



# INTRODUCTION

**This evaluation analyzes the fiscal policy advice of the International Monetary Fund (hereafter IMF or Fund) from 2008 to 2023.** This period has been marked by exceptionally large global shocks and persistently lower interest rates, which together gave rise to a more proactive use of fiscal policy. The Fund was an early advocate for a strong fiscal response to the Global Financial Crisis (GFC) and COVID-19 pandemic and of withdrawing stimulus in ways that would not disrupt recoveries while preserving longer-term debt sustainability. The IMF also provided detailed advice on specific fiscal measures to help achieve durable improvements in potential growth and address broader longer-term economic sustainability priorities. Overall, this evolution in the Fund’s advice can be characterized as a shift from a pre-GFC unidimensional approach centered mainly on fiscal sustainability to a multidimensional one, with greater weights placed on other objectives of fiscal policy.

**During this period, the perimeter of IMF’s fiscal surveillance framework has widened significantly.** The Fund’s advice on fiscal policy is grounded in its Articles of Agreement, with fiscal policy established as one of the four key areas of surveillance, together with exchange rate, monetary, and financial policies, in the 2007 Bilateral Surveillance Decision (IMF 2007). Since then, the Fund has undertaken a number of surveillance and operational decisions that have enlarged the perimeter, in terms of both the range and time horizon, of the issues that fiscal surveillance could cover—notably, the 2012 Integrated Surveillance Decision (ISD) (IMF 2012d), the Triennial Surveillance Review (TSR) and Comprehensive Surveillance Review (CSR) (IMF 2014a; 2021e), and Fund’s institutional strategies on social spending, climate, and gender (IMF 2019b; 2021c; 2022d). These successive decisions and the accompanying guidance notes have translated into a surveillance framework that can be summarized around three main objectives of fiscal policy advice: stabilizing output over the cycle; maintaining fiscal sustainability; and longer-term economic sustainability through raising potential growth and providing public goods.

**The evaluation focuses on the macro-fiscal dimensions of the IMF’s fiscal surveillance.** The evaluation’s scope is delimited by its focus on the fiscal advice under Fund surveillance,<sup>1</sup> centering on the macro-fiscal dimension of the three main objectives of fiscal policy advice—output stabilization, fiscal sustainability, and economic sustainability,<sup>2</sup> and the trade-offs among them. The evaluation assesses the fiscal advice against the IMF’s surveillance framework. It is guided by the interrelation of three main evaluation criteria—relevance,

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<sup>1</sup> The evaluation is also informed by fiscal advice in Fund’s lending and capacity development, especially in low-income countries, given their high intensity of program engagement during the evaluation period.

<sup>2</sup> The latter examines whether Fund advice promoted conditions that, under realistic assumptions, would “support sustained, balanced, and inclusive economic growth without requiring large or disruptive adjustments to domestic or balance of payments stability” (IMF 2021e).

consistency, and evenhandedness<sup>3</sup>—and three overarching evaluation questions: (i) the responsiveness of the Fund’s high-level fiscal advice—surveillance framework, research tools, and multilateral advice—to global priorities and shifting views on fiscal policy; (ii) the application of this framework to bilateral advice and its tailoring to country-specific circumstances; and (iii) the incorporation of the objective of longer-term economic sustainability into fiscal advice.

**Sources of evidence and background papers.** Evidence for the evaluation was drawn from multiple sources, including a literature review of selected IMF and external publications, quantitative and qualitative analysis of different Fund and external databases, and an in-depth desk review of 35 focus countries and 2 currency unions in 6 different time periods. The findings were triangulated with evidence from interviews with Fund staff, Executive Directors, national authorities, experts from academia and think tanks, and civil society organizations (CSOs), and surveys of member country authorities and IMF mission chiefs (see Online Appendixes). The evaluation also draws on findings from previous IEO evaluations (Annex 1) and

five background papers (Annex 2). Three papers review Fund’s fiscal advice to advanced economies (AEs), emerging market and middle-income economies (EMMIEs), and low-income countries (LICs), respectively, both at the multilateral and country level. A fourth paper focuses on four selected issues: (i) the Fund’s analytical contributions and tools developed to inform fiscal policy advice; and its advice on (ii) fiscal rules and institutions; (iii) public debt management; and (iv) military spending. A fifth cross-cutting thematic paper applies a novel large language model (LLM) methodology to classify staff advice on the near- and medium-term fiscal stance in all Article IV reports from 1998 to 2023.

**Structure of the report.** Section 2 focuses on the evolution of objectives and priorities of fiscal policy advice and the tools developed by the Fund to support it. Sections 3 and 4 outline and assess, respectively, the Fund’s multilateral and bilateral surveillance fiscal policy advice for its three main objectives: output stabilization, fiscal sustainability, and potential growth and the provision of public goods. Sections 5 and 6 provide the evaluation’s main findings and recommendations.

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<sup>3</sup> That is, the relevance of the advice in relation to members’ needs, policies, and priorities, as circumstances changed; the consistency between the multilateral and bilateral advice; and the evenhandedness of advice among countries (similar advice under similar circumstances).