



IMF POLICY PAPER

REVIEW OF THE ADEQUACY OF THE FUND'S PRECAUTIONARY BALANCES

APRIL 2026

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its March 20, 2026 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on February 20, 2026 for the Executive Board's consideration on March 20, 2026.

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International Monetary Fund
Washington, D.C.



IMF Executive Board Discusses the Adequacy of the Fund's Precautionary Balances

FOR IMMEDIATE RELEASE

Washington, DC – March 20, 2026: The Executive Board of the International Monetary Fund (IMF) concluded the 2026 Review of the Adequacy of the Fund's Precautionary Balances.¹ This review took place on the standard two-year cycle, following the [2024 Review](#). An interim assessment of precautionary balances was conducted within the Review of the Fund's Income Position for FY2025 and FY2026, concluded in April 2025.

The Fund's precautionary balances—which consist of general and special reserves—are a key element of the IMF's multilayered framework for managing financial risks. Precautionary balances provide a buffer to protect the Fund against potential losses resulting from credit, income, and other financial risks. As such, they help protect the value of reserve assets represented by member countries' positions in the Fund and underpin the exchange of assets through which the Fund provides financial assistance to countries with balance of payments needs.

The review was based on the assessment framework established in 2010 and reaffirmed in 2024, which uses an indicative range for precautionary balances, linked to a forward-looking measure of total IMF non-concessional credit, to guide decisions on adjusting the medium-term target over time. It takes into account the macroeconomic environment, the characteristics of Fund lending, and other financial risks faced by the Fund. The framework also allows for judgement in setting the target based on a broad range of factors that affect the adequacy of precautionary balances.

Executive Board Assessment²

Executive Directors welcomed the review of the adequacy of the Fund's precautionary balances, following the last review in March 2024 and the interim update in April 2025 within the Review of the Fund's Income Position for FY2025 and FY2026 (2025 Update). They emphasized that maintaining an adequate level of precautionary balances remains a key element of the Fund's multilayered risk management framework to mitigate financial risks, safeguard the strength of the Fund's balance sheet, and protect the value of members' reserve positions in the Fund. Given the current heightened global uncertainty, Directors underscored the importance of continued vigilance and close monitoring of risks, as well as updating the Board as needed.

¹ This press release summarizes the views of the Executive Board as expressed during the March 20, 2026 discussion based on the paper titled "Review of the Adequacy of the Fund's Precautionary Balances."

² At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

Directors welcomed the continued increase in precautionary balances since reaching the SDR 25 billion medium-term target at the end of FY2024. They generally agreed that the overall balance of risks and risk mitigants to the Fund remain broadly unchanged, stressing that the composition of risks has evolved, with credit risks having edged up, reflecting higher exposure to and greater concentration toward the largest borrowers. Among mitigating factors, Directors observed that precautionary balances have continued to grow broadly as expected in the 2025 Update, with rising coverage of credit outstanding, total commitments, and upcoming obligations.

Directors noted that precautionary balances are expected to remain above the target, including assuming additional distributions to the Interim Placement Administered Account (IPAA) in coming years. They observed that medium-term net operational income remains strong, but subject to concentration risk, while the medium-term outlook for investment returns remains reasonably positive, notwithstanding elevated investment risks.

Directors broadly agreed that the current target of precautionary balances, together with other elements of the Fund's financial risk management framework and the IFRS 9 provisioning framework, continue to provide a robust level of financial protection for the Fund's balance sheet and creditor claims. Most Directors supported retaining the current medium-term target for precautionary balances at SDR 25 billion, while a few Directors favored raising the target. Directors generally agreed to retain the current floor for precautionary balances at SDR 20 billion, noting that it provides an important safeguard against shocks and helps ensure the Fund retains sufficient buffers.

Directors noted that the current medium-term target remains within the indicative range and above its midpoint in the most plausible lending demand scenarios, and that precautionary balances are projected to remain above the current target over the medium term under all scenarios. Directors cautioned that the Fund's income and precautionary balances projections are subject to heightened uncertainty including from financial market volatility and intensifying downside risks to global growth stemming in particular from geopolitical developments in the Middle East. They emphasized that this environment calls for continued vigilance and close monitoring of income developments and the adequacy of precautionary balances to ensure that the Fund remains financially strong. Looking ahead, while agreeing that the current rules-based adequacy framework remains broadly appropriate, a few Directors saw merit in considering further refinements to better capture evolving risks and enhance its robustness. More generally, a few Directors considered that the timely implementation of the 16th General Review of Quotas could further strengthen the Fund's resource base. Recognizing the uncertain environment, in the event that precautionary balances rise well above the target, a few Directors saw merit in considering an early review of charges and the surcharge policy in due course.

Directors supported maintaining the biennial review cycle, with an interim update, as well as earlier reviews should developments materially affect the adequacy assessment—such as significant deviations of Fund lending from staff projections or material increases in credit or other financial risks.



February 19, 2026

REVIEW OF THE ADEQUACY OF THE FUND'S PRECAUTIONARY BALANCES

EXECUTIVE SUMMARY

Precautionary balances (PBs) are a key element of the Fund's multilayered framework to mitigate financial risks. They are designed to address residual financial risks of the Fund, particularly from non-concessional lending, after applying other elements of the multilayered credit risk management framework. PBs consist of the balances in general and special reserves.

PBs have continued to grow after reaching the SDR 25 billion medium-term target at the end of FY2024. They are projected to reach SDR 26.4 billion at the end of FY2026, from SDR 25.9 billion as of the end of FY2025 (after a transfer of SDR 1.38 billion to the Interim Placement Administered Account (IPAA)). Coverage metrics strengthened further after the 2024 Review of the Adequacy of the Fund's Precautionary Balances ("2024 PB Review"), continuing the trend reported at the Review of the Fund's Income Position for FY2025 and FY2026 ("2025 Update").

This paper reviews the adequacy of the Fund's PBs on the standard two-year cycle, after the Board discussions of the 2025 Update. The assessment remains guided by the transparent and rules-based framework employed since 2010, which the Board confirmed remained fit for purpose in the 2024 PB Review. Under the framework, the Board sets a medium-term target for PBs based on a comprehensive assessment of risks facing the Fund and an indicative range of 20–30 percent for the ratio of PBs to a forward-looking credit measure, as well as a floor. The framework also envisages a role for judgment in setting the target.

The overall balance between credit and financial risks to the Fund and risk mitigators are broadly unchanged from the 2025 Update. Credit risks have increased somewhat since the 2025 Update, as the credit portfolio has become more exposed to and concentrated towards the top borrowers. This largely reflects top borrowers continuing to rely on Fund support while other borrowers repurchased their Fund credit, as expected at the time of the 2025 Update, notwithstanding improvements in other credit risk indicators. Among risk mitigating factors, PBs have continued to grow since then, also as expected in the 2025 Update, with rising coverage of credit outstanding, total commitments, and upcoming obligations. PBs are expected to be above target after distributions to the IPAA in coming years, with coverage against the largest exposures also improving. Medium-term net operational income

remains strong but is subject to concentration risk. The medium-term outlook for investment returns remains reasonably positive, though risks remain elevated.

Against this general backdrop, staff propose to retain the current medium-term indicative target for PBs at SDR 25 billion and the floor at SDR 20 billion. The PB target remains within the indicative range and above its midpoint in the most plausible lending demand scenarios, as observed in the 2025 Update. PBs would stay above the current target over the medium term under all scenarios. Credit outstanding has receded from the peak reached in early 2023 and there are no expectations of a major surge in the demand for Fund resources in the most plausible scenarios. The overall balance of credit and financial risks relative to mitigants has been broadly stable and materialized largely as expected since the 2024 PB Review and the 2025 Update. The current level of PBs, together with other elements of the financial risk management framework and the IFRS 9 provisioning framework, continue to provide a robust level of financial protection for the Fund's balance sheet and creditor claims.

Staff will continue to closely monitor the adequacy of PBs to ensure that the Fund remains financially strong in the context of large global uncertainties. Staff propose maintaining biennial review cycles, with an update in the interim years in the context of the income review at the end of the fiscal year, as well as earlier reviews should developments materially affect the adequacy assessment, such as significant deviations of Fund lending from staff projections or material increases in credit or other financial risks.

Approved By
Bernard Lauwers

Prepared by the Finance Department. The team was led by Tetsuya Konuki and Edda Zoli, and comprised Idossou Adom, Carlos Pelaez Gomez, Andrew Swiston, Kalika Likhi, Ryan Yang, Emer Fleming, Diviesh Nana, Karin Glington, Ewa Gradzka, Wenye Yang, Gael Sfeir, Carina Nachnani, Vidhya A. Rustaman, and Charles Xie, under the supervision of Joseph Thornton, Greetje Everaert, and Jane Mburu. Ceyda Oner and Jeannie Khaw provided overall guidance. Administrative coordination was provided by Marilou deGuzman and Ricardo Avila.

CONTENTS

Glossary	5
INTRODUCTION	6
PRECAUTIONARY BALANCES AND THE FRAMEWORK FOR ASSESSING RESERVE ADEQUACY	8
A. Precautionary Balances	8
B. The Rules-Based Framework	10
RECENT DEVELOPMENTS AND OUTLOOK	12
A. Credit Risks	13
B. Credit Risk Mitigating Buffers	21
C. Income Risk	22
D. Financial Risks Related to Investment	24
ASSESSMENT OF THE ADEQUACY OF PRECAUTIONARY BALANCES	25
A. Indicative Precautionary Balances Target	26
B. Adequacy Assessment	30
ENTERPRISE RISKS	32
ISSUES FOR DISCUSSION	32
BOXES	
1. Reviews of Adequacy of Precautionary Balances Since the Onset of the Global Pandemic	6
2. Typology of Fund Financial Risks and Mitigation	9

FIGURES

1. Framework to Determine the Indicative Target and the Floor for Precautionary Balances	11
2. Credit Outstanding and Commitments	13
3. Credit Outstanding by Facility and Maturity Profile	14
4. Programs Approved through PB Review Cycles	15
5. Exposure to Largest Borrowers and Prolonged Use of GRA Resources	16
6. Credit and Commitment Concentration by Region	16
7. Scheduled Repurchases	17
8. GRA Borrowers Capacity to Repay Indicators	18
9. GRA Fund Borrowers: Sovereign Spreads and Ratings	19
10. Precautionary Balances Composition, 2008–2025	21
11. Precautionary Balances Coverage	22
12. Medium-Term Projected Operational Income and Expenses: FY2025–30	24
13. Projected Indicators Under Alternative Scenarios	27

TABLES

1. The Floor and Target Agreed at Each Review, 2010–24	12
2. Credit Risk Indicators and Precautionary Balances Metrics: Current vs Previous Reviews	20

ANNEXES

I. Burden Sharing Capacity	33
II. Demand for New Programs	36

Glossary

ADB	Asian Development Bank
AfDB	African Development Bank
BIS	Bank for International Settlements
BOP	Balance of Payments
EA	Endowment Subaccount
EBRD	European Bank for Reconstruction and Development
EFF	Extended Fund Facility
FI	Fixed-Income Subaccount
FCC	Forward Commitment Capacity
FCL	Flexible Credit Line
FX	Foreign Exchange
FY	Fiscal Year
GIR	Gross International Reserves
GRA	General Resources Account
IA	Investment Account
IAS	International Accounting Standards
IDB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IFIs	International Financial Institutions
IFRS	International Financial Reporting Standards
IPAA	Interim Placement Administered Account
MYDP	Multi-Year Distribution Plan
PBs	Precautionary Balances
PFA	Post Financing Assessment
PPM	Post Program Monitoring
PLL	Precautionary and Liquidity Line
RFAs	Regional Financial Agreements
RFI	Rapid Financing Instrument
RTP	Reserve Tranche Positions
SBA	Stand-By Arrangement
SCA-1	First Special Contingent Account
SDR	Special Drawing Rights
SLL	Short-term Liquidity Line
TA	Trust Assets
UCT	Upper-Credit Tranche
WEO	World Economic Outlook

INTRODUCTION

1. Precautionary balances (PBs) are a key element of the Fund's multilayered framework to mitigate financial risks and safeguard members' resources. They stood at SDR 27.2 billion at end-December 2025 compared to SDR 25.9 billion at end-April 2025 (after a transfer of SDR 1.38 billion to the IPAA).¹

2. The current medium-term PB target of SDR 25 billion was reached at the end of Fiscal Year (FY) 2024. At the 2020 review, the Executive Board (the Board) raised the medium-term PB target from SDR 20 billion to SDR 25 billion, recognizing the significantly increased credit exposures and risks due to the unfolding COVID-19 crisis (Box 1).² Shortly after the conclusion of the 2024 Review, PBs reached SDR 25.1 billion at end-April 2024, achieving the medium-term target for the first time.

Box 1. Reviews of Adequacy of Precautionary Balances Since the Onset of the Global Pandemic

- **The 2020 Review**, originally scheduled for early 2020, was postponed to October 2020 to allow for an assessment of the impact of the unfolding COVID-19 on Fund financial risks.¹ The Executive Board (the Board) endorsed the staff proposal to raise the medium-term PB target to SDR 25 billion from SDR 20 billion and to keep the minimum floor unchanged at SDR 15 billion, noting that Fund exposure and related risks increased significantly, compounded by the COVID-19 crisis, since the last review was concluded in early 2018. The Board also agreed to an Interim review of the adequacy of PBs ahead of the regular two-yearly review.²
- **The 2021 Interim Review**, which was concluded in December 2021, left the medium-term PB target and the minimum floor unchanged. The Board also reviewed other policy factors that affect the level and accumulation of reserves, including the role of the First Special Contingent Account (SCA-1) after its full distribution in the context of Sudan's arrears clearance; IFRS 9 credit impairment provisioning policy; the income volatility created by accounting for pensions revaluations under IAS 19; and the role of surcharge policies.³
- **The 2022 Review**, which was concluded in December 2022, retained the medium-term PB target and the minimum floor. It also reviewed the role of surcharge policies in the accumulation of PBs and discussed the merit of exploring potential temporary relief options for surcharges.⁴

¹ The estimated end-December 2025 PBs include the transfer from the Fixed-Income Subaccount after estimating the Endowment Subaccount payout (pro-rated year-to-date). They exclude the impact of a possible second distribution from the GRA to the IPAA under the Multi Year Distribution Plan, which would be analyzed in the context of the Review of the Fund's Income Position for FY2026 and FY2027 in April 2026. Commencing in FY2022, PBs are adjusted to exclude the cumulative IAS 19 gains and losses from the Fund's reserves to mitigate the volatility created by the accounting treatment of pension revaluation under IAS 19 (see Box 2 - The New Approach for the Treatment of Pension-Related Revaluations in PBs, in *Review of the Adequacy of the Fund's Precautionary Balances* (SM/22/260, 11/16/22)). In April 2022, the Executive Board approved the adoption of a new framework for allocating the Fund's annual net income to reserves that isolates pension-related remeasurement gains and losses in the special reserve (see *Review of the Fund's Income Position for FY2022 and FY2023–2024* (EBS/22/26, 04/12/22)).

² See [2020 Review of the Adequacy of the Fund's Precautionary Balances](#).

Box 1. Reviews of Adequacy of Precautionary Balances Since the Onset of the Global Pandemic (concluded)

- **The 2024 Review** was concluded in March 2024, ahead of the standard two-yearly cycle due in December in view of the imminent attainment of the medium-term target. The Board agreed that the current transparent and rule-based framework adopted in 2010 for assessing the adequacy of PBs remained broadly appropriate, recognizing the important role of judgement and Board discretion in the framework. Executive Board agreed with the staff proposal to retain the medium-term target at SDR 25 billion. The Board also supported staff's proposal to raise the minimum floor from SDR 15 billion to SDR 20 billion, expecting higher and longer-lasting credit peaks with elevated commitments under precautionary arrangements, while recognizing the need to shore up an asset base for investment income generation.⁵
- **The 2025 Update** within the Review of the Fund's Income Position for FY2025 and FY2026, concluded in April 2025, provided an interim assessment of the adequacy of the PBs. The Board assessed that the outlook of PBs and credit risks were broadly in line with the projections presented at the time of the *Review of Charges and Surcharge Policy* (October 2024), maintained the medium-term PB target and the PB floor. The Board also approved the first transfer of SDR 1.38 billion from the FY2025 GRA net income to the IPAA (see ¶13).

1/ See [2020 Review of the Adequacy of the Fund's Precautionary Balances](#).

2/ Reviews of the adequacy of PBs have been on a two-year cycle since 2002 but can be brought forward by the Board if needed.

3/ See [2021 Interim Review of the Adequacy of the Fund's Precautionary Balances](#).

4/ See [2022 Review of the Adequacy of the Fund's Precautionary Balances](#).

5/ See [2024 Review of the Adequacy of the Fund's Precautionary Balances](#).

3. Reaching the medium-term PB target and the outlook for continued accumulation paved the way for significant reforms to members' borrowing costs and the use of GRA net income distributions to facilitate contributions to the Poverty Reduction and Growth Trust (PRGT). In October 2024, in concluding the *Review of Charges and the Surcharge Policy*, the Board reached a consensus on a comprehensive reform package that substantially reduced the cost of GRA borrowing principally by lowering charges and surcharges, while safeguarding the Fund's financial capacity to support countries in need against the backdrop of the medium-term PB target being reached.^{3,4} Shortly thereafter, in the context of a healthy financial outlook for the Fund, at the conclusion of the 2024 *Review of the Poverty Reduction and Growth Trust Facilities and Financing*, the Board established a distribution framework for GRA resources (net income or general reserve) to facilitate the generation of additional subsidy resources for the PRGT with a view to supporting a higher self-sustained PRGT annual lending capacity.⁵ The distribution framework consists of (i) a Multi-Year Distribution Plan (MYDP) for a maximum cumulative amount of SDR 6.9 billion from GRA

³ See [Review of Charges and the Surcharge Policy-Reform Proposals](#).

⁴ Specifically, effective on November 1, 2024, the Board approved the following reforms: (i) reduction of the margin paid over the SDR interest rate by 40 percent, to 60 basis points from 100 basis points; (ii) raising of the borrowing threshold above which surcharges apply by 60 percent, to 300 percent of quota from 187.5 percent of quota; (iii) reduction of the rate for time-based surcharges by 25 percent, to 75 basis points from 100 basis points; and (iv) alignment of the thresholds above which commitment fees apply to the overall annual and cumulative access limits under the GRA (200 and 600 percent of quota, respectively).

⁵ See [2024 Review of the Poverty Reduction and Growth Trust Facilities and Financing-Reform Proposals](#).

resources (net income or general reserve) to be achieved through annual distribution decisions by the Board of specific amounts subject to the adequacy of the financial position of the GRA; and (ii) the establishment of a new administered account, the IPAA, to temporarily hold such placements.⁶ At the subsequent *Review of the Fund's Income Position for FY2025 and FY2026* concluded in April 2025 (2025 Update), the Board assessed that the Fund's credit risks and outlook for income and PBs were broadly in line with those foreseen at the time of the *Review of Charges and the Surcharge Policy*, signaling a healthy financial position of the GRA. As a result, the Board approved a transfer of SDR 1.38 billion (20 percent of the maximum cumulative amount of such placement over FY2025–29) from the FY2025 GRA net income to the IPAA⁷.

4. This paper is organized as follows. The first section reviews the financial risks faced by the Fund, the role of PBs, and the framework that guides the assessment of reserves adequacy. The paper then takes stock of developments in PBs and credit, income, and other financial risks from the 2024 PB Review and the 2025 Update. The paper then discusses the projected pace of accumulation of PBs under existing policies and different credit demand scenarios and assesses the adequacy of the current PB medium-term target and the floor. The final section discusses the enterprise risks arising from the staff's proposals.

PRECAUTIONARY BALANCES AND THE FRAMEWORK FOR ASSESSING RESERVE ADEQUACY

*PBs address residual financial risks of the Fund, notably those arising from non-concessional lending, after applying other elements of the multilayered credit risk management framework. The adequacy of PBs is evaluated under the transparent, rules-based framework established in 2010, which the Board reaffirmed as appropriate in the 2024 Review.*⁸

A. Precautionary Balances

5. PBs are an important tool for managing the Fund's financial risks and protecting its balance sheet, thereby helping ensure that members' claims retain their reserve-asset status. The Fund faces multiple financial risks, with credit risk—arising from its unique financing role—being the most significant. Credit risk is mitigated by a multilayered framework including lending policies (e.g., conditionality, access limits and the exceptional access framework), policies on charges and maturities, safeguards assessments, the Fund's de facto preferred creditor status, the

⁶ Under the terms of the IPAA, a member's share in the principal amount should be calculated based on its quota shares after a 90 percent threshold of assurances from members for new PRGT subsidy contributions has been achieved. Until then, the principal amounts in the IPAA would be held in the name of the Fund and administered in accordance with the IPAA instrument with interest income transferred to the PRGT on a quarterly basis. Once the sufficient assurances have been received, members would be given various options on how to direct their shares of the resources in the IPAA.

⁷ See [Review of the Fund's Income Position for FY 2025 and FY 2026](#).

⁸ See *2024 Review of the Adequacy of the Fund's Precautionary Balances* (02/22/2024).

cooperative arrears management strategy and the burden sharing mechanism.⁹ The Fund also faces risks to operational income and cash flows, market risks, and risks of financial losses in operations, as well as risks related to its liquidity and adequacy of lending resources. PBs provide buffers to absorb potential losses from residual financial risks that remain after the existing mitigations (Box 2).

Box 2. Typology of Fund Financial Risks and Mitigation

Credit risk refers to any borrowing member's failure to fulfill its financial obligations to the Fund, including repurchases (repayment of the principal of the loans) and charges and surcharges (interests/fees), which would result in income losses to the Fund.^{1/} Credit risk can fluctuate widely as the Fund, under its mandate, does not target a particular level of lending or lending growth. This risk is mitigated using a multilayered risk management framework, which ensures that residual credit risks to the Fund are low.

Operational income and cashflow risk arise when the Fund's operational income and cashflows are insufficient to cover operational expenses and accumulate PBs to the target level. Broadening of non-lending income sources under the Fund's 2008 income model is helping mitigate this risk. A US\$200 million payout from the Endowment Subaccount (EA) was transferred to the GRA to meet FY2025 administrative expenses.^{2/} Risk is managed by containing operational expenses, following a prudent strategy for the Investment Account (IA), setting the margin for the basic rate of charge on Fund lending at an appropriate level, and accumulating PBs.

Financial risk related to the Fund's investment activities refers specifically to assets held in the IA, comprising the EA and Fixed-Income Subaccount (FI).^{3/} Market risk is the predominant source of risk in the investment portfolio, and is mitigated through high-level strategic risk parameters defined in the Board approved Investment Rules and Regulations (Rules), additional key risk controls (e.g., credit rating threshold by asset, issuer concentration limits), and diversification requirements.

Financial risks related to operations refer to the risk of financial losses attributable to errors or omissions in the Fund's day-to-day administration. This risk is mitigated through strong internal controls.

Adequacy and liquidity of lending resources risk is the risk that available financial resources are insufficient to cover members' financing needs and to repay the Fund's obligations as they fall due, including under Fund borrowing agreements. Mitigation is provided through regular liquidity reviews in the near-term, and quota reviews and Fund borrowing over the medium-term. In addition, the Fund retains a prudential balance of quota and borrowed resources to help manage liquidity risks and provides a buffer to support the encashability of members' reserve tranche positions and claims under borrowing.^{4/} Liquidity is monitored daily through the Forward Commitment Capacity (FCC), which measures resources available to finance new commitments over the next 12 months.

1/ This can be related to but is distinct from risks to program performance under Fund arrangements that give rise to review delays and unmet program conditionality.

2/ See *Review of the Fund's Income Position for FY 2025 and FY 2026–2027* (04/02/2025).

3/ Amounts in the FI subaccount generally correspond to the Fund's reserves that are treated as PBs.

4/ The prudential balance is currently set at 20 percent of the quotas of members participating in the financing of IMF transactions (Financial Transactions Plan members), because borrowed resources are not currently activated.

⁹ For an extensive discussion of this multilayered framework, see Annex I of the 2024 *Review of the Adequacy of the Fund's Precautionary Balances* (02/22/2024).

6. PBs currently comprise balances in the general and special reserves (adjusted to exclude the annual pension-related gains and losses included in accounting income):^{10,11}

- *Special reserve* – established as a first line of defense to absorb administrative losses. It was funded initially by the proceeds from a gold sales investment program in the 1950s, and later with net income allocations. Under the Fund's Articles, no distributions (dividends) can be made from the special reserve.
- *General reserve* – established to absorb losses of any nature, including capital, operational, and administrative losses. It has been funded through net income allocations. Reserves accumulated in the general reserve may be distributed to members, in proportion to their quota, if the Board approves such decision by a 70 percent majority of the total voting power.

The Fund's gold holdings lend strength to its balance sheet by adding credibility to the PBs framework but are not considered part of PBs. Also, they are not an alternative to PBs due to their restricted use from legal, policy, and accounting perspectives.¹²

B. The Rules-Based Framework

7. The Fund's current framework for assessing PBs was adopted in 2010 in response to the Global Financial Crisis and related increase in Fund lending.¹³ The framework was conceived as a transparent and rules-based approach that would allow for flexibly adjusting the PB target over time.

8. The 2010 framework comprises several elements (Figure 1):

- ***An indicative range for the reserve coverage ratio***, set at 20 to 30 percent of a forward-looking measure of credit outstanding.¹⁴

¹⁰ Prior to its full distribution in the context of Sudan's arrears clearance in 2021, precautionary balances also included balances in the First Special Contingent Account (SCA-1) (see 2024 Review of the Adequacy of the Fund's Precautionary Balances, Annex II).

¹¹ PBs do not include the portion of the special reserves attributed to the gold profits and invested in the endowment because, in setting up the endowment, the Board recognized that its sole purpose would be to generate income. On the asset side, the Fund's reserves treated as PBs are either invested in the Fixed Income subaccount or held in SDRs and currencies. Starting from May 2021, PBs are adjusted to exclude the cumulative gain and losses reflecting the accounting treatment of pension revaluation under IAS 19 (see footnote 1).

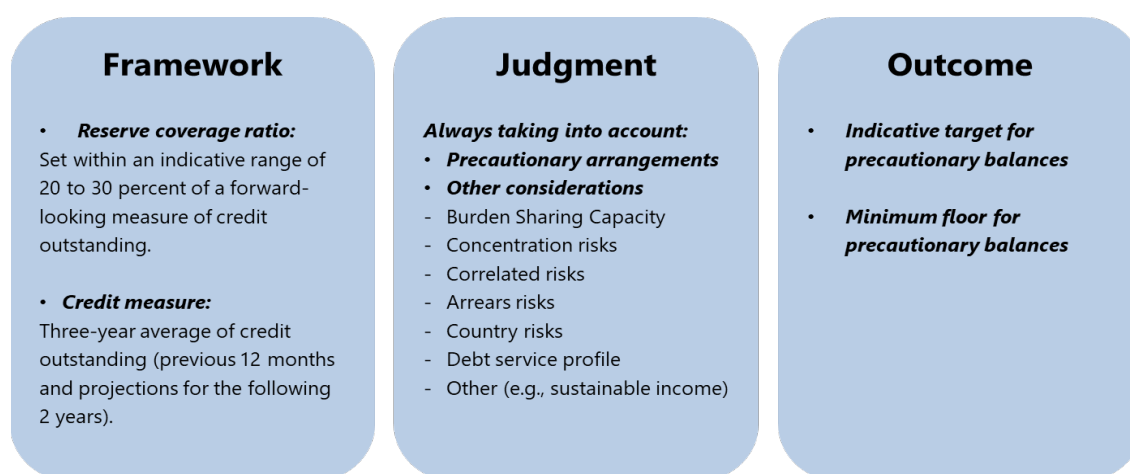
¹² See *Augmentation of Precautionary Balances through the Sale of Gold Background Note for the External Audit Committee* (FO/DIS/03/57, 06/24/2003)

¹³ See [Public Information Notice: IMF Board discusses the Adequacy of the Fund's Precautionary Balances, 2010 Review of the Adequacy of the Fund's Precautionary Balances](#).

¹⁴ This element draws on the financial risk management and capital-adequacy approaches in other IFIs, adapted to the specific circumstances of the Fund, and particularly the demand-driven nature of its lending portfolio. The framework also has elements in common with the methodologies used by rating agencies in assessing capital adequacy in supranational lending institutions (see Annex II in [2016 Review of the Adequacy of the Fund's Precautionary Balances](#)).

- **A forward-looking credit measure** to anchor the range—the three-year average of credit outstanding covering the past twelve months and projections for the next two years—which helps smooth year-to-year volatility of credit. Commitments under precautionary arrangements including Stand-by Arrangements, Flexible Credit Lines (FCLs), Precautionary and Liquidity Lines (PLLs), and Short-term Liquidity Lines (SLLs), are excluded from the credit measure used to derive the indicative range but are considered by the Board judgmentally when setting the target.
- **A floor to protect against an unexpected increase in credit risks, particularly after periods of low credit.** As it takes considerable time to rebuild PBs, the floor provides a buffer in the face of an unexpected increase in credit risks; it also helps maintain a sustainable income position under the New Income Model by ensuring an asset base for investment income generation.¹⁵ The floor is expected to be changed only occasionally.

Figure 1. Framework to Determine the Indicative Target and the Floor for Precautionary Balances



Source: IMF Finance Department.

9. The Board retains discretion in setting the target based on a comprehensive assessment of the financial risks facing the Fund. While it is generally expected that the target will be maintained within the indicative range, the Board could decide to set or maintain a target outside the range if warranted by a broader assessment of financial risks, as was the case in the 2016 and 2018 reviews. Over the years, the Board has repeatedly stressed the importance of judgment in setting the target.

¹⁵ The New Income Model, endorsed by the Board in 2008 and implemented over time, was aimed at diversifying the Fund's sources of income and reducing the institution's overreliance on income from lending activities to finance its diverse activities, particularly in the context of low Fund lending.

10. The framework applies to PBs as a whole. The Board has not adopted separate targets for the sub-components, i.e., the special and general reserves and the balances in the First Special Contingent Account (SCA-1) prior to its full distribution in June 2021. The appropriate allocation of net income between the special and general reserves is considered by the Board each year as part of the annual review of the Fund's income position.

11. At the 2024 PB Review, the Board affirmed that the current transparent and rules-based framework adopted in 2010 remains broadly appropriate. After more than a decade of global shocks and regulatory changes, and with the medium-term target within reach, the 2024 PB review reassessed the 2010 framework's robustness. The Board agreed that the framework's methodology had continuously evolved to strengthen its robustness, and that the framework had led to a strong increase in the Fund's reserves. After considering staff's review of recent developments in IFI capital adequacy practices and the Basel regulatory approach, the Board did not see a need for major adjustments. It welcomed methodological enhancements to the framework proposed by staff to allow for judgmental consideration of commitments under precautionary arrangements and the development of a model-based quantitative measurement of credit risks to inform the Board's judgement.

12. Since the introduction of the framework in 2010, the Board has increased the target for PBs three times and the floor twice (Table 1). The target was last increased to SDR 25 billion in 2020 due to the sharp rise in Fund lending in the wake of the pandemic. The floor was last increased to SDR 20 billion in 2024 to maintain an adequate minimum buffer against unanticipated deterioration in credit risks amid longer credit peaks and more volatile commitments, and to support investment income generation.

Table 1. The Floor and Target Agreed at Each Review, 2010–24
(In billions of SDRs)

Review year	Floor	Target
Before 2010 review	-	10
2010	10	15
2012	10	20
2014	10	20
2016	15	20
2018	15	20
2020	15	25
2021	15	25
2022	15	25
2024	20	25

Source: IMF Finance Department.

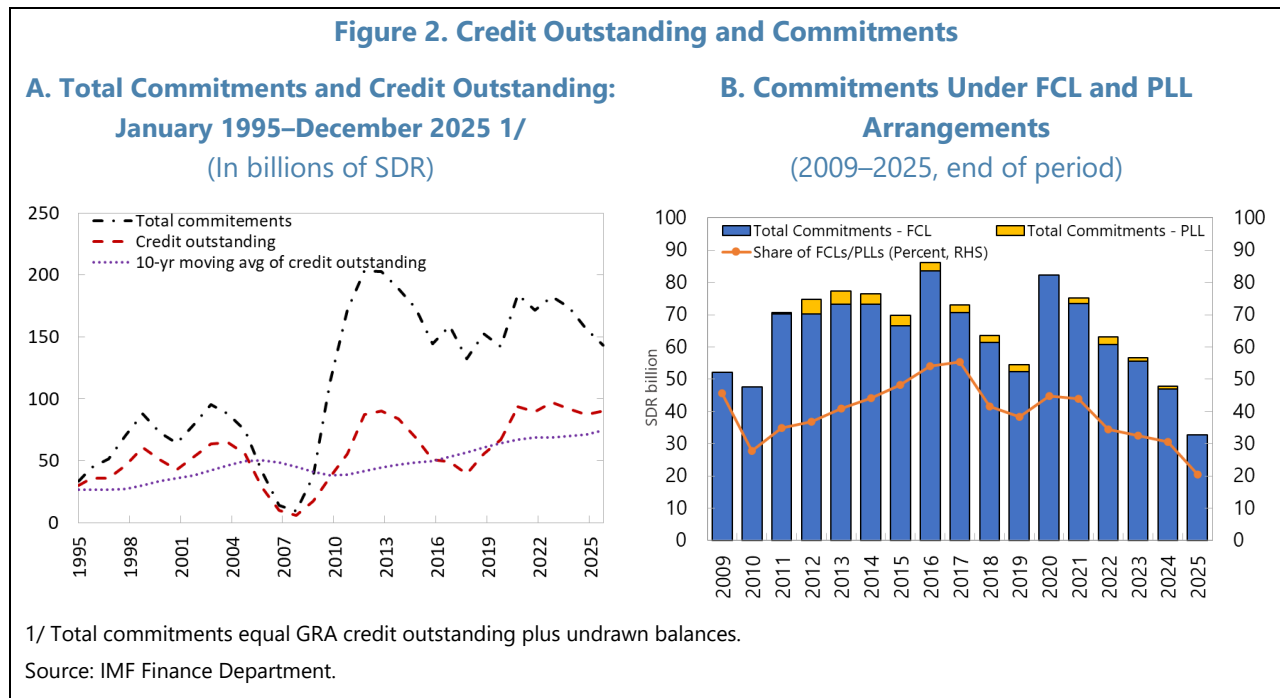
RECENT DEVELOPMENTS AND OUTLOOK

The overall balance of credit and other financial risks to the Fund and associated risk mitigants remains broadly unchanged from the 2025 Update. Credit risk indicators improved significantly between the 2024 PB Review and the 2025 Update but have worsened somewhat since then, as the credit portfolio has become increasingly exposed and concentrated to the five largest borrowers. This largely reflects their continued reliance on Fund support, while other borrowers have been repurchasing their Fund credit, as anticipated at the time of the 2025 Update. Top borrowers' capacity-to-repay (CtR) indicators remain weaker than those of other GRA borrowers, though they are expected

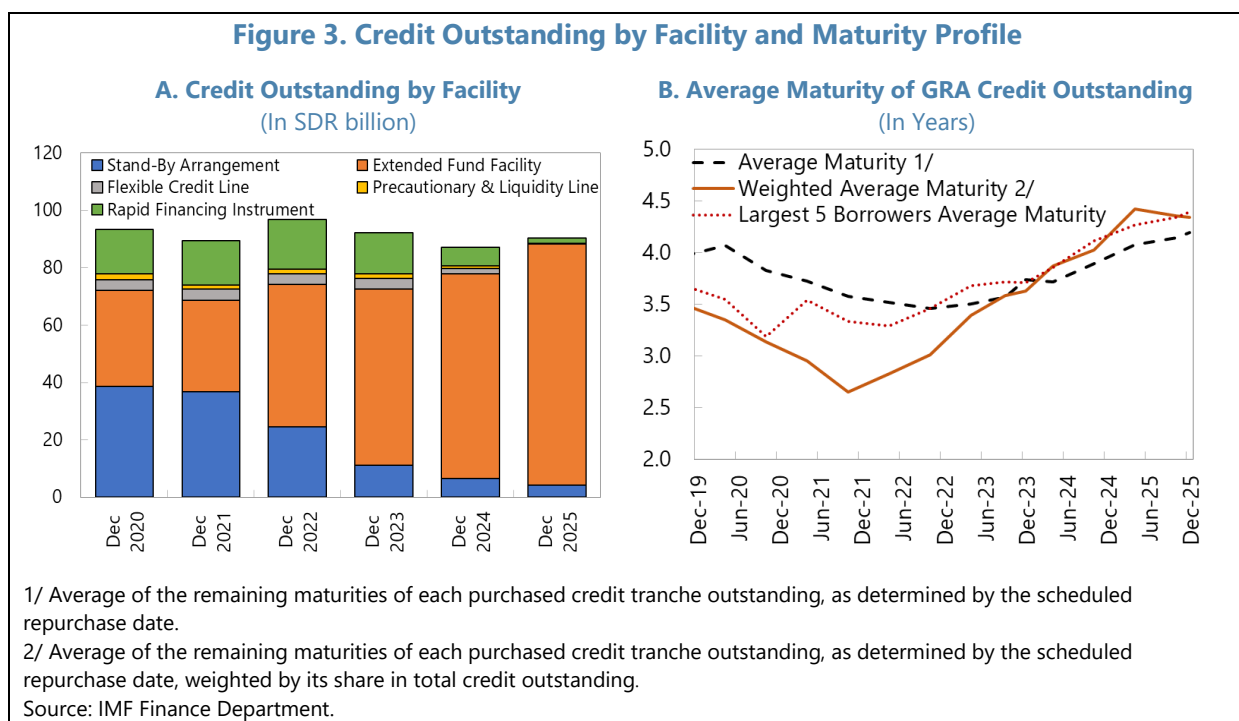
to improve going forward, in line with the outlook in the 2025 Update. On the positive, commitments under precautionary arrangements and the share of the credit portfolio accounted for by emergency financing instruments have declined further. Sovereign spreads for major borrowers also show signs of improvement, strengthening their prospective CtR. PBs, as well as their coverage, have continued to increase and are projected to improve in coming years, as expected in the 2025 Update. Projected medium-term operational income remains broadly unchanged from the 2025 Update, though subject to concentration risk. The medium-term outlook for investment returns is reasonably positive, although investment risks remain elevated.

A. Credit Risks

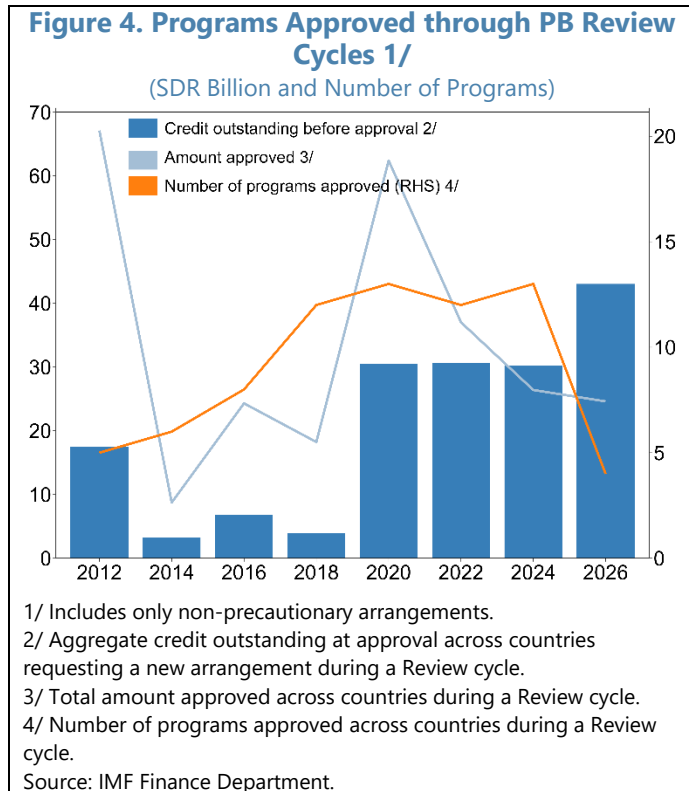
13. Total credit outstanding and commitments remain elevated, albeit receding from recent peaks (Figure 2A). The Fund’s response to multiple and persistent shocks in recent years—including the global pandemic, Russia’s war in Ukraine, elevated food and energy prices, and rising global interest rates—pushed GRA credit outstanding to a record high of SDR 98.7 billion in March 2023. Since then, it has declined to SDR 90.4 billion as of end-December 2025, broadly similar to the levels in the 2024 PB Review and the 2025 Update, mainly reflecting repurchases of Rapid Financing Instruments (RFIs) disbursed during the pandemic shock. Total commitments fell to SDR 143.5 billion as of end-December 2025, significantly down from SDR 174 billion in the 2024 PB Review and below the level at the 2025 Update. This decline largely reflected the continued trend of lower commitments under precautionary arrangements since 2020 (Figure 2B).



14. Average maturity of credit has lengthened as Extended Arrangements continue to account for the bulk of GRA lending. The share of credit outstanding under Extended Arrangements increased from 67 percent at end-December 2023 to 93 percent at end-December 2025, reflecting large purchases under Extended Arrangements (Figure 3A). In contrast, credit outstanding under the emergency RFI declined further, as described above. As a result, the weighted average maturity of credit outstanding has risen to 4.4 years as of end-December 2025, up from 3.7 years in December 2023 (Figure 3B).

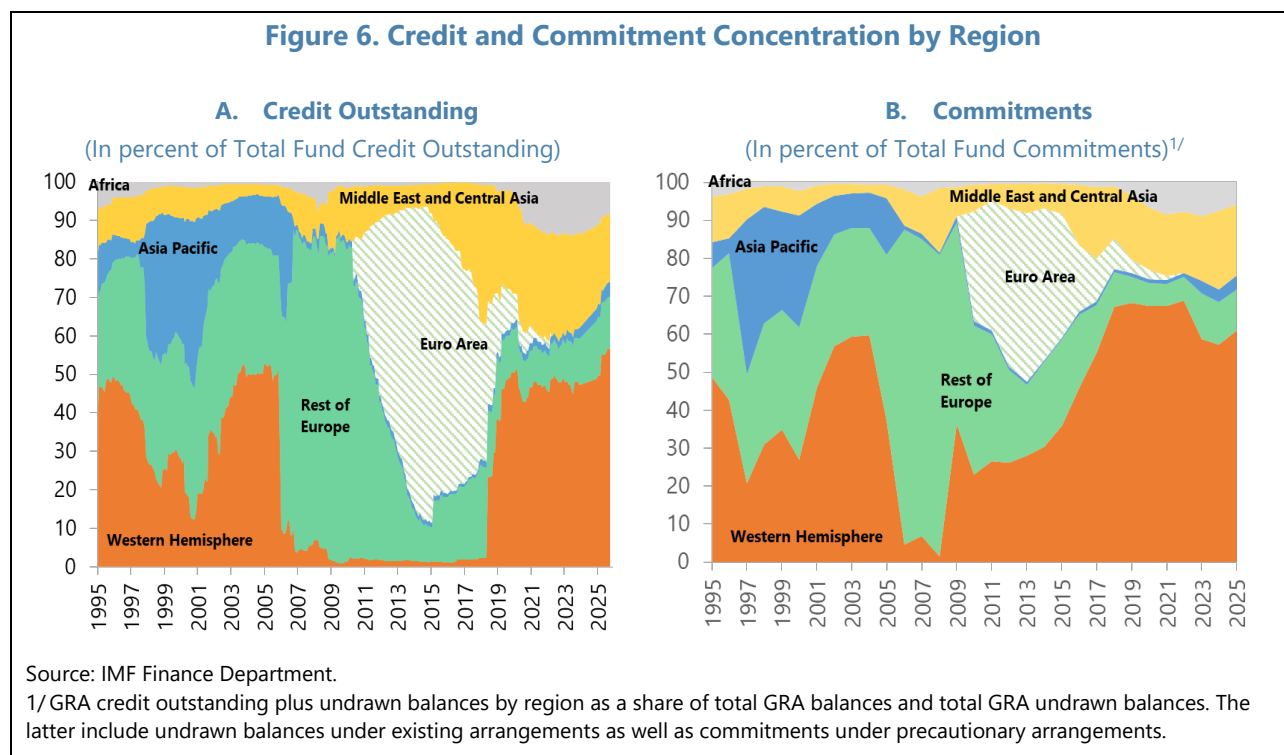
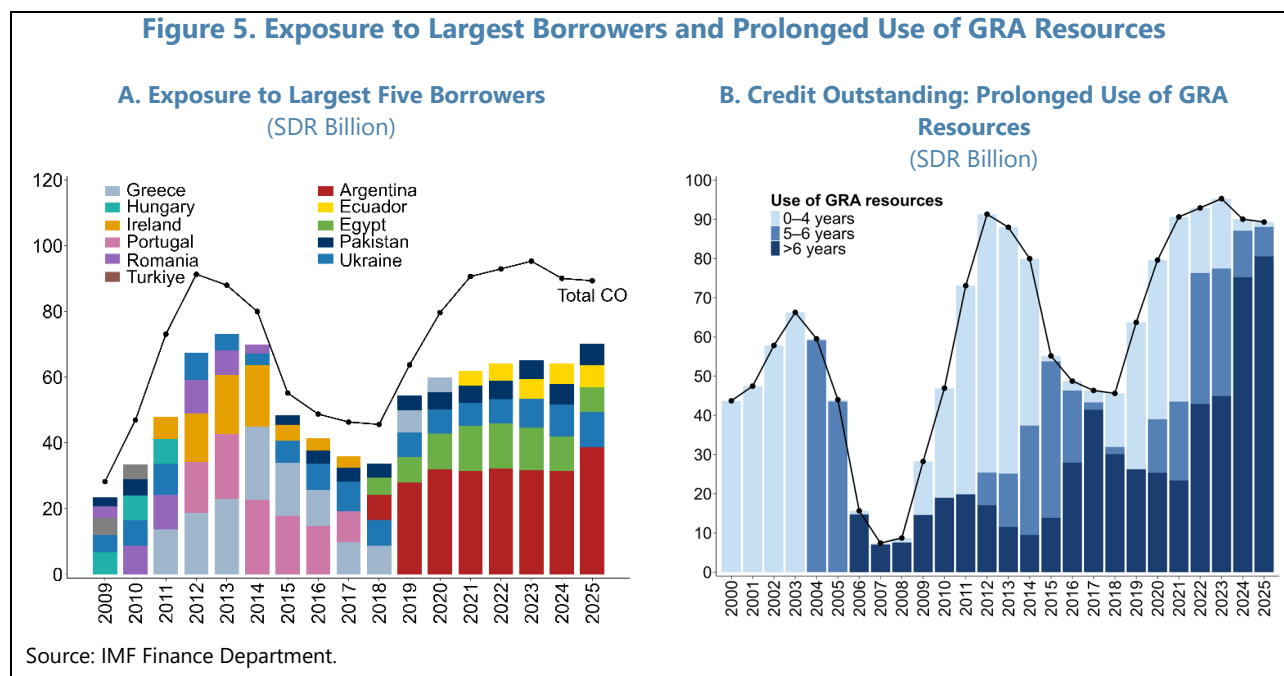


15. Credit concentration and exposure to large repeat borrowers have risen further. While disbursing arrangements approved after the 2020 Review have been smaller, and fewer arrangements have been approved since the 2024 Review, they have been extended to members already carrying high levels of Fund credit (Figure 4). And with many members having largely repurchased the emergency financing purchased during the pandemic (RFIs), continued support to large borrowers has increased both in their total credit outstanding (exposure) and their share in total credit outstanding (credit concentration) in recent years (Figure 5A). Concentration to the top five borrowers stood at about 80 percent as of end-December 2025—close to its historical average of 78 percent but higher than in past reviews—and is expected to stay around at 80 percent until FY2030 under the current baseline.¹⁶ Regarding the largest borrower, Argentina, both concentration and exposure have also risen in recent years, but its share in credit outstanding is projected to decline steadily from around 46 percent as of end-December 2025 to around 41 percent by FY2030.



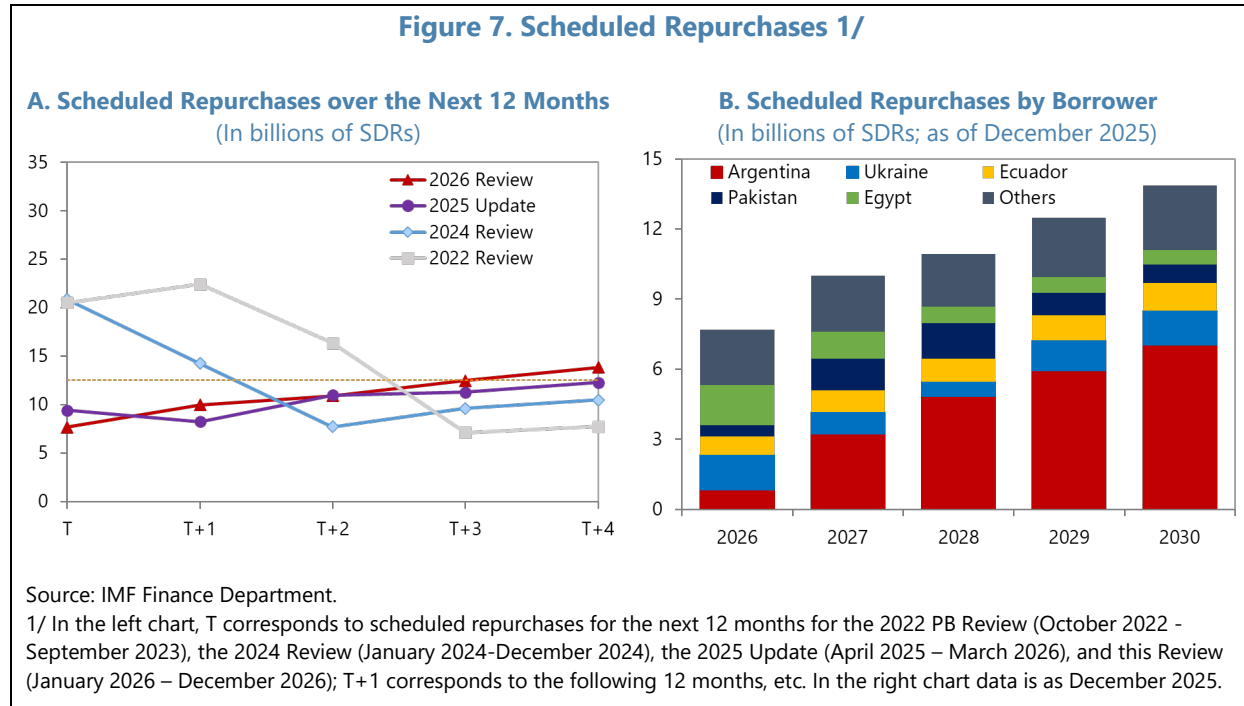
16. These trends have kept large exposures to the same top borrowers for longer periods, and have kept regional concentration high and persistent, compounding risks. The top five borrowers—Argentina, Ecuador, Ukraine, Egypt, and Pakistan—have remained unchanged over the past 5 years (Figure 5A). Moreover, over the past two years, more than 90 percent of total credit outstanding has been attributable to members that have maintained credit outstanding for more than six years (Figure 5B). This peak in prolonged use of GRA resources has a longer duration and persistency than earlier episodes of high exposure—around the Global Financial Crisis and the European sovereign crisis. At the same time, credit outstanding and commitments remain concentrated in the Western Hemisphere and, to a lesser extent, the Middle East and Central Asia (Figure 6). Although concentration in the Western Hemisphere is lower than in Europe during the European crisis, it has proven more persistent. Moreover, no individual country position during the European crisis matched the current exposure of the largest Western Hemisphere borrower, and euro area borrowers benefited from lender-of-last-resort access through the European Stability Mechanism.

¹⁶ In the baseline, demand for Fund resources in FY2026-27 is taken from the “desk survey”. In the outer years, aggregate purchases (on unspecified new arrangements) are assumed at 60 percent of repurchases, as in the 2024 Review of Charges and the Surcharge Policy and the 2025 Update (¶128).

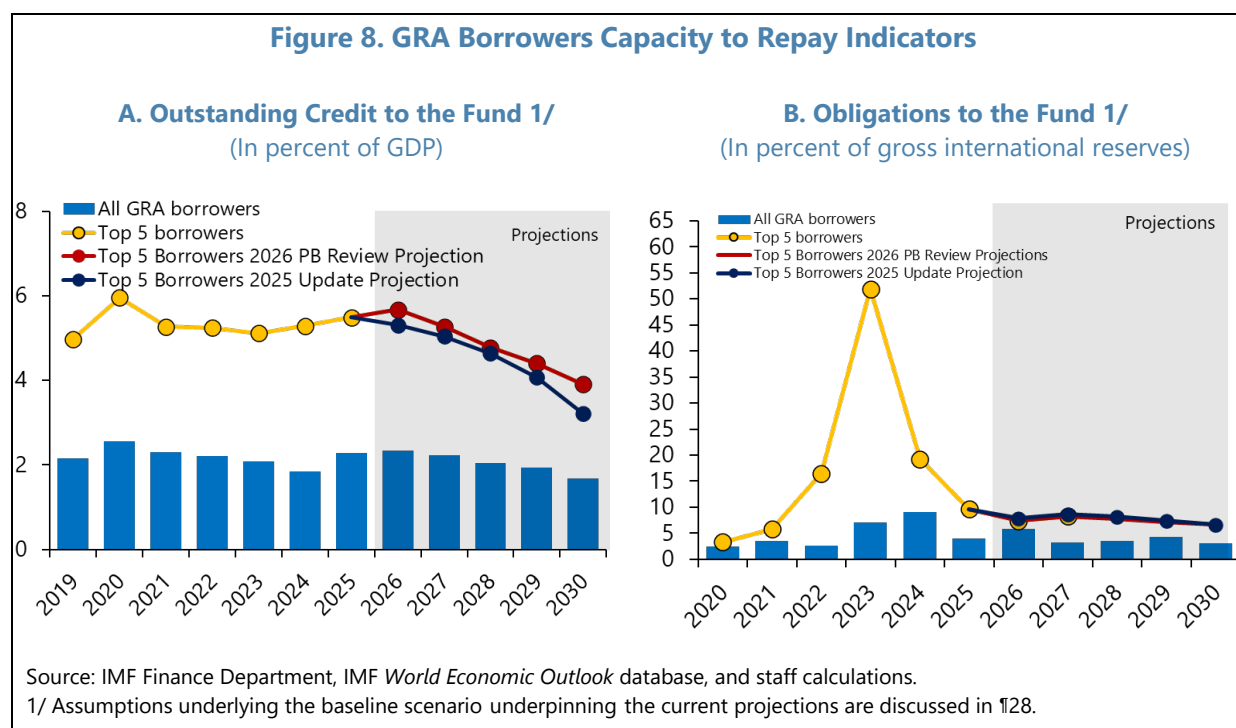


17. Repurchases are set to rise over the medium term, reflecting top borrowers' obligations. Total scheduled repurchases as of end-December 2025 for the next 12 months (January–December 2026) amount to SDR 7.7 billion, comparable to the levels in the 2025 Update and well below the levels in the 2024 PB Review. Over the medium term, scheduled repurchases are projected to rise to their long-term average, similar to the path presented in the 2025 Update

(Figure 7A). Repurchases are expected to be concentrated in the top five borrowers in the coming years, with Argentina's share rising substantially over the medium term to account for more than half of all scheduled repurchases by 2029, while the repurchases due from the next four top borrowers are expected to gradually decline (Figure 7B).



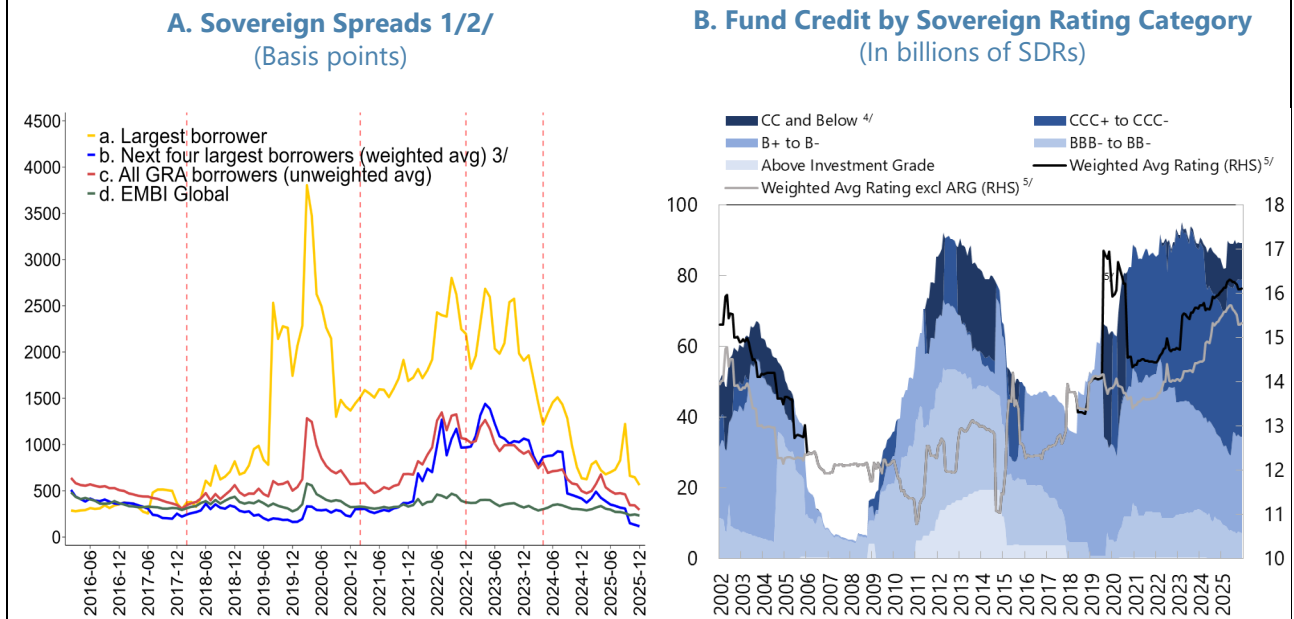
18. Overall, GRA borrowers' capacity to service Fund obligations appears broadly adequate (Figure 8). Capacity to repay (CtR) indicators have remained largely unchanged compared to the earlier reviews. Measured by the Fund credit-to-GDP ratio, GRA borrowers' average capacity to repay is expected to strengthen over the medium term under the current baseline. Fund obligations relative to gross international reserves are expected to be broadly lower in the coming years, supporting the positive outlook (also reflecting the recent reforms to lower charges and surcharges). Turning to the top five borrowers, CtR indicators are generally weaker than those of other GRA borrowers, but are also expected to improve in the coming years. Fund credit-to-GDP ratios remain significantly above the GRA average, but, after a small increase in 2026, are projected to decline steadily over the medium term, in line with the outlook in the 2025 Update. The largest borrowers' capacity to repay measured by obligations-to-reserves ratios strengthened significantly in 2025 and is expected to continue improving in the medium term, also as anticipated in the 2025 Update.



19. Market-based sovereign credit risk indicators show signs of improvement, supporting prospects of market access and of stronger CtR. Top borrowers' bond spreads have continued to narrow, reaching pre-pandemic levels (Figure 9A). Several top borrowers also saw ratings upgrades, albeit from low levels, signaling improvements in market perception of their credit risk. These developments have improved market access prospects for these countries, which in turn, would help strengthen their CtR. Notwithstanding these rating upgrades, average credit ratings of the portfolio stayed broadly unchanged at low levels, reflecting that borrowers with better ratings have been repurchasing their Fund credit (Figure 9B).¹⁷ The latter also accounts for the share of borrowers with low credit ratings remaining elevated.

¹⁷ Argentina, Pakistan and Egypt, experienced rating upgrades during 2025. Ukraine and Ecuador saw upgrades (S&P and Moody's, respectively) in January 2026 not captured in Figure 9B or Table 2.

Figure 9. GRA Fund Borrowers: Sovereign Spreads and Ratings



Source: Bloomberg, Standard & Poor's, and staff calculations.
 1/ Sovereign spreads are measured by the EMBI spreads for emerging economies, and by the 10-year government bond spreads over the German bonds for the euro area members.
 2/ Vertical dashed red lines show dates of PB Reviews.
 3/ Sovereign spreads weighted by respective shares in Fund credit to largest five borrowers (excluding largest borrower).
 4/ Include selective default.
 5/ Worse sovereign credit ratings are assigned higher numerical scores, so a higher weighted average rating indicates a deterioration in ratings.

20. Overall, measures of credit risk in the Fund’s lending portfolio improved between the 2024 PB Review and the 2025 Update, but weakened somewhat since the latter. Since the 2025 Update, the credit portfolio has been characterized by rising concentration to prolonged users with lengthening maturities of credit (still high, more concentrated, even longer credit) (Table 2). This reflects continued Fund support to top borrowers who had earlier arrangements, while other borrowers that have stronger CtR and face better market conditions continue to reduce their Fund credit; largely as expected. CtR indicators of top borrowers are generally weaker than those of other borrowers but are expected to improve in the coming years. At the same time, further falls in top borrowers’ sovereign spreads, along with credit rating upgrades, could support their market access prospects and strengthen CtR beyond the projections.

**Table 2. Credit Risk Indicators and Precautionary Balances Metrics:
Current vs Previous Reviews**

(In SDR billion, end-December 2023, end-December 2024, and end-December 2025, unless otherwise indicated)

Indicators	2023 (2024 PB Review)	2024 (2025 Income Review)	2025 (Current Review)	Change vs. 2025 Income Review
Risks				
Total commitments	174.0	156.6	143.5	↓
Commitments under precautionary arrangements ^{1/}	58.0	48.2	33.0	↓
of which FCL and PLL arrangements	56.6	47.8	32.8	↓
Credit outstanding	92.1	87.1	90.4	↑
Largest individual exposure	30.4	31.1	41.8	↑
Credit concentration				
Top 5 (in percent of total)	68.0	73.8	80.4	↑
Top 1 (in percent of total)	33.0	35.7	46.2	↑
Average maturity of credit outstanding (years)	3.7	4.1	4.2	↑
Share of prolonged users in total credit outstanding (%)	47.1	83.5	90.2	↑
Share of largest regional exposure in total commitments (%)	58.7	57.2	61.1	↑
Share of largest regional exposure in total credit outstanding (%)	47.3	48.8	56.8	↑
Share of RFI in the credit portfolio (%)	15.4	7.52	2.07	↓
Weighted avg sovereign credit rating of Fund exposures (S&P) ^{2/}	15.7	16.0	16.1	↑
Unweighted avg sovereign credit rating of Fund exposures (S&P) ^{2/}	13.6	13.5	13.7	↑
Weighted avg sovereign spreads (largest 5 borrowers, bps)	1961.6	722.5	566.3	↓
Unweighted avg sovereign spreads (all GRA borrowers, bps)	901	496	294	↓
Arrears (SDR millions)	0	0	0	→
Buffers				
Precautionary balances ^{3/}	24.4	26.7	27.2	↑
Precautionary balances (in percent of) ^{3/}				
Credit outstanding	26.5	30.1	30.1	→
Total commitments	14.0	16.5	18.9	↑
Lending capacity	3.5	3.8	3.9	↑
Burden sharing capacity (SDR millions)	1329.5	943.2	849.5	↓
Burden sharing capacity (% of charges in the next 12 months)	22.3	21.8	20.9	↓
Other				
Lending capacity	695.6	695.5	691.5	↓

Source: Bloomberg, Standard & Poor's and IMF Finance Department.

Note: values are expressed in SDR billions (unless otherwise indicated).

1/ Undrawn balances under arrangements treated as precautionary by the authorities.

2/ Sovereign credit ratings are assigned numerical scores. The weaker the rating the higher the score. A higher weighted average rating of Fund exposures reflects a deterioration in ratings.

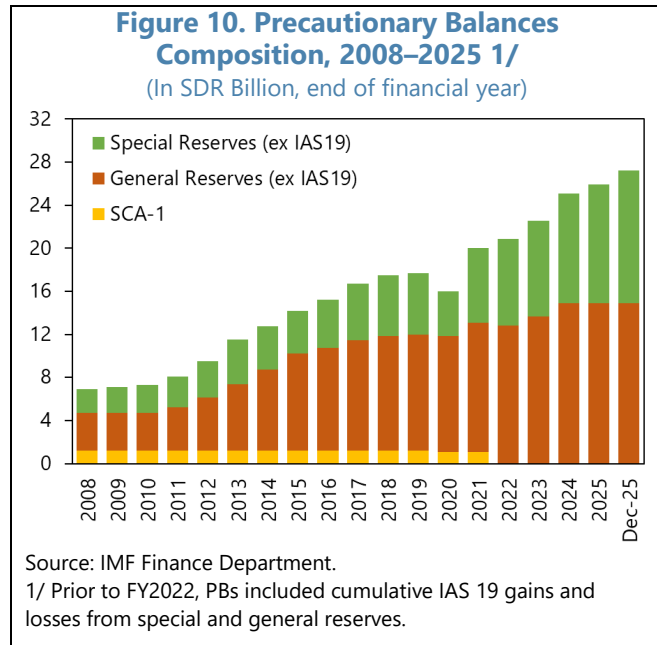
3/ For 2024, data for Precautionary Balances is as of October 31, 2024. For 2025, the estimated end-December PBs include the transfer from the Fixed-Income Subaccount after estimating the Endowment Subaccount payout (pro-rated year-to-date). They exclude the impact of a possible second distribution from the GRA to the IPAA under the Multi Year Distribution Plan, which would be analyzed in the context of the Review of the Fund's Income Position for FY2026 and FY2027 in April 2026.

B. Credit Risk Mitigating Buffers

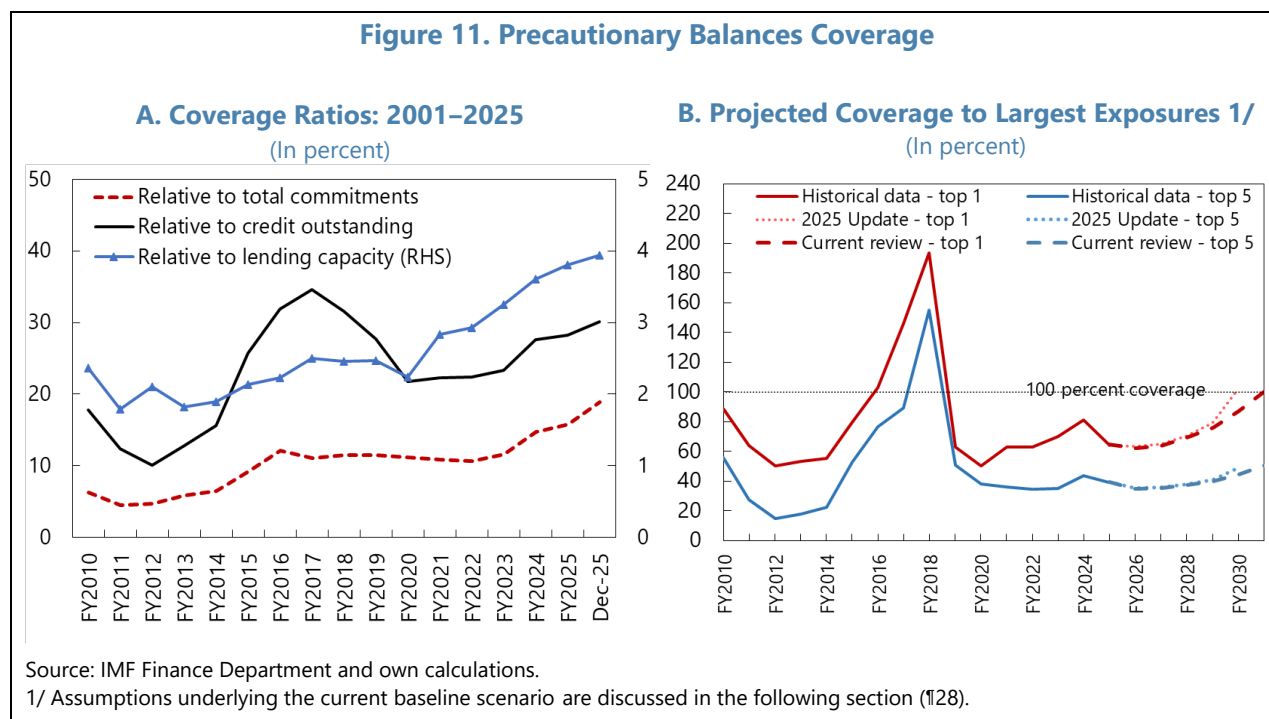
21. PBs have continued to grow since end-FY2024 when the medium-term target was reached. By the end of FY2025, PBs reached SDR 25.9 billion after the placement of SDR 1.38 billion of net operational income into the IPAA according to the Board's decision in line with the MYDP. PBs continued to increase during the first eight months of FY2026, supported by robust lending income, reaching SDR 27.2 billion as of end-December 2025 (Figure 10).

22. PB coverage ratios have also continued to improve. As of end-December 2025, PBs were 30.1 percent of GRA credit outstanding—unchanged from the 2025 Update—and nearly 19 percent of total commitments, up from 16.5 percent in the 2025 Update. Coverage relative to lending capacity stood at 3.9 percent at end-December 2025, slightly up from 3.8 percent as of end-December 2024 (Table 2 and Figure 11A). Relative to the Fund's largest exposures, PBs amounted to 41.4 percent of credit outstanding to the top five borrowers, 50.8 percent to the top three borrowers, and 65.1 percent of the top borrower as of end-December 2025.

23. PBs are currently projected to reach SDR 26.4 billion by end-FY2026—assuming a placement of SDR 1.38 billion of net income in the IPAA, as in FY2025—with further improvements in coverage ratios.¹⁸ This projection is based on a net operational income estimate of SDR 1.9 billion for the fiscal year. It would represent a net increase in PBs of SDR 0.5 billion from FY2025. Going forward, PBs' coverage of top exposures is expected to continue increasing, reaching about 40 and 76 percent of the top five and top borrower's credit outstanding, respectively, by FY2029, similar to the projections in the 2025 Update. However, full coverage of the top exposure is expected to be achieved a year later than envisaged in the 2025 Update (Figure 11B).



¹⁸ The projections are under the baseline scenario of credit outlook (¶128) and income (¶125).

Figure 11. Precautionary Balances Coverage

24. The Fund's burden sharing capacity declined from the peak reached during 2023 and its coverage of charges narrowed marginally (Table 2). Burden sharing capacity reported in the 2024 PB Review was at around SDR 1.3 billion covering 22.3 percent of charges due in the following 12 months, while it declined to around SDR 940 million covering 21.8 percent of charges due in the following 12 months at the time of the 2025 Update. The current capacity, at nearly SDR 850 million, covers 20.9 percent of charges projected over the next 12 months. This marginal decline in the coverage ratio reflects lower burden sharing capacity from the fall in the SDR rate, largely offset by lower charges coming due over the next 12-months.¹⁹

C. Income Risk

25. Projections of medium-term net operational income remain broadly in line with those in the 2025 Update, with a slight drop in projected operational income offset by lower projected expenses over the medium term.²⁰ Under the baseline scenario, total operational income excluding the impact of any pension-related (IAS 19) gains or losses would exceed total

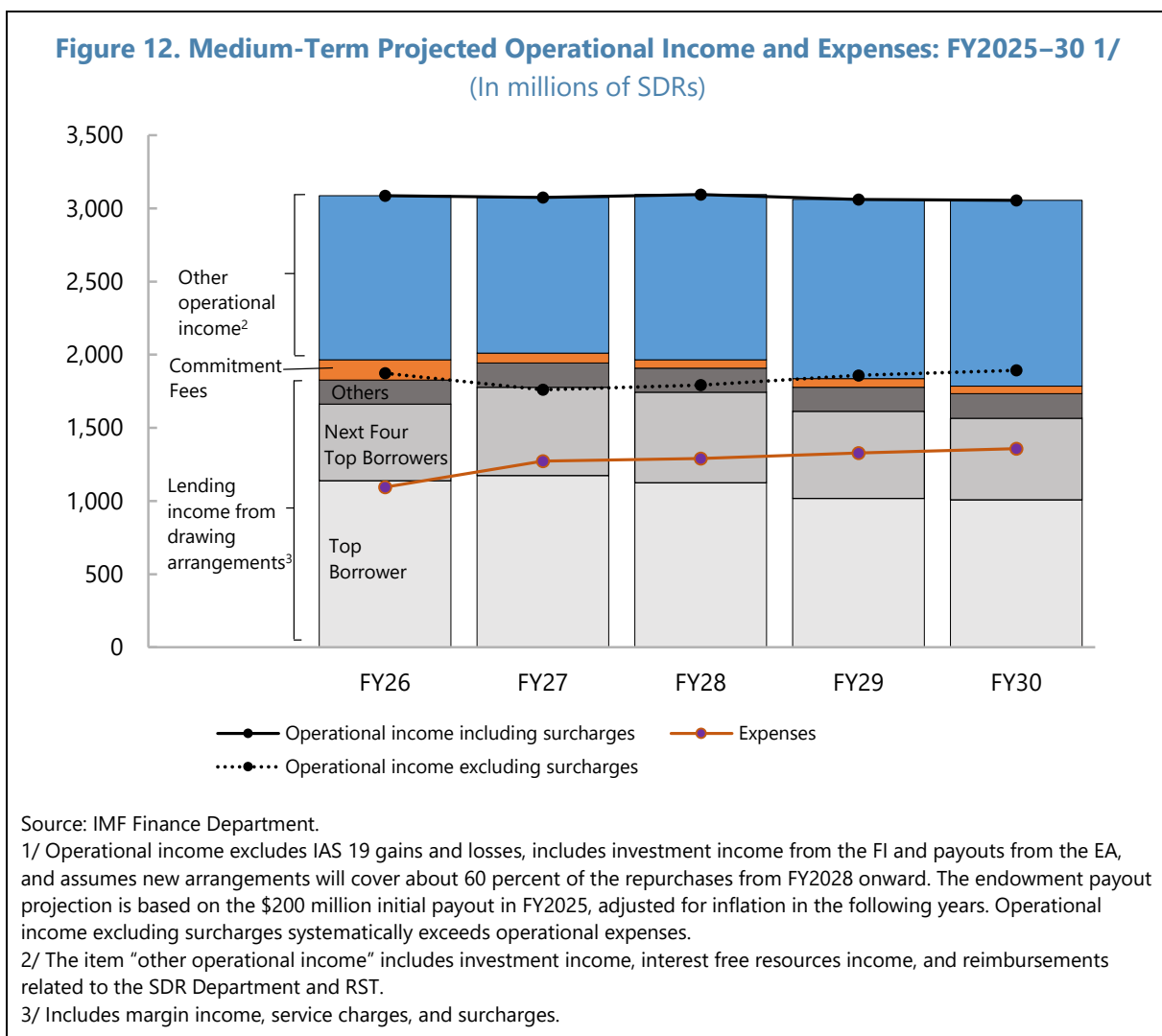
¹⁹ See Annex I for a discussion on the role of the Fund's burden sharing mechanism as well as the factors that determine its capacity.

²⁰ The paper updates the baseline projections from *Review of the Fund's Income Position for FY 2025 and FY 2026* (EBS/25/23, 4/2/2025) discussed in April 2025, utilizing the same, more realistic, methodology for its income projections (desk survey scenario with medium-term assumptions, see ¶28). The lending projections assume that, in aggregate, new arrangements will cover about 60 percent of the repurchases for FY2028-30. This assumption reflects the expectation that some members will likely continue to require financial support in a shock-prone global environment albeit at a lower scale, consistent with a gradual easing of the total demand for Fund financing.

expenditures by about SDR 1.8 billion annually on average in the five-year period through FY2030 (Figure 12).²¹

- Operational income over the medium term remains robust, supported by both strong lending and non-lending income. The marginal decline compared with the April 2025 projections can be attributed to: (i) lending income being slightly higher under current assumptions, reflecting a modest increase in the medium term average credit outstanding; (ii) offset by lower projected non-lending income driven mainly by an average 60 basis point decline in the projected medium-term SDR interest rate path, consistent with prevailing market expectations.
- Medium-term expenses are expected to be lower than at the 2025 Update as the U.S. dollar/SDR exchange rate path is projected to shift upward reflecting moderate weakening of the U.S. dollar against the SDR across the medium term.
- Concentration risks remain substantial. Of the average lending income projected for the two-year period through FY2027, surcharges account for about 67 percent of the total, while margin income contributes around 30 percent. About 71 percent of surcharge income is accounted for by the Fund's largest borrower and another 27 percent by the next four largest borrowers. Additional risks to income include: (i) possible cancellations or rescheduling of purchases under existing arrangements; (ii) uncertainty around inflation, the global interest rate environment, persistent market volatility, and the trajectory of the U.S. dollar/SDR exchange rate; and (iii) the possible requirement for impairment recognition under IFRS 9, notwithstanding that no impairment provisions have been recognized to date.

²¹ Operational income is made up of lending income (the margin for the rate of charge, service charges, commitment fees, and surcharges), and non-lending income which comprises mainly income from investments.



D. Financial Risks Related to Investment

26. Financial risks related to the investment assets of the fixed-income subaccount (FI) and endowment subaccount (EA) remain elevated although the medium-term outlook for investment returns is reasonably positive. These two subaccounts of the Investment Accounts (IA) have distinct investment objectives and pursue different strategies accordingly.²² The FI comprises investments equivalent to the bulk of the Fund's reserves (mostly PBs) to support its dual objective of income generation and balance sheet protection. The EA's purpose is to provide meaningful income contribution to cover the Fund's administrative expenditures, while preserving the long-term real value of the Subaccount's resources. The investment strategy refinements implemented following the Board's Review of the Investment Account in January 2022 helped ensure that the specific strategies for each portfolio maintain an appropriate balance of risk and income generating

²² See *Annual Report of the Investment Account and Trust Investment Assets for FY2025* (EBS/25/85, July 2025).

potential. The next investment strategy review in FY2027 will continue to explore options for enhancing the FI's and EA's return prospects over time. Since the 2024 PB Review, both investment portfolios have seen robust performance as equity and fixed-income markets rallied following an overall modest decline in bond yields since 2023. Compared to the 2025 Update, at these slightly lower interest rate levels, the return outlook for both portfolios has moderated somewhat. Heightened inflation uncertainty, lower growth expectations, and high valuations for risk assets continue to present challenges over the short to medium term and weigh on the overall risk outlook. Highlights for each IA subaccount follow below:

- FI investments.** The FI's performance was strong in FY2025 and FY2026-to-date, supported by the decline in bond yields from their peaks in FY2024. Yields remain at levels that continue to provide higher income and some cushion against potential interest rate increases. The FI strategy remains relatively resilient as it continues to outperform comparable benchmarks such as the SDR 1–3-year government bond index. As short-term SDR-weighted bond yields have moved slightly lower in 2024-25, the return outlook for the FI strategy has also moderated somewhat given the lower starting yield and continued inversion in the short end of the yield curves. In addition, credit spreads have reached historically tight levels, resulting in lower potential upside and higher downside risk. Although the FI's probability of meeting its investment objective over the next 3 years has declined and remains highly dependent on the path of short-term interest rates, expected portfolio returns remain at moderately positive levels.
- EA investments.** The EA ended FY2025 with robust performance in all asset classes after a brief market correction related to U.S. tariff announcements. Continued favorable market conditions have provided strong portfolio returns through FY2026-to-date. Notably, the broader and more diversified allocation to real assets implemented in the EA in 2022 has begun to enhance the portfolio's real return over time, helping to narrow the shortfall against the real return target driven by the sharp rise in US inflation from 2022 to 2023. Forward-looking projections indicate that the EA investment strategy has a reasonable likelihood of achieving its 3 percent real return target in US dollar terms over a long-term 15-year horizon. At the end of FY2025, the EA's first annual payout of USD 200 million (equivalent to around 2 percent of total Net Asset Value) was initiated based on the improved return outlook and contributed meaningfully to the Fund's income. Future payouts are expected to be adjusted by US CPI in line with the Board approved payout policy.

ASSESSMENT OF THE ADEQUACY OF PRECAUTIONARY BALANCES

The medium-term PB target of SDR 25 billion remains within the indicative range and above its midpoint for the next few fiscal years under the most plausible demand scenarios. The overall balance of credit and financial risks and their mitigants remains broadly unchanged from the 2025 Update. The current level of PBs, together with other elements of the financial risk management framework and the IFRS 9 provisioning framework, continues to provide a robust level of financial protection for the Fund's

balance sheet and creditor claims. Against this backdrop, staff propose to retain the current target of SDR 25 billion and the minimum floor at SDR 20 billion.

A. Indicative Precautionary Balances Target

27. GRA credit outstanding and PBs are projected under various scenarios to provide a robust evaluation of the adequacy of PBs. The scenarios are broadly unchanged from earlier reviews, which take the baseline as the starting point and build in various assumptions. All scenarios include the same endowment payout projections following the Board-approved framework, as well as the assumption of annual transfers to the IPAA of SDR 1.38 billion over FY2026–29.²³

28. PBs are projected to continue growing modestly above target and remain within or above the indicative range after IPAA distributions under the baseline (Scenario 1): Under this scenario, demand for Fund resources in FY2026–27 is taken from the “desk survey”, which reflects their judgment on new arrangements for the current and next years. In the outer years, aggregate purchases (on unspecified new arrangements) are assumed at 60 percent of repurchases, as in the 2024 Review of Charges and the Surcharge Policy and the 2025 Update, reflecting the expectation that members will continue to need Fund support in a shock-prone world and resulting in a gradual decline in credit outstanding from recent high levels. Investment returns in the FI subaccount are projected using the median of the distribution of projected outcomes.²⁴

29. Credit outstanding would remain above SDR 90 billion until FY2029 due to the handful of new projected arrangements as well as the long average maturity and gradual repurchase schedule of existing credit described in the previous section (Figure 13A). Investment income would stay broadly unchanged from the current levels. PBs would continue to accumulate to SDR 27.6 billion in FY2029, the final year of IPAA transfers under the MYDP, and would grow faster afterwards, reaching nearly SDR 31 billion in FY2031 (Figure 13B).²⁵ PBs’ coverage of the forward-looking credit measure would rise above the 30 percent upper bound over the medium term (Figure 13C). The indicative range is projected at about SDR 19–28 billion in FY2026–27—virtually unchanged from the 2025 Update—with the current PB target above the mid-point (Figure 13D).²⁶

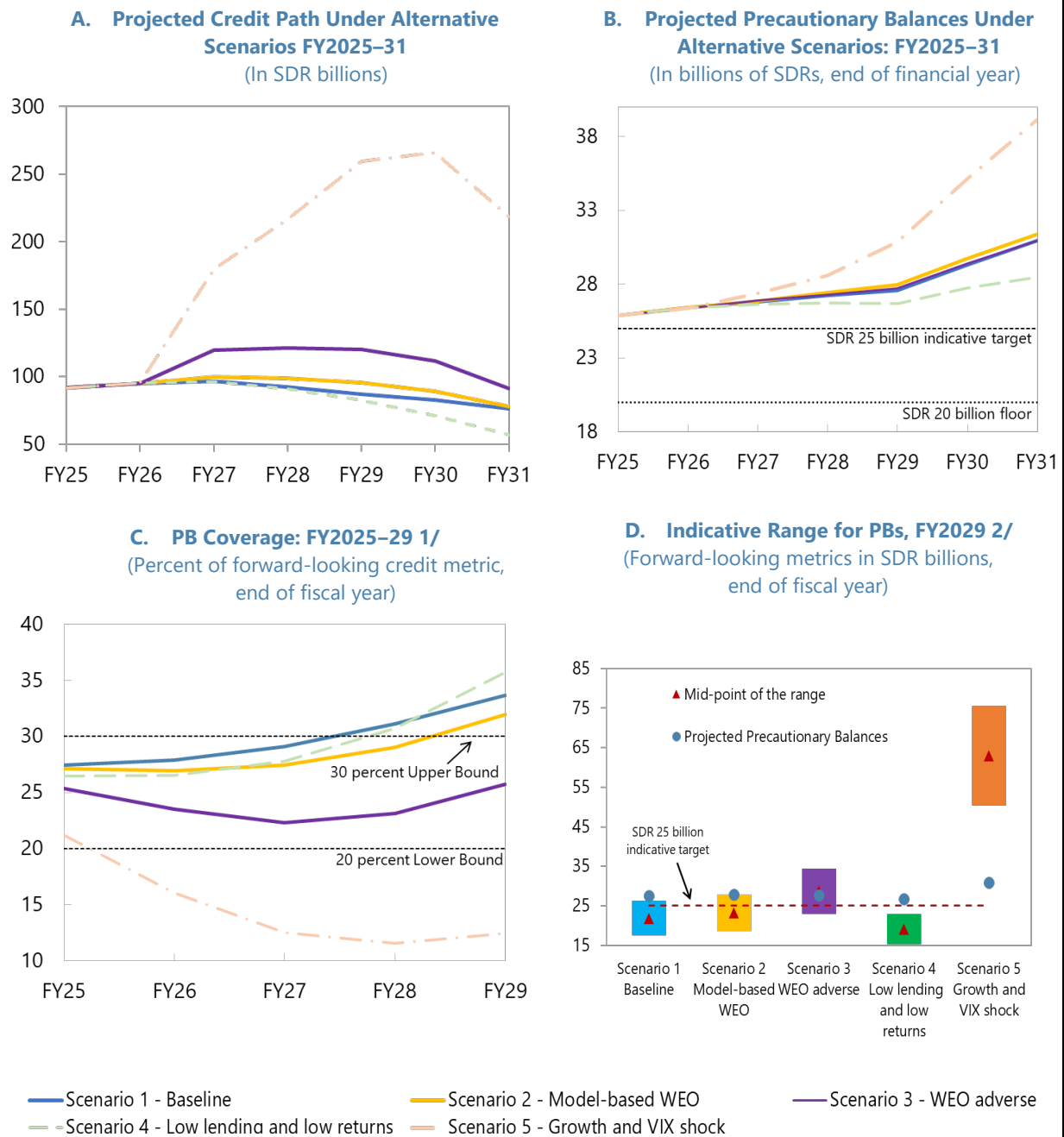
²³ The Executive Board endorsed an EA payout policy framework in April 2018 (see *The Chairman’s Summing Up* (SU/18/51, 04/27/18). The payout is projected based on the \$200 million initial payout in FY2025, adjusted for inflation in the following years.

²⁴ For the FI Subaccount, the projected median return over the medium term is 3.1 percent, slightly less than the 3.3 percent projection in the 2025 Update.

²⁵ FY2029 would be the final year of IPAA assuming five uniform transfers of SDR 1.38 billion.

²⁶ See also Table II.3 in Annex II for detailed results.

Figure 13. Projected Indicators Under Alternative Scenarios



Source: IMF Finance Department

1/ Ratio of projected PBs over the three-year average forward looking Fund credit (calculated as average credit of the past 12-month and projected over the following two years). The FY2029 projection is based on the average Fund credit of FY2029–31.
 2/ Indicative ranges for PBs are calculated as 20 to 30 percent of the three-year average forward-looking Fund credit (calculated as average credit of the past 12-month and projected over the following two years). The FY2029 projection is based on the average Fund credit of FY2029–31.

30. The current target for PBs of SDR 25 billion and the projected level of PBs would stay within (or above) the indicative range under all but the most extreme scenario considered.²⁷

Specifically,

- Scenario 2 - Model-based WEO:** The credit outstanding underlying this scenario includes the desk survey and projects additional demand for Fund resources over FY2026–31 by applying the October 2025 WEO baseline forecasts to the logit model on demand for Fund credit that was developed in previous PB reviews. Investment returns are assumed to be the same as in scenario 1. In this scenario, credit outstanding would remain above SDR 90 billion until FY2030, with PBs about SDR 0.3–0.5 billion above the baseline, and PB coverage rising above the upper bound over the medium term. The indicative range is projected to be slightly higher than in Scenario 1, with the current target still above its midpoint.
- Scenario 3 - WEO adverse:** This scenario incorporates a number of assumptions that raise credit outstanding and worsen investment returns, capturing a “stress” scenario for PBs. To estimate demand for Fund resources beyond the desk survey over FY2026–31, the logit model is applied to the adverse scenario of the October 2025 WEO, reflecting internally consistent assumptions on real GDP growth, short-term U.S. interest rates and oil prices.²⁸ The scenario also assumes that countries with current FCL arrangements draw 50 percent of their access in FY2027. Investment returns are assumed to be lower than in the baseline— the same as in the low-lending, low returns scenario below. Under these assumptions, projected credit outstanding would be higher than in the baseline by about SDR 26 billion at its peak. This higher credit would contribute to faster PB accumulation, compensating for the assumed lower investment returns. Higher credit would also raise the indicative range compared to the baseline, though PBs would remain within the range, and the current target would be in its lower half.
- Scenario 4 - Low-lending, low-returns:** In order to assess the impact of the more challenging outlook for income generation, this scenario assumes i) no new arrangements from FY2028 onwards, and ii) investment returns on the FI subaccount dropping to 2.4 percent (the 5th percentile of the distribution); nevertheless, this combination of low lending and low returns is deemed relatively unlikely. In this scenario, credit outstanding would decline to about SDR 65 billion in FY2031. Despite the assumptions of low investment returns and continued transfers of SDR 1.38 billion per year to the IPAA until FY2029, PBs would remain around SDR 26–27 billion during FY2026–29 and would reach nearly SDR 29 billion by FY2031. PBs would rise above the indicative range over the medium term, similar to the baseline, and the current PB target would be above the indicative range.

²⁷ See Annex II for more details.

²⁸ The scenario includes higher tariffs and supply chain disruptions, higher sovereign yields, tighter global financial conditions (including a moderate correction in AI stock valuations), and lower global demand for U.S. assets. See Scenario A of Box 1.2 in [World Economic Outlook: Global Economy in Flux, Prospects Remain Dim](#), October 2025. The incorporation of internally consistent short-term US interest rates and oil price assumptions from the WEO Downside Scenario is new relative to the 2024 PB Review and 2025 Update.

- **Scenario 5 (tail risk) -Growth and VIX shock:** As in previous PB reviews, in this scenario, projected growth for 2026–27 in each country is assumed to be lower than the October 2025 WEO baseline projections by ½ standard deviation of historical values. Moreover, an extremely severe financial market shock is assumed to keep the VIX at a highly elevated value of 40 for five consecutive years (compared to 15.6 in the baseline)— an unprecedented level and persistence of risk that represents a tail event for the global economy.²⁹ Additional assumptions are on the drawdown of existing precautionary arrangements as in Scenario 3, and low investment returns as in Scenario 4. Under these combined severe assumptions, credit outstanding would be substantially higher than in other scenarios, contributing to significant PB accumulation despite the assumed low investment returns.³⁰ At the same time, higher GRA lending would also raise the indicative range significantly above that in the other scenarios. As such, both projected PBs as well as the current target would fall well below the indicative range in this tail risk scenario.

31. The analysis shows that PBs would remain above target in all scenarios and within the indicative range in all but the tail risk scenario. PBs are projected to remain above the SDR 25 billion target over the medium term, even in the lower-likelihood Scenarios 4 and 5 (Figure 13B), owing in part to the credit portfolio's ability to generate a steady level of lending income. Over the medium term, they are expected to remain within or exceed the 20–30 percent indicative range of the forward-looking credit measure in all but the tail risk scenario.

32. The SDR 25 billion target would remain within the indicative range in all but the relatively unlikely scenarios. The target of SDR 25 billion would stay in the indicative range under Scenarios 1–3 in FY2029 (Figure 13D). It would exceed the range in Scenario 4, while falling significantly below it in Scenario 5.

33. The Fund's lending capacity stood at SDR 691.5 billion as of end-December 2025, marginally lower than at the previous review.³¹ While lending capacity is not formally part of the framework for setting the indicative PB target, it gauges the potential for future credit and has been considered relevant when setting the target as discussed in previous PB reviews. Before the introduction of the current PBs framework, the Board discussed a PB target to lending capacity ratio

²⁹ The historical annual average maximum values of the VIX, dating back to 1990, were 32.7 in 2008 and 31.7 in 2009.

³⁰ Staff's statistical analysis suggests a less than 1 percent probability that credit outstanding would follow the path implied by this scenario.

³¹ The Fund's lending capacity consists of the Fund's total usable resources, before any lending, less relevant prudential balances. As of end-December 2025, it comprises SDR 310.9 billion from quotas; SDR 279.6 billion from the New Arrangements to Borrow which runs through end-2030; and SDR 101 billion from the Bilateral Borrowing Agreements, the terms of which have been extended to beyond end-2024 (until the quota increase under the 16th General Review of Quota takes effect or a maximum term of end-2027, based on the preference of individual creditors).

of 6 percent.³² This ratio would yield an indicative target of about SDR 41.5 billion, 66 percent higher than the current target.

B. Adequacy Assessment

34. Uncertainty around the global economy and somewhat higher credit risks since the 2025 Update are offset by the PB outlook and other mitigating factors. In assessing the adequacy of the PB target, in addition to the indicative range under the various scenarios, other aspects need to be considered:

- **Global outlook:** Global growth is expected to remain resilient, with risks to the outlook tilted to the downside (see January 2026 WEO Update). World growth is projected at 3.3 percent in 2026 and at 3.2 percent in 2027—similar rates as the estimated outturn for 2025. This steady performance reflects headwinds from shifting trade policies being offset by tailwinds from surging investment related to technology, including artificial intelligence (AI), as well as fiscal and monetary support, broadly accommodative financial conditions, and adaptability of the private sector. The global economic environment remains uncertain, with risks to the macroeconomic outlook tilted to the downside. Main downside risks include reevaluation of productivity growth expectations about AI, re-intensification of trade tensions, eruption of domestic political or geopolitical tensions, increased pressure on long-term interest rates, and broader financial conditions from larger fiscal deficits and high public debt. On the upside, activity could be further lifted by AI-related investment and a sustained easing in trade tensions.
- **Credit and concentration risks (¶¶13-20):** Credit risks have deteriorated somewhat since the 2025 Update. Total credit outstanding remains elevated. Exposure to, and concentration towards, large repeat borrowers have increased further. Continued reliance on Extended Arrangements implies that credit will be outstanding for longer. The unchanged composition of the Fund's largest borrowers over the past five years also underscores these members' continued reliance on substantial Fund support, also keeping regional concentration high and persistent. CtR indicators for the top borrowers are generally weaker than other Fund borrowers, though they are projected to improve, broadly in line with the 2025 Update. On the upside, total commitments, while elevated, declined significantly from recent peaks, and substantial repurchases of RFIs have reduced credit outstanding under emergency financing. Market-based risk indicators for top borrowers show signs of improvement, easing their cost of market financing and improving their prospective CtR.

³² At the 2002 Review of Precautionary Balances, before the current framework for the adequacy for PBs was adopted, staff had argued that the assessment of the adequacy of the Fund's PBs should be geared primarily to the Fund's credit capacity because of the Fund's ability to lend to individual members in large absolute amounts, cumulatively up to its credit capacity. At that time, staff had proposed to aim for a ratio of PBs to credit capacity of 6 percent. The Board, however, urged staff to develop a more comprehensive analytical framework to take into account credit capacity, credit concentration, and credit outstanding, which led to the adoption of the current framework for PBs in 2010.

- **Credit risk buffers (¶¶21-24, 28-32):** PB coverage ratios to credit, commitments, and lending capacity remained close to those at the time of the 2025 Update, having substantially improved from the lows of FY2020. While the burden sharing capacity has declined since the 2025 Update, its coverage of projected charges over the next 12 months has narrowed only marginally. Going forward, against broadly unchanged projections of net operational income from earlier reviews, PB coverage relative to top exposures is expected to continue improving under the baseline, consistent with projections in the 2025 Update. The scenario analysis shows that PBs would remain above target in all scenarios and within the indicative range in all but the tail risk scenario.
- **Lending policies.** Lending policies have not changed since the 2025 Update.

35. Based on the above considerations, staff proposes to retain the PB target at SDR 25 billion. The current medium-term target for PBs would remain well within the indicative target range under the most plausible forward-looking demand projections (¶31), giving comfort to the adequacy of PBs in the context of elevated risks and high uncertainty. No major surge in the demand for Fund resources is projected in all but Scenario 5, which staff assess as a tail event. The overall balance of credit and financial risks has not deteriorated since the 2024 PB Review and the 2025 Update, considering also favorable developments in a number of risk mitigants and the lack of protracted arrears. As such, the current level of PBs, together with other elements of the financial risk management framework and the IFRS 9 provisioning framework, provides a robust level of financial protection for the Fund's balance sheet and creditor claims.

36. Staff also propose to keep the floor at SDR 20 billion, considering both the income outlook and credit risks. Projected medium-term net operational income is broadly in line with that expected at the time of the 2025 Update. Although financial risks related to investment remain elevated, the medium-term outlook for investment returns is reasonably positive. Longer maturity of credit also provides some stability to income projections. Income considerations are thus not a major concern at this stage. The balance of credit risks and their mitigants remain broadly unchanged since the 2025 Update. As such, it would be appropriate to retain the floor at the current level.

37. Staff will continue to closely monitor the adequacy of PBs to ensure that the Fund remains financially strong in the context of large global uncertainties. Staff propose maintaining the biennial review cycles, with an update in the interim years in the context of the income review at the end of the fiscal year. Earlier reviews would be conducted should developments in the interim materially affect the adequacy assessment, such as significant deviations of Fund lending from projections, or material increases in credit or financial risks, including due to changes in lending policies.

ENTERPRISE RISKS

38. The proposals of this paper seek to mitigate financial, business, and reputational risks for the Fund and residual risks remain low:

- **Financial risks.** The proposals in this paper to maintain the medium-term target and the floor for PBs at the current level are expected to preserve adequate financial buffers. Adequate reserves are a crucial mitigation against residual financial risks, especially credit risks arising from large credit exposures and concentration. Even with broadly adequate levels of PBs, residual risks remain. In particular, amid heightened global uncertainty and economic and financial challenges facing the Fund's borrowers, lending demand and credit outstanding could rise significantly more than projected in the paper and PBs could fall below the indicative target range, leaving the Fund with relatively smaller financial buffers to absorb ultimate credit losses. In this case, staff would engage the Board ahead of the two-year review cycle.
- **Business risks.** The proposed medium-term target and floor for PBs would provide added comfort regarding the quality of creditor claims, thus mitigating business risks, in particular relating to member engagement risk.³³
- **Reputational risks.** Relatedly, effective external communication about the rationale for the PBs proposal would be needed to address any reputational risks regarding the Fund's credibility in managing financial risks.

ISSUES FOR DISCUSSION

39. Directors may wish to comment on the following issues:

- Do Directors agree with staff's assessment of the credit risks facing the Fund?
- Do Directors agree that the indicative medium-term target for PBs should be retained at SDR 25 billion while being monitored closely?
- Do Directors agree that the minimum floor for PBs should be retained at SDR 20 billion?

³³ Risk that staff inadequately engages with members, including that the products and services offered by the Fund do not meet the needs of members.

Annex I. Burden Sharing Capacity

This annex discusses the role of the Fund's burden sharing mechanism as well as the factors that determine its capacity. Since the 2024 review, the current burden sharing capacity has declined by about 12 percent, but its coverage of the charges for the next 12 months has narrowed only marginally relative to the 2024 review and the 2025 Update.

Role of the Burden Sharing Mechanism

1. **The burden sharing mechanism was established in 1986 to compensate the Fund for any unpaid charges by members in arrears (“deferred charges”), and in so doing, to offset the impact of unpaid charges on Fund income.** Under burden sharing, the Fund's creditor and debtor members contribute temporary financing in equal amounts to cover the amount of unpaid charges. This is achieved through increases in the rate of charge paid by debtor members and reductions in the rate of remuneration to creditor members.¹
2. **The burden sharing mechanism has proven important in protecting the Fund's income position and in enabling the Fund to recognize no impairment for its credit outstanding under International Financial Reporting Standards (IFRS).** Specifically, even though a member may not be meeting its obligation to pay charges, the collection of an equivalent amount from other members through the burden sharing mechanism enables the Fund to demonstrate that, on a net present value basis, there is no impairment of outstanding credit under IFRS.
3. **Should the loss of income from deferred charges exceed the capacity of the mechanism, the carrying value of the asset in arrears on the Fund's balance sheet may need to be reduced.** The deferred charges exceeding the burden sharing capacity would reduce the Fund's annual lending income and lower the pace of accumulation of PBs accordingly. Moreover, future cash flows due from members in arrears would not be expected to be collected in full, which could undermine the Fund's ability to demonstrate that the carrying value of credit outstanding has not been impaired, giving rise to the possibility of an impairment loss.² Recognition of an impairment loss arising from deferred charges would need to consider a variety of factors, including the unique nature of the Fund's financing mechanism, but could have a further negative impact on the Fund's net income and PBs.³

¹ These adjustments are currently set to match charges in arrears.

² Under IFRS, the amount of the loss is measured as the difference between an asset's carrying amount and the present value of estimated future cash flows.

³ Recognition of an impairment loss is not equivalent to writing off the outstanding claims against the member in arrears, since it does not relieve the member of its obligations to the Fund. The impairment loss may be reversed in future years as the arrears are cleared.

Capacity of the Burden Sharing Mechanism

4. The total capacity of the burden sharing mechanism to cover unpaid charges is the sum of the maximum feasible reduction in remuneration expenses and the maximum feasible increase in income from charges:

- Article V, Section 9 (a) of the Fund's Articles of Agreement states that the rate of remuneration shall be no less than four-fifths (80 percent) of the SDR interest rate, limiting the maximum reduction in remuneration expenses to: $0.2 * SDR \text{ Interest Rate} * \text{Remunerated Reserve Tranche Positions}$. The Board has set the current floor for remuneration at 85 percent of the SDR interest rate, which may be changed with a 70 percent majority of the total voting power.⁴
- The maximum capacity of a symmetrical burden sharing mechanism is simply twice the above amount because debtors and creditors contribute equally.⁵ However, the contributing debtor base declines in the event of arrears, which may in practice limit the maximum feasible adjustment to the rate of charge without overburdening these members.

5. The burden sharing capacity depends on the following factors:⁶

- **Quota payments:** Quota increases typically result in higher reserve tranche positions (RTP), as members acquire additional liquid claims on the Fund as part of their quota payments.⁷ As reserve tranche positions increase, the remunerated portion also increases, thus allowing for a larger maximum reduction in remunerated expenses and higher burden sharing capacity.
- **Outstanding credit financed by quota:** Reserve tranche positions also move in tandem with changes in outstanding credit financed from quota resources. Remunerated reserve tranche positions stood at about SDR 106.3 billion at the end of December 2025, only slightly lower than the level at the time of the previous PB review (about SDR 108 billion as of end-December 2023). However, no burden sharing adjustment is made to the interest paid to creditors on borrowed resources (New Arrangements to Borrow and bilateral loan or note purchase agreements). Therefore, outstanding credit financed by borrowed resources would not affect the Fund's burden sharing capacity.
- **SDR interest rate:** as the burden sharing adjustment to the rates of remuneration is set as a proportion of the SDR interest rate, a higher SDR interest rate increases the total burden sharing

⁴ See Decision No. 12189-(00/45), April 28, 2000, as amended.

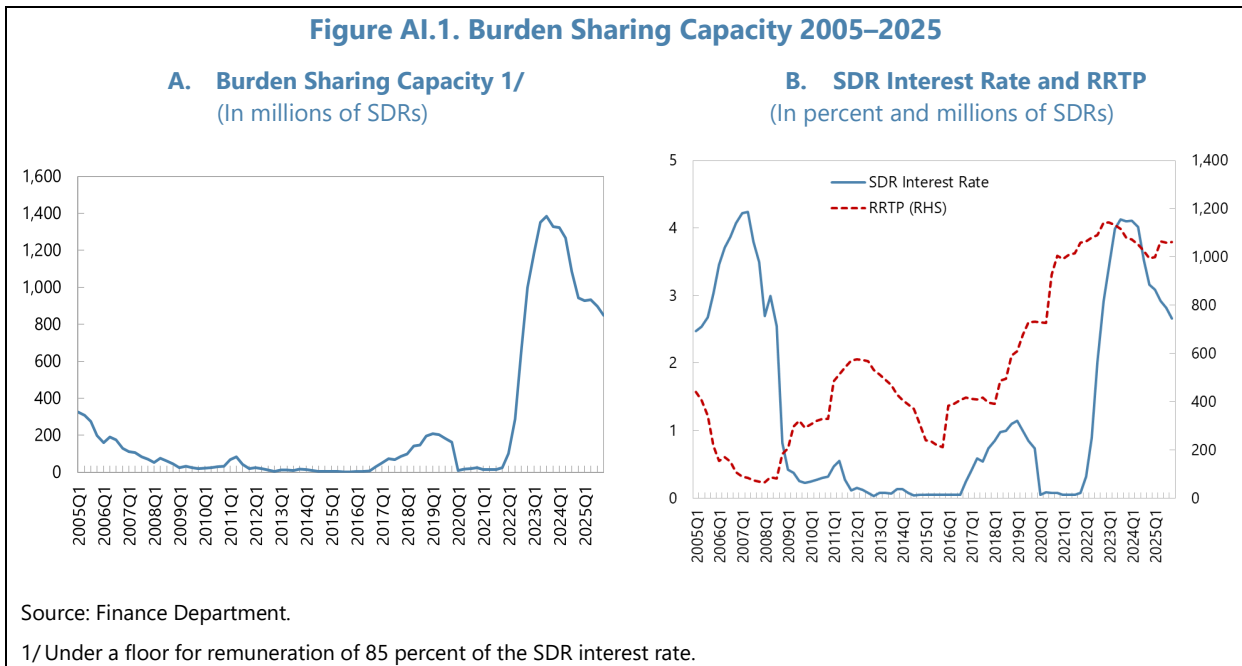
⁵ Under the terms of the burden sharing Decision No. 11945-(99/49), adopted on April 30, 1999, the operation of the mechanism would need to be reviewed if the adjustment in the rate of remuneration falls below the agreed floor of 85 percent of the SDR interest rate. Absent any Executive Board decisions at such a review, debtor members would be required to cover any remaining amounts of unpaid charges through further (uncapped) adjustments to the rate of charge, and burden sharing would become asymmetric.

⁶ Burden sharing capacity can also be affected by other Fund operations and transactions involving changes in the GRA currency holdings, such as transfer of currencies to the Investment Account and sales of SDRs to members in exchange for currencies.

⁷ Quota increases paid in currencies do not affect members' aggregate RTP positions.

capacity. The surge of SDR interest rate from its floor of 0.050 percent as of end-September 2021 to 4.198 percent as of end-December 2023 triggered the rise of total burden sharing capacity. After that, SDR interest rate declined to 2.664 percent by end-December 2025, leading to a decline of burden sharing capacity.

6. The burden sharing capacity increased rapidly beginning in 2022, driven by the rise in the SDR interest rate and sustained remunerated reserve tranche positions, but has declined after 2024 in line with movements in the SDR interest rate. As of end-December 2025, the annual burden sharing capacity (based on the current floor for remuneration at 85 percent of the SDR interest rate) was about SDR 850 million, compared to SDR 943 million at the time of the 2025 Update (as of end-December 2024) and SDR 1,330 million at the time of the previous PB review (as of end-December 2023, Figure AI.1.A). The recent decline in the burden-sharing capacity partly reflects a lower reserve tranche position but is driven primarily by the easing of the SDR interest rate following its sharp post-2022 spike (Figure AI.1.B). Burden sharing capacity still covers about 21 percent of charges projected over the next 12 months, just slightly less than coverage levels observed at the time of the 2024 PB review and the 2025 Update.



Annex II. Demand for New Programs

This annex explains the methodology used to project demand for new drawing Fund programs under the model-based scenarios using the October 2025 WEO data. Under the baseline WEO global outlook, the analysis identifies new drawing Fund arrangements that would amount to about SDR 34 billion over the medium term. Fund credit outstanding would peak at SDR 100 billion in FY2028 and gradually decline to below SDR 85 billion in FY2031. This path is broadly in line with the baseline scenario (scenario 1) described in the main text. A projection based on the adverse scenario in the WEO identifies a handful of additional arrangements, which along with the assumption of a 50 percent drawdown in precautionary arrangements would raise credit outstanding to over SDR 120 billion in FY2028–29.

1. The analysis uses a panel logit regression to predict countries' requests of IMF drawing programs under the General Resources Account (GRA) in FY2026–31. Like in previous Precautionary Balance reviews, the model relates the probability of entering a new Fund arrangement to global and country-specific determinants. The current sample covers 123 advanced, emerging and frontier market economies and 182 GRA arrangements over the period 1992–2024. The results of the regression suggest that the probability that a country requests a drawing Fund program increases with higher external financing needs, higher global financial market volatility, lower reserve coverage, and lower GDP growth, among other factors (Table AII.1). A threshold for the probability of entering a program is then determined by minimizing the simple average of missed new arrangements (Type I error) and false alarms (Type II error) for the in-sample forecasts. Using this threshold, the model correctly identifies about 95 percent of observations of the dependent variable.

Model-based WEO (Scenario 2)

2. This scenario uses the results from the estimated logit model to project new requests of IMF drawing arrangements in FY2026–31, assuming the October 2025 WEO baseline projections and a moderate VIX index value to reflect global financial market volatility.¹ A country is assumed to enter a new drawing IMF arrangement if its predicted probability exceeds the calculated 7.1 percent threshold in a given year. Access is calculated, as in the last review, using the average size of Fund programs (excluding precautionary arrangements) in the past decade of 5 percent of GDP, in each identified case adjusting for outstanding Fund credit, projected disbursements and repurchases, and applicable normal access limits. Additional assumptions are shown in Table AII.2.

3. The predicted demand for Fund resources would be broadly in line with that from staff's baseline scenario (scenario 1) described in the main text. In the model-based WEO scenario, with the logit model results complemented with the desk survey, 12 countries are assume

¹ The VIX index is assumed to remain unchanged at 15.6 throughout the projection horizon.

to enter into arrangements in FY2026–29 totaling about SDR 34 billion.² Outstanding credit would peak about SDR 5 billion higher than in the baseline scenario, at around SDR 100 billion in FY2028. Thus, the model-based WEO baseline scenario broadly confirms the baseline scenario's projections regarding the future path of Fund credit, the forward-looking credit measure and the calculated range for precautionary balances (Table AII.3).

WEO adverse (Scenario 3)

4. The demand for Fund resources is projected to increase to a handful of additional countries if estimated according to the WEO adverse scenario. This scenario incorporates the real GDP growth rates estimated in the adverse scenario of the October 2025 WEO, as well as global conditions reflected in short-term U.S. interest rates and oil prices with the aim to present an internally consistent scenario. Other country-specific variables remain as in the baseline. In addition, it is assumed that (i) average access per arrangement is higher than under the WEO model-based scenario, at about 7 percent of GDP (excluding precautionary arrangements), given that access levels have historically been higher during stress episodes, and (ii) all current FCL and PLL arrangements are partially drawn (50 percent). In this scenario the number of new programs would increase to 17 for a total of about SDR 44 billion. Outstanding credit would peak at about SDR 123 billion in FY2029 and be higher than in the baseline scenario by a yearly average of about SDR 25 billion in FY2027–31.

Low-lending, low-returns (Scenario 4)

5. This scenario examines the impact of a more difficult environment for income generation. Specifically, demand for Fund resources in FY2026–27 is taken from the “desk survey, but no new arrangements from FY2028 onwards. Moreover, the scenario assumes that investment returns on the FI subaccount drop to 2.4 percent (the 5th percentile of the distribution) over a 5-year horizon, compared to 3.2 percent in the baseline. Outstanding credit would peak at about SDR 96 billion in FY2027 and be lower than in the baseline scenario by a yearly average of about SDR 9 billion in FY2028–31.

Growth and VIX shock (Scenario 5)

6. Substantial additional demand for Fund resources could materialize in an extremely severe shock to global financial conditions, as proxied by the VIX index. Staff considered, as in previous reviews, a scenario where the projected growth for 2026–27 for each country is assumed to fall by ½ standard deviation of its historical values relative to the October 2025 WEO projection.³

² Staff further assessed members' likelihood to request Fund financial support taking into account whether potential borrowers already had active precautionary and non-precautionary arrangements with the Fund, whether they had access to markets or other financing sources (e.g., through regional facilities), and whether they were eligible to obtain Fund credit under current policies.

³ The magnitude of the shock to real GDP is broadly similar to that in the WEO adverse scenario.

The growth shock is combined with a severe financial market shock with the VIX index set at 40 throughout the projection period.⁴ Assumed access per arrangement and the 50 percent drawdown of all current FCL and PLL arrangements are the same as in the WEO adverse scenario. Under this scenario, new programs are identified for 34 countries in FY2026–29 for a total of about SDR220 billion, compared to SDR184 billion in the same scenario in the 2024 PB Review. Credit outstanding is projected to peak at about SDR272 billion in FY2030 and exceed the projection under the baseline scenario by a yearly average of about SDR128 billion in FY2027–31.

Table All.1. Logit Model Output

Independent Variables	dy/dx	Robust SE	P-Value
Past program (dummy)	0.468***	0.057	0.000
Reserve accumulation	-0.0465*	0.024	0.053
External Financing Needs	0.540**	0.232	0.020
GDP growth	-0.0752***	0.020	0.000
GDP per capita	-1.006***	0.160	0.000
GDP	0.105	0.086	0.220
Credit gap	0.0221**	0.009	0.012
Exchange rate variation	0.154	0.305	0.613
Government stability	-0.344***	0.069	0.000
3M US int. rate variation	0.103	0.093	0.267
Import coverage	-0.181***	0.045	0.000
VIX	0.0743***	0.021	0.000
Oil price	-0.00849*	0.005	0.084
Pseudo R2	0.4615		
Observations	3125		
Countries	123		
GRA Arrangements	182		
Likelihood ratio (p-value)	0		

Notes: the table reports the coefficients of the panel logit estimation using random effects. A constant is estimated but not reported.

***, **, and * denote significance at the 1, 5, and 10 percent levels, respectively.

⁴ This compares to historical maximum values of 32.7 in 2008 and 31.7 in 2009, a peak of 27.2 and five-year average of 21.7 in the model-based WEO adverse scenario, and 15.6 in the model-based WEO baseline scenario.

Table All.2. Scenarios Assumptions

Overview of assumptions	Path of credit	Precautionary arrangements	Investment returns
Scenario 1. Baseline	Desk survey + 60% roll forward	1 st renewal: access = 90% of current arrangement. 2 nd renewal: 80%.	Median from IU: 3.1% over 3-year horizon; 3.2% over 5-year horizon
Scenario 2. WEO model-based	Desk survey + model results using baseline from Oct. WEO	Same as baseline (Scenario 1)	Same as baseline (Scenario 1)
Scenario 3. WEO adverse	Desk survey + model results using adverse scenario from Oct. WEO	50% drawdown of existing arrangements	5th percentile: 2.3% over 3-year horizon; 2.4% over 5-year horizon
Scenario 4. Low lending and low returns	Desk survey. No new arrangements afterwards.	Same as baseline (Scenario 1)	Same as WEO adverse (Scenario 3)
Scenario 5. WEO+growth &VIX shocks	Desk survey + model results using shocks to GDP growth and VIX	50% drawdown of existing arrangements	Same as WEO adverse (Scenario3)

Notes: see main text for a discussion of all five scenarios.

In the baseline the 60% roll forward assumption implies that aggregate disbursements under unspecified new arrangements are assumed to amount to 60 percent of repurchases from FY2028 onwards.

Table All.3. Forward Looking Credit Measure and Calculated Range for Precautionary Balances: FY2024–2027 1/
(In billions of SDRs)

	Forward-looking credit measure (Three-year moving average of credit outstanding) 2/	PB level to cover lower bound, upper bound, and mid-point of indicative range			Precautionary balances
		Lower bound: 20% of forward looking credit measure	Upper bound: 30% of forward looking credit measure	Mid-point of bounds	
FY2024	90.5	18.1	27.2	22.6	25.1
FY2025	91.3	18.3	27.4	22.8	25.9
<i>Scenario 1. Baseline</i>					
FY2026	94.3	18.9	28.3	23.6	26.4
FY2027	94.2	18.8	28.3	23.5	26.8
<i>Scenario 2. Model-based WEO</i>					
FY2026	96.5	19.3	29.0	24.1	26.4
FY2027	98.9	19.8	29.7	24.7	26.9
<i>Scenario 3. WEO adverse</i>					
FY2026	107.7	21.5	32.3	26.9	26.4
FY2027	118.1	23.6	35.4	29.5	26.9
<i>Scenario 4. Low lending and low returns</i>					
FY2026	93.9	18.8	28.2	23.5	26.4
FY2027	92.5	18.5	27.7	23.1	26.6
<i>Scenario 5. Growth and VIX shock</i>					
FY2026	143.3	28.7	43.0	35.8	26.4
FY2027	192.9	38.6	57.9	48.2	27.4

Source: IMF Finance Department.

1/ Figures in square brackets represent projections at the time of the 2025 Update (see [Review of the Fund's Income Position for FY 2025 and FY 2026](#)). Figures for FY2024 and FY 2025 are actual while figures for FY2026 and FY2027 are projected values under each scenario.

2/ Three-year average of past 12 months average and projections two years forward.