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On behalf of
Central and Eastern European Countries Constituency

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on Behalf of the Central and Eastern European Constituency
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Since our last meeting, the global economy was hit again by a new shock, further increasing uncertainty and fragility. The war in the Middle East has imposed a grave human toll, for which we express our deep sympathy. While the repercussions of this shock are global and no economy is immune, its economic and social costs are unevenly distributed and weigh most heavily on the most vulnerable countries and populations. As the Managing Director's Global Policy Agenda (GPA) underscores, the shock is propagating through multiple channels and, if prolonged, the sustained need to navigate elevated energy and commodity prices could further tighten financial conditions and dampen growth.

These developments are unfolding at a time when international cooperation has weakened, and policy space has been significantly narrowed by successive shocks. The challenge policymakers face today is not only to manage the immediate shock, but to do so in a way that does not derail essential medium-term priorities, as also underlined in the GPA. In this context, pragmatism, agility, and credibility in policy design are more important than ever.

Global Outlook

Policy tradeoffs have sharpened, and the cost of policy mistakes has risen. Against persistent and unusually high uncertainty, fundamentals matter and policy agility is key.

In the face of a renewed supply-side shock, monetary policy cannot be guided by mechanical rules or preset reaction functions. Preserving price stability remains essential, but effective calibration requires a careful separation of initial price effects from second-round pressures, including genuine risks to inflation expectations, particularly where growth momentum is already faltering. In this environment, credibility – underpinned by central bank independence –, the phasing of policy actions, and clear communication are as important as the policy stance itself. Where applicable, exchange rate flexibility can also help absorb shocks.

Fiscal policy faces binding constraints alongside rising political and social pressures. With buffers already depleted in a range of countries and current developments inevitably call for fiscal policy to play a role in supporting households and firms, the room for error is limited. Discipline and selectivity must therefore guide the use of fiscal tools—measures that are temporary, well targeted and tailored, protect the most vulnerable, preserve price signals while tempering market turbulences, and safeguard medium-term credibility. Fiscal responses should continue to be anchored in credible medium-term frameworks, including through well-sequenced measures that keep debt on a sustainable path. From another perspective, rebuilding fiscal space should not be deferred once conditions

improve. Throughout, close fiscal-monetary coordination is critical to avoid mutually reinforcing policy strains and to support macroeconomic stability.

Financial stability risks should be treated as integral to the macroeconomic outlook, not as a secondary concern. Stretched asset valuations, tightening global liquidity, intensifying sovereign-financial sector and bank-NBFI linkages increase the likelihood that shocks could be amplified rather than absorbed. This calls for earlier and more integrated use of macrofinancial surveillance, stress testing, transparency and supervisory judgment, rather than reliance on backward-looking indicators. The Fund should continue to bolster its analysis of digital financial ecosystems and associated emerging risks—including in stablecoins—recognizing that data gaps do not justify inaction, and that precautionary surveillance is warranted within its mandate. Given the rapid growth of stablecoins, we support appropriate regulation, supervision, and oversight, including robust AML/CFT standards consistent with internationally agreed norms.

Macrocritical spillovers extend beyond traditional financial and trade channels. Protracted refugee movements and forced displacement, often triggered or exacerbated by conflict, can impose persistent fiscal, social, and macroeconomic pressures on host and transition countries. For several emerging-market hosts, these challenges are long-lasting and interact with labor markets, strain public service provision, and test social cohesion. We therefore encourage the Fund to integrate these dimensions more systematically into surveillance and policy advice where macrocritical.

Beyond managing near-term shocks, strengthening medium-term growth prospects remains essential. Structural reforms that improve productivity, enhance competition, deepen domestic capital markets, and strengthen institutions are critical to support private sector-led growth and resilience, particularly in an environment of tighter financial conditions. As the GPA highlights, profound transformations in technology, demographics, and the environment are creating opportunities, but also complex challenges that demand sound frameworks and prudent regulation. In this context, easing trade tensions would also help reduce uncertainty, support investment, and mitigate negative spillovers. The Fund has an important role in assessing the macroeconomic implications of trade and industrial policies as well as spillovers, and in fostering dialogue to support a more stable and cooperative global trading environment.

IMF's Role

A succession of large and overlapping shocks has increased vulnerabilities and made policy challenges more complex across the membership. In this environment, the Fund's traction and effectiveness matter more than ever. We therefore look forward to the completion of major ongoing institutional reviews—including the Comprehensive Surveillance Review, the FSAP Review, and the Review of Conditionality—as a critical opportunity to strengthen coherence, refine prioritization, and ensure that the Fund's surveillance, lending, and all related policy toolkits remain focused and fit for purpose. These reviews should reinforce one another and translate into clearer priorities, stronger traction, and policy advice that is timely, realistic, and implementable under tighter global financial conditions.

We attach importance to the Fund's role in facilitating the orderly unwinding of excessive global imbalances, which represent a source of systemic risk. The entrenchment of these

imbalances would have significant adverse effects on growth and financial stability, underscoring the need for collaborative and coordinated action. We therefore welcome efforts to strengthen the analytical toolkit on imbalances, including refinements to the External Balance Assessment and strengthening data coverage and quality, while stressing the importance of consistent and evenhanded application of existing frameworks and stronger analysis of spillovers.

Support for low-income countries (LICs) and fragile and conflict-affected states remains urgent, and the manner in which the Fund's catalytic role is exercised is therefore of high importance. Many LICs face thin buffers, elevated debt service burdens, and increasingly difficult external financing conditions. These challenges are compounded by higher food and energy prices and a decline in official development assistance. Timely, predictable, and effective support—including through concessional financing—therefore remains essential. In this context, we welcome the ongoing review of the Bank-Fund Debt Sustainability Framework for Low-Income Countries, including steps to enhance the assessment of debt sustainability (and long-term development needs), as well as to strengthen data coverage, and realism in assessments. At the same time, evenhandedness, transparency, and clarity in the application of the framework are also critical to preserve traction and to support debt restructurings where necessary. While the G20 Common Framework, supported by the Global Sovereign Debt Roundtable (GSDR), provides an important platform for coordinated debt treatments, progress has often been slow and outcomes uncertain. We therefore call for further improvements in the timeliness, transparency, and predictability of restructurings through stronger coordination and clearer process milestones, with Fund advice firmly anchored in restoring balance-of-payments sustainability. We also support stepping up assistance to countries with strong reform agendas and sustainable debt that nonetheless face balance-of-payments financing challenges, including through accelerated implementation of the joint Fund– Bank Three-Pillar Approach.

We strongly value the Fund's capacity development (CD) work as a core pillar of its engagement with members and a critical and integral complement to surveillance and lending. Tailored to country circumstances, institutional capacity, and implementation constraints, effective CD is essential to strengthening policy frameworks and translating advice into durable outcomes, particularly in an environment of repeated shocks. Furthermore, we welcome the establishment of the Southeast Europe Regional Capacity Development Center (SEETAC) as an important investment in strengthening institutional capacity, macroeconomic resilience, and policy implementation in the region, and we look forward to close cooperation with existing regional institutions, notably the Joint Vienna Institute and the Center of Excellence in Finance, to maximize synergies and effectiveness.

Looking ahead, we also underscore the importance of advancing medium-term priorities in an environment of heightened uncertainty, which calls for stronger cooperation among international institutions, each acting within its respective mandate. In this context, the IMF can add the most value by supporting members through policy advice, analysis, and CD where global challenges intersect with fiscal, financial, and macroeconomic policies. Türkiye, as COP31 Presidency, looks forward to close and constructive cooperation with the Fund that leverages its core expertise and contributes to a coordinated international response under the broader COP process.

Finally, we reaffirm our strong support for a strong, quota-based, and adequately resourced IMF at the center of the Global Financial Safety Net. The timely completion of

domestic approvals for the 16th General Review of Quotas (GRQs) remains critical to safeguarding the Fund's lending capacity. At the same time, we welcome the Diriyah Guiding Principles on IMF Quota and Governance Reforms as an important step toward fostering convergence of views and guiding future discussions–under the 17th GRQs and beyond–, where a quota realignment would send a positive signal for the Fund's legitimacy and representativeness.

In closing, we reaffirm our strong support for the Managing Director and the Fund's efforts during this exceptionally challenging period. Navigating renewed shocks while preserving stability and advancing medium-term priorities will require sound policies, credible institutions, and a renewed commitment to multilateral cooperation. As a trusted advisor and candid truthteller, the IMF remains indispensable in this endeavor—providing tailored policy advice, fostering cooperation, and standing ready to deploy its financial instruments when needed. We look forward to continued engagement as the Fund supports its membership through uncertainty toward more resilient and sustainable growth, which we anticipate to contribute to a more settled global environment by our next meeting in October 2026 in Bangkok, Thailand.