FOREWORD

This evaluation reviews the evolution of fiscal advice by the International Monetary Fund (IMF) from 2008 to 2023, analyzing its responsiveness to shifting economic conditions and changing member priorities. Its findings highlight the IMF's prominent role in shaping global fiscal policy by advocating renewed fiscal activism.

During this period, the Fund transitioned from a pre-Global Financial Crisis (GFC) approach that was primarily centered on fiscal sustainability concerns to a more multidimensional approach. This new approach places greater emphasis on output stabilization over the economic cycle and also addresses longer-term needs. The Fund's proactive support for countercyclical fiscal measures was especially evident during the GFC and the COVID-19 pandemic. It was also reflected in the emphasis on fiscal policy's role in supporting potential growth and providing public goods, especially when monetary policy options are constrained.

The fiscal advice had to navigate difficult trade-offs among expanding fiscal objectives, including longer-term challenges related to aging populations, climate change, social inequalities, and, more recently, changing geopolitical scenarios. Balancing these trade-offs requires an in-depth understanding of each country's unique circumstances and fiscal capacity. In this respect, extensive fiscal policy research has underpinned the Fund's adaptation. This research includes work on fiscal multipliers, fiscal risk analysis, fiscal rules design, enhanced data collection, greater integration of climate and distributional analysis, and the development and refinement of new tools such as the Fiscal Space Framework, Debt Sustainability Analysis, and the Medium-term Debt Management Strategy.

However, the rapid change in the IMF's fiscal advice and its expanded scope—with respect to both issue range and time frame—has led to uneven adaptation across periods and countries. This variability has led to differing levels of clarity and depth in fiscal advice and its justification, which at times has raised concerns about evenhandedness. Clear progress was made in addressing the trade-off between fiscal sustainability and output stabilization, particularly in advanced economies and, to a lesser extent, in emerging market and middle-income economies. Nonetheless, there remains scope to strengthen the analysis of distributional aspects and financing risks and to better integrate fiscal sustainability considerations with longer-term economic sustainability objectives.

The evaluation identifies four areas for further progress to strengthen the quality and traction of the Fund's fiscal advice: (i) provide clearer and more specific advice on the fiscal stance, policy mix, and rationale and macroeconomic impact of recommended fiscal policies, including trade-offs and alternative revenue and spending composition scenarios; (ii) make fuller use of analytical tools and deepen research on debt data, liquidity risks, medium-term anchors, and distributional impacts; (iii) foster proactive advice on debt management, fiscal rules, frameworks, and risk mitigation strategies; and (iv) better articulate the trade-offs between long-term development objectives and fiscal sustainability, highlighting their effects on long-term growth, debt dynamics, and distributional outcomes.

I am encouraged by the positive response of the Managing Director and Executive Directors to this evaluation and their support of its recommendations and look forward to their implementation to further enhance the Fund's fiscal policy advice.

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