

No. 21/01

FOR IMMEDIATE RELEASE

September 9, 2021  
Washington, D.C., USA

## **IEO Releases Evaluation of Growth and Adjustment in IMF-Supported Programs**

The Independent Evaluation Office (IEO) of the International Monetary Fund (IMF) released today its new evaluation of Growth and Adjustment in IMF-Supported Programs. This report assesses how well IMF-supported programs have helped to sustain economic growth while delivering adjustment needed for external viability, focusing on IMF financing arrangements over the period 2008–19.

The evaluation finds that the Fund’s increasing attention to growth in the context of IMF-supported programs has delivered some positive results. It does not find evidence of a consistent bias towards excessive austerity in IMF-supported programs. Indeed, programs have yielded growth benefits relative to a counterfactual of no Fund engagement. Programs have been able to sustain output broadly in line with historical norms in most cases, while still delivering needed adjustment, and have boosted post-program growth performance.

Notwithstanding these positive findings, program growth outcomes consistently fell short of program projections. Jun Kim, team leader for the evaluation, observed that “such shortfalls imply less protection of incomes than intended, fuel adjustment fatigue and public opposition to reforms, and jeopardize progress towards external viability.”

The evaluation identifies multiple ways in which policy instruments could be applied more effectively in programs to support better growth outcomes while achieving needed adjustment. Fiscal policies typically incorporated growth-friendly measures but with mixed success. Despite some success in promoting reforms and growth, structural conditionalities were of relatively low depth and their potential growth benefits were not fully realized. Use of the exchange rate as a policy tool to support growth and external adjustment during programs was quite limited. Lastly, market debt operations were useful in some cases to restore debt sustainability and renew market access, yet sometimes were too little and too late to deliver the intended benefits.

The evaluation concludes that the IMF should seek to further enhance program countries’ capacity to sustain activity while undertaking needed adjustment during the program and to enhance growth prospects beyond the program. The report sets out three recommendations:

- Attention to growth implications of IMF-supported programs should become more thorough, systematic, realistic, and sensitive to social and distributional consequences.

- Greater attention should be paid to supporting deep, more growth-oriented structural reforms with more effective capacity development support and collaboration with the World Bank and other relevant partners.
- There should be continued investment in building a toolkit of models and monitors that can be applied in the program context to assess growth-related developments, including social and distributional implications.

Charles Collyns, Director of the IEO, said that “the recommendations are particularly relevant and timely as many countries are coming to the Fund for lending support while facing strong headwinds to growth from the COVID-19 pandemic.” He welcomed the Board’s broad endorsement of the recommendations and looked forward to development of an implementation plan to carry forward these recommendations.