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**Statement by Mr. Şimşek
Republic of Türkiye**

On behalf of
Central and Eastern European Countries Constituency

**Statement by Mehmet Şimşek,
Minister of Treasury and Finance, The Republic of Türkiye
on Behalf of the Central and Eastern European Constituency
at the 52nd Meeting of the International Monetary and Financial Committee
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Since our last gathering in April, the transformation of the global policy landscape has not relented. While the global economy has demonstrated resilience—largely supported by frontloaded policies—underlying strains are now more evident. Subdued medium-term growth prospects, divergent inflation trends, exchange rate fluctuations, persistent external and internal imbalances, volatile financial markets, and rising concerns over fiscal and debt sustainability are all complicating the design and implementation of effective policy frameworks. At the same time, escalating trade and geopolitical tensions continue to fuel uncertainty, placing further pressure on macroeconomic and financial stability. Against this challenging backdrop, downside risks to the global outlook remain prominent.

Within its mandate, the IMF remains an indispensable anchor for global stability - helping members navigate complex challenges, restore confidence and strengthen resilience. Simultaneously, the Fund serves as a premier platform for multilateral cooperation, fostering dialogue and coordinated action in an increasingly fragmented world.

Policy Priorities

Strong and coherent domestic policy frameworks, anchored in robust institutions, form the first line of defense in today's increasingly shock-prone world. With that understanding, we welcome the flagship reports' emphasis on safeguarding the credibility of policy institutions and governance structures.

Over the past decade, emerging markets and developing economies (EMDEs) have made significant progress in strengthening their macroeconomic and institutional foundations, bolstering resilience and reducing reliance on ad hoc interventions. These hard-earned gains, particularly in countries under fiscal pressure, need to be protected from fiscal dominance. Instead, long-term sustainability should remain the central focus. For low-income countries (LICs), we underscore the importance to prioritize the development of sound policy frameworks and resilient institutions to promote macroeconomic stability and support inclusive growth against the background of tighter financial conditions and declining official development assistance (ODA).

Fiscal prudence is critical to ensuring debt sustainability and rebuilding fiscal buffers. The combination of subdued economic growth and persistently high fiscal deficits widely worsens fiscal vulnerabilities and drives debt levels even higher. These challenges are compounded by rising security expenditures, increasing interest costs, and structural fiscal pressures stemming from aging populations and the need to advance the green transition. To address these challenges, the implementation of fiscal plans must be underpinned by strong institutional frameworks, greater transparency, and enhanced fiscal governance and be embedded in credible medium-term frameworks. In this context, we welcome the Fiscal Monitor's emphasis on improving spending

efficiency and strategically reallocating budgetary resources. Equally important is the need to strengthen domestic revenue mobilization to create the fiscal space necessary for critical social spending and productive capital investments.

Preserving price and macro-financial stability remains a key priority in the current environment of heightened uncertainty. Central banks continue to face complex policy trade-offs, requiring careful calibration of their actions. Among new developments, it is essential to closely monitor pass-through effects from tariffs and exchange rate developments. Maintaining central bank independence and ensuring clear, credible communication are critical for anchoring inflation expectations and supporting effective policy transmission. At the same time, financial sector risks and vulnerabilities demand proactive, tailored and well-sequenced policy responses. We welcome the detailed analysis presented in the Global Financial Stability Report on the three major vulnerabilities: elevated asset valuations, sovereign debt market risks, and the growing interconnectedness between banks and nonbank financial institutions (NBFIs). Deterioration in any one of these areas could amplify stress in others and impair overall market functioning. These vulnerabilities underscore the need to strengthen financial safety nets and enhance the regulatory and supervisory framework for NBFIs. Furthermore, the expanding role of stablecoins calls for a more structured and comprehensive policy approach, particularly considering ongoing deregulatory trends that may alter the underlying risk landscape.

Promoting coordinative approaches is essential to defuse trade tensions and reduce global imbalances. Policymakers should carefully weigh the trade-offs associated with industrial policies, which should be applied judiciously to address domestic market failures temporarily, in a targeted manner and transparently, and also consider fiscal cost and possible resource misallocation. At the same time, mediocre medium-term growth prospects need to be strengthened. Reforms aimed at improving governance, streamlining regulations, and enhancing labor market flexibility are critical to creating a more conducive environment for private sector-led growth. Considering limited fiscal space, developing deeper capital markets—particularly in local currencies—can play a vital role in fostering entrepreneurship and unlocking investment opportunities.

The IMF as a Trusted Partner

The IMF's role in promoting macroeconomic and financial stability rests on two key pillars: crisis prevention and crisis resolution. On the prevention side, country-specific, granular policy advice—grounded in top-notch and up-to-date analysis—continues to equip policymakers for near-term challenges and medium- to long-term progress. When it comes to crisis resolution, timely and adequate financing to address a balance of payments need—delivered through tailored modalities and well-calibrated conditionality—is essential to extinguish the flames before they spread further, especially considering growing global financing needs. CD activities and timely, constructive engagement serve as vital cross-cutting components that underpin both pillars, helping countries build resilience over time. There is a compelling case for scaling up the CD field presence with the Southeast Europe Regional Technical Assistance Center (SEETAC). We support hosting the center in Vienna, allowing for close interaction with the Joint Vienna Institute (JVI), the World Bank Group and the IMF Regional Resident Representative Office for the Western Balkans.

In a fluid and rapidly evolving global economic environment, the IMF must remain agile, forward-looking, and responsive, while also ensuring that its activities remain anchored to its mandate. To do so, it must preserve its analytical independence while swiftly delivering high-quality, forward-looking policy advice to its members. This includes providing rigorous scenario analyses and contingency-based recommendations wherever feasible.

The ongoing Comprehensive Surveillance Review offers a key opportunity to adapt its modalities, analytical frameworks and tools to the changing policy landscape. Enhancing the integration between bilateral and multilateral surveillance is essential for increasing the effectiveness and traction of the Fund's policy advice. Good governance, transparency, robust and credible data and strong public institutions are foundational pillars of the Fund's surveillance efforts – pillars that gain further significance when it comes to the success of lending programs. Furthermore, the ongoing review of the Financial Sector Assessment Program (FSAP) presents a timely opportunity to make it fit for a financial sector which has markedly evolved since the FSAPs launch at the 2000 Annual Meetings in Prague. The shift toward market-based financing and NBFIs as well as tokenization and digital finance may require different tools and analytical frameworks than the current bank centric FSAP.

The Fund has continued to provide substantial financial support to its membership to address balance of payments needs. Tackling the issue of prolonged use of Fund resources, improving program successes, and strengthening the Fund's catalytic role in mobilizing other financial support will be essential. With that in mind, we welcome the key themes identified in the ongoing Review of Program Design and Conditionality and look forward to engaging more deeply with them as the review progresses.

The Fund plays a vital role in addressing global debt challenges, particularly in the context of rising borrowing, increasing costs, and tighter financial conditions. Its debt sustainability analysis remains a critical tool for informing both borrowers and creditors. We welcome the comprehensive review currently underway of the Debt Sustainability Framework for Low-Income Countries (LIC-DSF) and on the grounds of technical works done thus far, we look forward to discussing the possible ways of enhancing this framework. In debt restructuring cases, timely and accurate assessments of public debt composition and countries' debt-carrying capacity are essential. We support the Fund's active engagement in the G20 Common Framework and the Global Sovereign Debt Roundtable. Furthermore, we underscore the importance of enhancing debt transparency to support effective, timely and sustainable debt solutions. In addition, we welcome the Fund's ongoing work together with the World Bank to address liquidity challenges to support vulnerable countries whose debt is sustainable but are facing high financial challenges.

Finally, on IMF resources and governance, we reiterate that the Fund must remain strong, quota-based, and adequately resourced to effectively fulfill its mandate. In this regard, the 16th General Review of Quotas (GRQ) should be implemented without further delay. In parallel, meaningful progress on the 17th GRQ is critical, leading to a realignment that better reflects the relative weights of countries in the global economy.