ANNEX 1

FISCAL-RELATED FINDINGS FROM PREVIOUS IEO EVALUATIONS

EVALUATION	FINDINGS
The IMF's Emergency Response to the COVID-19 Pandemic (2023)[1]	The IMF's fiscal advice at the pandemic's outset was appropriate for the circumstances, was clearly communicated, avoided past mistakes, and acknowledged future risks. The IMF also effectively adapted its advice as conditions evolved, gradually shifting toward a less expansionary fiscal policy and rebuilding fiscal space through credible medium-term fiscal frameworks. However, the Fund's advice on "keeping receipts" was initially imprecise, and while staff emphasized that fiscal support should be temporary and targeted, some authorities found the Fund's overall message too broad-brush. This did not always account for different country situations and possibly encouraged excessive fiscal support in countries with inadequate fiscal and governance frameworks.
IMF Engagement with Small Developing States (2022b)[2]	The Fund's fiscal policy advice added considerable value, especially post-2014, including through efforts to enhance fiscal resilience and debt sustainability. Reforms to the debt sustainability assessment methodology provided greater sensitivity to climate-related risks, though there remained limitations in the methodology that remain to be addressed. The effectiveness of IMF work on fiscal issues was handicapped among the small developing states due to their limited capacity to absorb and advance initiatives. Further work by the Fund is needed in the areas of budgeting for natural disaster risks and managing finances in countries with significant sovereign wealth funds and natural resources.
Growth and Adjustment in IMF-Supported Programs (2021)	Analysis of the growth impact of fiscal adjustment in IMF programs was often ad hoc and limited, and greater attention was needed to improving fiscal multiplier assumptions. The Fund made limited progress in raising social spending, especially on education and health care, and was hampered by the limited monitoring of distributional impacts. While fiscal conditionality played a major role in IMF-supported programs, only a small fraction of conditions required permanent institutional change.
IMF Advice on Unconventional Monetary Policies (2019)	The Fund's early preference for an "easy money/tight fiscal" policy mix did not fully consider that monetary policy was nearing its limits, nor did it fully account for the adverse spillovers through exchange rate and capital flow channels. But in the face of sluggish recoveries, the Fund recognized the merits of gradual and growth-friendly fiscal consolidations, based on credible adjustment frameworks.

EVALUATION	FINDINGS
The IMF and Social Protection (2017)	The IMF's approach to social protection was largely through the lens of fiscal policy, which means that budgetary implications and cost-effectiveness are prioritized. The Fund's Poverty and Social Impact Analysis (PSIA) improved its ability to assess the distributional impacts of fiscal policy reforms. Social protection issues were dealt with inconsistently, and greater effort was needed to ensure that recommendations—when viewed as macrocritical—were based on in-depth analysis and aligned with local needs and capacities.
The IMF and the Crises in Greece, Ireland, and Portugal (2016)[3]	IMF's pre-crisis fiscal surveillance in the euro area was largely ineffective, reflecting a belief that external and budget imbalances were not significant and would not lead to a debt crisis in a currency area. Lessons from these programs included the need for realistic public debt sustainability analysis, avoiding excessively procyclical fiscal adjustments, prioritizing expenditure cuts over tax increases, and ensuring well-paced structural fiscal conditionality.
Recurring Issues from a Decade of Evaluation: Lessons for the IMF (2014c)	Program documentation often lacked in-depth justifications for the magnitude and pace of fiscal adjustment that clearly linked fiscal adjustments to realistic assumptions about the recovery of private sector activity and growth.
IMF Response to the Financial and Economic Crisis (2014b)[4]	The IMF's calls for global stimulus in 2008–09 were timely and influential, but its subsequent calls for a shift to consolidation in some of the largest advanced economies was premature, including because of an underestimation of the impact of fiscal multipliers. The IMF faced challenges in effectively integrating fiscal and monetary policies, including by not recognizing sufficiently that monetary expansion is relatively ineffective in boosting private demand following a financial crisis, nor that the policy mix pursued by advanced economies had destabilizing spillover effects on emerging markets, exacerbating volatility in capital flows and exchange rates. The IMF's fiscal policy advice was insufficiently tailored to take account of individual country circumstances and access to financing.
Fiscal Adjustment in IMF-Supported Programs (2013)	Despite progress, discussion and analysis of the pace and magnitude of adjustment was unsatisfactory. Fiscal stances targeted in programs were at times too contractionary, and the arguments justifying the fiscal targets were often not clear. A more thorough analysis of structural reform priorities in the fiscal arena, for example in the context of Article IV surveillance, would enhance the ability of IMF-supported programs to foster more durable improvements to fiscal policy.
IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004–07 (2011)	There were significant gaps in the IMF's surveillance approach, including with the integration of its macroeconomic and financial sector analysis and the integration of its multilateral and bilateral surveillance.

Sources: IEO (2011, 2013, 2014b, 2014c, 2016, 2017, 2019, 2021, 2022b, 2023).

1 Loungani and others (2023).

2 Heller (2022).

3 Kopits (2016).

4 Dhar (2014).