



# IMF POLICY PAPER

## SAFEGUARDS ASSESSMENT—2025 UPDATE

September 2025

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

- The **Staff Report** on Safeguards Assessment—2025 Update, prepared by IMF staff and completed on September 11, 2025.

The staff report was issued to the Executive Board for information.

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**International Monetary Fund**  
**Washington, D.C.**



## SAFEGUARDS ASSESSMENTS—2025 UPDATE

September 11, 2025

### EXECUTIVE SUMMARY

**This periodic update provides an overview of safeguards assessment activity from May 2022 to April 2025**—the first following the 2022 Safeguards Assessments Policy Review. The safeguards framework was enhanced in 2022 mainly through the establishment of a standalone governance pillar, broader coverage of financial risks within central banks' risk management, a defined approach for addressing Central Bank Digital Currencies (CBDCs) in assessments and strengthened modalities for Fiscal Safeguards Reviews (FSRs). Outreach to member countries was also expanded. Implementation of these enhancements is well underway.

**Safeguards activity remained high**, with 44 assessments completed during the period and four more underway at end-April 2025. This reflects the impact of the post-COVID-19 pipeline, driven by the surge in emergency financing during the pandemic and subsequent IMF arrangements for member countries. Risk-based streamlining measures continue to yield efficiency by reducing the number of assessments required. Monitoring of central bank safeguards also intensified, reaching record levels in 2023 due to the increased number of member countries with outstanding Fund credit. However, the implementation rate of safeguards recommendations was low during the period, including due to the structural nature of the needed reforms and some programs going off-track. Staff continues to engage with authorities to improve traction, including through technical assistance (TA). In addition to core activities—assessments and monitoring—IMF Finance Department staff (FIN) participated in FSRs and contributed to related workstreams, including governance diagnostic assessments, central bank transparency code reviews, and TA on central bank legal reforms and governance. Furthermore, collaboration with stakeholders experienced new key channels for staff to share examples and disseminate best practices on safeguards-related topics.

**While some areas have improved, assessment results highlight persistent vulnerabilities at central banks under purview.** While external audit and financial reporting practices showed improvement, oversight and governance arrangements continue to require attention. Legal reforms remain difficult, largely due to complex and time-consuming legislative processes. Internal audit functions face systemic capacity constraints, and internal controls need further strengthening—particularly in foreign reserves (including gold management) and emergency liquidity assistance.

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## INTRODUCTION

**1. Safeguards assessments continue to be an important pillar of the Fund's risk management practices for IMF lending.** Safeguards assessments aim to mitigate the risks of misuse of Fund resources and misreporting of program monetary data under Fund arrangements (see Annex I for an overview of the safeguards policy). The safeguards assessment reports are confidential, and therefore the IMF Executive Board is provided with a report on safeguards activities on a periodic basis, along with high-level country-specific summaries in member country staff reports that highlight key safeguards findings and recommendations from the most recent assessment. The policy is subject to periodic Board reviews, with the most recent having been completed in December 2022.<sup>1</sup>

**2. This paper presents the first biennial update on safeguards activity since the 2022 Safeguards Policy Review, covering the period from May 2022 to April 2025.** Safeguards work continues to focus on two core functions: conducting assessments and monitoring developments at central banks while Fund credit remains outstanding. The paper is structured as follows: Section I reviews progress in implementing the 2022 policy review recommendations; Section II provides an overview of key activities during the current period, including trends in safeguards findings; and Section III outlines collaboration with stakeholders.

## FOLLOW UP ON THE 2022 POLICY REVIEW

### A. Outcome and Key Takeaways

**3. The 2022 policy review recognized the continued importance of the safeguards policy in mitigating the risks of misreporting and misuse of Fund resources.** It concluded that the policy has served the Fund well and remains an integral part of the institution's overall risk management framework. To keep pace with evolving developments in central banking, the IMF Executive Board approved further enhancements to the policy. In particular, the safeguards framework was enhanced through the introduction of a dedicated governance pillar, and the prerequisites for conducting FSRs were broadened. Box 1 provides a summary of these and other key conclusions and recommendations from the 2022 safeguards policy review.

<sup>1</sup> See [Safeguards Assessments—2022 Review of Experience](#). As with previous reviews, an external panel of experts provided an independent perspective on the implementation of the policy; see [Safeguards Assessments Policy—External Expert Panel's Advisory Report](#).

### Box 1. 2022 Safeguards Policy Review – Conclusions and Recommendations

*The key enhancements to the safeguards policy, its applicability, and modalities are outlined below.*

- **Establishment of a separate pillar on governance in the safeguards framework.** Earlier policy reviews (2010 and 2015) underscored the importance of governance and strong leadership in ensuring central banks operate effectively, transparently, and in the public interest. Prior to the 2022 policy review, safeguards assessments covered the following key areas of control and governance within a central bank: the eexternal audit mechanism, the legal structure and autonomy, the financial reporting framework, the internal audit mechanism, and the system of internal controls – denoted by the acronym (ELRIC). With the new pillar, governance arrangements at central banks will now be assessed as a standalone component, expanding the safeguards framework to GELRIC. This addition enables deeper and more consistent analysis of governance structures, including broader coverage and discussion of the board oversight role and the division of responsibilities among key decision-making bodies to uphold accountability. Legal foundations will continue to be reviewed under the “L” pillar, while the new “G” pillar will focus on evaluating actual governance practices.
- **Strengthened modalities for Fiscal Safeguards Reviews (FSRs).** FSRs were adopted as part of the Fund’s safeguards policy following the 2015 policy review and are high-level reviews of state treasury operations covering broad aspects of Public Financial Management (PFM) processes at the central government level.<sup>1</sup> FSRs are applicable to all lending arrangements where a member requests exceptional access to Fund resources, and there is an expectation that a significant proportion of the funds (i.e., at least 25 percent) will be directed to financing of the state budget. The 2022 review expanded the requirement to cases involving High Combined Credit Exposure (HCCE) arising when combined access of the GRA and the PRGT resources exceeds the normal GRA access limits – the 25 percent threshold remains unchanged.<sup>2</sup> The trigger for conducting an FSR is assessed cumulatively and may be met at various stages: the approval stage of an arrangement, during subsequent reviews of the program, or as a result of emergency or other disbursements. Similar to safeguards assessments, an update FSR is not required if one was completed within an 18-month period. In addition, the enhancements include strengthened procedures—outlined in an internal guidance note—to ensure a consistent approach in the conduct of interdepartmental reviews.
- **Outreach to central banks.** While staff has continued to conduct various outreach activities covering the breadth of areas under the safeguards framework, the review further enhanced staff’s outreach to central banks. The expansion is envisaged through two main vehicles: (i) regional governance events focused on thematic governance issues and (ii) operational guidelines to central banks to help build awareness of the safeguards process, leading practices and international standards. These engagements aim to strengthen central banks’ capacity to implement safeguards recommendations while also broadly disseminating good practices across the GELRIC framework for non-borrower central banks.

**Box 1. 2022 Safeguards Policy Review – Conclusions and Recommendations (concluded)**

- **Broader coverage of financial risk management.** Most central banks under the safeguards framework had in place an operational approach to financial risks that mostly centered around foreign reserves management. Leading practices advocate for financial risk management to cover the entire balance sheet to identify and monitor emerging risks, including those associated with domestic operations such as open market operations or emergency liquidity assistance. The policy now requires broader coverage of financial risks in risk management functions, considering the technical capacity of central banks.
- **Resilience and Sustainability Facility (RSF).** The review clarified that the safeguards policy also covers members accessing the RSF with concurrent non-financing arrangements, i.e., the Policy Coordination Instrument (PCI) or the Policy Support Instrument (PSI).

**Central Bank Digital Currencies (CBDC).** The review confirmed that the safeguards framework is sufficiently flexible to address emerging developments—such as CBDC activities—and recommended developing internal methodologies to ensure a consistent and systematic approach to their analysis across safeguards assessments.

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<sup>1</sup> A requirement to conduct an FSR was formally incorporated into the safeguards policy following the 2015 policy review; it is triggered when a member country requests exceptional access financing, and at least 25 percent of the IMF resources are directed to budget financing.

<sup>2</sup> HCCE arises when the member's annual or cumulative access (net of scheduled repurchases and repayments) to the sum of combined resources in the GRA and under the PRGT exceeds, in quota terms, the equivalent of the annual or the cumulative limit (net of scheduled repurchases) applicable to the access by members to GRA resources.

## B. Implementation of 2022 Policy Review Proposals

### Governance

**4. Staff has gradually rolled out the implementation of the governance pillar through implementation of a recently developed internal methodology.** The methodology provides a structured and consistent approach for evaluation of the governance of central banks under the new pillar. It emphasizes that sound governance is essential for effective internal controls and risk mitigation, especially in the context of managing IMF resources. It introduces four guiding principles: (i) maintaining assessments within the context of the safeguards policy's objectives; (ii) focusing on practical (*de facto*) governance complementing *de jure* reviews of legal frameworks; (iii) evaluating key decision-making bodies (Board, Audit Committee, and Executive Management); and (iv) contextualizing governance within the central bank's mandate, autonomy, and accountability. The methodology also recognizes the diversity of governance models across jurisdictions and stresses the importance of tailoring assessments to each central bank's operational complexity and legal environment. Finally, the methodology builds on the lessons learned from the ten assessments conducted under the new pillar that were designated as pilot cases and will be updated as needed going forward (see Section E for findings).

### ***Fiscal Safeguards Reviews (FSRs)***

**5. An FSR Guidance Note was adopted in 2024 to anchor the conduct of these reviews and introduce consistency in their modalities.**<sup>2</sup> Its objectives are to enhance the FSR modalities, clarify inter-departmental roles and responsibilities, and introduce consistency in the review process. In addition, it aims to provide a clear and systematic approach for following up on FSRs' recommendations and monitoring developments and will be periodically reviewed to reflect practical experience. FSRs are conducted by an inter-departmental team comprising staff from the Fiscal Affairs, Legal, and Finance Departments, while IMF area departments consulted on the timing and triggers for meeting the requirement. The outcome is a stand-alone report that is now formally subject to the Fund's internal review process. Consistent with the confidentiality requirements for safeguards assessments reports discussed below, FSR reports are also not published. Instead, relevant country staff reports include information on the conclusions of the FSR, along with the main findings and recommendations. Two FSRs initiated under the new guidance note are currently underway (see Section G on the key findings).

### ***Outreach to Central Banks***

**6. Outreach on governance has been expanded through a series of thematic regional forums.**<sup>3</sup> These regional fora were part of the ongoing implementation of a key element of the policy review to strengthen central banks' capacity to implement safeguards recommendations and help foster and promote good governance practices in a tailored manner to the unique circumstances of regions. Three events were held in Armenia, South Africa, and Ecuador and co-hosted with the respective national central banks.<sup>4</sup> The attendees consisted of key governance bodies at central banks—Governors, Deputy Governors, and non-Executive Board members. Respective agendas honed in on the critical components for effective oversight, such as strong skillsets for non-executive Board members, delegation mechanisms for executive management decision-making, design of audit committees, and the role of board secretariats. Participants shared their experiences and specific approaches to strengthening governance frameworks at their central banks. Collectively, these forums have reinforced the importance of robust governance structures, peer learning and an appreciation of unique regional considerations.

<sup>2</sup> FSRs are conducted under the LETIFA framework, which stands for: (i) **Legal** framework for budgetary appropriations; (ii) **G**overnment banking arrangements through the **T**reasury; (iii) **I**nternal controls of public expenditure; (iv) **F**inancial data reporting; and (v) **A**udit of government financial statements. See also [Safeguards Assessments—2022 Review of Experience](#) on the scope of FSRs.

<sup>3</sup> A separate outreach modality is also envisaged through operational guidelines for central banks to help build awareness of the safeguards process, leading practices and international standards. This work is yet to be initiated, owing to constraints related to prioritization of assessment work and ongoing implementation of other policy review recommendations.

<sup>4</sup> The regional coverage was as follows: Armenia (Eastern Europe, the Near and Middle East, the Caucasus, and Central Asia), South Africa (Sub-Saharan Africa), and Ecuador (Latin America and the Caribbean).

## Financial Risk Management

**7. Safeguards assessments have begun to incorporate a broader coverage of financial risk management (FRM).**<sup>5</sup> This is in response to the policy review recommendation to expand the assessment of financial risks to include comprehensive balance sheet coverage—encompassing both foreign and domestic operations. However, recent assessments confirm that most central banks continue to focus primarily on foreign reserves, with only a few having established dedicated FRM frameworks or being in the nascent stages of developing one. Accordingly, staff are tailoring recommendations to reflect the varying levels of capacity and maturity at central banks. In parallel, an internal methodology is being developed to ensure a consistent approach across assessments.

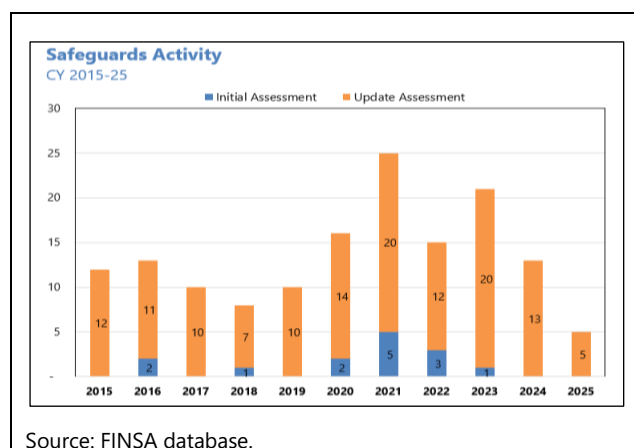
## Central Bank Digital Currencies

**8. Staff developed an internal assessment approach to be applied in cases where central banks have issued or plan to issue CBDCs,** focused on the following aspects under the GELRIC framework: (i) the risks posed to the central banks' operations; (ii) the controls that should be established to mitigate them; and (iii) the governance for the design, development and issuance of CBDC. During the period, one assessment was completed in which CBDCs were relevant and assessed within the scope of the internal assessment methodology. In addition, as several central banks are exploring the issuance of CBDCs, this also provided a valuable basis for discussions on the mitigation of potential risks.

# SAFEGUARDS ACTIVITY DURING THE PERIOD

## A. Assessments

**9. The safeguards assessments' activity in the period remained at high levels.** This was still partly due to the pipeline of safeguards assessments that emerged as a result of the high demand for emergency financing during the COVID-19 pandemic and subsequent financing arrangements with the Fund. A total of 44 assessments were completed in the period (see Annex II), with an additional four assessments in progress as of end-April 2025. In addition, limited safeguards procedures were performed for seven Flexible Credit Line (FCL) arrangements.<sup>6</sup>



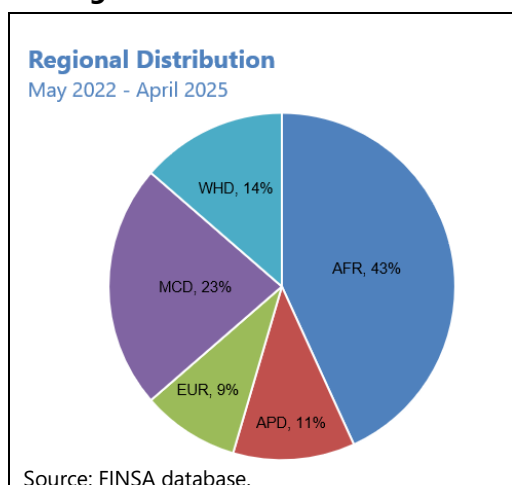
<sup>5</sup> Robust financial risk management is vital for central banks, as it facilitates the identification, assessment, and mitigation of risks across the entire balance sheet. Beyond financial risks stemming from foreign reserves, this also encompasses exposures from domestic operations such as open market transactions and emergency liquidity assistance.

<sup>6</sup> Refer to Annex I (paragraph 4) for a description of limited safeguards procedures for FCLs.



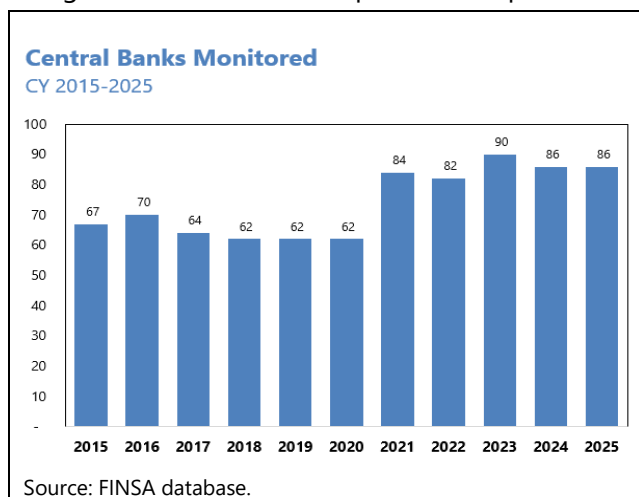
**10. During the period, the geographic distribution of safeguards assessments shifted slightly, reflecting the Fund’s lending pattern.**

Africa (AFR) accounted for 43 percent of the assessments conducted, marking a 6 percent increase compared to the 2022 policy review period. The Middle East and Central Asia (MCD) region followed with 23 percent, broadly consistent with the previous period. The remaining assessments were relatively evenly split between Asia Pacific (APD) and the Western Hemisphere (WHD) regions, each contributing 11 and 14 percent, respectively (compared to 10 and 21 percent during the 2022 policy review period). Europe (EUR) represented 9 percent of the assessments (down from 11 percent in 2022), continuing its decline since the global financial crisis.



## B. Monitoring

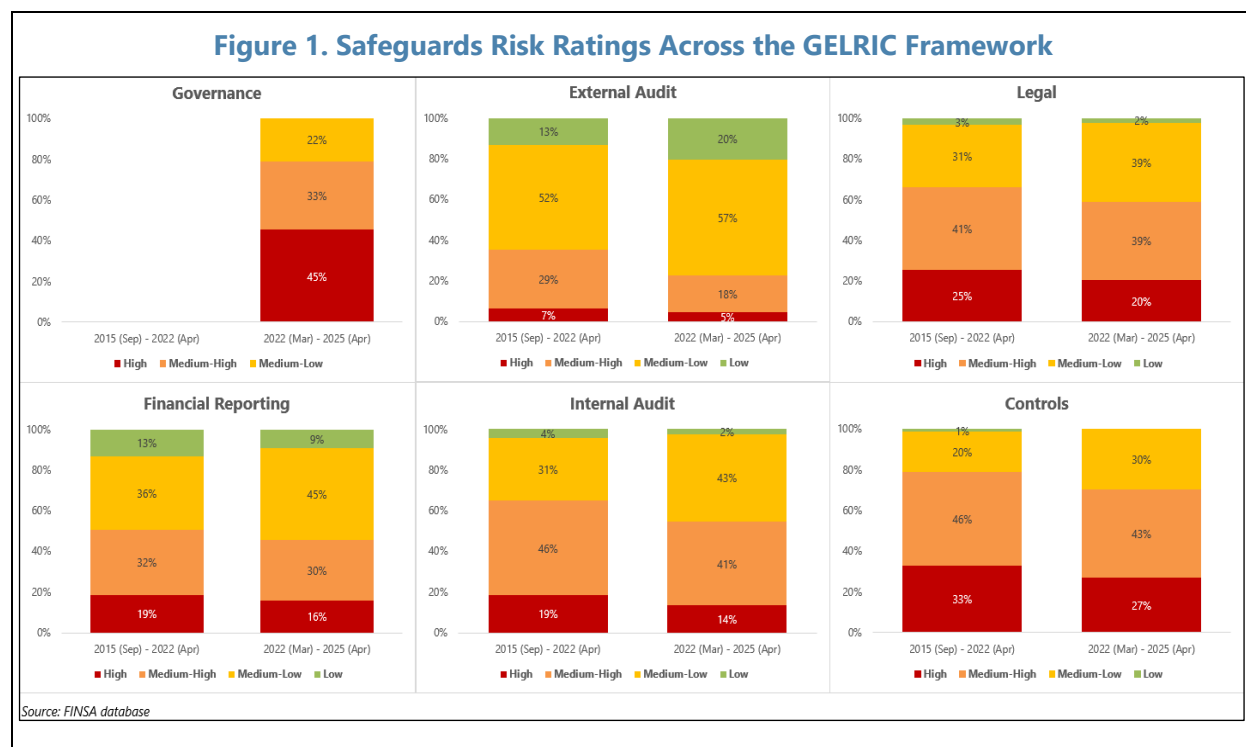
**11. Safeguards monitoring activity remained elevated during the period.** The number of central banks under monitoring was 86 at end-April 2025, up from 82 at end-April 2022, having reached a record level in 2023. Safeguards monitoring continues to be an important component of the safeguards framework, facilitating follow-up on outstanding recommendations and awareness of developments at central banks. This ongoing engagement, guided by a risk-based methodological approach, ensures that emerging safeguards risks are promptly addressed and supports central banks in enhancing their control and governance frameworks. In this connection, two safeguards monitoring missions were conducted at central banks during the period to address the emergence of new safeguards vulnerabilities. These vulnerabilities required enhanced collaboration and follow-up with country authorities, as they were associated with the operational impacts of an IT incident and governance gaps.



**12. Enhanced monitoring was required during the period due to the deterioration in the safeguards framework of several central banks,** along with delays in addressing key safeguards vulnerabilities. Many of these challenges stem from acute capacity constraints. Heightened monitoring activities included following up on safeguards-related reforms—such as legal amendments—and efforts to revive the authorities' commitment to address long-standing recommendations, particularly in Fragile and Conflict-Affected States contexts where institutional vulnerabilities are more pronounced. However, intensified monitoring was also necessary due to

other vulnerabilities that emerged across the safeguards framework. These included governance gaps that resulted in suboptimal oversight arrangements, significant monetary financing of the government in breach of statutory limits, and weaknesses in controls related to program monetary data reporting and currency operations. In addition, FIN staff remained involved, in close collaboration with area departments, in conducting special audits in response to uncovered irregularities or misuse risks (see below).

## C. Safeguards Findings



### Governance Arrangements<sup>7</sup>

**13. Assessments under the governance pillar emphasized the need for strengthening oversight practices and enhancing governance arrangements.** Five out of 44 central banks did not have an audit committee resulting in an absence of oversight on audit mechanisms and central bank operations. Amongst the key vulnerabilities noted, a recurring theme was the delay in filling Board vacancies and suboptimal Board compositions that did not ensure a majority of independent non-executive members and included government officials.

- **Strengthening oversight:** Assessments recommended adopting and revising Board charters to clearly delineate responsibilities, as well as updating Audit Committee charters to ensure independence from executive management. The need to implement annual work plans was also emphasized to guarantee timely and comprehensive coverage, reporting, and follow-up

<sup>7</sup> During the period, 10 safeguards assessments evaluated governance arrangements as a standalone pillar as of part of the revised GELRIC framework. This coverage also incorporates earlier assessments conducted under the previous ELRIC framework, where governance was assessed as part of the Internal Controls pillar.

on key risks. Separately, assessments also highlighted the importance of establishing structured onboarding and training programs for Board members to address skills gaps and enhance oversight. The latter was further noted through recommendations to expand the oversight scope of Audit Committees to ensure coverage of all areas under its responsibility.

- **Enhancing executive management:** More than half of the governance arrangements assessed as part of the new standalone governance pillar found executive management's decision-making practices to be collaborative and well-structured. However, improvements are needed to address issues such as the excessive concentration of powers in the hands of the Governor, and bottlenecks and suboptimal delegation to internal committees and senior staff. Establishing and reviewing comprehensive delegation frameworks to clearly define institutional responsibilities is key to enhancing the decision-making process and strengthening checks and balances.

### ***External Audit***

**14. External audit mechanisms advanced further during the period.** All but one central bank assessed during the period were subject to external audits conducted in accordance with International Standards on Auditing (ISA). However, some institutions still needed to formalize their *de facto* sound practices through board-approved policies. In other cases, recommendations focused on enhancing audit policies by introducing auditor rotation rules, multi-year appointments, and prioritizing technical qualifications over cost. Emphasis also continued to be placed on ensuring audit quality and independence by engaging partners with International Financial Reporting Standards (IFRS) experience and conducting quality reviews. These measures are essential to maintain robust external audit frameworks and uphold ISA compliance.

### ***Legal Structure and Autonomy***

**15. Legal reforms to enhance central banks' autonomy and governance arrangements continued to be a central focus of assessments during the period.** While comprehensive amendments were recommended in a majority of the assessments, more targeted amendments—focusing on certain aspects of autonomy and decision-making—were required in about one third of the assessments to build on legal reforms completed under recent IMF-supported programs. Most legal recommendations continue to be anchored in program conditionality and facilitated by close staff engagements, primarily through technical assistance. As in previous periods, legal reforms remain a challenge due to political economy considerations and the involvement of multiple stakeholders. Despite these challenges, eight central banks have either submitted draft amendments for Parliamentary consideration or have successfully enacted the amendments in the period.

### ***Financial Reporting***

**16. Improved transparency in financial reporting has prompted a more targeted focus on the strengthening of disclosure practices.** Nearly 80 percent of the central banks assessed during this period apply either partial or full IFRS, with assessments increasingly underscoring the importance of quality disclosures. Beyond financial reporting, concerns over central banks' financial

positions have highlighted the need for balance sheets reviews to assess potential recapitalization needs, in some cases.

### ***Internal Audit***

**17. Internal audit functions continue to face systemic capacity constraints, undermining their effectiveness.** Several assessments identified weaknesses in audit methodologies, especially in alignment with international standards, as an emerging vulnerability. Persistent issues—such as understaffing, limited professional certifications, and insufficient expertise in areas like IT and cybersecurity—further compound these challenges. These limitations are increasingly critical as internal control environments grow more complex. In some cases, concerns over the independence of internal audit functions undermining their effectiveness have also emerged. These issues reflect the universal challenges internal audit functions face and underscore the need for both internal auditors and oversight bodies to adopt a more proactive, well-resourced, and institutionally supported strategies to strengthen audit capacity and effectiveness. This is all the more critical in light of the new [Global Internal Audit Standards](#) taking effect in January 2025, with increased expectations for central banks to modernize their audit practices. Beyond technical enhancements, the new standards place greater emphasis on the governance of internal audit functions and the roles and responsibilities of oversight bodies.

### ***Internal Controls***

**18. Governance arrangements, along with areas such as reserves management and lending operations, remained key drivers of elevated internal control risks.**<sup>8</sup> Key areas for improvement included strengthening investment policies, enhancing reserves management frameworks—such as through the establishment of middle-office functions—and developing emergency liquidity assistance frameworks. The need to unwind quasi-fiscal activities was also highlighted, while gold operations increasingly emerged as a new area requiring stronger controls and oversight. In addition, weaknesses in the compilation of program monetary data warranted recommendations for more effective processes and coordination within relevant departments at the central bank. Although risk management frameworks—including business continuity planning and cybersecurity—are maturing, further efforts are needed to address underlying vulnerabilities and enhance institutional resilience.

## **D. Implementation of Recommendations**

**19. The implementation rate of safeguards recommendations was low during the current period.** This includes recommendations anchored in program conditionality and MEFP and LOI commitments (see Table 1). Three key factors underpin this trend. First, the inherently complex and long-term nature of many reforms—such as legal amendments, divestment from quasi-fiscal activities, and transition to IFRS—continue to present structural challenges. These reforms often face

<sup>8</sup> The internal controls risk rating remained significantly influenced by safeguards-related governance findings, as 34 assessments conducted during the period did not yet reflect the evaluation of governance under the newly introduced standalone pillar.

delays due to the need for sustained institutional commitment, cross-stakeholder coordination, and technical capacity, as well as the political sensitivity surrounding central bank legal and governance reforms. Second, implementation is also hindered when IMF-supported programs go off-track, weakening central banks' commitment to program reforms, including safeguards recommendations.<sup>9</sup> Third, capacity constraints remain a persistent overarching challenge. This is particularly evident in Low-Income Countries and Fragile and Conflict-Affected States, where—despite ongoing technical assistance—there is often a mismatch between the support provided and the absorptive capacity of institutions. This disconnect frequently results in weak ownership and further impedes implementation. In addition, certain country-specific cases have also delayed the implementation of recommendations. Notwithstanding the low rate for the current period, the overall implementation rate since the policy's inception remains high: 88 percent for recommendations under program conditionality and 78 percent for others. As shown in historical trends (see Table 1), implementation rates are dynamic, and staff expect improvements over time as efforts continue to strengthen traction on safeguards monitoring, including internal collaboration on alignment with TA priorities and policy advice.

**Table 1. Implementation of Safeguards Recommendations**

	Program Conditionality and Commitments <sup>1</sup>	Other	Total
Recommendations issued during the period	32	514	546
<i>Less: Recommendations not yet due, not monitored, and no longer applicable<sup>2</sup></i>	(2)	(79)	(81)
Sub-total (due recommendations)	30	435	465
<i>Less: Implemented</i>	11	194	205
<b>Overdue</b>	<b>19</b>	<b>241</b>	<b>260</b>
<b>Implementation rate by percentage (current review period)</b>	37%	45%	44%
Implementation rate by percentage (2022 review period)	82%	68%	69%
Implementation rate by percentage (2019 review period)	80%	65%	67%
Implementation rate by percentage (2017 review period)	57%	50%	51%
Implementation rate by percentage (2015 review period)	84%	70%	72%
<b>Implementation rate by percentage (since inception)</b>	<b>88%</b>	<b>78%</b>	<b>80%</b>

Source: FINSA database.

<sup>1</sup>Program conditionality covers structural benchmarks (SB) and prior actions (PA); while commitments include those agreed to in the Letter of Intent (LOI) contained within the Memorandum of Economic and Financial Policies.

<sup>2</sup>The implementation rate for the current review period reflects only those recommendations both issued and implemented during that time. Once a member country repays the INF, the related recommendations are marked as 'not monitored'. Similarly, if a program goes off-track or undergoes changes, certain recommendations may become 'no longer applicable'.

<sup>9</sup> Also, as noted in the previous update period, many Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) disbursements were not immediately followed by a program, limiting even further, the Fund's leverage to elevate unresolved recommendations to program measures.

## E. Misreporting and Mitigation

**20. A primary objective of the safeguards assessments policy is to mitigate risks associated with program monetary data reported to the Fund.** The Safeguards Assessment Policy applies only to program monetary data submitted by central banks, such as Net International Reserves, and does not cover other data, including fiscal deficits and debt. Consistent with previous review periods, these ex-ante assessments continue to identify potential issues in program definitions and highlight areas where compilation procedures need strengthening. A thorough review of data compilation processes, along with an evaluation of control procedures, is crucial in this effort. Staff also reviews annual reconciliations of program monetary data against audited financial statements. This proactive approach has, in some cases, identified issues early on that, if left unaddressed, could have led to misreporting of program monetary data reported to the Fund. Key recurring themes include:

- **Program Data Compilation Controls:** Weaknesses identified in 16 assessments include a lack of internal coordination and inadequate documentation of processes. In two cases, capacity constraints within internal audit functions, that are typically tasked with verification procedures over program data, necessitated outsourcing such procedures to external auditors.
- **Technical Memorandum of Understanding (TMU) Definitions:** Staff identified 11 cases where definitions did not accurately capture elements of program monetary data. Issues included the treatment of non-convertible currencies, non-monetary gold, foreign currency deposits of government and state-owned enterprises, letters of credit, and poor-quality assets. These issues have since been resolved through collaboration with area departments, resulting in revised TMU definitions Top of Form.

**21. Close engagement with central banks and collaboration with area departments help mitigate the risk of misreporting.** The ex-ante nature of safeguards work allows interdepartmental discussion on the treatment of complex items (see above). In cases where additional assurances were needed, staff's recommendations included: (i) reviews of monetary data by external or internal auditors at test dates; and/or (ii) establishment of committees or working groups from various functions within the central bank to document compilation procedures and review of program monetary data.

**22. No instances of program monetary data misreporting were identified during the current period.** However, the IMF Board reviewed one case—originating in the prior period—which had already been addressed in the 2022 policy review.<sup>10</sup> In response to the findings, the authorities implemented remedial measures, including enhancing governance, transparency, and conducting a special audit to establish the extent of misreporting and provide assurances on program monetary data.

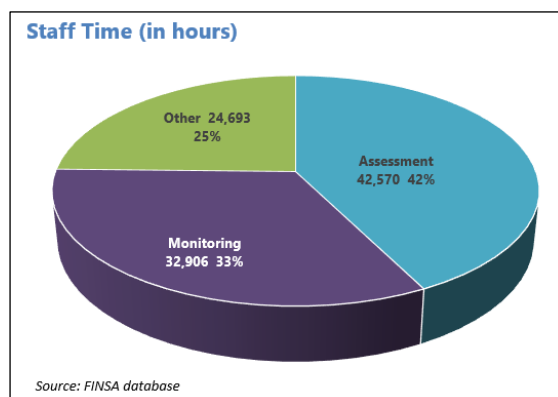
<sup>10</sup> The specific case was identified in connection with inaccurate reporting of Net International Reserves. For additional information, see *IMF Policy Paper No. 2022/058*.

## F. Fiscal Safeguards Reviews

**23. The findings of the four FSRs conducted during the period broadly underscore the need to strengthen safeguards over IMF resources directed toward budget support.** Two FSR reports were issued since 2022, while two reviews are in progress at the end of the period under review. While three FSRs were first-time exercises, the other was an update of a previous review. For the latter, the focus was on the key issues previously identified, and taking stock of recent developments and progress in addressing past recommendations. For first-time reviews, key vulnerabilities identified included weaknesses in PFM systems, particularly in areas such as Treasury Single Account operations. Shortfalls were also noted in compliance with PFM laws, budget reporting, accounting, and internal and external audit functions. In response, some related remedial measures were incorporated into IMF-supported programs, such as the adoption and implementation of a strategy for establishing a Treasury Single Account.

## G. Staff Resources

**24. Engagement of safeguards divisional staff remained intense across core and emerging workstreams.**<sup>11</sup> While core activities continued to center on assessments and monitoring, the period saw an expansion in staff engagement across several other areas. These included the conduct of FSRs, as well as the 2022 safeguards policy review and related implementation of its recommendations, e.g., the regional governance forums.<sup>12,13</sup> Staff also continued to contribute to the Fund’s enhanced engagement on governance—through participation in governance diagnostic assessments and updates to the Governance Assessment Tool—while also conducting [central bank transparency code reviews](#).<sup>14</sup> This expansion followed the completion of an unprecedented volume of safeguards assessments prompted by the COVID-19 pandemic. Monthly staff overtime remained high, averaging around 14 percent—slightly below the average during the pandemic of 15 percent but still above the Fund target of 10 percent.



<sup>11</sup> As of April 2025, the staffing complement of the Safeguards Division remained largely unchanged, consisting of a management team (Division Chief and two deputies), 14 professional staff, and two staff coordinators.

<sup>12</sup> The implementation of the 2022 safeguards policy review recommendations included two key components: the establishment and execution of regional governance forums and the development of a methodology for assessing the new governance pillar. The work on the methodology involved one-time activities—such as research—that are reflected in staff time during the reporting period.

<sup>13</sup> FSRs are interdepartmental engagements led by the IMF’s Fiscal Affairs Department and include staff from the IMF Legal and Finance Departments. While the analysis on staff resources presented here only covers those pertaining to the Finance Department, FSRs are a resource intensive exercise.

<sup>14</sup> [A governance diagnostic assessment \(GDA\)](#) recommends actions for addressing systemic corruption vulnerabilities and strengthening integrity and governance in IMF member countries. [See Frequently Asked Questions on Governance Diagnostic for more information](#). Where available, safeguards assessments and monitoring activities help inform the GDA’s scope—particularly in relation to central bank governance and operations, one of the six core state functions covered by the diagnostic.



## COLLABORATION WITH STAKEHOLDERS

### A. Outreach Activities and Collaboration with Stakeholders

**25. Outreach with key stakeholders in the central banking community remains robust, with staff contributing thought leadership and best practices on safeguards-related topics.**

Staff actively contributed to global discussions on governance, audit, accounting, risk management, and gold-related issues through various fora aligned with the GELRIC framework. These included the annual conference of the International Operational Risk Working Group (IORWG), the IAASB-IESBA Consultative Advisory Group, the Central Bank Audit Leadership Forum, and the Eastern Caribbean Currency Union (ECCU) Accountants Workshop, along with two World Gold Council (WGC) Executive Forum workshops. The WGC sessions, in particular, focused on gold domestic purchase programs and artisanal and small-scale mining, underscoring the importance of robust safeguards as central banks increasingly integrate gold into their reserves (see Section E). Staff also maintained participation in periodic and well-established safeguards outreach activities:

- **High-level global governance forums.** Two annual global forums on central bank governance were conducted in collaboration with the Hawkamah Institute for Corporate Governance, a not-for-profit organization based in Dubai.<sup>15</sup> A third global forum was hosted by the IMF Regional Office in Riyadh during 2025. These forums collectively focused on enhancing governance practices, board oversight and effectiveness, and addressing risks in emerging issues like technological innovations and Central Bank Digital Currencies (CBDCs). Participants valued the cross-regional exchanges and practical insights.
- **Regional safeguards seminars continue to play a crucial role in enhancing central banks' understanding of safeguards policies and fostering collaboration.** During the current period, ten seminars were held at IMF Regional Training Institutes, including the Joint Vienna Institute, the Middle East Center for Economics and Finance, the Africa Training Institute, the Singapore Training Institute, and the Caribbean Regional Technical Assistance Center.<sup>16</sup> These seminars, targeting senior technical central bank staff, provided a platform for sharing experiences and understanding the safeguards framework, with a focus on governance, audit arrangements, financial reporting, and central bank operations, including risk management and other topical areas such as CBDCs. In addition to a better appreciation of requirements under the safeguards policy, participants valued the opportunity to connect with peers and exchange insights on common challenges, highlighting the seminars' positive impact on their work.
- **Collaboration with the World Bank's Reserves Advisory and Management Program (RAMP) was further enhanced.** Staff maintained close collaboration with RAMP,

<sup>15</sup> The first such forum was held in 2013 and has become an annual fixture of staff's global outreach on governance. In light of budget considerations, the forum is now coordinated through the newly established IMF Regional Office in Riyadh.

<sup>16</sup> The seminars are held two to three times a year on a rotating basis at the various IMF training institutes. Over 240 participants from more than 140 central banks participated in the seminars held during the period.



contributing to three well-received internal audit seminars during 2022 to 2024, as well as an accounting workshop.<sup>17</sup> These events engaged leaders from roughly 30 central banks and three public institutions. The audit seminars focused on the proposed Global Internal Audit Standards and persistent challenges in the internal audit profession, while fostering dialogue on governance, oversight, and the strategic evolution of internal audit functions.<sup>18</sup> This collaboration continues to underscore the importance of building institutional capacity and adapting audit practices to address emerging risks faced by central banks.

**26. The demand for safeguards staff expertise and input in an advisory capacity remains well-recognized,** particularly in the areas of legal reforms, forensic audits, governance, and risk management. Staff continued to support legal reforms, including through contributions to LEG technical assistance on drafting of amendments to central bank laws, and played a leading role in developing terms of reference for forensic audits related to misuse of central bank resources. In addition, staff contributed to two workshops organized by the IMF Monetary and Capital Markets Department, delivering presentations on governance and risk management. They also supported a mission focused on evaluating a central bank's financial position and recapitalization needs, and participated in central bank transparency code reviews.

## B. Reporting to the Board and Sharing of Safeguards Reports

**27. Safeguards reports remain confidential, and the Executive Board is primarily updated through relevant country staff reports.** The confidentiality of these reports is anchored in the Safeguards Assessment Policy and the Fund's framework for handling confidential information. Each staff report now includes a dedicated section or paragraph on safeguards matters for countries under monitoring, specifically those with outstanding Fund credit or active arrangements. The paragraph not only underscores the implementation status of priority safeguards recommendations but also highlights significant developments that affect the risk profile of the central bank and its safeguards framework. The increased transparency at the Board level has proven crucial in maintaining traction with authorities, in particular on challenging cases.

**28. In line with the Safeguards Assessments Policy, safeguards reports can be shared with the World Bank and the European Central Bank (ECB).**<sup>19</sup> Prior to any sharing, staff seeks consent from the relevant central bank. Over this period, 29 reports were shared with the World Bank to support their fiduciary assessments related to development policy lending—an increase from previous years. The confidentiality of these assessments remains a priority, ensuring that reports are shared only under strict conditions that uphold confidentiality, and the necessary consent from the involved central banks.

<sup>17</sup> Staff presented on the Importance of Central Bank Financial Reporting and key challenges and trends; participants from 48 institutions attended, many with a keen interest in gold operations.

<sup>18</sup> The 2023 seminar was organized in collaboration with The Institute for Internal Auditors (IIA)—the global standard setter for the internal audit profession.

<sup>19</sup> Also, with consent from the central bank, the IMF can provide confidential briefings to relevant donors who request information on the assessment findings. No requests were received from the ECB or donors in either period.

## Annex I. Safeguards Assessment Policy and Applicability— Current Requirements

1. **The safeguards assessments policy applies to members seeking financial arrangements with the IMF, with certain exceptions** (see Table 2 below). The policy applies to new and successor arrangements, including arrangements treated as precautionary.<sup>1</sup> Safeguards assessments also apply to PCIs and PSIs (eliminated since October 2023) when members request access to RST resources through a concurrent program.<sup>2</sup> Safeguards assessments do not apply to financing extended through first credit tranche purchases.
2. **Safeguards assessment requirements also apply to disbursements involving liquidity and emergency assistance** under the Rapid Credit Facility (RCF), Rapid Financing Instrument (RFI), and a 6-month Precautionary and Liquidity Line (PLL). A member's request for assistance in these cases requires a commitment to a safeguards assessment. The timing and modalities of the assessment for such programs are determined on a case-by-case basis,<sup>3</sup> but typically the assessment must be completed before Executive Board approval of any subsequent arrangement to which the IMF's safeguards assessment policy applies.<sup>4</sup>
3. **For members of currency unions with no autonomous national central banks, a periodic assessment cycle was established**, irrespective of the timing of the member countries' programs. Accordingly, the Central Bank of West African Countries (BCEAO), the Central Bank of Central African Countries (BEAC), and the Eastern Caribbean Central Bank (ECCB) are assessed every four years.
4. **Safeguards assessments are not conducted for members with FCL or SLL arrangements**, on the grounds that qualifying countries have strong institutional arrangements in place. However, limited safeguards procedures, focused on review of central bank's annual external audit results including discussions with external auditors are conducted.

<sup>1</sup> At the 2015 review of the safeguards policy, streamlining measures were introduced that discontinued assessments for program augmentations, successor arrangements approved within 18 months from the last safeguards assessment, and central banks with a strong track record if the previous assessment was completed within four years of a new program approval for the member country.

<sup>2</sup> In the absence of a concurrent request for RST financing, voluntary assessments are encouraged for members that have a PSI or PCI in place, or those that are implementing a Staff-Monitored Program (SMP).

<sup>3</sup> The following principles serve to guide the case-by-case approach in emergency assistance cases: (i) if there is no functioning central bank, the safeguards assessment will be delayed until the reconstruction process establishes a sufficient degree of functional capability for the central bank to enable a meaningful assessment; or (ii) if a central bank exists, the degree of its functional capability will be evaluated in order to determine the scope of the safeguards assessment, which may include an initial targeted assessment aimed at basic control functions, to be followed by a full assessment once a functioning central bank exists and/or the security situation permits.

<sup>4</sup> One-to-two-year PLL arrangements are subject to the standard requirement for the assessments to be completed at least by the time of the first review under the arrangement.

**Table 1. Commitments and Responsibilities—Member Central Banks**

	GRA	PRGT	Requirement	Responsibility	Timing
Financing Arrangements	SBA	SCF	Safeguards Assessment	<ul style="list-style-type: none"><li>Cooperate with fund staff to undergo an assessment.</li><li>Authorize external auditors to hold discussions with Fund staff.</li><li>Provide requested information.</li></ul>	<ul style="list-style-type: none"><li>In principle, prior to the Executive Board's approval of a new arrangement but no later than the first program review.</li></ul>
	EFF	ECF			
	PLL (one-two years)				
Emergency Instruments	RFI	RCF	Safeguards Assessment	<ul style="list-style-type: none"><li>Commit to undergo an assessment.</li><li>Provide staff with access to central bank's most recently completed external audit reports.</li><li>Authorize external auditors to hold discussions with Fund staff.</li></ul>	<ul style="list-style-type: none"><li>On a case by-case basis, but normally before Executive Board approval of any subsequent arrangement to which the Fund's safeguards assessments policy applies.</li></ul>
	PLL (six-months)				
Precautionary/ Liquidity Arrangements	FCL		Limited Procedures	<ul style="list-style-type: none"><li>Access to the most recently completed annual audit results.</li><li>Authorizing CB authorities and the external auditors to discuss audit findings with Fund staff including management letter.</li></ul>	<ul style="list-style-type: none"><li>Authorization should be provided at the time of the formal written request and procedures should be completed as soon as possible.</li></ul>
	SLL				
Other					
	Instrument		Requirement	Responsibility	Timing
Non-Financial Arrangement	SMP (incl. PMB)		Voluntary Safeguards Assessment	<ul style="list-style-type: none"><li>Same as for financing arrangements.</li></ul>	<ul style="list-style-type: none"><li>To be agreed with authorities.</li></ul>
	PCI				
Financing Arrangement (RSF)	RSF		Safeguards Assessment if concurrent with PCI only	<ul style="list-style-type: none"><li>Same as for financing arrangements.</li></ul>	<ul style="list-style-type: none"><li>Before the first review of the RSF</li></ul>
Monitoring					
<p>Central banks that have been subject to a safeguards assessment should provide annually to Fund staff their annual audited financial statements and related audit reports, including management letters and special audit reports, during the arrangement and for as long as Fund credit remains outstanding.<sup>1</sup> Throughout the monitoring period, the authorities should provide timely information on the status of safeguards assessment recommendations and other relevant developments.</p> <p>Central banks that were subject to limited procedures (for FCL or SLL), where a member made purchases and for as long as credit is outstanding, the authorities should provide to Fund staff their annual audited financial statements and management letters along with an authorization to discuss audit findings with the external auditors.</p>					

<sup>1</sup>Management letters contain the external auditor's annual observations on the central bank's system of controls and accounting and financial reporting

## Annex II. Safeguards Activities During May 2022–April 2025

Safeguards Assessments		
Calendar Year	Countries	Total
2025	Ethiopia	1
2024	Ecuador, Honduras, Jordan, Lebanon, Liberia, Madagascar, Malawi, Maldives, Paraguay, Rwanda, Sierra Leone, Somalia, The Gambia	13
2023	Armenia, Barbados, BCEAO, Comoros, Djibouti, Egypt, Ghana, Guinea, Jamaica, Kosovo, Mauritania, Mongolia, Namibia, North Macedonia, Pakistan, Papua New Guinea, Sao Tome Principe, Serbia, Seychelles, Sri Lanka, Ukraine	21
2022	Argentina, Burundi, Cabo Verde, Eswatini, Georgia, Solomon Islands, Tanzania, Tunisia, Zambia	9

Safeguards Monitoring Visits		
Calendar Year	Countries	Total
2024	BEAC, Haiti	2

Flexible Credit Line Limited Safeguards Procedures		
Calendar Year	Countries	Total
2024	Chile, Colombia	2
2023	Morocco, Mexico	2
2022	Chile, Mexico, Peru	3

Fiscal Safeguards Reviews		
Calendar Year	Countries	Total
2024	Ecuador, Kenya	2
2023	Chad	1
2022	Benin	1

## Annex III. Assessments Completed and in Progress by Fiscal-Year<sup>1</sup>

**1. During the period under review, 44 assessments were completed.** This comprises 15 assessments conducted in FY2023, 19 assessments conducted in FY2024, and 10 assessments completed and four in progress in FY2025.

Fiscal Year (FY)	Assessments Completed	Countries
FY 2025	14	<b>Completed:</b> Ecuador, Ethiopia, The Gambia, Jordan, Lebanon, Liberia, Madagascar, Maldives, Paraguay, Sierra Leone
		<b>In Progress:</b> Argentina, Democratic Republic of Congo, El Salvador, Kenya
FY 2024	19	Armenia, Barbados, BCEAO, Comoros, Djibouti, Ghana, Guinea, Honduras, Kosovo, Malawi, Mauritania, Pakistan, Papua New Guinea, Rwanda, Sao Tome-Principe, Serbia, Seychelles, Somalia, Ukraine
FY 2023	15	Argentina, Burundi, Cabo Verde, Egypt, Eswatini, Georgia, Jamaica, Mongolia, Namibia, North Macedonia, Solomon Islands, Sri Lanka, Tanzania, Tunisia, Zambia
FY 2022	20	Albania, Bahamas, Bangladesh, BEAC, ECCB, Ghana, Lesotho, Malawi, Mauritania, Nepal, Nicaragua, Papua New Guinea, Paraguay, Rwanda, Samoa, Seychelles, South Africa, South Sudan, Tonga, Uzbekistan
FY 2021	24	Afghanistan, Bosnia-Herzegovina, Democratic Republic of Congo, Costa Rica, Dominican Republic, Egypt, El Salvador, Ethiopia, Gambia, Guinea, Jordan, Kosovo, Kyrgyz Republic, Madagascar, Moldova, Montenegro, Mozambique, Nigeria, North Macedonia, Panama, Suriname, Tajikistan, Tunisia, Uganda
FY 2020	11	Armenia, Comoros, Ecuador, Haiti, Honduras, Kenya, Liberia, Pakistan, Sao Tome-Principe, Somalia, Ukraine
FY 2019	6	Angola, Argentina, Barbados, Malawi, Mauritania, Morocco
FY 2018	9	BCEAO, BEAC, Ecuador, Gambia, Guinea, Jamaica, Mongolia, Seychelles, Sierra Leone
FY 2017	13	Afghanistan, Bosnia-Herzegovina, Egypt, Guinea, Jordan, Madagascar, Moldova, Mozambique, Rwanda, Sri Lanka, Suriname, Tunisia, Vanuatu
FY 2016	11	ECCB, Haiti, Iraq, Kenya, Kosovo, Kyrgyz Republic, Liberia, Nepal, Sao Tome-Principe, Sierra Leone, Ukraine
FY 2015	13	Albania, Armenia, Bosnia-Herzegovina, Georgia, Ghana, Honduras, Madagascar, Morocco, Samoa, Serbia, Seychelles, Ukraine, Yemen

<sup>1</sup> A list of assessments completed since March 2000 (i.e., the policy inception) is available on the Fund's extranet (<http://www.imf.org/external/np/tre/safegrds/complete/index.aspx>).