10. The two institutions have also further coordinated on other public revenue mobilization initiatives, which continue to have a positive impact.

- In 2014, the IMF and the World Bank, in partnership with other bilateral funding partners and the EU, launched the Tax Administration Diagnostic Assessment Tool (TADAT). TADAT provides an objective assessment of the key components of a country's tax administration system, helping country authorities to identify areas for improvement, to prioritize, plan, and sequence interventions. The Fund has been collaborating with numerous partners in conducting TADAT assessments, including over one-fifth with World Bank participation (Figure 1), as such collaboration increases credibility, relevance, and impact of TADAT assessments.

Figure 1. TADAT Assessments, 2015-24



Source: IMF data

- The Bank and the Fund also launched in 2015, ahead of the 3rd "Financing for Development" conference in Addis Ababa, Ethiopia, joint work to better engage developing countries in international tax issues. Bank and Fund tax collaboration evolved in 2016 into the broader Platform for Collaboration on Tax (PCT), which includes the participation of the OECD and the UN. The PCT formalizes discussions among staff of the four international organizations on tax matters, including on cross border issues; analyzes and supports capacity-building to developing countries; and supports joint delivery of guidance on a range of tax issues. The PCT also increases the organizations' ability to share information on operational and knowledge activities around the world and helps them to use their leverage to bring stakeholders together to take the necessary actions to achieve greater progress. Current PCT priority areas include tax incentives, tax and climate, and the Medium-Term Revenue Strategy (MTRS) (introduced by the PCT in 2016)—with regular outputs (joint guidance, webinars, etc.) delivered over the years in each of these areas and more planned including in the coming months.

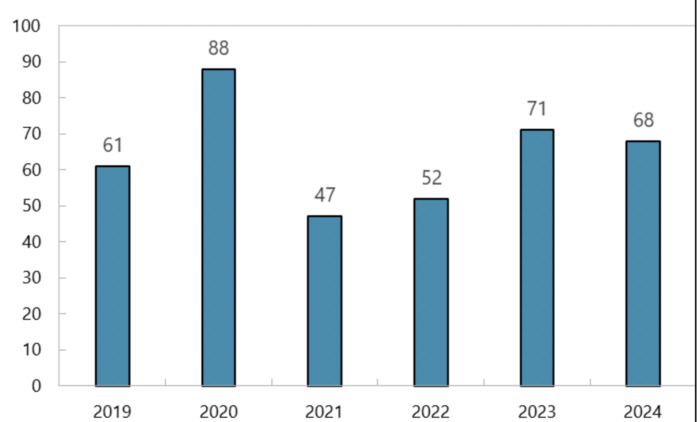
- The Fund and the Bank co-organize a semi-annual event on international tax issues with a specific focus on developing countries during the IMF-World Bank Spring and Annual Meetings. It targets country officials, staff of international organizations, business and CSO representatives and academics.

B. Supporting Debt Sustainability

11. The Bank and the Fund have a long history of collaboration on debt issues. Over the years, collaboration has taken various forms, including joint analytical work, coordination in international fora, and policy support during debt crises. Key efforts have included work on the Heavily Indebted Poor Countries (HIPC) initiative, implementation of the joint IMF/World Bank Debt Sustainability Framework for Low Income Countries (LIC-DSF) since 2005, implementation of the Joint World Bank–IMF Multipronged Approach for Addressing Emerging Debt Vulnerabilities, first presented in 2018 (IDA, 2018, IMF and World Bank, 2018), and joint work through the Debt Management Facility (DMF)[6] and analytical tools to strengthen the operating framework for public debt management, including the design and formulation of Medium-term Debt Management Strategy and Annual Borrowing Plan. Since COVID-19, the joint work on debt has also included the support to the 2020-21 G20 Debt Service Suspension Initiative (DSSI), the support to the implementation of the G20 Common Framework (CF), the launch and support to the work of the Global Sovereign Debt Roundtable (GSDR) and the implementation of the 3-pillar approach to help countries whose debt is sustainable but faced with debt service challenges.

12. The joint IMF-World Bank LIC-DSF continues to play a critical role in Fund and Bank operations. Since its introduction in 2005, the LIC-DSF has been central for Fund support to LICs, both for policy advice (surveillance) and lending. Between 2019-24, the Fund and Bank teams completed 387 LIC-DSFs (Figure 2). The framework is periodically reviewed to keep it up-to-date with the evolving nature of debt vulnerabilities and analytical advances. The last review was approved by the Executive Boards of both institutions in

Figure 2. Joint IMF-World Bank LIC-DSFs, 2019-24



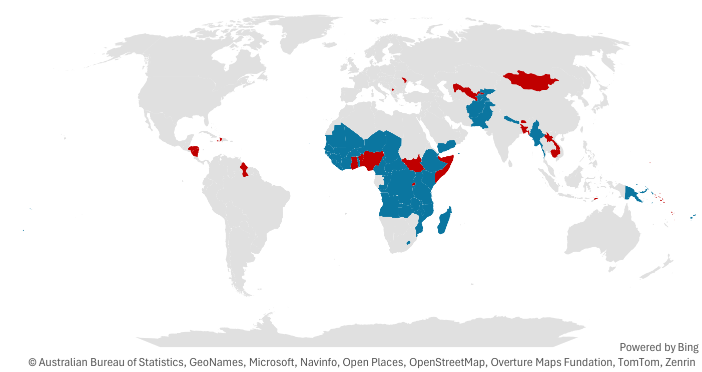
Source: IMF data

[6] The DMF is a multi-donor trust fund jointly administered by the Bank and the Fund offering advisory services, training, and peer-to-peer learning to more than 80 developing countries. Its objective is to strengthen countries' debt management capacity, processes, and institutions. The DMF aims to reduce debt-related vulnerabilities and improve debt transparency through capacity-building activities, including design and application of tailored advisory services and TA, applied analytical work, training, and peer-to-peer learning. The DMF facilitates collaboration among providers of TA on debt management, and dialogue on debt issues among stakeholders. It also plays a critical role in developing and disseminating information about sound debt management practices, tools, and guidance. The IMF and the World Bank are currently designing the next phase of the DMF (DMF Phase IV), scheduled to be presented to donors in the coming months.

2017. The Bank and Fund staffs are currently working closely on the ongoing review of the LIC-DSF, which was launched in 2024 and is scheduled to be completed by mid-2026.

13. The joint IMF-World Bank support to the 2020-21 DSSI helped implement an important element of the collective response to the COVID-19 pandemic. Countries participating in the DSSI committed to using the freed-up resources to increase social, health, or economic spending in response to the crisis. The IMF and the World Bank jointly supported the initiative, including through the monitoring of spending in these areas. Forty-eight out of 73 eligible countries participated in the initiative, benefiting from an estimated US$12.9 billion in debt service relief over 2020-21, before it expired at the end of December 2021 (Figure 3). The DSSI was followed by the "G-20 Common Framework for Debt Treatment Beyond the DSSI", adopted by the G20 and the Paris Club in November 2020, to provide common debt treatment between G20 and Paris Club creditors for eligible countries in need.

Figure 3. Participation of Member Countries in the DSSI



Source: World Bank DSSI

Notes: Red: the 25 non-participating countries. Blue: the 48 participating countries.

14. The Fund and the Bank have been closely collaborating to support the implementation of the Common Framework, and jointly launched and are supporting the work at the GSDR. This has included the support to the four restructuring cases under the Common Framework so far: Chad (completed), Ghana and Zambia (almost completed), and Ethiopia (ongoing), as well as joint reflections on ways to improve the restructuring processes through numerous joint papers since 2021, and regular joint presentations at the G20. In addition, the Fund and the Bank, together with the G20 Presidency, have launched in February 2023 the GSDR and, since then, actively supported through their co-chairmanship progress in building consensus among stakeholders on ways to overcome the bottlenecks identified in restructuring processes, including under the Common Framework. Progress in GSDR work is regularly published through Cochairs Progress Reports, and a Compendium that gathers in one place all technical understandings reached by members since the launch of the GSDR. In April 2025, the GSDR Cochairs also published the "*Restructuring Playbook*" which provides debtor country authorities considering a restructuring with the key steps, concepts, and processes.

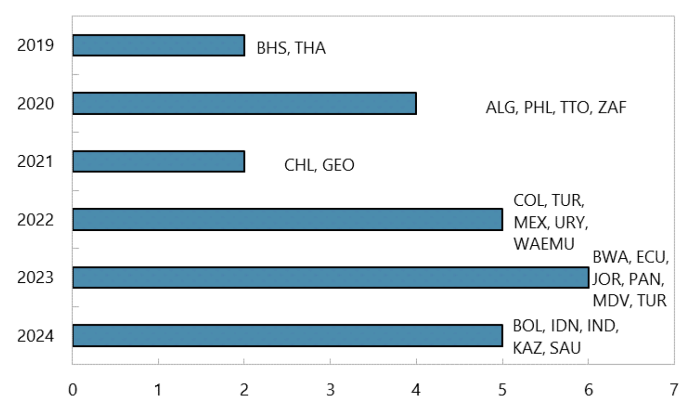
15. Building on this strong collaboration on debt, the IMF and the World Bank are now also working jointly on the implementation of the 3-pillar approach to help LICs and vulnerable EMs faced with debt service challenges. The three pillars include: structural reforms and domestic resource mobilization (Pillar I), financial support from multilateral and bilateral partners (Pillar II), and measures to crowd in new or higher private inflows at affordable costs, including through greater use of risk-sharing instruments where relevant (Pillar III). Implementation of the 3-pillar approach requires strong and deep collaboration between the two institutions.

C. Promoting Financial Stability

16. In line with their mandates, the IMF and the World Bank collaborate on financial sector issues, including through the Financial Sector Assessment Program (FSAP) and the Financial Sector Stability Review (FSSR). These collaborations occur both for individual countries, and for general reviews and strategic planning. The FSAP provides a thorough assessment of country's financial sector risks and vulnerabilities and financial stability policy frameworks. FSSRs offer both a diagnostic of the financial sector oversight framework and a well-sequenced Technical Assistance (TA) workplan to address capacity needs in the member countries that received it.

17. The IMF and the World Bank have jointly undertaken FSAP assessments since its inception in 1999, following the Asian financial crisis. FSAPs in emerging market and developing economies (EMDEs) are usually conducted jointly with the World Bank, while in advanced economies the Fund conducts the assessments alone. In the joint FSAPs, the IMF leads on financial stability assessment while the World Bank leads on the financial development assessment. Between FY19 and FY24, the two institutions conducted 24 joint assessments (Figure 4). In EMDEs where joint FSAPs are not feasible, for example, due to the IMF's limited capacity to accommodate voluntary assessments amidst a growing number of mandatory ones, the World Bank undertakes the assessments on the development module alone. Since 2015, the World Bank has completed 20 such assessments.

Figure 4. Joint IMF-World Bank FSAPs, Completed in FY19-FY24



Source: IMF data

Notes: FSAPs are counted per fiscal year, with the date of the first joint mission signifying the beginning of the assessment.

18. Cooperation with the World Bank on FSAPs in EMDEs creates a shared view of financial sector needs and ensures a coordinated approach between the two institutions in the member country. While the Fund and the Bank focus on distinct aspects of the financial systems, their work intersects in areas such as financial sector regulation and supervision, digitalization, fintech, and climate change, which offers opportunities for collaboration and synergies. In Indonesia, for example, the 2024 FSAP was prepared by a joint Bank-Fund team. This strong collaboration between the two teams extended across a range of areas, such as banking supervision and climate risk analysis. Effective coordination at both the mission leadership and team levels was crucial for producing timely and well-received reports. The 2021 FSAP Review identified potential additional synergies from collaboration in the areas of climate change and fintech, where both financial stability and development issues are critical. It envisioned that, going forward, staffs of both organizations would continue to have an active operational dialogue on coordinating policy analysis and messages to support the implementation of FSAPs. Joint FSAPs have since been able to provide a broader scope for the overall engagement and assessment with better synergies between the stability and developmental modules. For example, on climate issues, some joint missions have a Fund expert undertaking climate risk analysis and a Bank expert assessing the supervisory/regulatory response to climate risks and climate finance. However, the opportunities for cross-mission participation have been limited when each institution conducts standalone stability or development modules.[7]

19. Unlike the FSAP, FSSR diagnostics are carried out by the IMF alone, but the subsequent multi-year TA program is coordinated with the Bank. Established in 2017, the FSSR is available to low and lower-middle income countries and fragile and conflict affected states and has two key components: (i) a diagnostic of the country's capacity to identify, monitor, manage, and mitigate financial stability risks, followed by (ii) a multi-year TA program, developed in full partnership with the recipient country and other Capacity Development (CD) providers. The Bank provides TA in its areas of expertise as part of the TA workplan, alongside the IMF and other CD providers. Collaboration with the World Bank has been strong since the inception of the FSSR and is expected to continue, ensuring that the complementary expertise of the staffs is well-utilized to serve the member countries.[8]

20. The IMF and the World Bank maintain close coordination on financial sector matters at both the program and project levels. Program-level coordination occurs through periodic meetings of the joint IMF-World Bank Financial Sector Liaison Committee. Individual country projects are closely overseen by the country teams of both institutions, with coordination taking place through meetings at the conclusion of every FSSR diagnostic mission and active engagement between IMF TA project managers and their World Bank counterparts. Additionally, monthly

[7] World Bank-led FSAP development modules include IMF staff or experts if the country is undergoing a full Basel Core Principles assessment. World Bank staff do not usually join advanced economy FSAPs or IMF-led FSAP stability modules.

[8] Cooperation spans nearly all FSSR recipient countries. To illustrate the successful cooperation between the two institutions, the IMF and the World Bank delivered a joint presentation on their work in the context of the Somalia FSSR to the FSSF Steering Committee in December 2024.

meetings are held between the divisions responsible for FSAPs and FSSRs at the IMF and relevant World Bank counterparts to discuss new FSSR and FSAP requests, as well as the pipeline of existing requests, and mission timelines. The World Bank participates in Financial Sector Stability Fund (FSSF) Steering Committee meetings, while the IMF participates in the Finance for Development Partnership Council meetings, ensuring both the IMF and the World Bank are informed of relevant work. [9]

21. The IMF and the World Bank collaborate closely on anti-money laundering and combating the financing of terrorism (AML/CFT) to safeguard financial integrity.

- The comprehensive and cross-cutting nature of the global AML/CFT agenda necessitates a cooperative approach among various stakeholders. In the 2018 and 2023 Reviews of the Fund's AML/CFT Strategy, Executive Directors welcomed the IMF's contributions to the global AML/CFT policy agenda and encouraged continued cooperation with the World Bank and other international and regional organizations (IROs) to maximize impact and avoid duplication of efforts. Both institutions lead AML/CFT assessments alongside the FATF and nine FATF-style Regional Bodies (FSRBs), providing comprehensive review of the assessed countries' AML/CFT frameworks against the international standards. The close coordination among the 12 assessor bodies helps avoid duplication of efforts and ensures that assessments remain targeted and effective. Additionally, the IMF staff also address AML/CFT issues in every FSAP, several of which have benefited from joint coverage with World Bank staff.

- The IMF and the World Bank work closely together to provide AML/CFT CD and policy advice to member countries. IMF staff coordinate extensively with other TA providers, including the World Bank, through regular meetings, to ensure alignment in CD delivery, particularly regarding the scope and timing of engagements. Staff at these two institutions frequently discuss synergies in their respective CD projects to maximize the impact of limited resources and address the evolving AML/CFT needs of member countries. In particular, the IMF and the World Bank have also collaborated to address de-risking, pressures in correspondent banking relationships (CBR), and the promotion of financial inclusion.[10]

[9] The FSSF Steering Committee comprises donor partners, the IMF and the World Bank (as observer). It provides strategic guidance and contributes to setting policies and priorities, endorsing annual work plans and budgets, monitoring program performance. The World Bank's Finance for Development program is currently established with the goal of helping countries promote financial development by building deep and inclusive financial sectors.

[10] A notable example of this collaboration is their joint effort in the G20 Project for Enhancing Cross-Border Payments, where IMF and World Bank staff co-developed the methodology for ML/TF risk assessment of a remittance corridor (Building Block 7: Safe Payment Corridors) as a deliverable. In response to requests from some Pacific Island Countries (PICs), the IMF launched a CD project to assess ML/TF risks in remittance corridors between them and the source countries and recommend streamlined AML/CFT measures and regulatory harmonization for low-risk remittance corridors. In designing and launching this project, IMF staff closely coordinated with the World Bank, which also initiated a project to facilitate correspondent banking services in the region. This coordination ensures no overlap, with key takeaways from the IMF's project providing valuable inputs to the World Bank's project. Both initiatives align with the Pacific Islands Forum's Roadmap to address CBR pressures.

- The IMF and the World Bank jointly foster dialogue with civil society organizations (CSOs) on AML/CFT issues through the Civil Society Policy Forums. These fora, hosted during the IMF-World Bank Annual and Spring Meetings, provide platforms for discussions on key AML/CFT issues. For instance, IMF staff engaged with CSOs on the 2023 Review of the Fund's AML/CFT Strategy (April and October 2023) and the measurement and mitigation of illicit financial flows in Africa (October 2024), facilitating broader stakeholder engagement in global AML/CFT policymaking.

- In line with the 2023 Review of the Fund's AML/CFT Strategy, staff will continue to deepen its engagement with the World Bank and other IROs to leverage global and regional partnerships, enhancing synergies of the Fund's AML/CFT work with others' while avoiding duplication and focusing on the IMF's comparative advantage as a macroeconomic institution.

D. Strengthening Governance and Public Financial Management

22. IMF-World Bank collaboration on helping countries strengthen governance and institutional frameworks has significantly increased in recent years. Building institutional capacity and tackling corruption and governance weaknesses are essential to improve policy making and foster an enabling environment for economic growth. As part of the Executive Board approval of the Fund's 2018 Review of the 1997 Guidance on Governance, Executive Directors called for increased cooperation with the World Bank (and other institutions) to leverage its expertise on governance issues. The Fund has since intensified its cooperation with the Bank on governance issues at several levels. The 2023 Review of the 2018 Governance Framework confirmed that collaboration on governance issues with the World Bank, as well as with other organizations and with civil society, has increased. Developments since then include more extensive exchange of information when assessing corruption and governance vulnerabilities and enhanced collaboration on market regulation.

23. World Bank's inputs are gathered at multiple stages and are crucial, particularly in areas where the Fund does not have a comparative advantage. Fund staff integrates the relevant analysis, reports, and advice of Bank staff (e.g., country policy and institutional assessment (CPIA), expertise on procurement) to inform surveillance, lending, and capacity development. World Bank staff routinely support the prioritization of areas of engagement in specific countries, participate in brainstorming meetings on governance or support the IMF's Governance Diagnostic Reports. Bank-Fund collaboration has been particularly helpful on public procurement and, for many countries, in key state-owned enterprises. In the context of the emergency financing provided by the IMF at the peak of the COVID-19 pandemic, World Bank procurement experts and IMF AML experts intensified their collaboration around implementation of commitments on transparency of beneficial ownership of companies awarded public contracts and the publication and follow-up of audits of emergency spending. Since then, the Fund has strengthened its expertise on anti-corruption and rule of law areas and has dedicated anti-corruption staff focusing on these matters, but it continues to benefit from coordination and collaboration where the World Bank has a comparative advantage, particularly asset recovery, with the World Bank/UNODC Stolen Asset Recovery Initiative (StAR).

24. IMF-World Bank collaboration on public investment management is well entrenched. The World Bank is invited to participate in all Public Investment Management Assessments (PIMA) and the Climate Public Investment Management Assessments undertaken by the IMF. To date, more than 100 PIMAs and 50 Climate-PIMAs have been conducted. These provide an assessment of the strengths and weaknesses of public investment management and result in a targeted action plan to guide the country and all development partners. In addition, the IMF and World Bank jointly developed the PPP Fiscal Risk Assessment Model (PFRAM) to help countries assess risks from individual and portfolios of PPPs.

E. Supporting Social Spending and Closing Gender Gaps

25. The Bank-Fund collaboration on social spending and on closing gender gaps has substantially deepened. The IMF has long recognized that collaboration with external partners is a key pillar in its engagement on social spending as well as on closing gender gaps. The 2019 IMF Strategy for Engagement on Social Spending, and the following Operational Guidance Note and Sectoral Notes, as well as the 2022 IMF Strategy Toward Mainstreaming Gender and the 2024 Interim Guidance Note on Mainstreaming Gender at The IMF insist on the importance of enhanced Bank-Fund collaboration on social spending and gender, consistent with the 2021 Management Implementation Plan to strengthen collaboration on macro-structural issues.

26. Collaboration between the IMF and World Bank on social spending occurs at both institutional and country levels. At the institutional level, the World Bank participates in Senior Gender and Inclusion Accountability Group (SGIAG) meetings at the IMF that lay out the agenda for inequality, social spending, and analysis of policy incidences. The IMF's Fiscal Affairs Department (FAD) closely collaborates with the World Bank on education, health, and social protection issues. At the country level, the World Bank leads public expenditure reviews and granular designs of social protection schemes tailored to country-specific contexts. For instance, in Ecuador, coordination with the World Bank has helped improve the performance and impact of social spending reforms. The 2019 Extended Fund Facility (EFF) required an action plan (with World Bank TA) to improve the efficiency and quality of primary education and health spending, while the 2020 EFF upgraded the social registry (with World Bank TA) and expanded social assistance to cover 80 percent of families in the lowest income deciles.

27. Collaboration on reducing macro-critical gaps in economic opportunities and outcomes between men and women focuses on areas that are key to boosting productivity and growth. The 2022 Strategy identified four broad areas to pursue Bank-Fund collaboration: analytical research, country-specific research, knowledge sharing, and data sharing. Specific areas of collaboration include enhanced engagement at the country level, additional internal and external events, including at the Spring and Annual Meetings, and development of a data hub. Other identified opportunities included additional joint analytical work on topics such as modeling and impact analysis. In practice, the two institutions have worked together on workshops focused on model applications, seminars, symposia, and joint panels to various stakeholders, including parliamentarians and CSOs; the Bank has also periodically supported IMF training material and participated in course delivery; IMF country reports, including key selected indicators table (which has become a standard table that teams include in their staff reports), have been drawing on the World Bank's input. As part of recent analytical work, the 2024 book on Sub-Saharan Africa featured chapters by the World Bank and other development partners. Country analysis regularly relies on World Bank inputs to identify legal barriers to women's economic empowerment.

F. Building Resilience Against Climate Change and Pandemics

28. The IMF and the World Bank have significantly enhanced their collaboration to help countries build resilience against climate change and started working on pandemic preparedness. This includes leveraging respective analytics, TA, training, financing, and policy expertise to enhance country-driven reform programs. Fund teams collaborate with the World Bank (and other Multilateral Development Banks) (MDBs) in the design and implementation of Resilience and Sustainability Facilities (RSFs).

- The RSF, approved by the IMF's Executive Board in 2022, provides affordable longer-term financing to support low-income and vulnerable middle-income countries undertaking macro-critical reforms to reduce risks to prospective balance of payments stability, including those related to climate change and pandemic preparedness. RSF reform packages draw on World Bank's Country Climate and Development Report (CCDR) and IMF analytics, such as the Climate Policy Diagnostic (CPD) and Climate PIMA. Further, the World Bank provides assessment letters to the IMF Board for RSF requests and reviews. Lastly, in some cases, the World Bank provides TA to countries to support the implementation of the RSF Reform Measures.

- A framework to scale-up climate action was established in May 2024 to formalize this enhanced collaboration. The Heads of the IMF and the World Bank issued a Joint Statement committing to deepen their cooperation through an enhanced framework to help countries scale up climate action, which is underpinned by three principles: i) countries, the World Bank, and the IMF work together closely to identify each country's climate challenges and the priority policy reforms needed to address them. This process is informed by high quality assessments by the Fund and the Bank, and countries' own climate ambitions, ii) the IMF and the World Bank work with other MDBs and development partners to help countries implement the reforms through TA and financing, iii) upon request, the IMF and the World Bank help establish country-led platforms designed to mobilize additional climate finance, including from the private sector. Three RSF arrangements have so far been piloted under this enhanced framework: Madagascar (June 2024), Tanzania (December 2024), and Egypt (March 2025). The RSF Guidance Note Update provides operational details for successful cooperation between Bank and Fund teams engaged in RSF discussions.

29. Joint work on pandemic preparedness is advancing. In October 2024, the IMF, the World Bank and World Health Organization (WHO) announced an agreement on broad principles for cooperation on pandemic preparedness. This collaboration aims at strengthening the design and articulation of effective policy, institutional and public financial management reforms supported by the RSF, the policy reforms and investments supported by the World Bank, and the technical and operational support provided by WHO.

ENABLERS OF COLLABORATION

High-Level Strategic Engagement

30. High-level strategic collaboration between senior management of the Fund and the Bank helps to identify high-priority areas for collaboration. The 2021 MIP outlined four levels of Bank-Fund collaboration at the senior management level involving regular meetings: (i) between the IMF's Managing Director and the World Bank President, mainly focused on strategic policy issues; (ii) between the relevant Deputy Managing Director (DMD) and the World Bank's Managing Director of Operations (MDO) to discuss complex country cases; (iii) between the senior management teams of the IMF's area departments and those of the World Bank Regional Vice Presidents to harmonize views on country policy issues, with issues not resolved at this level being escalated to the IMF DMD-World Bank MDO level; and (iv) topic-specific meetings between Directors of Functional Departments and relevant Bank counterparts.

31. The frequency and intensity of these strategic-level collaboration has deepened since 2021. The meetings between the two Heads of the institutions in which they discuss key strategic issues of interest now take place on a regular basis. Similarly, one of the IMF's DMD in charge of relationship with the World Bank and the World Bank's MDO meet on a monthly basis to discuss, and resolve as needed, key country and policy issues. Meetings between senior staff of IMF area and functional departments and their counterparts at the World Bank are frequent.

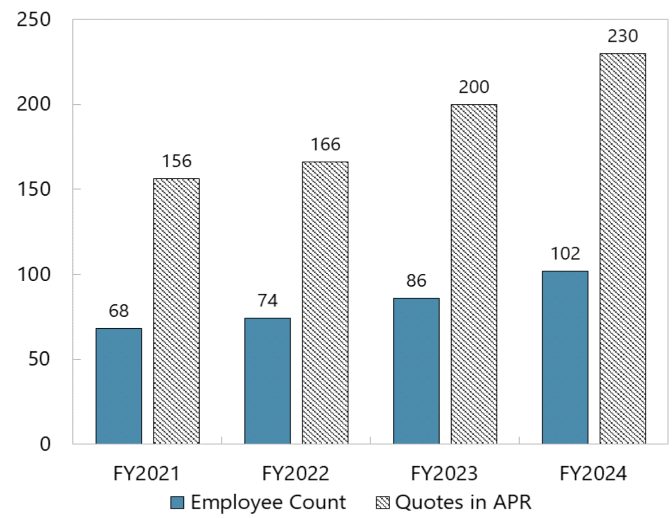
Improving Internal Incentives for Collaboration

32. To improve internal incentives for collaboration with the World Bank and other external partners, the Fund revised its Guidance Note for Departments/Senior Personnel Managers. This revision, completed in Fall 2021, outlines how Departments can use the HR performance management system to promote Bank-Fund collaboration. It includes guidance on assigning institutional team objectives to foster collaboration with other international financial institutions, along with concrete examples. Feedback is collected through the established performance management process, incorporating multisource inputs and check-ins via Workday system from Fund staff, and offline from the World Bank staff, who do not have access to Workday. In the 2021 MIP, Management committed to conducting a review of the experience with the HR Guidance in this area.

33. In line with the revised Guidance Note, an increasing number of IMF staff have referenced the World Bank in their performance reviews. This is based on a review of staff annual performance review (APR) forms using an automated process for references to collaboration with the World Bank; more specifically, the key words "World Bank" were searched and tagged. The review included specific fields within the staff APR form, including performance objectives, employee self-evaluation, and manager assessment and covered the period of FY2021 – FY2024. The results show an increase in staff referencing the World Bank in their APRs, reflecting a growing acknowledgement among staff of the importance of their engagement with the World Bank in performance assessment (Figure 5).

Figure 5. IMF Staff Performance Reviews

(Number of References to Bank-Fund Collaboration)



Source: IMF survey data

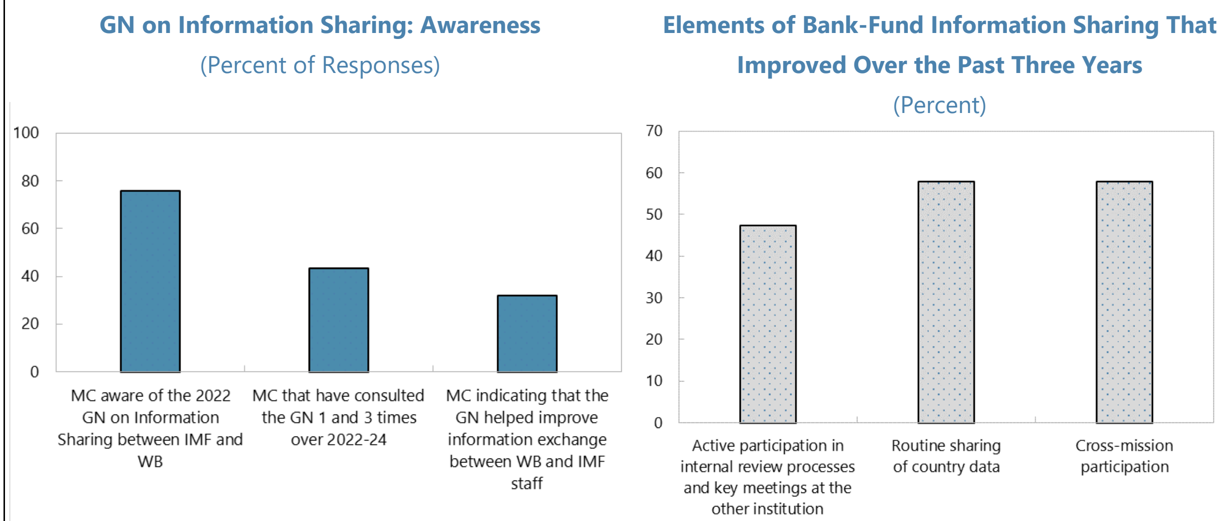
Improving Information and Knowledge Sharing

34. In 2022, the World Bank and the IMF published a joint Guidance Note **on information sharing between the two institutions**. The Guidance Note describes good practices on information-sharing across key areas in which the World Bank and the IMF interact. It is based on the existing policies and legal frameworks of the two institutions and builds on a track record of collaboration. The Note outlines general principles consistent with these frameworks and discusses best practices that the staffs of the two institutions are expected to follow to exchange information related to country operations, TA, and policy work. These practices include active participation, where possible, in relevant internal review processes and key meetings at the other institution, routine sharing of country data, systematic upstream exchange of views, cross-mission participation, easy access to TA reports prepared by the other institution and sharing of rosters of long-term experts.

35. Survey results indicate improvement in information sharing between Fund and Bank staff since the publication of the 2022 Guidance Note. In February 2025, staff surveyed IMF mission chiefs to gauge the familiarity with, and helpfulness of the GN in their daily work. The survey results indicated that over ¾ of the mission chiefs that responded to the survey are aware of the Guidance Note, and close to half indicated that they have consulted it in their engagement with the

Bank over the past three years (Figure 6). Just over half of the respondents indicated that at least one element of information sharing between Staffs has improved since 2022. Most respondents pointed out to the routine sharing of country data, followed by cross-mission participation and active participation in internal review processes and key meetings (e.g., Policy Consultation Meetings at the Fund or Concept Note Reviews or Operational Committee meetings at the Bank)[11]. One key challenge highlighted by the respondents was that collaboration between the two institutions is still mostly driven by individual Mission Chiefs.

Figure 6. Survey of Mission Chiefs on Information Sharing with the World Bank



Source: IMF Data.

CONCLUSIONS

36. **IMF-World Bank collaboration has advanced both broadly and in specific areas, reflecting changing global dynamics and demand from the membership**. This close partnership is anchored in key high-level documents, including the 1989 Concordat, the 2007 Joint Management Action Plan, as well as the 2023 Joint Statement by the IMF Managing Director and the World Bank President on transformative challenges. These documents have provided a foundation for collaboration, guiding the development of formal frameworks in some areas and informal collaboration in others. The flexibility in the format of collaboration has allowed the two institutions to focus on the delivery of tailored and agile solutions to members.

- **In many areas of long-standing collaboration (e.g., debt, DRM, financial sector), the Fund and the Bank have significantly deepened their joint work in response to evolving global**

[11] Examples of strong information sharing practices between Fund and Bank country teams are Indonesia and Sri Lanka. The teams conduct regular virtual and in-person meetings to discuss issues of common interest and are invited to key internal meetings of the other institution.

challenges. This is particularly the case on debt issues, where the Fund and the Bank have significantly intensified their joint work since the COVID-19 pandemic, including to support to the implementation of the DSSI and the Common Framework, and the launch and advancement of the work at the Global Sovereign Debt Roundtable. The launch of the Joint DRM Initiative, as well as implementation of the 3-pillar approach to help countries faced with debt service challenges, is also an example of significant deepening of the collaboration in recent years.

- **In some areas, the two institutions have moved quickly to develop formal frameworks in response to evolving needs and members' demands**. For example, the Bank-Fund collaboration framework to scale-up climate action leverages the two institutions synergies and complementarities in analytics, TA, financing, policy expertise and co-convening power (climate finance round tables), within their respective mandates, to enhance country-driven reform programs. The RSF Guidance Note Update provides operational details for a successful cooperation on climate action and pandemic preparedness among country teams engaged in RSF discussions.

- **In other areas, collaboration has expanded successfully without the need for a formal framework**. As the IMF's work on gender, for example, has evolved considerably in recent years, the Fund has developed various diagnostic tools for use in surveillance and capacity development, and has conducted joint trainings and knowledge events with the World Bank. IMF country reports include key selected indicators table on gender drawing on World Bank's input, wich is now a standard table that teams include in their staff reports when working on gender. Coordination with the World Bank and other development partners has been an important part of the Fund's strategy in developing these tools, even though there is no formal framework of engagement between the two institutions.

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