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**Statement by Mr. Heinen
Kingdom of the Netherlands–The Netherlands**

On behalf of

Principality of Andorra, Republic of Armenia, Belgium, Bosnia and Herzegovina, Bulgaria,
Republic of Croatia, Cyprus, Georgia, Israel, Luxembourg, Republic of Moldova,
Montenegro, Kingdom of the Netherlands–The Netherlands, Republic of North
Macedonia, Romania, and Ukraine

Statement by Mr. Eelco Heinen, Minister of Finance, the Netherlands

On behalf of Principality of Andorra, Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Republic of Croatia, Cyprus, Georgia, Israel, Luxembourg, Republic of Moldova, Montenegro, Republic of North Macedonia, Romania, the Netherlands, and Ukraine

Geopolitical tensions and military conflicts strongly affect the outlook for the global economy. Russia's unprovoked and unjustified war of aggression continues to have devastating humanitarian and security consequences, as well as a detrimental economic and financial impact on Ukraine, its neighboring countries and the global economy. The war in the Middle East strongly impacts the region and the global economy, in particular through its direct effect on oil and gas prices, and its disruptions to vital trade routes and supply-chains including food and agricultural inputs.

We continue to stand firmly by Ukraine and its people in the face of Russia's unprovoked and unjustified war of aggression. We recall the strong condemnation of Russian aggression by the United Nations General Assembly and call on Russia to immediately cease any use of force against Ukraine and threats to peace on the European continent. We welcome the new IMF program for Ukraine, reflecting the Fund's continued support. We will continue to work closely within the EU and with international partners to support Ukraine in implementing the reform agenda and meeting its immediate external financing needs, as well as the substantial financing needs for post-war reconstruction.

We welcome the Fund's continued engagement with members of our Constituency through financial support and policy advice, including the IMF programs in Armenia and Ukraine.

The world economy remains resilient despite geopolitical tensions and elevated uncertainty

Improving growth prospects early this year were thwarted by the war in the Middle East, which is causing supply disruptions leading to energy and food-driven inflationary pressures. Any possible measures to address the impact should be timely, targeted and temporary, especially taking into account the limited fiscal space that many countries have. Further impediments to the free flow of goods, raw materials, services, and investments, including through trade tariffs, export and capital controls, and non-market policies, subdue economic growth potential and may exacerbate global imbalances.

Risks to growth are further elevated due to policy uncertainty, climate-related shocks, and the uncertain impact of AI. Elevated debt levels and the increasing role of non-bank financial institutions can amplify the financial impact of shocks to growth.

We stress the importance of the rule of law and strong institutions, including rules-based fiscal frameworks to guide evidence-based policy in uncertain times. Independent central banks are essential safeguards for price stability and well-anchored inflation expectations. Increased defense spending and other fiscal pressures require reprioritization and sound fiscal policy to rebuild buffers against future shocks and safeguard financial stability. Globally agreed standards should be

respected in order to preserve global financial stability and ensure a level playing field in regulatory frameworks for the financial sector.

The open economies that make up our Constituency are particularly exposed to international spillovers. Rules-based open trade and strong economic, multilateral cooperation continue to support long-term growth and diversified trade relations help cushion economic shocks.

Structural reforms can support medium-term growth. For the EU, priorities are reducing barriers in the internal market, developing the savings and investments union, and completing the banking union. The EU enlargement process is a powerful incentive for reform in candidate countries.

Climate change poses significant and increasing macro-critical risks. The costs of inaction outweigh the costs of an orderly green transition. The current energy crisis underscores the importance of further reducing dependence on fossil fuels. A successful climate mitigation and adaptation strategy must also pay attention to other policy objectives such as energy security, economic resilience, distributional impacts (for both households and businesses), cost-effectiveness, and fiscal sustainability.

Further improving IMF policies to promote sound and catalytic economic policies

We look forward to the discussions on several IMF policy reviews in the coming months. In surveillance, the IMF must continue to be a “ruthless truth-teller”, based on solid data and evidence. We underscore that realistic economic assumptions and sound policy advice are essential to deliver credible surveillance and strengthen policy traction. We welcome efforts to streamline the IMF’s surveillance work. The IMF should continue to consider climate change and digitalization (AI, digital finance), which have a macro-critical impact on fiscal policy, monetary policy, exchange rates and financial stability. We reaffirm the importance of the FSAP as a cornerstone of the Fund’s surveillance architecture and stress the need to preserve regular FSAP cycles, avoiding reductions in frequency that could weaken financial stability oversight, particularly in the current environment of heightened uncertainty.

In the context of the Review of Program Design and Conditionality, we underline the catalytic role of IMF financing and the importance of aligning the ambition of conditionality with the size and schedule of disbursements. We also stress the importance of frontloaded, realistic and sustained policy action, as well as debt sustainability, technical assistance, contingency planning, and realistic macroeconomic projections. We stress that domestic resource mobilization is essential to build buffers and fund sustainable development amid global geoeconomic turbulence. We see scope to improve the implementation of reforms in the areas of governance, anti-corruption, and public finance management.

We welcome the Fund’s independent analytical work as the foundation for the discussion on global imbalances. Country-specific characteristics such as pension systems should be considered in order not to penalize countries for sound policies and to focus the discussion on those imbalances that are excessive. An orderly unwinding of these excessive imbalances is critical to safeguarding global growth and financial stability.

We stand ready to discuss quota realignment under the 17th General Review of Quotas to better reflect members' relative position in the world economy. Such realignment should be based on fair and broad burden-sharing, while protecting the quota shares of the poorest and most vulnerable members. The current formula delivers on the objective of quota realignment and ad hoc realignment remains a pragmatic option for swift quota realignment. Increased quota shares for members should be accompanied by increased responsibility to uphold and support the multilateral system.

We support ongoing work by the IMF and World Bank through the three-pillar approach to help countries address liquidity constraints when debt is still sustainable. In the ongoing review of the Debt Sustainability Framework for Low-Income Countries, we stress the need to better incorporate domestic debt and climate vulnerabilities in the models and resulting risk signals. Greater debt transparency builds investor confidence, helps reduce borrowing costs, and strengthens debt sustainability. We note the progress on debt treatments under the G20 Common Framework for Debt Treatments but see room for further improvement. We fully support the IMF's continued contribution to this work. We welcome efforts to strengthen coordination on debt restructuring for middle-income countries.

We welcome the full integration of the Resilience and Sustainability Trust into the IMF lending toolkit, supporting low-income and vulnerable middle-income countries to build resilience to external shocks and strengthen sustainable growth, contributing to their longer-term balance of payments stability.

We welcome the establishment of the Southeast Europe Technical Assistance Center (SEETAC) as an important step in strengthening capacity development in the Western Balkans and Moldova and in supporting members' reform efforts in the context of EU integration.

An inclusive IMF with highly qualified staff, where every individual can contribute to their full potential, is best equipped to meet the needs of its diverse membership. We encourage efforts to build a staff base with a broad range of skills, expertise, and diversity of perspectives, while safeguarding institutional effectiveness and merit-based recruitment.