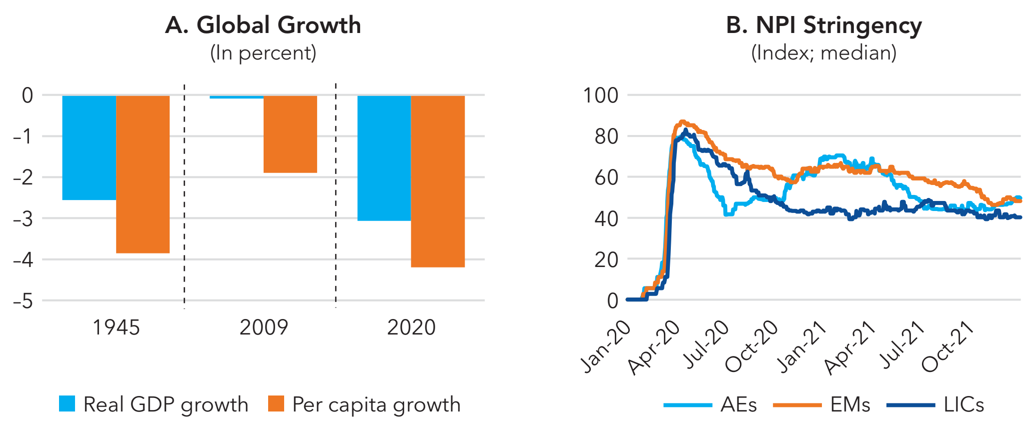
INTRODUCTION

"A crisis like no other": The COVID-19 pandemic triggered an unprecedented global public health and economic crisis, with a tragic loss of millions of lives around the world. The ensuing economic fallout was also severe, with global output falling by 3 percent in 2020, the deepest global recession since World War II and considerably worse than the Global Financial Crisis (GFC) of 2008 (Figure 1, left panel). Though growth rebounded in 2021, the turnaround was uneven with many emerging market and developing economies (EMDEs) experiencing slow recoveries (IMF, 2022c) and subsequent shocks have left economic prospects still uncertain (IMF, 2023a). Inflation has surged in many countries fueled by lingering supply chain issues and the robust policy support to demand. The pandemic also has been a major setback to the achievement of the Sustainable Development Goals (Sachs, 2022).

FIGURE 1. IMPACT OF COVID-19 PANDEMIC



Source: Batini and Li (2023).
Note: GDP loss during the pandemic and GFC are calculated as the percentage change between GDP levels in 2019 and 2020, and between levels in 2007 and 2009, respectively.

Government actions. To reduce the spread of the virus many governments swiftly enacted non-pharmaceutical interventions (NPIs) to mitigate the duration and severity of the pandemic, save lives, and avoid the need for even more stringent NPIs and further economic damage down the line (Figure 1, right panel). As a result of these early interventions, by April 2020 about half of the world's population was under some form of lockdown. To mitigate the loss in incomes from the lockdowns, global fiscal support reached almost $15 trillion by end-2020 (over 10 percent of global GDP). Most of it was deployed by advanced economies (AEs), while the fiscal response in EMDEs was more constrained by financing and debt concerns. Major central banks, notably the Federal Reserve and the European Central Bank (ECB), responded to the crisis by drastically easing monetary conditions and pumping liquidity to counter market disruptions, which helped stabilize the dramatic reversal of emerging market (EM) capital flows in the early months of the crisis (Batini, 2020). Several EMs used unconventional monetary policy (UMP) measures for the first time, including asset purchases, to help stabilize conditions.

Rapid IMF response. International agencies responded quickly to the call by governments to help alleviate the potentially dire consequences of the pandemic (COVID-19 Global Evaluation Coalition Report, 2021). The IMF rapidly developed a multi-pronged emergency response including:

- Reliance on emergency financing (EF). The IMF quickly made financing available to a large number of members by scaling up its existing EF facilities, which did not involve the ex-post conditionality of standard upper credit tranche (UCT) loans. While total financial support over March 2020–March 2021 was comparable to the total amount in the first year after the onset of the GFC, many more countries received very quick support and substantially more on concessional terms.

- Debt relief. In addition, the IMF provided debt-service relief to the poorest and most vulnerable countries and worked with the World Bank on several Group of Twenty (G20) initiatives that offered debt relief to low-income countries (LICs).

- Surveillance and capacity development (CD). Though work on Article IV consultations was temporarily suspended, the Fund continued to provide bilateral policy advice to members, urging strong domestic policy support through fiscal, monetary, and macroprudential policies. It also worked hard to sustain CD assistance despite restrictions on international travel (IEO, 2022).

- Institutional response. The staff and the Board adapted literally overnight to the need to work in an entirely virtual environment. Less immediate work streams were postponed, and procedures were streamlined to rush financial help to countries, while generally maintaining the usual detailed analysis and careful review for use of Fund resources.

Broad appreciation for IMF response. Recognizing the speed, magnitude and unprecedented nature of the shock, the IMF is generally considered to have done a remarkable job in providing essential financial support so quickly and to so many countries (Ahmed, 2021).

- Country authorities have expressed deep appreciation for the quick financing provided by the IMF, with some characterizing it as "life-saving."

- The Fund is generally considered to have worked well with partners in the UN system, with the leadership role played by the Managing Director (MD) coming in for particular praise. Together with the World Bank President, the MD also played a key role in urging the G20 to advance initiatives offering debt relief to LICs.

- Alongside its financing, the Fund was a prominent advocate for strong domestic policy support, particularly through fiscal policies. The Fund's fiscal policy advice—"spend but keep the receipts"—received widespread attention and was characterized by many observers as bold and appropriate for the circumstances and avoiding past mistakes (Giles, 2020).

Concerns and issues. At the same time, some concerns and issues have also been voiced about the Fund's response.

- Overall strategy. Some observers have suggested that, despite the pressures of the moment, a more holistic and ambitious strategy could have been crafted at the outset, positioning the Fund better to deal with the sustained economic difficulties that many EMDEs are facing (Lowcock and Ahmed, 2021). There are also concerns about the extent of consultation with the IMF's membership in the early weeks as the global outlook was being rethought and the response strategy was being devised.

- Risks, scale, and even-handedness of emergency financing. While the Fund's prompt action in getting financing to countries in need is widely recognized, there are questions both about the process and the results from the heavy reliance on emergency facilities with no ex-post conditionality. Some observers have expressed concern about whether the Fund may have provided too much financing on too easy terms, allowing countries to avoid needed adjustment and diluting protection for the Fund's own balance sheet that would have been provided by greater use of UCT arrangements (Rogoff, 2022). There were also concerns about the adequacy of governance safeguards to ensure that the resources provided were used appropriately (Transparency International, 2020). In contrast, others have questioned whether the scale of financing provided by the Fund was commensurate to the needs of the pandemic and whether it was sufficiently tailored to country circumstances. Concerns have also been raised about the even-handedness of Fund support, as a number of countries received only limited access, faced long delays, and in some cases have still not been able to gain any access. Finally, the Fund's surcharge policy, which applies to outstanding loans from the General Resource Account (GRA) that exceed certain thresholds, has been criticized for imposing undue burdens on middle-income countries when they are least able to afford them (Gallagher and Stiglitz, 2022; Honohan, 2022).

- Collaboration with partners. Despite active engagement with other multilateral lenders, there is concern that the strategy for financial support across the international financial institutions, particularly the World Bank, was not fully articulated and agreed, contributing to tensions at the country level. The rapidity of the Fund's response and strong policy advocacy may in some cases have weakened the ability of other agencies to insist on needed conditions and safeguards for their own activities to support countries (Muhlich and others, 2020).

- Biases in Fund forecasts. As during past recessions and crises, there were issues raised about potential biases in Fund forecasts. Concerns that the IMF's forecasts for 2020 growth, particularly in LICs, were too optimistic surfaced in think tank circles (Sandefur and Subramanian, 2020a; 2020b), the media (for example, The Economist, August 4, 2020) and among civil society organizations (CSOs) (Bretton Woods Project, 2020b). In contrast, some country authorities expressed concerns that IMF forecasts for EMDEs were too pessimistic.[1] Relatedly, some have suggested that the IMF's forecasts were too top-down and formulated without taking adequate account of country specificities, including structural differences between advanced and developing economies in the likely impact of lockdowns on economic activity.

- Fiscal policy advice. A related set of concerns pertains to the Fund's policy advice, particularly on fiscal policies. Some country authorities have expressed concern that the IMF's top-line institutional message that countries should maintain strong fiscal support overshadowed the more differentiated advice needed to reflect many countries' difficult political economy and debt situations. CSOs welcomed the top-line message but did not find it to be adequately reflected in the IMF's country-level advice—over 500 CSOs and academics signed a letter in October 2020 expressing concerns about excessive "austerity" (Bretton Woods Project, 2020a; Daar and Tamale, 2020).

[1] The most contentious case was that of Brazil, where officials complained publicly about overly pessimistic IMF forecasts for their country's growth in 2020 (Financial Times, December 16, 2021).

- Internal processes. The need for long periods of overtime work for many staff during the pandemic, and staff stress and burnout reflected in surveys, raise the issue of whether more could have been done to adapt human resources (HR) and budgetary practices to deliver the abrupt change in resource allocation required by a global emergency.

Purpose of the evaluation. Against this background, this evaluation aims to provide an early assessment of how well the Fund adapted its lending framework, its processes for economic assessment and policy advice, and its internal HR and budgetary practices to help countries during the emergency phase of an unprecedented global shock. The evaluation focuses on the period between January 2020 and April 2021. We are not trying to second guess decisions made in difficult and uncertain circumstances in which the need for quick action was paramount. The purpose is to draw some timely lessons from the experience so far that could be useful to fine tune the Fund's lending instruments for dealing with future large-scale exogenous shocks and reinforce the broader institutional response to future global crises, which could be public health, climate change, or security related.

Limited scope of the evaluation. As an early evaluation, this report does not seek to evaluate a number of important aspects of the Fund's crisis response, such as implications for debt sustainability and support for the recovery phase, that extend well beyond the evaluation period and would require a longer time frame to assess adequately. It also does not seek to evaluate the full range of Fund surveillance and capacity developments activities in which the Fund was engaged during the pandemic.

Evaluation questions. The evaluation covers four sets of questions.

A. Formulation of Strategy, Outlook, and Policy Advice

(i) How effective was the process through which the Fund's overall strategy was put together? Were alternatives to the chosen strategy adequately considered? Was there sufficient consultation internally and with the membership?

(ii) How well did the Fund adapt its processes for assessing the economic outlook and providing policy advice to an unprecedented global crisis?

(iii) How well did the Fund formulate and communicate its policy advice?

B. Provision of Financing: Balancing Risks and Rewards

(i) Did requirements for prior actions (PAs), policy commitments, and safeguards strike the right balance between providing timely and adequate help to countries and containing risks to the Fund's own balance sheet?

(ii) Were governance safeguards adequate?

(iii) Was the Fund even-handed in its provision of financing?

(iv) Did EF lead to subsequent programs supported by UCT arrangements, as envisaged, or crowd them out?

C. Impact of Fund Financing

(i) To what extent did the Fund's financing help countries fill their financing needs in the first year of the pandemic?

(ii) Was the Fund's support useful in catalyzing additional financial support for countries from the World bank and other official sources and from capital markets?

(iii) Did the Fund's support help mitigate the economic effects of the pandemic?

D. Corporate Response

(i) How effective were the Fund's efforts to boost and redeploy staff and budget resources in the face of a huge increase in demand for the institution's services from its members and a forced shift to virtual work?

(ii) How well were resulting strains on Fund staff handled?

BOX 1. THEMATIC PAPERS AND COUNTRY CASE STUDIES

Thematic Papers

1. The Role of IMF Financial Support in Mitigating the COVID-19 Shock
   - Nicoletta Batini and Jiakun Li

2. Operational Aspects of IMF Emergency Financing in Response to the COVID-19 Pandemic
   - G. Russell Kincaid, Jérémie Cohen-Setton, and Jiakun Li

3. The IMF's Response to the Pandemic: Strategy and Collaboration with Partners
   - José Antonio Ocampo, Jérémie Cohen-Setton, Natalia Kryg, Prakash Loungani, and Hites Ahir—referred to in this report as Ocampo and others

4. The IMF's Forecasting and Policy Advice Formulation Processes During the Pandemic
   - Prakash Loungani, Akos Mate, Martin McCarthy, and Umberto Collodel—referred to in this report as Loungani and others

5. The IMF's Institutional Response to the Pandemic
   - Nicoletta Batini and Joshua Wojnilower

6. Staff Survey Results
   - Catherine Koh and Joshua Wojnilower

Regional Country Case Studies

7. Africa: Benedicte Christensen, Steve Kayizzi-Mugerwa, Jérémie Cohen-Setton, Catherine Koh, Jiakun Li and Prakash Loungani—referred to as Christensen, Kayizzi-Mugerwa and others. *Case studies:* Burkina Faso, Côte d'Ivoire, Malawi, Nigeria, South Africa, Zambia.

8. Asia and Pacific: Susan Schadler and Joshua Wojnilower. *Case studies:* Bangladesh, Mongolia.

9. Europe: Susan Schadler and Jérémie Cohen-Setton. *Case studies:* Bosnia and Herzegovina, Kosovo.

10. Middle East and Central Asia: Adnan Mazarei and Prakash Loungani. *Case studies:* Kyrgyz Republic, Morocco, Tunisia, Uzbekistan.

11. Western Hemisphere: Nicoletta Batini and Eduardo Levy-Yeyati. *Case studies:* Bolivia, El Salvador, Nicaragua, Paraguay.

Evaluation approach. This evaluation was launched a little over one year after the onset of the COVID-19 pandemic and focuses on the early experience.[2] This overview draws on six thematic papers and five sets of country case studies, one for each of the Fund's area (regional) departments (Box 1). In addition to a top-down view of the Fund's engagement with the region, the case studies present a closer look at the experience of 18 countries listed in Box 1.

Sources of evidence. The evidence is based on: extensive interviews with IMF staff and management, Board members, and country authorities; a staff survey; empirical analysis based on public and internal databases;

[2] The IEO's previous evaluations of the IMF's crisis responses such as the response to the GFC (IEO, 2014b) and the Euro Area crisis (IEO, 2016), were prepared several years after the initial crisis, providing more time to assess the Fund's impact but did not permit drawing early lessons.

and peer reviews by outside experts of this report and background papers. The evaluation also benefitted from a mid-point informal seminar with the Board, which provided the opportunity to present some initial findings and lessons and benefitted from Executive Directors' (EDs) responses.

Structure of this report. Section II describes and assesses the formulation of the IMF's strategy, outlook, and policy advice to respond to the pandemic. Sections III and IV provide a detailed look at the provision of Fund financing and assess its effectiveness and impact. Section V evaluates the response of the Fund's HR and budget processes and the adaptation to working in a virtual environment. Section VI contains the main conclusions and recommendations.