FOREWORD

This evaluation examines a critical and long-standing issue for IMF lending: how well have IMF-supported programs been able to sustain economic activity while delivering adjustment needed for external viability? Lessons from this evaluation are particularly relevant as many countries seeking IMF support in response to the COVID-19 pandemic face strong headwinds to growth.

After careful empirical analysis of IMF financing arrangements over the period 2008–19, the evaluation does not find evidence of a consistent bias towards excessive austerity in IMF-supported programs. Indeed, it finds that IMF-supported programs have yielded growth benefits during the program relative to a counterfactual of no Fund engagement and have boosted post-program growth outcomes.

Notwithstanding these positive findings, program growth outcomes consistently fell short of program projections. Greater scrutiny of the realism of program projections would certainly help to mitigate growth optimism, but even more important would be to achieve stronger and better growth outcomes by paying greater attention in program design and implementation to growth-friendly policies, including social and distributional consequences.

To shed light on how to meet this challenge, the evaluation assesses the extent to which different policy instruments were used to support program growth objectives. It finds that growth-friendly fiscal policies typically had only mixed success, including in protecting low-income and vulnerable groups. Structural conditionalities were of low depth and their potential growth benefits were not fully realized, suggesting a need to promote deeper, more growth-oriented reforms supported by more effective capacity development and stronger collaboration with the World Bank and other relevant partners. Use of the exchange rate instrument was relatively limited, while market debt operations were sometimes too little and too late.

Based on these findings, the report proposes three recommendations aimed at strengthening attention to growth implications of IMF-supported programs, including the social and distributional consequences. I am pleased that all three were endorsed broadly by the Managing Director and by the Executive Board during the Board discussion of the report. I look forward to more detailed decisions to move this agenda forward.

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