The Office of the Nordic-Baltic Constituency
INTERNATIONAL MONETARY FUND

Views and Positions on Policy Developments in the International Monetary Fund

December 2015

CONTENTS

I. INTRODUCTION 3
II. SURVEILLANCE AND ECONOMIC POLICY 3
GLOBAL ECONOMIC AND FINANCIAL DEVELOPMENTS 3
MONETARY POLICY AND FINANCIAL STABILITY 4
STRUCTURAL REFORMS 5
EXTERNAL SECTOR REPORT 5
MIGRATION 6
CLIMATE CHANGE 6
III. LENDING 7
LENDING TO SELECTED EUROPEAN COUNTRIES 7
CRISIS PROGRAM REVIEW 7
THE FUND'S LENDING FRAMEWORK AND SOVEREIGN DEBT 8
IV. LOW INCOME AND DEVELOPING COUNTRIES 9
ECONOMIC POLICIES IN LIDCS 9
SUSTAINABLE DEVELOPMENT GOALS 10
V. IMF RESOURCES AND GOVERNANCE 10
SPECIAL DRAWING RIGHTS (SDR) – INCLUSION OF THE CHINESE RMB 10
2010 QUOTA AND GOVERNANCE REFORMS 11
BORROWING ARRANGEMENTS – NAB AND 2012 BILATERAL LOANS 11
VI. INDEPENDENT EVALUATION OFFICE 12
SELF-EVALUATION AT THE IMF 12
VII. DIVERSITY AT THE IMF 13
DIVERSITY AND INCLUSION AT THE IMF 13
VIII. ANNEX 14
IX. STAFF OF THE OFFICE OF THE NORDIC BALTIC CONSTITUENCY 16

This report is prepared by the Office of the Nordic-Baltic Constituency (NBC), representing Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden in the International Monetary Fund's Executive Board. The purpose is to present the positions taken by the Nordic-Baltic chair in the Executive Board and to update interested audiences on IMF issues. The report is not an exhaustive review of IMF's work, but aims at presenting the key discussions over the past six months through December 2015. The next report is scheduled for July 2016.

The IMF has 188 member countries. Each of them is represented by an Executive Director on the 24 member Executive Board. The IMF supports its membership by providing:

- policy advice to governments and central banks based on analysis of economic trends and cross-country experiences;
- research, statistics, forecasts, and analysis based on tracking of global, regional, and individual economies and markets;
- loans to help countries overcome economic difficulties;
- concessional loans to help fight poverty in developing countries; and
- technical assistance and training to help countries improve the management of their economies.

For additional information, we generally refer to the IMF's website, www.imf.org, which we have also benefited from while preparing this report.

December 2015

I. INTRODUCTION

Against a background of moderate global growth, rising uncertainty, and shifting risks, the IMF has taken steps to strengthen its policies and deliver effective support to its membership. In November, a historical decision was taken to include the Chinese renminbi as the fifth currency in the basket which determines the value of the IMF's Special Drawing Rights (SDR). Another long awaited milestone was the adoption of legislation by the U.S. Congress on the 2010 Quota and Governance Reforms, which will lead to a doubling of quotas and increased representation in the IMF's governance structure for dynamic emerging markets and developing countries (EMDCs). Over the past six months, key economic policy topics were addressed by the Fund, including on structural reforms, monetary policy and financial stability, and a number of issues pertaining to low income and developing countries. The Executive Board continued discussions on the Fund's lending framework and sovereign debt and concluded a review on crisis programs. Finally, the IMF addressed highly topical issues such as climate change and migration, acknowledging the impact of these issues on macroeconomic developments in member countries. This report provides an overview of the main Board discussions in the second half of 2015.

II. SURVEILLANCE AND ECONOMIC POLICY

GLOBAL ECONOMIC AND FINANCIAL DEVELOPMENTS

CONTEXT. According to the IMF's Flagship Reports (World Economic Outlook, Global Financial Stability Report and Fiscal Monitor) from September, the recovery in 2015 and 2016 is projected to be somewhat weaker than previously expected. Global growth for 2015 is forecast at 3.1 percent, which is 0.2 percentage points lower than the July projection. Moderate global growth rates mask an uneven distribution across countries. The recovery in advanced economies was expected to pick up slightly, while activity in EMDCs is projected to slow for the fifth year in a row. This primarily reflects weaker prospects for some large emerging market economies and oil-exporting countries.

Uncertainty is rising and risks are rotating to EMDCs. The expansion of the U.S. economy and the transition to more sustainable growth in China are positive longer-term developments. However, the accompanying rise in U.S. interest rates and spillovers from the Chinese slowdown add to global uncertainties. Furthermore, reduced capital flows to emerging markets as well as increasing financial market volatility present downside risks. Growth is being held back, not only by country-specific shocks, but also by common structural and longer-term factors. These include declining commodity prices, low productivity growth, crisis legacies related to high debt and low investment in some advanced countries, and demographic transitions.

In response to these challenges, the Managing Director's Global Policy Agenda from October focused on policy priorities at the member level, as well as Fund support to the membership. At the national level, mutually reinforcing policies are needed to (i) support growth today, (ii) invest in resilience and safeguard financial stability, and (iii) implement structural reforms necessary for sustainable and inclusive future growth.

Growth should be supported in advanced economies through continued accommodative monetary policy and more supportive fiscal policy, where conditions allow. In EMDCs, demand support should be weighed carefully against the need to manage vulnerabilities. As regards financial markets, the Global Policy Agenda stresses the need for advanced economies to strengthen regulation and supervision of rapidly expanding financial activities outside the banking system. EMDCs should ensure solid policy frameworks dealing with provisioning for bad loans, insolvency procedures, and avoiding market dysfunction.

In the longer term, the Fund's policy advice focuses on boosting productivity, raising investment, and increasing labor demand and supply. The structural reform agenda varies from country to country. Many advanced economies should reduce tax wedges that hurt job creation, target labor market policies to increase demand, and implement immigration reforms to boost trend employment and labor force participation. EMDCs should address energy infrastructure bottlenecks, improve business conditions, and implement education, labor and product market reforms.

The Global Policy Agenda also focuses on strengthening the Fund's support to members, by becoming more *Agile*, *Integrated*, and *Member-focused (AIM)*. This includes fostering policy cooperation, so that advice is appropriate not only for the individual member, but for the membership as a whole. The IMF also has an important role to play in ensuring that global financial safety nets are adequate and integrated.

NBC VIEW. The Nordic-Baltic Constituency (NBC) broadly agreed with the Fund's assessment of the global economy and financial developments. Moderate global demand and low inflation warrant continued accommodative monetary policies and a growth-friendly composition of fiscal policies. Countries with high debt should place debt on a sustainable downward path within a medium-term fiscal framework. The NBC also stressed that structural reforms are needed in advanced and emerging economies alike, to raise potential output and increase flexibility of labor and product markets. While the financial system has become more robust, financial stability risks remain in the current environment of low interest rates. The Fund should continue to support the development of a broader macroprudential toolkit.

FURTHER READING: World Economic Outlook, Global Financial Stability Report, Fiscal Monitor, Managing Director's Global Policy Agenda, IMFC statement of the NBC

MONETARY POLICY AND FINANCIAL STABILITY

CONTEXT. According to the staff report on Monetary Policy and Financial Stability, discussed in the Executive Board in September, the financial crisis was a reminder that price stability is not sufficient to ensure financial stability, crises are costly, and that policies should be geared towards decreasing the likelihood of crises. Based on current knowledge, staff concluded overall that monetary policy should not be altered to contain financial stability risks. The case for leaning against the wind was seen as limited, as costs outweigh benefits in most circumstances. However, as the understanding of how monetary policy affects financial stability across borders, domestically, and over the business cycle evolves, the door should be kept open for further policy adjustments. Meanwhile, central banks should monitor and openly discuss financial stability risks and consider the costs and benefits of potential action. Further research in this area is considered a key priority.

NBC VIEW. The NBC found that the possibility of using the interest rate to support financial stability should not lessen the focus on implementing macroprudential policies as well as financial sector and structural reforms, emphasizing robust ex-ante policies. Also, country-specific characteristics might affect the relevance of taking account of financial stability considerations in the implementation of monetary policy. One should therefore be cautious about generalizing across time and countries.

FURTHER READING: Monetary Policy and Financial Stability

STRUCTURAL REFORMS

CONTEXT. In 2014, the Triennial Surveillance Review called for further work to enhance the Fund's analysis and advice on macro-relevant structural issues. In October 2015, the Executive Board met informally to discuss staff's initial considerations for a more strategic approach on structural policies. In their report, staff identifies reforms which are most likely to have macroeconomic implications. Studying six country cases, the report stresses the importance of strong ownership, the ability to sustain reforms, and the need for complementary macroeconomic policies.

While policy advice and analysis should always be country specific, the report identifies areas where the Fund could develop a stronger institutional framework. These include fiscal and financial sector reforms, where the Fund already has core expertise. In other areas, collaboration with other institutions should be exploited. The report also considers a possible scaling up the Fund's efforts on issues such as infrastructure and labor markets which are likely to have a significant bearing on macroeconomic performance for a large part of the membership.

NBC VIEW. The NBC supported the increased attention to structural reform policies, stressing that reforms should not only be implemented in times of crisis. The Fund should focus on areas where it has clear expertise, but the NBC also supported a scaling up of work on labor market reforms and infrastructure investment. The NBC emphasized the need for collaboration with others, building on the comparative advantages of each institution.

FURTHER READING: Structural Reforms and Macroeconomic Performance

EXTERNAL SECTOR REPORT

CONTEXT. The External Sector Report (ESR) integrates analysis from the Fund's bilateral and multilateral surveillance to present an assessment of the largest economies' external sector positions and policies. According to the 2015 ESR, the global scale of current account imbalances held steady in 2014 and progress on reducing excess surpluses stalled. In 2015, sharply lower oil prices, cyclical divergence, and diverging monetary policy among major economies significantly affected external positions and raised new issues. The currency shifts associated with economic and monetary policy divergence among major economies reflect an incomplete and uneven recovery. Broader policy action, including demand-supporting policies beyond monetary policy, would improve prospects for sustained global growth and financial stability.

NBC VIEW. The NBC broadly shared the report's key recommendations and noted that many of the main conclusions of the previous ESRs remain valid. If large current account gaps are attributed to unidentified policies, this may imply that the Fund's analytical framework for external balances should be expanded to include e.g. financial sector and structural policies. Also, more attention should be given to private and public sector balance sheet indicators, such as stock variables and domestic exposures.

FURTHER READING: 2015 External Sector Report

MIGRATION

CONTEXT. According to the Managing Director's latest Global Policy Agenda, the Fund's surveillance and capacity building activities will incorporate macro-critical issues which affect growth stability and sustainability, within the Fund's area of expertise. In this regard, particular attention will be given to the macroeconomic consequences of demographic transitions and migration for both source and recipient countries. In November, IMF staff provided the G20 with a background note on international migration, focusing on recent trends, economic impacts, and policy implications. The note stresses the potential benefits from migration, if domestic policies are designed appropriately. For recipient countries, there is a need to facilitate smooth integration of migrants into the labor market, which will reduce fiscal costs in the short term. IMF staff highlights the opportunity to take advantage of migration flows to address population aging in some countries. Also, global policy cooperation is important to establish effective response mechanisms to surges in migration.

NBC VIEW. The NBC has encouraged the Fund to analyze the macroeconomic impact of demographic transitions, migration, and refugees. This is an urgent issue which has become increasingly important in both source and receiving countries.

FURTHER READING: IMF background note for G20 on International Migration

CLIMATE CHANGE

CONTEXT. The Executive Board discussed informally the Managing Director's statement ahead of COP21 in Paris. Climate change is set to have a significant economic impact on many countries, not least low-income countries and small island states. The statement underlines that the Fund has a role to play when fiscal and macroeconomic policies are part of the required policy response to the challenges of climate change. It also recognizes that carbon pricing would be a critical component of implementing the necessary policies to meet mitigation pledges. As far as such measures are revenue-raising, they could also be used to reduce other, more distorting, taxes. Proper pricing of carbon could help mobilize private finance for mitigation activities and spur innovation. Strategies for reducing emissions should reflect countries' differing initial positions, political constraints, and circumstances.

NBC VIEW. The NBC supported an active role of the Fund on climate issues, based on its expertise. It is within the IMF's mandate and competence to advise its members on designing appropriate fiscal measures. The NBC also highlighted the financial stability aspects of climate change and considered that these would need further digestion and analysis, including through cooperation with other institutions.

FURTHER READING: Statement on the Role of the Fund in Addressing Climate Change

III. LENDING

LENDING TO SELECTED EUROPEAN COUNTRIES

GREECE. Greece's IMF program has not been reviewed by the Executive Board since mid-2014. However, since the agreement on a new program under the European Stability Mechanism (ESM) in July 2015, the IMF has worked with the Greek authorities and European partners to assist Greece in restoring sustainable growth. The IMF has taken part in missions to Greece over the past months, assessing progress on implementation of the ESM program. On the policy package, the IMF has stressed the importance of specifying measures to meet fiscal targets, as well as to improve confidence in the banking sector. Furthermore, the Managing Director has emphasized that debt sustainability must be restored, which will require commitments from Greece's European partners to provide debt relief.

CYPRUS. Cyprus' eighth program review was approved by the Executive Board in September 2015, enabling the disbursement of about 126 million euro. The Fund stressed the success of Cyprus' reform program, with economic activity outperforming expectations and strong fiscal outcomes. Liquidity in the core banking system has continued to improve. While prospects for resolving non-performing loans are also improving, this remains an urgent priority to preserve financial stability and boost growth. The Fund stressed the importance of continuing sound macroeconomic management and maintaining the reform momentum.

UKRAINE. The second review of Ukraine's IMF program has yet to be completed. During the second half of 2015, the Fund has worked with the authorities on a broad set of policies, including tax reforms and the 2016 budget. The Fund has stressed that reforms should be in line with the program objectives of further reducing the budget deficit and public debt to safer levels, requiring permanent measures to broaden the tax base and rationalize spending. During the latest mission to Ukraine, IMF staff concluded that a strong fiscal position, as well as actions to rehabilitate the banking system and speed up economic reforms, is critical to entrench financial stability and pave the way for strong and sustainable growth.

NBC VIEW. In September, the NBC supported the review on Cyprus, commending the authorities for their commitment to the program. The NBC encouraged the authorities to keep up their efforts in program implementation, particularly as challenges stemming from domestic and external risks to the banking sector are still considerable.
FURTHER READING: Greece, Cyprus, Ukraine

CRISIS PROGRAM REVIEW

CONTEXT. The Crisis Program Review provided an updated review of Fund-supported programs during the global financial crisis. The review found that the programs helped chart a path through the global financial crisis by boosting confidence and providing resources. The Fund's financial support helped allow gradual adjustment and afforded time to unwind macroeconomic imbalances and repair balance sheets. Efforts to rebuild competitiveness through internal devaluation were in many cases difficult to achieve within a short period. Also, estimates of the short-term dividends of structural reforms were at times on the optimistic side. The review also emphasized that the negative impact of fiscal consolidation on output and debt-to-GDP ratios could in some cases have justified a more gradual, yet credible, adjustment path. Also, upfront debt restructuring might have been needed to ensure sustainability, balanced against potential financial stability and contagion risks.

NBC VIEW. The NBC recognized that decisions during the crisis were taken amidst significant uncertainty about shocks, transmission channels, and policy responses. Fund-supported programs helped many countries weather the effects of the crisis, cushion output, reduce imbalances, and stabilize financial systems. The NBC noted the challenges of internal devaluation and structural reforms and emphasized the important role of strong ownership in overcoming vested interests. The NBC also underlined that structural reforms should be a continuous exercise for sustainable growth, even if short-term payoffs are limited.

FURTHER READING: Press release, Crisis Program Review

THE FUND'S LENDING FRAMEWORK AND SOVEREIGN DEBT

CONTEXT. In 2013, the Executive Board endorsed four work streams designed to review the Fund's legal and policy frameworks related to lending and sovereign debt. One of these focused on strengthening the contractual framework to address collective action problems. In 2014, the Board endorsed the inclusion of key features of enhanced pari passu provisions and collective action clauses (CACs) in new international sovereign bonds. In September 2015, IMF staff found that substantial progress has been made in incorporating the enhanced provisions in new issuances.

Another work stream from 2013 dealt with the Fund's lending-into-arrears policy. The proposal to reform the Fund's policy on non-toleration of arrears owed to official bilateral creditors (NTP) was endorsed by the Executive Board in November 2015. Before this, the NTP prevented Fund lending to countries that owed unresolved arrears to official bilateral creditors, unless the arrears were covered by a Paris Club agreement or the creditor consented to the Fund providing financing. In an environment where a growing number of creditors are not Paris Club members, the NTP has created challenges, and the policy has given individual official bilateral creditors a veto over Fund lending decisions, even when not contributing to the financing of a program. The paper proposed to revise the NTP to permit lending into official bilateral arrears in carefully defined circumstances. The general principle allows the Fund to lend into arrears owed to an official bilateral creditor, when the debtor is making good faith efforts to reach an agreement. Also, the existence of arrears must be exclusively due to the unwillingness of the official bilateral creditor to provide support consistent with the parameters of the Fund-supported program, either in the form of restructuring or the provision of new financing. The Paris Club will continue to be the Fund's first port of call.

NBC VIEW. The NBC supported the Fund's promotion of enhanced collective action clauses. The NBC fully supported staff's proposal on the NTP and agreed that the proposed reform would strengthen incentives for collective action and reduce holdout risks. The NBC emphasized a principles-based approach to promote a predictable framework that would enhance the integrity and efficiency of financial markets. The modified policy would continue to protect official bilateral creditors, while promoting good faith efforts by debtors. This would help preserve the Fund's ability to mobilize official financing packages in the future, in line with its catalytic role in crisis situations.

FURTHER READING: Report on Enhanced Contractual Provisions in International Sovereign Bond Contracts, Press release on Non-Toleration of Arrears, Report on Non-Toleration of Arrears

IV. LOW INCOME AND DEVELOPING COUNTRIES

ECONOMIC POLICIES IN LIDCS

CONTEXT. Several items specifically pertaining to Low-Income and Developing Countries (LIDCs) were discussed during the latter half of the year, including on macroeconomic developments, debt vulnerabilities, tax incentives for investment, monetary policy, financial inclusion, and concessional financing from the Fund. The external economic environment facing LIDCs has weakened over the past eighteen months, with slowing global growth, sharp declines in commodity prices, and tighter external funding conditions. Meanwhile, short-term vulnerabilities have increased steadily and are especially pronounced in commodity exporters.

Debt vulnerabilities in LIDCs remain lower than before the global financial crisis, although liquidity buffers have narrowed and debt-to-GDP ratios have edged higher in recent years. Notwithstanding stronger fundamentals, heightened vigilance will be needed to navigate shifting market conditions and a weaker global outlook.

There is room for more effective and efficient use of investment tax incentives in many low-income countries. In some cases, tax incentives are redundant, as well as costly, and good governance and transparency are necessary for them to be effective. Furthermore, regional coordination can be helpful in mitigating the proliferation of incentives that can be the result of international tax competition.

Although many low- and lower-middle income countries have stabilized inflation at moderate levels, some of the current monetary policy frameworks are being challenged by financial development and increased access to global capital markets. As many policymakers move beyond the basics of stability, the Fund emphasizes the need for a clear mandate and coherent policy frameworks.

Financial inclusion contributes positively to economic growth, particularly at lower levels of inclusion. High quality supervision is important to avoid rising risks to financial stability. Some forms of income inequality can be reduced by closing the gender gap in access to finance.

The Poverty Reduction and Growth Trust (PRGT) eligibility framework and the related eligibility list are reviewed on a two-year cycle. This year, Bolivia, Mongolia, Nigeria, and Vietnam graduated from PRGT eligibility.

NBC VIEW. The NBC agreed that past debt relief and strong reform efforts have helped create policy space in many countries. The NBC also emphasized the need to maintain and rebuild fiscal and external buffers, including through improving domestic revenue mobilization and public financial management. It agreed that central banks should have clear mandates and operational independence, within the context of public accountability. The NBC also emphasized reforms to increase diversification and enhance competitiveness.

FURTHER READING: Macroeconomic Developments and Prospects in LIDCS: 2015, Public Debt Vulnerabilities , Use of Tax Incentives for Investment, Monetary Policy Frameworks, Financial Inclusion, Eligibility to Use Concessional Financing Facilities

SUSTAINABLE DEVELOPMENT GOALS

CONTEXT. This year, the IMF explored how best to contribute to the post-2015 development agenda. The Executive Board discussed two papers on Financing for Development (FfD), outlining Fund initiatives to strengthen support for developing country members, including direct financial support. This resulted in Board decisions to increase by 50 percent the amount that countries can borrow under concessional financing and emergency lending facilities. It was also decided to set at zero the interest rate charged on lending to low-income countries that are hit by adverse shocks. The Fund also issued a paper examining selected policy issues of importance for achieving the individual Sustainable Development Goals (SDGs), based on recent analytical work.

NBC VIEW. The NBC welcomed the agenda and was supportive of the Fund's overall approach. It was emphasized that the Fund should contribute through its core businesses and strengthen its cooperation with other relevant institutions for best effect. Good examples of areas where the NBC thought the Fund would add value include domestic revenue mobilization, public financial management, improved tax administration and natural resource management, as well as energy subsidy reform.

FURTHER READING: Factsheet about the IMF and SDGs, Revisiting the Monterrey Consensus, Enhancing the Financial Safety Net for Developing Countries, Policies in Support of Sustainable Development Goals

V. IMF RESOURCES AND GOVERNANCE

SPECIAL DRAWING RIGHTS (SDR) – INCLUSION OF THE CHINESE RMB

CONTEXT. The Special Drawing Right (SDR) is an international reserve asset created by the IMF in 1969. The SDR is not a currency itself, but a potential claim on the freely usable currencies of IMF members. The value of the SDR is determined by a basket of major currencies. The selection of these currencies is based on the size of exports and an assessment that each currency is freely usable.

The method of valuation of the SDR is reviewed at least every five years. In November 2015 the Board completed a review, determining that the Chinese renminbi (RMB) fulfills both selection criteria and will be included as the fifth currency in the basket. Effective from October 1, 2016, the SDR basket will thus be expanded to include the RMB, along with the U.S. dollar, euro, Japanese yen, and pound sterling. The Executive Board commended the Chinese authorities for the implementation of reforms in support of the internationalization of the RMB. It stressed the importance of continuing and deepening these reforms and addressing any operational issues which may arise.

A new weighting formula was also adopted as part of the 2015 review. The formula determines the weight of the five currencies in the basket, reflecting their relative importance in international transactions. The new formula increases the share of financial variables relative to exports.

NBC VIEW. The NBC supported the assessment of the RMB as a freely usable currency and its inclusion in the SDR basket. This is an important step to strengthen the SDR as a reserve asset and further integrate China into the international monetary and financial system. The NBC welcomed the Chinese authorities' implementation of reforms and noted that sustained efforts are needed to continue operational improvements and financial market liberalization policies. These measures should be structured, phased, and communicated appropriately, to avoid market volatility. Finally, the NBC supported the changes to the weighting formula.

FURTHER READING: Press release, Review of the Method of Valuation of the SDR

2010 QUOTA AND GOVERNANCE REFORMS

CONTEXT. In 2010, the IMF membership agreed to wide-ranging governance reforms, doubling the Fund's permanent resources (quotas) and shifting representation towards dynamic EMDCs. Implementation of the reforms has been delayed, awaiting approval by the United States, as the largest shareholder of the IMF. This has also stalled discussions on the quota formula and the 15th General Review of Quotas.

In December 2015, the United States Congress adopted legislation, authorizing the approval of the 2010 reforms. In a statement, the Managing Director welcomed the approval of the reforms, as a crucial step forward that will strengthen the IMF in its role of supporting global financial stability. The reforms significantly increase the IMF's core resources, enabling the Fund to respond to crises more effectively, and also improve the IMF's governance by better reflecting the increasing role of dynamic EMDCs in the global economy.

NBC VIEW. The NBC finds that representation of all Fund members must evolve with the changing dynamics in the global economy, as reflected by the quota formula. Implementation of the 2010 reforms is essential to strengthening the IMF's effectiveness and legitimacy. The NBC remains committed to engaging in constructive discussions on the quota formula and the 15th Review of Quotas as an integrated package, with an aim of arriving at a result which is acceptable to the broad membership.

FURTHER READING: Press release December 2015

BORROWING ARRANGEMENTS – NAB AND 2012 BILATERAL LOANS

CONTEXT. All members contribute quota resources to the Fund, in accordance with their quota share, and these are intended as the main source of funding for the IMF. However, given the delay of the agreed doubling of quotas under the 2010 reforms, the Fund has relied heavily on borrowed resources from a subset of its members. The New Arrangements to Borrow (NAB), amounting to about USD 520 billion upon activation, is the main backstop for quota resources. Thirty-eight member countries stand ready to lend resources to the

Fund through the NAB. A new six-month activation period was approved in September 2015.

In 2012, some IMF members committed additional resources through bilateral borrowing agreements for an initial period of two years. This was a response to the uncertain global economic and financial outlook and the need to boost the Fund's lending capacity. Thirty-five agreements totaling USD 396 billion were approved. The loans constitute a temporary second line of defense, to be activated only if quota and NAB resources fall below a certain threshold. The loans were extended by one year in 2014. In July 2015, the Executive Board approved an additional one-year extension of the agreements. This extension was in line with the provisions in the loan agreements and came into effect after consent from lenders.

NBC VIEW. NAB participants in the NBC (Denmark, Finland, Norway, and Sweden) have supported the continued activation of the NAB to which they contribute more than USD 20 billion. In 2012, countries in the NBC also committed bilateral loans totaling more than USD 30 billion. In July 2015, the NBC supported the proposed second one-year extension of the 2012 loans. However, the NBC continues to stress that the IMF should remain a quota-based institution. The Fund should not be dependent on temporary borrowed resources as a major source of financing in the long term.

FURTHER READING: IMF Standing Borrowing Arrangements, Press release on extension of the 2012 bilateral loans

VI. INDEPENDENT EVALUATION OFFICE

SELF-EVALUATION AT THE IMF

CONTEXT. The Independent Evaluation Office (IEO) conducts evaluations of the Fund's policies and activities. This year, the IEO evaluated the ability of the IMF to learn from experience and use those lessons to improve the quality and effectiveness of its work. Self-evaluation is a routine practice in the IMF's work and the IEO found that in many cases, activities and reports were of high quality and that self-evaluation informed policy and operations reform. However, the IEO also found gaps in coverage and shortcomings in dissemination, in part due to the absence of a formal institution-wide framework for self-evaluation. The IEO also found that decisions taken in April as part of a cost-cutting exercise had weakened self-evaluation. The Executive Board welcomed the report and agreed on the importance of having a clearly articulated approach to self-evaluation that would build on current processes, take due account of resource constraints, and adapt to changing circumstances over time.

NBC VIEW. The NBC supported a formalization of the Fund's self-evaluation policy, while noting that there is room to build on existing frameworks. It also suggested that a Board self-evaluation could feature explicitly in a modern and well-functioning learning institution.

FURTHER READING: IEO report, Press release

VII. DIVERSITY AT THE IMF

DIVERSITY AND INCLUSION AT THE IMF

CONTEXT. The IMF has as its stated goal to strive for diversity of staff and inclusion of ideas and perspectives to add value to the Fund's decision-making and deepen the relevance of its policy advice. Gender and regional diversity have received the most attention in recent years and have their own benchmarks for recruitment and retention. Recently, the membership has been making increasing calls for diversity of education and professional experience, as well. Progress has been slow and uneven, but efforts continue to be made to consolidate gains and move forward, not least in economist departments which lie closest to the Fund's core mandate. In this context, the governance structure was strengthened this year with the establishment of an Inclusion and Diversity Council, led by a Deputy Managing Director, which will increase visibility and accountability at senior management level.

NBC VIEW. The NBC supports the diversity agenda and has emphasized diversity along all dimensions, recognizing the importance of further inclusion efforts.

VIII. ANNEX

IMF Lending Arrangements as of December 31, 2015 (Data Source)

(In Thousands of SDRs)

General Resources Account (GRA)

Stand-By Arrangements (SBA)

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance	IMF Credit Outstanding Under GRA
Georgia	July 30, 2014	July 29, 2017	100,000	20,000	80,000
Honduras	December 03, 2014	December 02, 2017	77,700	77,700	0
Kenya	February 02, 2015	February 01, 2016	352,820	352,820	0
Kosovo	July 29, 2015	May 28, 2017	147,500	119,400	100,365
Serbia, Republic of	February 23, 2015	February 22, 2018	935,400	935,400	11,675
		Total	**1,613,420**	**1,505,320**	**192,040**

Extended Arrangements (EFF)

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance	IMF Credit Outstanding Under GRA
Albania	February 28, 2014	February 27, 2017	295,420	172,340	125,921
Armenia, Republic of	March 07, 2014	May 06, 2017	82,210	46,990	159,870
Cyprus	May 15, 2013	May 14, 2016	891,000	198,000	693,000
Greece	March 15, 2012	March 14, 2016	23,785,300	13,560,800	12,717,613
Jamaica	May 01, 2013	April 30, 2017	615,380	141,610	477,758
Pakistan	September 04, 2013	September 03, 2016	4,393,000	793,000	3,600,000
Seychelles	June 04, 2014	June 03, 2017	11,445	4,905	30,593
Ukraine	March 11, 2015	March 10, 2019	12,348,000	7,619,900	7,700,770
		Total	**42,421,755**	**22,537,545**	**25,505,524**

Flexible Credit Line (FCL)

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance	IMF Credit Outstanding Under GRA
Colombia	June 17, 2015	June 16, 2017	3,870,000	3,870,000	0
Mexico	November 26, 2014	November 25, 2016	47,292,000	47,292,000	0
Poland, Republic of	January 14, 2015	January 13, 2017	15,500,000	15,500,000	0
		Total	**66,662,000**	**66,662,000**	**0**

Precautionary and Liquidity Line (PLL) [1/]

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance	IMF Credit Outstanding Under GRA
Morocco	July 28, 2014	July 27, 2016	3,235,100	3,235,100	0
		Total	**3,235,100**	**3,235,100**	**0**

Poverty Reduction and Growth Trust (PRGT)

Extended Credit Facility (ECF) 2/

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance	IMF Credit Outstanding Under PRGFT
Burkina Faso	December 27, 2013	December 26, 2016	51,170	23,040	146,610
Burundi	January 27, 2012	March 31, 2016	40,000	10,000	83,180
Chad	August 01, 2014	July 31, 2017	106,560	52,630	45,437
Ghana	April 03, 2015	April 02, 2018	664,200	498,150	542,370
Grenada	June 26, 2014	June 25, 2017	14,040	6,000	21,152
Guinea	February 24, 2012	March 31, 2016	173,655	36,720	142,795
Guinea-Bissau	July 10, 2015	July 09, 2018	17,040	14,200	13,632
Haiti	May 18, 2015	May 17, 2018	49,140	42,120	47,970
Kyrgyz Republic	April 08, 2015	April 07, 2018	66,600	47,572	135,818
Liberia	November 19, 2012	February 18, 2016	83,980	14,770	115,708
Malawi	July 23, 2012	May 22, 2016	104,100	39,020	117,401
Mali	December 18, 2013	December 17, 2016	30,000	8,000	95,364
Niger	March 16, 2012	December 31, 2016	120,085	24,680	107,766
Sao Tome & Principe	July 13, 2015	July 12, 2018	4,440	3,806	3,139
Sierra Leone	October 21, 2013	October 20, 2016	186,660	48,880	182,645
Solomon Islands	December 07, 2012	March 31, 2016	1,040	297	10,103
Yemen, Republic of	September 02, 2014	September 01, 2017	365,250	316,500	144,415
		Total	**2,077,960**	**1,186,385**	**1,955,506**

Standby Credit Facility (SCF)

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance	IMF Credit Outstanding Under PRGFT
Honduras	December 03, 2014	December 02, 2016	51,800	51,800	1,017
Kenya	February 02, 2015	February 01, 2016	135,700	135,700	609,760
Mozambique	December 18, 2015	June 17, 2017	204,480	119,280	178,802
		Total	**391,980**	**306,780**	**789,579**

IX. STAFF OF THE OFFICE OF THE NORDIC BALTIC CONSTITUENCY

The Office of the Nordic Baltic Constituency presents the views of our member countries in the IMF's Executive Board in close coordination with our authorities in the eight capitals. The Office also regularly meets with representatives from the member countries' administrations or private delegations. All the positions in the office rotate between the eight member countries according to an agreed schedule and all countries are represented at all times.

As of December 2015, our staff included:

Audun Groenn	Executive Director, Norway
Thomas Ostros	Alternate Executive Director, Sweden
Anne Brolev Marcussen	Senior Advisor, Denmark
Rimtautas Bartkus	Senior Advisor, Lithuania
Eve Anni	Advisor, Estonia
Paavo Miettinen	Advisor, Finland
Ragnheidur Jonsdottir	Advisor, Iceland
Agnija Jekabsone	Advisor, Latvia
Maria P. Marin	Administrative Assistant
Tammy Timko	Administrative Assistant

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