IMPLEMENTATION OF CERTAIN LEGISLATIVE PROVISIONS RELATING TO THE INTERNATIONAL MONETARY FUND

A Report to Congress

in accordance with

Section 1705(a) of the International Financial Institutions Act, as amended

United States Department of the Treasury
January 2025

Introduction

This report is submitted by the Department of the Treasury in accordance with legislation that requires Treasury to report annually to Congress on the status of reform efforts and policy implementation undertaken by the International Monetary Fund (IMF).

<u>IMF Policies Reform Report</u>: Section 1705(a) of the International Financial Institutions Act, as amended (IFI Act), 22 U.S.C. § 262r-4(a), requires the Secretary of the Treasury to submit a report on the progress made by (1) the U.S. Executive Director in influencing the IMF to adopt various policies and reforms as described in section 1503 of the IFI Act, 22 U.S.C. § 262o-2, and (2) the IMF in adopting and implementing the policies described in Section 801(c)(1)(B) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2001, Pub. L. 106-429.

Treasury supports effective implementation of IMF country programs and promotes sound policy decisions within the IMF. To achieve these goals, Treasury works with the Office of the U.S. Executive Director (OUSED) at the IMF in vigorously seeking to build support for these policies in the IMF's Executive Board and with IMF management. Treasury and OUSED discuss these policies with IMF management and staff and with other Board members. Additionally, OUSED advances these reform policies in statements and votes on programs and policies in the IMF Executive Board. Our Governor at the IMF also represents Treasury's views by voting on IMF governance matters and major policy issues.

In addition, Treasury's Office of International Monetary Policy and OUSED communicate with other Treasury offices and U.S. Government agencies, as appropriate, to increase awareness about legislative mandates affecting U.S. participation in the IMF and identify opportunities to influence IMF decisions in line with broader U.S. international economic policy objectives.

<u>Progress of OUSED in Promoting Policies at the IMF Described in Section 1503</u>

While Treasury and OUSED continue to advance all of the policies described in Section 1503, this report specifically highlights new developments in relevant policy areas since October 1, 2023.

SEC. 1503(a)(1) Vigorously promote policies to increase the effectiveness of the International Monetary Fund in structuring programs and assistance so as to promote policies and actions that will contribute to exchange rate stability and avoid competitive devaluations that will further destabilize the international financial and trading systems.

During the period of this report, Treasury and OUSED continued to promote the IMF's rigorous analysis of exchange rates and global imbalances. The IMF's External Sector Report (ESR), the External Balance Assessment (EBA) methodology, and individual country assessments are key to the IMF's execution of its core mandate of the consistent and comprehensive surveillance of exchange rates and global imbalances. Treasury and OUSED broadly supported the IMF's findings and policy advice outlined in the 2024 ESR. We appreciated IMF staff's continued efforts to cover each ESR country with a comprehensive assessment and encouraged IMF staff to continue with this timely annual exercise. In its Board statement, OUSED welcomed staff policy prescriptions emphasizing fiscal consolidation and structural reforms for those countries with excessive fiscal and external deficits to improve debt sustainability. At the same time, we pushed IMF staff on their assessment of a narrowing of external imbalances over the medium term given that it is premised on surplus countries such as China taking action to improve domestic consumption including resolving its prolonged property sector crisis. With respect to China, we also urged the ESR to continue to examine the global impact of Chinese policies that result in the buildup of excess capacity with negative spillover consequences to the global economy. OUSED also commended IMF staff for incorporating the IMF's capital flow and exchange rate modeling framework (the Institutional Policy Framework) into the ESR and emphasized the importance of continued consistency in policy advice across workstreams.

Treasury and OUSED also promoted exchange rate regimes consistent with economic fundamentals to avoid external imbalances. We also emphasized the role of greater exchange rate flexibility as a shock absorber in reviews of members' surveillance reports and program requests and reviews.

- During China's July 2024 Article IV consultations, OUSED pressed IMF staff for more robust analysis on shifts in China's exchange rate regime, particularly regarding the People's Bank of China's overt management of the exchange rate during periods of elevated depreciation in 2023, with the central bank consistently setting the daily fix at a level substantially stronger than market forecasts of the following day's fix.
- In the December 2024 review of Honduras' ongoing Extended Fund Facility (EFF) and Extended Credit Facility (ECF) blended program, OUSED emphasized the importance of moving forward with the diagnostic of the central bank's foreign exchange allocation system to reduce foreign exchange restrictions.
- In Indonesia's July 2024 Financial Stability Assessment Program (FSAP), OUSED called for foreign exchange intervention (FXI) to be used only in limited circumstances and for the authorities to publish their FXI data.
- During Singapore's July 2024 Article IV consultations, OUSED stressed that Singapore's persistently large external imbalances call for a less conservative fiscal posture, continued adjustment in the real exchange rate, and a strengthening of the social safety net.
- During Vietnam's August 2024 Article IV consultations, OUSED underscored the need for the Vietnamese authorities to modernize their monetary policy framework to deepen FX markets, increase exchange rate flexibility, and reduce underlying financial frictions to help maximize the central bank's ability to weather shocks.

SEC. 1503(a)(2) Vigorously promote policies to increase the effectiveness of the International Monetary Fund in promoting market-oriented reform, trade liberalization, economic growth, democratic governance, and social stability through:

(A) establishing an independent monetary authority, with full power to conduct monetary policy, that provides for a noninflationary domestic currency that is fully convertible in foreign exchange markets;

(B) opening domestic markets to fair and open internal competition among domestic enterprises by eliminating inappropriate favoritism for small or large businesses, eliminating elite monopolies, creating and effectively implementing antitrust and

antimonopoly laws to protect free competition, and establishing fair and accessible legal procedures for dispute settlement among domestic enterprises;

(C) privatizing industry in a fair and equitable manner that provides economic opportunities to a broad spectrum of the population, eliminating government and elite monopolies, closing loss-making enterprises, and reducing government control over the factors of production;

(D) economic deregulation by eliminating inefficient and overly burdensome regulations and strengthening the legal framework supporting private contract and intellectual property rights;

(E) establishing or strengthening key elements of a social safety net to cushion the effects on workers of unemployment and dislocation; and

(F) encouraging the opening of markets for agricultural commodities and products by requiring recipient countries to make efforts to reduce trade barriers.

As a result of ongoing OUSED engagement with IMF staff, IMF financing programs promote market-oriented reforms and help countries implement reforms that support economic growth and strengthen public financial management, debt transparency, governance, targeted social spending, and financial stability. The following exemplify how such programs boost market-oriented reforms in borrower economies.

- Under Jordan's January 2024 EFF, the authorities adopted and amended laws to clarify tax requirements for investors, increase competition, and seek to adopt additional measures aimed at attracting investment and improving the business environment.
- Liberia's September 2024 ECF program is designed to restore the country's macroeconomic stability, strengthen central bank independence and governance transparency, and provide a solid foundation for creating jobs and tackling poverty.
- Sierra Leone's October 2024 ECF program aims, *inter alia*, to support inclusive growth with targeted social spending and to confront corruption by pressing the authorities to publish the IMF's Governance and Corruption Diagnostic report to help guide the authorities' reform efforts in strengthening governance and rule of law.

SEC. 1503(a)(3) Vigorously promote policies to increase the effectiveness of the International Monetary Fund, in concert with appropriate international authorities and other international financial institutions (as defined in section 1701(c)(2)), in strengthening financial systems in developing countries, and encouraging the adoption of sound banking principles and practices, including the development of laws and regulations that will help to ensure that domestic financial institutions meet strong standards regarding capital reserves, regulatory oversight, and transparency.

Treasury and OUSED encourage strengthening financial systems through a consistent focus on promoting independent monetary authorities, flexible exchange rates, and well-provisioned banking sectors during Article IV surveillance, FSAPs, and program reviews.

FSAPs are a comprehensive financial sector assessment that the IMF periodically conducts for its members, usually in concert with Article IV consultations. FSAP engagement plays an important role in strengthening financial systems in both developing and advanced economies. At the IMF Executive Board, financial sector discussions included:

- Belgium's FSAP in December 2023, where OUSED cautioned the authorities to closely monitor housing market risks and other potential impacts of interest rate movements, given the increase in household debt and mortgage lending increased vulnerabilities to the banking sector.
- Japan's FSAP in based May 2024, where OUSED encouraged IMF staff to promote further financial sector supervision, macroprudential policy coordination, and the crisis management framework, while encouraging the authorities to closely monitor potential vulnerabilities in the real estate sector.
- Luxembourg's FSAP in May 2024, where OUSED called for increased vigilance in monitoring risk in the real estate market to prevent potential spillovers into the construction and banking sectors.
- Kazakhstan's FSAP in January 2024, where OUSED called for stronger central bank independence to boost monetary policy effectiveness and credibility, as well as tighter monetary policy to bring inflation back to target.
- Saudi Arabia's FSAP in September 2024, where OUSED encouraged IMF staff to urge Saudi authorities to finalize the country's deposit insurance program and emphasized the need to maintain coordination with foreign jurisdictions that interact with the Saudi financial sector.
- Spain's FSAP in June 2024, where OUSED pressed for stronger financial system supervision and oversight to support continued resilience in the sector.

SEC. 1503(a)(4) Vigorously promote policies to increase the effectiveness of the International Monetary Fund, in concert with appropriate international authorities and other international financial institutions (as defined in section 1701(c)(2)), in facilitating the development and implementation of internationally acceptable domestic bankruptcy laws and regulations in developing countries, including the provision of technical assistance as appropriate.

Treasury and OUSED continue to encourage the development and implementation of internationally acceptable domestic bankruptcy laws and regulations, as demonstrated in the following:

- In Liberia's September 2024 ECF program, OUSED asked IMF staff to provide technical assistance, as needed and requested, to help the authorities develop a bank resolution framework and shift to risk-based supervision of the banking sector.
- In Kazakhstan's Article IV consultation in November 2024, OUSED emphasized IMF staff's recommendation for the Kazakh authorities to introduce a fully-fledged bank resolution framework clearly defining interagency responsibilities and coordination.
- In Spain's FSAP in June 2024, OUSED welcomed the implementation of the country's new insolvency law to improve the recovery of viable businesses by enabling the involvement of public creditors in all pre-insolvency processes.

SEC. 1503(a)(5) Vigorously promote policies that aim at appropriate burden-sharing by the private sector so that investors and creditors bear more fully the consequences of their decisions, and accordingly advocate policies which include—

- **(A) strengthening crisis prevention and early warning signals through improved and more effective surveillance of the national economic policies and financial market development of countries (including monitoring of the structure and volume of capital flows to identify problematic imbalances in the inflow of short- and medium-term investment capital, potentially destabilizing inflows of offshore lending and foreign investment, or problems with the maturity profiles of capital to provide warnings of imminent economic instability), and fuller disclosure of such information to market participants;**
- **(B) accelerating work on strengthening financial systems in emerging market economies so as to reduce the risk of financial crises;**
- **(C) consideration of provisions in debt contracts that would foster dialogue and consultation between a sovereign debtor and its private creditors, and among those creditors;**
- **(D) consideration of extending the scope of the International Monetary Fund's policy on lending to members in arrears and of other policies so as to foster the dialogue and consultation referred to in subparagraph (C);**
- **(E) intensified consideration of mechanisms to facilitate orderly workout mechanisms for countries experiencing debt or liquidity crises;**
- **(F) consideration of establishing ad hoc or formal linkages between the provision of official financing to countries experiencing a financial crisis and the willingness of market participants to meaningfully participate in any stabilization effort led by the International Monetary Fund;**
- **(G) using the International Monetary Fund to facilitate discussions between debtors and private creditors to help ensure that financial difficulties are resolved without inappropriate resort to public resources; and**
- **(H) the International Monetary Fund accompanying the provision of funding to countries experiencing a financial crisis resulting from imprudent borrowing with efforts to achieve a significant contribution by the private creditors, investors, and banks which had extended such credits.**

Treasury and OUSED press for equal burden sharing and timely and orderly debt restructurings, particularly for those countries that require debt treatments in order to secure IMF lending. While the IMF does not play a direct role in a member's debt restructuring, the IMF has helped to improve the process and practice of debt restructuring through reforms to its Lending into Official Arrears (LIOA) framework enacted in April 2024, adding further clarification and flexibility to expedite lending to countries seeking debt restructuring. These LIOA reforms can facilitate comparable debt treatments with private creditors by speeding up the restructuring process with official bilateral creditors. The new LIOA reforms will help expedite IMF lending to such countries while adding additional – in some cases enhanced – safeguards and more robust financing assurances from bilateral creditors, among other improvements.

The Global Sovereign Debt Roundtable (GSDR), led by the IMF and World Bank, has helped facilitate more efficient debt restructurings with private creditors on a comparable basis with official bilateral creditors. The GSDR has achieved significant progress on this by bringing together debtors and creditors from both the official and private sectors to discuss ways to address the key barriers impeding progress in debt restructurings. GSDR discussions have built consensus on several notable issues, including on information sharing between official and private creditors in the restructuring process. The IMF and World Bank published guidance in June 2023 that clarifies their process for sharing information about their debt sustainability analyses with official bilateral and private creditors in the context of debt restructurings.

We continue to engage with the IMF to develop market-based, contractual enhancements that promote constructive creditor participation in debt restructuring processes by discouraging holdout and other disruptive creditor behavior. We will continue to promote this work through resolute engagement with the IMF Board, staff, and in the G20 going forward.

SEC. 1503(a)(6) Vigorously promote policies that would make the International Monetary Fund a more effective mechanism, in concert with appropriate international authorities and other international financial institutions (as defined in section 1701(c)(2)), for promoting good governance principles within recipient countries by fostering structural reforms, including procurement reform, that reduce opportunities for corruption and bribery, and drug-related money laundering.

Treasury and OUSED consider governance and corruption issues as macro-critical for many countries and continue to urge the IMF's prioritization of these issues given their direct linkage to economic stability and growth. Additionally, Treasury and OUSED continue to press the IMF to strengthen engagement on governance in programs, surveillance, and diagnostics. The use of the IMF's Governance Diagnostic Assessments is an important tool in the context of programs with governance or corruption concerns. As part of Sri Lanka's EFF program, the IMF embedded numerous conditionality benchmarks on governance and anti-corruption derived directly from the IMF's Governance Diagnostic Assessment. The inclusion of these benchmarks generated popular buy-in for the IMF program, which can often face public backlash. Kenya and Pakistan were among several countries to request Governance Diagnostic Assessments in 2024 to complement their IMF programs.

Treasury and OUSED engage IMF staff and other constituencies at the IMF Board to promote good governance principles within countries receiving IMF financing, including in the following examples:

- In Armenia's fourth review under its SBA in December 2024, OUSED noted good progress on structural benchmarks aimed at improving governance and transparency in the Central Bank and encouraged the adoption of a SOE ownership policy and reforms to public procurement processes to improve governance.
- In Paraguay's fourth review of its PCI and second RSF review in December 2024, OUSED called on the government to redouble efforts to meet governance reform targets in its program on a timely basis, including delayed macro-critical reforms on finalizing and publishing the update of the National Risk Assessment. OUSED welcomed the

completion of a governance-related reform modifying a Law on Private Public Partnerships.
- During Zambia's fourth review of its ECF in December 2024, OUSED expressed deep concerns about backsliding on transparency, governance, and accountability.

SEC. 1503(a)(7) Vigorously promote the design of International Monetary Fund programs and assistance so that governments that draw on the International Monetary Fund channel public funds away from unproductive purposes, including large ''show case'' projects and excessive military spending, and toward investment in human and physical capital as well as social programs to protect the neediest and promote social equity.

Treasury and OUSED have pressed for IMF programs and assistance geared toward productive investments in human and physical capital to protect the most vulnerable and promote economic growth.

- One of the stated objectives in Liberia's September 2024 ECF program is to enhance the quality of public spending to tackle poverty and create significant fiscal space for increased investment in critical areas such as health, education, and infrastructure, including covering the wage bills of teachers and health sector workers.

- Under Madagascar's July 2024 ECF program, Treasury and OUSED vigorously pressed the IMF on the need for the authorities to overhaul the state-owned utility company JIRAMA to contain fiscal costs and risks and improve public financial management to enable stronger support for social safety nets.

- Pakistan's September 2024 EFF program's reform agenda focuses on improving the viability of the energy sector and SOEs through enhanced competition, restructuring and privatization, and improved provisioning of public services, while strengthening social safety nets, including the Benazir Income Support Program, and safeguarding fiscal space for further spending on health and education.

- Sierra Leone's October 2024 ECF program aims to help the government raise spending on social protection to tackle high levels of food insecurity by expanding its school meals program. Under the program the authorities also seek to continue implementing their National Development Plan on range of measures in support of gender equality such as the inclusion of gender in public financial management as well as stronger initiatives to keep girls in schools and reduce gender-based violence.

More broadly, Treasury and OUSED have worked with IMF staff to update the Fund's Poverty Reduction and Growth Trust (PRGT) lending terms by introducing tiered interest rates to recognize the increasing economic heterogeneity of low-income countries (LICs) and re-allocate scarce concessional resources toward the poorest LICs. This would allow for PRGT lending at zero interest rates for the poorest LICs while converting to graduated, less-concessional loans for countries with stronger economies.

SEC. 1503(a)(9) Structure International Monetary Fund programs and assistance so that the maintenance and improvement of core labor standards are routinely incorporated as an integral goal in the policy dialogue with recipient countries, so that:

(A) recipient governments commit to affording workers the right to exercise internationally recognized core worker rights, including the right of free association and collective bargaining through unions of their own choosing;

(B) measures designed to facilitate labor market flexibility are consistent with such core worker rights; and

(C) the staff of the International Monetary Fund surveys the labor market policies and practices of recipient countries and recommends policy initiatives that will help to ensure the maintenance or improvement of core labor standards.

With respect to Jordan's January 2024 EFF, OUSED encouraged staff to design the program to help the authorities accelerate structural reforms to improve labor market flexibility, lower youth unemployment, and increase women's formal participation in the labor market, including harmonizing pay for male and female workers and improving access to child-care.

SEC. 1503(a)(10) Vigorously promote International Monetary Fund programs and assistance that are structured to the maximum extent feasible to discourage practices which may promote ethnic or social strife in a recipient country.

Treasury and OUSED have pressed for IMF programs and assistance to be designed in such a way to mitigate the likelihood that they would promote ethnic or social strife. For example, Treasury and OUSED supported the increase in the cumulative access limit for low-income countries under the Rapid Credit Facility (RCF), which will provide vulnerable countries with the necessary support to prevent internal conflict and social strife caused by food insecurity. Treasury and OUSED continue to advocate for social protection policies and social spending floors to protect the most vulnerable and help to mitigate social upheaval.

- In Uganda's September 2024 ECF Review, OUSED's Board statement expressed concern that the country's Anti-Homosexuality Act would affect foreign exchange market sentiment on Uganda's currency as well as ability to attract external financing. OUSED also expressed concerns at the Board around the impact on the business environments in Ghana and Iraq given similar legislation proposed in those countries.
- In Armenia's December 2024 Article IV consultation and Stand-By Agreement (SBA) review, OUSED supported social assistance and spending to help refugee populations through cash transfers and accommodation allowances.
- In Argentina's June 2024 EFF review, OUSED supported the authorities' efforts to prioritize and strengthen social assistance to alleviate the impact from rapid fiscal consolidation on vulnerable populations.

SEC. 1503(a)(11) Vigorously promote recognition by the International Monetary Fund that macroeconomic developments and policies can affect and be affected by environmental conditions and policies, and urge the International Monetary Fund to encourage member countries to pursue macroeconomic stability while promoting environmental protection.

Treasury and OUSED are engaged with IMF staff and other Executive Directors at the IMF Executive Board in continued efforts to strengthen the Resilience and Sustainability Trust (RST). Treasury and OUSED are constantly evaluating the RST for their macro-criticality and alignment with the mandate of the IMF. The RST requires ambitious fiscal, financial, and structural reforms to support balance of payments stability and catalyze additional public and private financing. Yet, it also helps members build external resilience to long-term structural challenges related to climate change, energy security, and pandemic preparedness.

- Bangladesh remains one of the most vulnerable countries to the effects of climate change. During the country's second RSF review in June 2024, OUSED welcomed efforts to prepare for the green transition, mobilize climate finance, and incorporate climate considerations and risks in alignment with its macroeconomic policy planning.
- During Cote d'Ivoire's RSF in March 2024, OUSED strongly supported reform measures aimed at increasing climate resilience and reducing emissions by integrating climate into public financial management while asking staff to consider additional reform measures to help boost cocoa production, a macro-critical sector to the country's economy (e.g., exports and jobs) that remains vulnerable to climate change.
- In Kosovo's third RSF review in December 2024, OUSED welcomed the authorities' progress toward increasing the contribution of renewables in the energy mix in the context of the upcoming implementation of the EU carbon border adjustment mechanism and encouraged them to make further progress by replacing coal with renewable energy generation, which they demonstrated by completing a reform measure to launch the first wind power auction in December 2024.
- In Paraguay's RSF in December 2023, OUSED strongly supported reform measures aimed at improving the frameworks around public and private financing of climate-related investments, particularly in the energy sector given the critical role electricity exports play in Paraguay's balance of payments stability.
- In Seychelles' third RSF review in December 2024, OUSED welcomed the government's adoption of a climate finance strategy while expressing concern over the weakening and delayed implementation and publication of reform measures, leading to less ambitious targets and decreased government accountability.

SEC. 1503(a)(12) Facilitate greater International Monetary Fund transparency, including by enhancing accessibility of the International Monetary Fund and its staff, fostering a more open release policy toward working papers, past evaluations, and other International Monetary Fund documents, seeking to publish all Letters of Intent to the International Monetary Fund and Policy Framework Papers, and establishing a more open release policy regarding Article IV consultations.

Treasury and OUSED affirm that transparency by the IMF and member countries is necessary for sound economic decision-making and critical to informing the public of the activities of the Fund, maintaining public trust in the work of the Fund, and safeguarding staff's independence and candor. We support timely publication of press releases, policy advice reports, and IMF loan documents as well as efforts to improve the dispute and modification processes. While the publication of IMF documents by member countries is voluntary, our engagement has proven critical in making publication a norm among members. In recent years, approximately 98 percent of all Board documents are now published. We continue to encourage the publication of 100 percent of such reports for all countries and to advocate for faster publication rates for country reports, one-third of which were delayed by two weeks or longer. Treasury and OUSED supported staff's proposals to promote faster communication and publication of staff reports and press releases as described in the 2024 Transparency Policy Review. Part of maintaining the IMF's role as a trusted advisor requires accurately conveying the authorities' views and allowing some modifications and deletions for accuracy, market sensitivity, and confidentiality. As part of the 2024 review, staff will allow more visibility to the authorities' views on specific issues or policy recommendations. Updated guidance to clearly explain the policy for modifications to the authorities will build trust in the process. These improvements and those to the IMF's Open Archives Policy will promote better accessibility of IMF documents, policy papers, and press releases to the public.

SEC. 1503(a)(15) Work with the International Monetary Fund to—

- **(A) foster strong global anti-money laundering (AML) and combat the financing of terrorism (CFT) regimes;**
- **(B) ensure that country performance under the Financial Action Task Force anti-money laundering and counterterrorist financing standards is effectively and comprehensively monitored;**
- **(C) ensure note is taken of AML and CFT issues in Article IV reports, International Monetary Fund programs, and other regular reviews of country progress;**
- **(D) ensure that effective AML and CFT regimes are considered to be indispensable elements of sound financial systems; and**
- **(E) emphasize the importance of sound AML and CFT regimes to global growth and development.**

Treasury and OUSED engage IMF staff and other members at the IMF Board around the importance of strengthening anti-money laundering and combating the financing of terrorism (AML/CFT) policies. In the IMF's 2023 AML/CFT Strategy Review, Treasury and OUSED welcomed the Fund's strategy of transitioning to deliver two mutual evaluations for future Financial Action Task Force (FATF) reviews per year starting 2028 to help ensure robust IMF participation in the next round of FATF evaluations. Treasury and OUSED regularly encourage the IMF to allocate internal funding to AML/CFT work, while maintaining a flat real budget.

Treasury and OUSED also provide input on AML/CFT issues in formal statements to the Board on Article IV and country program reviews. Treasury and OUSED consistently promotes country engagement with the FATF to make sure that country authorities adopt reforms as needed. For example, at the Board review of:

- Cote d'Ivoire's third ECF review in December 2024, OUSED noted the country's recent addition to FATF's grey list as a reflection of the authorities' weak implementation of the national AML/CFT strategy and urged for stronger effort in their FATF Action Plan implementation to put the country on a path towards enhancing their systemic framework and exiting the grey list as soon as possible.
- Mexico's 2024 Article IV report, OUSED encouraged the authorities to take concrete steps toward developing a beneficial ownership registry in line with regional and

international FATF standards as well as strengthen the supervision of financial and non-financial institutions vulnerable to organized crime.
- Türkiye's 2024 Article IV report, OUSED commended the authorities' legal and regulatory reforms to address shortcomings regarding politically exposed persons as well as amendments to the AML/CFT law to address virtual asset service providers. After comprehensive implementation of an action plan, the FATF removed Türkiye from its grey list.
- Sierra Leone's 2024 Article IV report and ECF program, OUSED emphasized the importance of enforcing sanctions against banks for failures implementing the U.N Security Council Resolutions related to terrorism and terrorism financing.
- Jamaica's third Precautionary and Liquidity Line (PLL) review in August 2024, OUSED welcome the authorities' implementation of their AML/CFT action plan to address vulnerabilities identified in the 2017 Mutual Evaluation Report which included amendments on beneficial ownership and the risk-based supervision framework. The measures taken under the action plan helped to align Jamaica's AML/CFT framework with FATF standards and resulted in its removal from the grey list.

Progress of the IMF in Implementing Policies Described in Section 801(c)(1)(B) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act

While Treasury and the OUSED continue to advance the range of policies described in Section 801(c)(1)(B), this report specifically highlights new developments in relevant policy areas since October 1, 2023.

Implementation by the Fund of certain policies. The Fund is implementing:

(i) policies providing for the suspension of a financing if funds are being diverted for purposes other than the purpose for which the financing was intended;

Treasury and OUSED engage with the IMF to exercise oversight of funds disbursed via programs to verify that the financing is achieving its intended purpose. For example, Treasury and OUSED have pushed to increase transparency in cases where countries have accessed funding through the IMF's emergency lending programs, the Rapid Credit Facility or Rapid Financing Instrument, including through implementing audits. Treasury and OUSED have also asked the IMF to adopt fiscal safeguards to protect IMF resources in the context of lending to fragile and conflict-affected states with weak governance institutions. For example, during the request for the Central African Republic's ECF, OUSED supported the incorporation of safeguards into the design of the ECF to make sure that Fund resources are used in line with their intended purpose. These safeguards include the establishment of an escrow account and coordination with the World Bank on additional guardrails.

(ii) policies seeking to ensure that financing by the Fund normally serves as a catalyst for private sector financing and does not displace such financing;

Treasury and OUSED advocate for policies that will encourage IMF financing to be a catalyst, not replacement, for private sector financing. Lending through the General Resources Account

(GRA), which is the non-concessional arm of the IMF, requires that countries address the underlying balance-of-payments issue during the program, which facilitates private sector financing upon completion. Additionally, the Exceptional Access framework requires that countries that are large IMF borrowers of GRA resources are subject to additional analysis that they can regain market access in a timeframe and on a scale that will enable the country to meet its obligations falling due to the IMF. The Roundtable(s) on Catalyzing Climate Finance, convened through the RSF, bring together private financiers, the IMF, and country authorities to discuss reforms to enhance private investment in the climate sector.

(iii) policies requiring that financing must be disbursed-- (I) on the basis of specific prior reforms; or (II) incrementally upon implementation of specific reforms after initial disbursement;

For countries accessing IMF funding through Upper Credit Tranche (UCT) programs, IMF staff have continued to measure country progress against agreed-upon quantitative criteria and structural benchmarks. Treasury and OUSED have strongly supported disbursement of funds under UCT programs only when borrowers demonstrate meaningful progress toward achieving agreed-upon criteria and benchmarks, consistent with program objectives.

(iv) policies vigorously promoting open markets and liberalization of trade in goods and services;

IMF programs include conditionality that reduce restrictions on trade and market access, especially where these restrictions are macro-critical or contribute to balance-of-payments issues. Treasury and OUSED have focused attention on the role that regulations and dominant state-owned enterprises can play in restricting market entry and competition. Amid the ongoing challenges to global food security, the IMF has also highlighted the need to maintain open trade and avoid food export restrictions.