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CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

Agile and effective response. Even for an institution used to dealing with crises, the COVID-19 pandemic represented “a crisis like no other.” The Fund deserves great credit for its effective and agile response to provide early financial support to a broad range of members at a time of urgent need and high uncertainty. Our case studies indicate deep appreciation from the country authorities receiving emergency financing for the speed of the Fund’s reaction.

Strategy

Rapid deployment. Over the course of February 2020, Fund staff and management worked on a pragmatic strategy to address the needs of the situation, taking into account likely constraints posed by the preferences of the membership. The Fund placed a premium on saving lives and livelihoods by providing quick financing support through its existing emergency financing facilities and urging countries to use the Fund’s precautionary instruments, including a newly introduced short-term liquidity line. As a result, a record 62 countries received very rapid support—within the first three months of the onset of the pandemic—and two-thirds of these countries received support on concessional terms. The Fund also deserves credit for continuing to adapt the chosen approach in response to new developments.

Benefits and costs. While the bold strategy delivered impressive benefits, it should be recognized that the speed of decision making and reliance on the existing toolkit also had costs. These included constrained consultation, incomplete understanding with key partners, limited use of precautionary instruments, limited assessment of risks to the Fund, and operational challenges in applying emergency financing facilities as the main financing channel.

Constrained consultation. While the IMF’s strategy was discussed with the IMFC and the Board during March 2020, and bilaterally with some shareholders and officials, our interviews with Executive Directors suggest that many within the membership did not feel adequately consulted on the Fund’s emerging strategy in the initial weeks. For instance, the Fund’s initial announcement of $50 billion in support of countries became known to many through news reports. Interviewees appreciated that management and staff were unusually pressed for time and that the ultimate strategy adopted may not have been altered much by broader consultation. Nevertheless, an early consultation with the full Board would have provided broader ownership of the strategy, allowed for a more open airing of the challenges it involved, and offered an early indication of support for the full range of possible options, such as the introduction of a new pandemic facility.

Partnership challenges. The IMF worked closely with the G20 and other international organizations in the early months of the pandemic to develop a wide-ranging response to the unprecedented challenges across the international community. Early engagement with the Fund was particularly appreciated in the UN system. The partnership with the World Bank was effective in advocating for and supporting an important G20 debt service suspension initiative. However, the Fund and Bank did not reach a full understanding on the overall financing strategy to be followed, which led to some strains at the country level, as discussed below.

Limited take-up of precautionary facilities. The use of the Fund's precautionary facilities did expand during the pandemic but the number of countries involved was still very small and there was no take-up of the newly approved SLL until two years later. Stigma may have played a role in keeping some countries from approaching the Fund, although it should be recognized that demand was also dampened by the prompt actions by the Fed, ECB, and other central banks in easing monetary conditions and providing swap lines to ease liquidity concerns in EMs. These actions allowed for a quick reversal in EM capital flows in mid-2020, without which more countries may have faced significant financing gaps.

Risks to the Fund. As discussed further below, the pragmatic reliance on the existing framework for EF led to risks to the Fund and operational challenges. There was a strong acceptance across the institution and its shareholders that as the premier multilateral responder to international economic crises the Fund should be prepared to take on heightened risk to its own balance sheet. Indeed, not doing so would have clearly created adverse reputational risks for the Fund. At the same time, considerable attention was paid to assessing the adequacy of loan and subsidy resources for the PRGT, leading to major fund-raising efforts. However, there was less attention to the extent of credit risks for the IMF's balance sheet especially the PRGT as the Fund's crisis response strategy was put in place in the initial months of the pandemic. While there was increasing analysis of such risks in subsequent reports, some key sources of risk—such as the rising share of borrowing through emergency facilities and the rising share of credits to countries with high risk of debt distress—were still not examined in depth. While the need for rapid decision making in a highly uncertain environment would have certainly complicated in-depth analysis, it is nevertheless striking that decisions with major consequences for the Fund's balance sheet were made without deeper attention to the risk implications of key decisions, for example, to double the access limits on EF.

Outlook

Quick revision of outlook. Fund staff quickly revised their global economic outlook, consulting with epidemiologists and health experts on the likely duration and spread of the pandemic and its economic impact. Staff's early estimate during February–March 2020 that global output would decline by 3 percent turned out be quite accurate. The staff's ability to rapidly adapt its forecast for a major unprecedented shock was much appreciated but, as with the strategy, some on the Board felt they could have been better informed about evolving views on the outlook in the initial weeks, based on direct briefings from staff rather than press reports and G20 surveillance notes.

Increased top-down guidance. There was greater recourse to top-down guidance from RES during the forecasting process to ensure shared assumptions about the duration and economic impact of the pandemic. Interviews with area department staff and survey responses suggest that they accepted the need for increased top-guidance and, by and large, did not feel that it hindered their ability to adjust their forecasts for country circumstances. Some staff and Board members feel that the initial top-down guidance made the implicit assumption that output impacts of lockdowns in EMs and LICs would be similar to that in AEs, which they felt was incorrect and affected the quality of forecasts for EMs and LICs. However, we did not find systematic evidence for this when looking at forecast errors across country groups.

Pessimism in June 2020 growth forecasts. In contrast to fears expressed in policy and media circles in the early months of the pandemic that the IMF's forecasts were too rosy, the IMF's June 2020 forecasts ended up being much more pessimistic than the eventual outcome. The forecast errors were particularly large for the "top ten" countries—the countries with the highest weights in the global forecast. However, the reason for this excessive pessimism cannot all be attributed to increased top-down guidance on the extent of cuts to make in EM and LIC forecasts or on assumptions about the impact of lockdowns in EMs. In fact, forecast errors were much larger for AEs than for EMs and LICs. For the latter country groups, the IMF's 2020 growth forecasts turned out to be reasonably accurate on average, though errors were large for EMs among the "top ten." Private sector consensus forecasts also shared the pessimism of the

IMF's forecasts, though not to the same extent. In our view, the pessimism resulted from staff's attempt to best reflect the information on hand at the time rather than a deliberate attempt to make a dire forecast.

Surge in 2021 inflation missed. A bigger forecast miss was the failure to anticipate the sustained surge in inflation starting in 2021, a concern starting to be flagged by some outside experts by spring 2021. Staff had accurately forecast that 2020 inflation would be subdued based on their judgment that demand weakness would outweigh the effects of supply disruptions. However, their judgment that 2021 inflation would remain subdued proved inaccurate as circumstances began to shift in early 2021, including due to the strength of continued policy stimulus as economies were recovering quite rapidly. The Fund shares this failure with forecasters at the Fed and other major central banks. Though the Fund's forecast miss can be explained as a judgment call that went wrong, it also seems to mark another instance of Fund deference to conventional wisdom among major central banks.

Policy Advice

Fiscal policy. The Fund quickly urged countries to "spend but keep the receipts." We broadly share the view of many that the Fund's advice was bold, appropriate for the circumstances, clearly communicated, and avoided past mistakes. While the headline message was to do "whatever it takes," the Fund also emphasized that spending should be temporary and targeted to avoid a build-up of fiscal risks. But some country authorities feel that the Fund's advice came across as too broad-brush to be suitable in all country circumstances and that it provided political cover for governments that were inclined to follow the advice to spend without consideration for other aspects of the Fund's advice. The full costs of the Fund's policy stance will not become clear until much later when the consequences of public debt build-ups have to be tackled, and this evaluation is too early to offer a full cost-benefit analysis. But it is clear that the Fund's fiscal policy guidance was made with awareness of future risks and after considerable internal consultation and Board review, notably during the Board discussions of Fiscal Monitor reports.

Monetary policy. The Fund broadly supported the stimulative policies adopted by central banks in AEs and EMs, and also recognized their positive spillovers for the global economy. However, while internally debating the pros and cons of the use of unconventional monetary policies by EMs, the Fund refrained from a timely public stance beyond reporting on developments; some policymakers and market participants would have preferred that the Fund weigh in more quickly and openly on a major new monetary policy development. The Fund could have been more active as a forum for public discussion of the issue, in part drawing on analysis by its monetary policy experts group (formed in response to a recommendation in an earlier IEO evaluation). It would have been particularly useful to bring in more external EM monetary policy experts—which should have been facilitated by the switch to working in a virtual environment.

Advice on dealing with capital outflows. Staff was careful to follow the Institutional View's guidance on managing volatile capital flows, including emphasis on the role of flexible exchange rate management. The Fund appropriately refrained from public comment on the use of capital flow management measures during the months of sharp outflows from EMs and LICs at the start of the pandemic, which could have added to market volatility, while being more open internally to supporting use of such measures should the situation continue to deteriorate. Functional department experts engaged with country teams, and in a few cases confidentially with country authorities, on what measures would be most effective in their country circumstances should they be needed.

Policy tracker and policy guidance notes. The IMF deserves much credit for launching a widely appreciated policy tracker to share information on policies put in place by governments around the world to deal with the unique challenges of a joint health and economic crisis. The tracker was launched on March 25, 2020 and by April was already one of the most visited items on the IMF's website. The Fund also scrambled to produce an extensive series of "How-To" notes on policies to respond to the unprecedented circumstances of the pandemic, which was generally appreciated by both staff and country officials, although more granularity would have been helpful in some of these notes.

Fund Financing: Access, Tailoring, and Evenhandedness

Balancing risks and rewards. For the most part, the Fund's reliance on its EF framework worked effectively during the pandemic to offer timely and deeply appreciated financial help to a wide range of countries while accepting some greater than normal risks to the Fund. The exigencies of the pandemic were recognized by quickly pivoting from UCT to EF financing, scaling back PAs relative to their use in past EF, and giving the benefit of the doubt to countries in some difficult judgments about debt sustainability. While these and other sources of risk to the Fund's own balance sheet were not ignored in approving EF requests in the initial months of the pandemic, attention to them increased after mid-2020, although by this time the bulk of EF requests had been approved. Nonetheless, the quality of the IMF's balance sheet deteriorated during the first year of the pandemic—especially for PRGT credits—with an increasing share of the portfolio owed by countries at high risk of debt distress on financing provided without the usual UCT program framework.

Lack of access or limited access. While the Fund provided swift financing to a record number of countries, there were also several countries that could not access Fund financing or were held below access limits because of concerns about debt sustainability, governance issues, or policy choices. For example, as discussed in our regional background papers, Belarus did not receive financing because of concerns about its health policies, Iran for concerns about governance and economic policies, and Zambia for concerns about debt sustainability, while Nicaragua's access to EF was considerably delayed until stronger assurances on policies were provided. This experience suggests that while displaying flexibility in the face of an unprecedented global health emergency, Fund management and staff were willing to draw the line in very difficult cases and hold back or curtail access because of associated risks to the Fund. At the same time, as discussed further below, some decisions did lead to perceptions of lack of evenhandedness in a few cases and raise concerns about the Fund's ability to support some members in very difficult circumstances.

EF and UCT arrangements. Under the Fund's adopted strategy, rapid deployment of EF was expected to be followed by UCT arrangements for countries needing further economic adjustment and additional financial support. However, some observers worried that by providing EF on easy terms with no ex post conditionality, the Fund allowed countries to 'shop among facilities' and thus avoid necessary policy adjustments. And the regional background papers highlight a number of countries in which mission teams felt that more attention should have been paid to avoiding policy slippages in discussions over EF requests, even without formal ex post conditionality. It is hardly surprising that the doubling in annual access limits induced more members to use EF instruments than to use UCT arrangements as the former are available for rapid deployment in a crisis by design. Moreover, it is not clear that the provision of EF in 2020 had any lasting impact on use of UCT programs. The total number of countries with (non-precautionary) UCT arrangements at end-September 2022 (32 countries) was virtually the same as two years earlier (33 countries), notwithstanding the further infusion of liquidity through the large SDR issue in July 2021. Hence, at least in the aggregate, EF did not act as either an "on ramp" (transitioning to UCT arrangements) or an "off ramp" (discouraging subsequent use of UCT arrangements).

Tailoring and Scale of Emergency Financing

Tailoring of access. Overall, the evidence suggests that the application of the Fund's framework for provision of EF generated rather binary outcomes. Most countries either received full access up to the limit or no access at all, which did not provide much tailoring to country circumstances and needs. In quantitative terms, IEO analysis shows that 'borrowing space'—the maximum amount available given various access limits—alone explains the bulk of the variation in access across countries, particularly for RFI requests (nearly 75 percent of the variation). In RCF and blended requests, there was a somewhat closer relationship to BOP needs (accounting for around 20 percent of the variation), suggesting greater fine-tuning of access in the more difficult cases of countries accessing concessional financing. However, the level of Fund financing shows little correlation with other factors that could have affected a country's needs during the pandemic, such as the country's spending needs (as proxied by the preparedness of its health systems) or staff's own forecast of the pandemic growth impact.

Scale. As noted above, authorities interviewed for our case studies generally felt that the overall scale of Fund financing was not commensurate with their needs during the pandemic. Outside observers also noted that Fund financial support during the pandemic was much lower than could have been provided out of the Fund's GRA resource envelope (although PRGT finances were certainly stretched by the extensive use of the RCF). On balance, however, higher across-the-board access to EF would not, in the IEO's view, have been appropriate given risks involved and the need in many countries for policy adjustments best suited for a UCT program. Nevertheless, a more tailored approach to access (with access related to both need and the strength of the policy framework) could have been helpful. In particular cases, like some small developing states that were heavily hit by the economic effect of the pandemic, the option to provide higher Fund support than allowed by the standard ceiling would have helped countries by moderating the adjustment they ended up making through reserve drawdowns or macroeconomic policy choices. At the same time, countries with particularly high risks could be kept to access well below the standard ceiling, until such risks were adequately addressed.

Concerns about evenhandedness. Authorities' concerns about lack of evenhandedness in providing emergency financing are difficult to fully resolve. Fund staff noted that decisions on access or prior actions required with access rested on a number of complex considerations, not just a mechanical application of standard indicators. In reaching judgments about the severity of governance concerns, staff supplemented the use of external indicators of governance with internal assessments based on perceptions of previous mission chiefs, views of technical assistance missions that had visited the country, and other sources. Staff also had to make judgments about whether political transitions (for example, as a result of an upcoming election) raised or lowered risks to the Fund by influencing policy choices. Another "intangible" was the quality of engagement with the authorities, which was better in some cases than others due to factors such as the track record of previous IMF programs.

Reputational risks. While recognizing the complexity, the IEO is still left with the distinct impression that there were variations across countries in the way that policy guidance was applied, in particular the degree to which countries were given the benefit of the doubt when difficult judgements had to be made in the inevitable gray areas that sometimes arise—and that such variations at least in part reflected political considerations among major shareholders. In a few cases, there does seem to have been a lack of evenhandedness in treatment leading to delays or limits on access to EF, which, while not widespread, clearly raise reputational risks for the Fund.

Fund Financing: Governance Safeguards

Scaling up of governance safeguards. In response to concerns expressed by the some on the Executive Board and in civil society about possible misuse of financing, Fund staff scaled up attention to governance safeguards from May 2020 onwards, culminating in Board-endorsed guidance on governance safeguards in October 2020. While it would have been better to engage with the Board formally on this issue in February–March 2020, as part of a discussion with the full Board on the Fund's strategy and its risks, it is nevertheless the case that by mid-May 2020, most EF requests included several governance commitments. The most common commitment was to undertake an independent audit of crisis-related spending, which was provided in 80 percent of RCF (or blended) cases and two-thirds of RFI cases.

Implementation of governance safeguards. At this point, it is still too early to provide a full assessment of countries' implementation of safeguards commitments. As indicated in the country case studies, subsequent staff monitoring in Article IV reports and other information suggests that many countries did indeed follow through with commitments. In other countries, however, implementation has fallen short, in some cases because of lack of commitment or ownership, but also because some safeguard commitments may have been too ambitious or onerous. Even where commitments have been implemented, further study will be required to assess the impact on governance standards.

Being prepared. The experience with governance safeguards during the pandemic suggests the importance of building up country capacity to implement governance safeguards as a general objective—in line with the Fund's overall approach on governance approved in 2018. Particular attention will be needed to ensure that safeguards are well suited to a country's circumstances, particularly the disclosure of beneficial ownership which has caused difficulties in many cases. Interviews with staff suggest that this is indeed being done, with staff teams providing guidance on the value of the safeguards and their implementation.

Impact of Fund Financing

Positive impact on outcomes. Our evidence provides a broadly positive view of the impact of Fund financing: it fulfilled its expected role in meeting BOP financing needs, it helped marshal support from other sources, and it mitigated output losses arising from the COVID shock. The impact is particularly clear when comparing countries that received Fund financing with those that requested financing but did not receive it.

Addressing BOP financing needs. The Fund's decisions on lending are, by necessity, based on its best estimates of the BOP financing needs at the time that the country's financing request is being considered. These estimates require judgments about developments that are difficult to forecast accurately such as the extent to which capital flows might reverse or how much financing is available from other donors. Hence, ex post, the Fund may end up financing a larger or smaller share of the financing gap than it had envisaged. Our evidence suggests that financing needs were broadly in line with and sometimes below ex ante projections, implying that Fund financing ended up playing, at least on average, its envisaged role in filling BOP gaps. For EMs, and for LICs receiving EF, the Fund provided the expected 10–15 percent of the financing gap; for LICs receiving UCT financing or both emergency and UCT financing, the Fund's share ended up larger, 25–35 percent on average. However, for small developing states facing large shocks, the share was lower.

Marshalling support from other official sources. Interviews with evaluation offices at other multilateral institutions suggest that cooperation with Fund staff at the country level was very helpful to staff at their institutions, and that Fund financing was perceived as providing a helpful signal about a country's policy framework, even in the absence of a full UCT program. In many cases where the Fund did not provide financing, it did provide useful assessment letters. Evidence from our country cases suggests that in virtually every case the authorities felt that Fund support had a catalytic effect for other official financing. However, interviews with these sources also surfaced broader concerns about the lack of a common platform that could be used to share information on how much financial support was being provided across multilateral institutions.

Productive collaboration overall with World Bank. In 75 percent of cases, countries received (or did not receive) COVID-related support from both institutions, and, on average, the Bank's financial commitments to countries that received Fund support were substantially higher than in cases of no Fund support. The collaboration at the level of country teams also worked well according to the evidence from both IEO case studies and those of the World Bank's IEG. The Bank and the Fund also successfully collaborated on advocating for and operationalizing official debt relief initiatives, such as the DSSI, under the auspices of the G20.

Some tensions emerged in some cases related in part to strategic differences. In about a quarter of the total cases, countries received COVID-related disbursements during the period March 2020 to June 2021 from the Fund or the Bank but not the other. There were 14 cases in which the Fund provided COVID-related financing but not the Bank; in most of these cases the Bank eventually disbursed but with considerable delay. Interviews suggest that there was greater concern with debt sustainability issues and ensuring appropriate medium-term policy settings at the Bank than prevailed at the Fund. At least in part, differences in approach seem to have reflected early strategic decisions—the Fund emphasized quick disbursement in the early months of the pandemic through emergency financing, while the Bank placed greater reliance on policy-based instruments. In a number of cases, such tensions complicated the Fund's financing decisions amid uncertainties about how financing needs would be met. At the same time, there were also several cases where the Bank but not the Fund provided financial support, reflecting more flexibility in their financial instruments, especially to provide resources on highly concessional terms for humanitarian purposes and less concerns in some EMs about stigma in accessing Bank rather than Fund financing.

Catalyzing market financing and mitigating output losses. The evidence on whether Fund financing had a catalytic effect on private sector flows is mixed. Nonetheless, it is clear that a group of EMs that requested but did not receive Fund financing did experience significantly greater capital outflows. Moreover, our most careful econometric analysis does find modest evidence that recipients of Fund EF experienced higher net portfolio inflows on average than a control group, with the immediate effect stronger for EMs than LICs. Country case studies generally suggest that the authorities in most cases felt that Fund financing helped calm financial conditions and assisted in their return to market financing. Our econometric evidence also supports the view that Fund financing played a role in mitigating output losses during the pandemic, especially compared to countries that requested but did not gain access to IMF loans.

Corporate Response

Remarkable adaptability. The pandemic elicited a widespread corporate response, with numerous HR and budgetary initiatives to support the Fund's crisis response and the abrupt shift to remote work. The experience also showcased one of the IMF's main institutional strengths: its dedicated workforce. Staff went above and beyond the call of duty to help member countries navigate the crisis, working overtime, adapting to a virtual work environment, forgoing leave, and volunteering for one-off assignments to ease the burden on departments.

Work pressures. Despite the wide-ranging corporate response, the pandemic put huge stress on the institution and particularly its staff, as reflected in the associated stresses on work-life balance observed in staff surveys. For example, the fact that a large share of the workforce was logging at least 20 percent overtime for lengthy periods highlights that the IMF relies on the discretionary effort of staff to handle a crisis.

HR management challenges. While a higher burden on staff is to be expected during a crisis, it does raise a valid question about whether the Fund's HR system could be better prepared to deal with the stresses of a crisis. It is striking that although the frontline departments were quickly allocated additional headcount, it took considerable time for the additional staff resources to materialize where they were most needed. While multiple factors seem to have contributed to this slowness, including the fact that recent upgrades to key HR systems and processes were still "works in progress", the recent experience raises concerns about the complexity of Fund hiring mechanisms, the need for more effective centralized mechanisms to direct staff internally where they are most needed in the midst of a crisis, and the adequacy of data on staff experience and expertise that could be available when the institution is faced with the need for rapid staff redeployment.

Budget flexibilities and constraints. The crisis required substantial additional spending to meet crisis needs, including for a temporary expansion of the workforce. The budget response was managed nimbly, without requiring any ad hoc increases in the budget envelope, helped by quick reprioritization and use of available buffers in the budgetary system, including an emergency buffer and the carry forward of previously unspent funds. However, while such mechanisms were largely adequate for the purpose in this case, it should be recognized that budgetary pressures were eased by the forced cuts in travel and events spending. Thus, the concern remains that during future crisis events where additional spending is needed, the emergency buffer and carry forward resources could be insufficient. While a supplementary budget is an option, it can take time to propose and approve with adverse effects on the speed and effectiveness of the crisis response. Even on this occasion when a supplementary budget was not ultimately needed, the actual reallocation of funds was delayed and uncertainty about the duration of additional resources slowed the hiring process.

Logistical strengths and challenges. The Fund's crisis management team made decisions rapidly about access to Fund premises and repatriation of staff at the start of the pandemic, the shift to remote work, and the eventual return to office—while consistently giving top priority to the staff's health and safety needs. The Fund also ensured business continuity in serving the membership during the crisis, with staff and the Board adapting literally overnight to the need to work in an entirely virtual environment, benefitting from earlier planning exercises. Nonetheless, the shift to a virtual environment, and the subsequent drawn-out re-entry process involved a number of challenges to IMF practices and approaches. The CMT's resources were clearly stretched in handling a high impact and extended health emergency. Moreover, the Fund's conservative approach to re-entry, while clearly in line with the preferences of a large portion of staff, did have some consequences for operational work, particularly where more presence in the field would have been helpful for country relationships, and for the Board's capacity for effective oversight. Finally, more actual communication and consultation with the staff could have enhanced transparency and buy-in.

B. RECOMMENDATIONS

Key takeaway. The key takeaway of the evaluation is that notwithstanding the IMF's remarkably pragmatic response to an unprecedented crisis using its existing lending toolkit and policies, the experience did involve a number of strains and challenges. Thus, although this evaluation ends up with a largely positive assessment of the crisis response, the Fund should nevertheless be prepared to review some aspects of its policies and procedures to ensure that as an institution it is fully prepared for dealing with the global crisis events that seem likely to recur with as much or even increasing frequency in the years ahead. By adapting in advance rather than in the heat of the next crisis, the process can be more deliberate and coherent, with less need for recalibration as new issues crop up. It can also be the result of a more open and transparent and participatory consultation process with the Board and the full membership instead of relying on hurried consultation with a limited set of shareholders.

High-level recommendations. For this purpose, we make two high-level recommendations (Box 2). First, the Fund should develop a toolkit of special policies and procedures that could be quickly activated to help address the particular needs and circumstances of a global crisis. Such policies and procedures could be triggered at the onset of a global crisis, allowing for a broad set of lending and corporate responses that may be needed on a temporary basis in an emergency context that would not be appropriate in more normal times. Second, the Fund should take steps to reinforce institutional preparedness to deal with global crises and other large shocks. Each of the recommendations comes with a number of suggestions on how the underlying purpose of the recommendations could be achieved. Together, these recommendations build on the early lessons contained in our March 2022 midpoint presentation to the Board. They incorporate the feedback received from the Board on these lessons, as well as further analysis and consultation.

BOX 2. HIGH-LEVEL RECOMMENDATIONS

Recommendation 1: Develop a toolkit of special policies and procedures that could be quickly activated to address the particular needs and circumstances of a global crisis.

Recommendation 2: Take steps to reinforce institutional preparedness to deal with global crises and other large shocks.

Important caveat. It is worth reiterating that this evaluation was designed to provide an early assessment of the Fund's emergency response to the pandemic. It thus covers only the initial stages of the pandemic in any depth and does not consider the full range of Fund activities or the longer lasting consequences of the pandemic response, for example on countries' debt sustainability or the depletion of the IMF's concessional resources despite major fund-raising efforts. Accordingly, the high-level recommendations are deliberately limited in number and cast at a very general level. The specific suggestions are more numerous but must also be considered in light of subsequent experience and the broader context of the continuing challenges faced by the Fund in helping members deal with a global environment that remains very difficult.

Recommendation 1. Develop a toolkit of special policies and procedures that could be quickly activated to address the particular needs and circumstances of a global crisis. Global crises by their scale and scope can overwhelm the 'business as usual' processes of institutions, although every crisis presents unique challenges which require steps that cannot be predicted or decided in advance. To be ready to reach quick decisions on exceptional measures, while retaining flexibility to respond to the particular needs of a given crisis, we suggest developing a toolkit of special crisis policies and procedures in a number of areas that could be quickly calibrated and activated as part of a crisis response strategy. Specific suggestions include the following:

- Participatory consultation with the full Board at an early stage of a global crisis on the strategy and broad set of institutional steps to help member countries deal with very challenging circumstances. Such consultation could include consideration of work streams that could be temporarily given less attention, as well identifying areas of high priority, to help alleviate inevitable work pressures.
- Activation of temporary modifications to the lending framework to help countries meet the financing needs implied by the crisis while accepting higher levels of risk tolerance for the Fund. Options could include:

- higher access limits for EF (but more tailored to country circumstances—as suggested in recommendation 2);

- activation of a temporary "global crisis-response window" for UCT programs (similar to staff's earlier proposal for a "pandemic window") that would allow greater focus on crisis needs with longer EFF repayment terms;

- activation of a crisis-only precautionary facility (without ex post conditionality) that would provide access for countries with strong fundamentals but not reaching the full standards required to qualify for FCL/SLL access;

- streamlined review procedures;

- temporary modification of the IMF's surcharge policy to avoid imposing additional charges on borrowing related to the global crisis.

- Activation of a framework for temporary budget flexibility. A framework could be established to provide for a short-term temporary budget increase in exceptional circumstances while respecting a medium-term budgetary envelope. This could be similar to the existing mechanism in the World Bank, and aim at providing a more expedited, less uncertain process for obtaining additional funds that may be needed to respond to a global crisis.

- Steps to facilitate the HR response to the global crisis could include temporary recourse to a centralized mechanism for redeployment of staff resources rather than the normal reliance on a free internal market. Under such an approach, authority would be temporarily ceded to Management working with HRD to direct staff moves across departments to address crisis needs, while being careful to ensure alignment with existing HR policies, maintaining evenhandedness across departments and business areas, and avoiding staff grievances.

- Reinforced Crisis Management Team. During a global crisis, the existing CMT could be reinforced with additional resources to buttress the Fund's ability to provide a timely and expert logistical response. Particular crisis-related tasks would include determining potential risks and limiting impacts on staff's physical and psychological health and regular consultation and communication with staff and Board.

Recommendation 2. Take steps to reinforce institutional preparedness to deal with global crises and other large shocks. This recommendation encourages review of the Fund's regular policies and procedures that would be useful to increase the Fund's capacity to support countries deal with large external shocks in general, and would also enhance the Fund's capacity to support countries in a global crisis. Consideration could be given to the following:

- Review of emergency financing policy and practice. During the pandemic, access to EF was very binary, with most requests providing access up to the limit or nothing at all. An approach that provides for greater tailoring of access to country financing needs and capacity to repay may be helpful for dealing with future large external shocks. For example, the EF framework could allow for higher access above the normal limit for countries with particularly large financing needs where they can be supported by a high standard macroeconomic framework and governance structures that provide adequate safeguards for Fund resources. More tailoring of access could also limit initial access to EF for countries with weaker policy and governance frameworks, while offering some limited access on humanitarian grounds. It would also be useful to consider approaches that would provide for a clearer path to UCT programs for members with more protracted BOP needs but that need emergency financing in the face of the urgency of responding to a large external shock.

- Further development of the toolkit of precautionary instruments. Consideration could be given, in the context of the upcoming review of the precautionary lending frameworks, to explore the scope for making the existing precautionary toolkit more attractive to a wider range of countries with suitable policy frameworks to encourage broader take-up of such instruments.

- Governance safeguards. The Fund could develop an initiative building on the upcoming review of the 2018 Framework for Enhanced Fund Engagement on Governance to support country efforts to strengthen governance measures, particularly related to crisis-related spending, including for example on social safety nets and healthcare.

- Collaboration with partners. Steps could be taken to foster a more coherent approach to strategic partnerships with the World Bank and other official institutions. It would be useful to have deliberated on the respective crisis-response roles of the different multilateral institutions to facilitate heightened collaboration when it is needed. One concrete step could be the launch of a 'financing tracker'—a common platform to share information on the support that official institutions are providing to their member countries that would be particularly important in the context of a global crisis but also useful during more normal times.[41]

- Table-top exercises and a crisis playbook. The Fund could play out how the institution would respond to a developing global crisis, with participants from management, staff, the Board and key partners such as the World Bank, contributing to developing a crisis "playbook" of issues to be taken into account and steps to be considered when a global crisis occurs. Such exercises could provide useful insights into how to ensure that the decision-making process and the forecasting framework consider the full range of issues and take account of the alternate viewpoints across the institution.

Managing enterprise risks. Discussing and implementing the recommendations of this evaluation would also help mitigate future enterprise risks. As summarized in Annex I, the Fund faced considerable risks at the onset of the pandemic and successfully took steps to reduce them. Nevertheless, residual risks remained, which could be mitigated in future global crises through implementation of the recommendations provided here.

Lessons from partner evaluation offices. The case made by this evaluation on the need to further develop the Fund's crisis response architecture is echoed by evaluation offices at other multilateral institutions, which have drawn similar lessons from the experience of the pandemic about the need to review their crisis response toolkits and the need for stronger mechanisms for collaboration among institutions (Box 3). Of particular relevance is the recommendation made in the parallel evaluation being conducted by the World Bank's IEG of the Bank's crisis response to develop a joint playbook for dealing with future global crises.

Resource implications. The resource costs of the evaluation's recommendations are relatively limited given that many can be covered in workstreams on which staff is already engaged. Most importantly, a sequenced approach to stocktaking of the crisis response and considering adaptations to the IMF lending framework has already been built into the work program. The early timing of this evaluation should allow its findings to be drawn upon as this work proceeds. However, there are other suggestions made here for enhancing institutional crisis response policies and procedures that will need some upfront investments but will pay dividends if and when another major global shock occurs.

[41] One of recommendations of the 2019 IMF symposium with outside experts to raise awareness of the potential macroeconomic impacts of a pandemic was to tackle the need to improve systematic exchange of information across international institutions.

BOX 3. FINDINGS FROM EVALUATIONS OF COVID-19 RESPONSES BY OTHER MULTILATERAL INSTITUTIONS

Evaluation offices in other multilateral lending institutions have all moved quickly to conduct evaluations of their institution's' response to the COVID-19 pandemic. To learn lessons from this work, including lessons relevant to the collaboration across institutions during the pandemic, the IEO conducted interviews with staff at evaluation offices at 10 multilateral lending institutions and the OECD-led Global Evaluation Coalition; in addition, we carried out a desk review of evaluation reports produced by these institutions and by the Multilateral Organization Performance Assessment Network (MOPAN, 2022). There were several findings that stood out in common across several evaluations, reports, and interviews:

- Attending to immediate needs. Almost universally, institutions pivoted to the immediate priority of saving lives and livelihoods through various emergency measures and packages, setting aside more medium- to longer-term considerations and strategic goals of their institutions.
- Challenges in determining extent of country needs and support provided by others. At the start of the pandemic, most institutions faced the challenge of estimating the extent to which member countries needed support and how much if it was already being provided by other international financial institutions. However, there was no common diagnostic platform to assess a country's needs or quickly ascertain the support it was receiving from others, leading to possibilities of either under-funding of some countries or an oversupply of funding and crowding out. The Islamic Development Bank, in its role as chair of the MDBs group, attempted to set up a common platform but this effort proved difficult to sustain in the midst of the crisis.
- Sporadic rather than systematic collaboration. Collaboration among institutions tended to be sporadic, relying on existing collaboration mechanisms and trusted partnerships established prior to the pandemic. This again reflected the absence of a common platform through which to quickly forge new partnerships that the situation may have called for and also the lack of time and resources that could be devoted to collaboration.
- Lack of demand for some instruments. In an emergency, countries are looking for timely support: in a couple of institutions, the evaluation offices felt that delays in the implementation of their emergency support had significantly affected the attractiveness and relevance of their financing instruments. However, even timely instruments did not always see take-up if, for instance, demand dried up due to improvement in market conditions. Institutions that provided precautionary instruments are trying to sort out whether these instruments need to be designed better or whether they worked as intended by providing insurance that turned out not to be needed.
- Staff stress was pervasive. Difficulties in maintaining the welfare of staff was a pervasive issue. And several institutions reported increased stress from rigidities in reallocating staff within the institution.

Some Lessons:

- Institutionalizing innovation. Several evaluations found positive evidence of successful innovation of their frameworks and processes by their institutions in the midst of the COVID-19 crisis. The challenge is to embed some of these innovations into the crisis response toolkit of the organization so that they can be employed quickly when the next crisis hits.
- Common platforms. One lesson many evaluation offices have drawn for the future is that each institution's reporting framework for the support it is providing needs to be more transparent to ensure adequacy of overall support to a country and to better ensure the additionality of the support that each institution provides. Common platforms would be very useful if the challenges involved in setting them up could be overcome. The MOPAN report concludes that such platforms offer a potential means of ensuring that technical working relationships across the IMF, MDBs and UN at the country level are less dependent upon personalities and can be scaled up in a systematic way when needed in emergency situations.
- Crisis response playbook. The World Bank's evaluation office suggested that the World Bank and IMF develop a joint playbook for dealing with future crises.