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IMPLEMENTATION PLAN IN RESPONSE TO THE BOARD-ENDORSED RECOMMENDATIONS FROM THE IEO EVALUATION ON IMF ADVICE ON FISCAL POLICY

EXECUTIVE SUMMARY

This **Management Implementation Plan (MIP)** proposes actions in response to the Board-endorsed recommendations provided by the Independent Evaluation Office (IEO)'s report on IMF Advice on Fiscal Policy.

The MIP addresses the **four IEO recommendations**, which aim to: (i) ensure that staff reports include clear and specific advice on the fiscal stance, the macroeconomic impact of recommended fiscal policy, and the policy mix (output stabilization); (ii) make more use of existing analytical tools and conduct further research on debt data, liquidity risks, medium-term anchors and paths, and distributional effects (analytical toolkit); (iii) enhance the provision of proactive and specific advice on debt and fiscal risks, including debt management and fiscal rules and frameworks (fiscal sustainability); and (iv) strengthen the articulation of trade-offs between competing long-term spending needs and fiscal sustainability (potential growth and the provision of public goods). It also responds to the feedback received from Directors during the Board meeting on IEO evaluation on IMF Advice on Fiscal Policy on December 4, 2025

Staff will leverage existing and planned new workstreams, outcomes of the ongoing institutional reviews, and the interdepartmental review process to address the recommendations of a generally positive IEO assessment of Fund's fiscal policy.

Specifically:

- The ongoing **2026 Comprehensive Surveillance Review (CSR)**, broadly concurring with most of IEO's findings, will propose strategic priorities to strengthen the effectiveness of Fund fiscal policy advice in a more shock-prone environment, including through more granular and better integrated fiscal advice, stronger analysis of domestic-external sector linkages, and more agile and risk-focused surveillance. The CSR also emphasizes clearer operationalization of macrocriticality and the principles of selectivity and tailoring, supported by modernization of surveillance modalities and continuous improvement in tools, data, and skills. An updated **Surveillance Guidance Note (SGN)** will help further operationalize CSR recommendations and, as needed, incorporate updated guidance on how to present the fiscal stance, the policy mix, trade-offs, and the use of analytical tools.

The Review of Program Design and Conditionality (ROC) and the Debt Sustainability Framework for Low-Income Countries (LIC-DSF) Review will help strengthen the integration of debt sustainability and fiscal risk analysis into program design and conditionality, including the treatment of liquidity and rollover risks in LICs. In parallel, ongoing enhancements in the operationalization of the **Sovereign Risk and Debt Sustainability Framework (SRDSF)** will facilitate strengthened analysis of financing risks in market access countries, supporting more realistic financing assumptions and contingency planning.

- The deployment of the **IMF’s Data Provision to the Fund for Surveillance Purpose Framework (DPF)** and enhanced collaboration with the **World Bank Group (WBG)** will support efforts to close key data gaps—including on public sector and external debt and, where feasible, contingent liabilities. The **CSR** will provide an opportunity to strengthen the analysis of fiscal–external and fiscal–exchange rate linkages in Article IV and multilateral products.
- **Near-term operational actions** will proceed in parallel with these reviews, reflecting Directors’ call for early implementation where policy changes are not required. These actions include enhancing staff guidance and the review process to clarify existing expectations for the discussion of the fiscal stance and trade-offs between achieving long-term goals and debt sustainability in Article IVs; strengthening links from findings in the DSA to baseline policy advice; supporting the wider take-up of existing tools (with documentation, training, and CD support); and sharpening the coverage of fiscal risks and debt management issues where they are most macrocritical.

Resource Implications

The proposed activities align with ongoing work and with CSR recommendations, and their cost will be assessed in the context of the ongoing CSR. As a general principle, the activities that build on existing and ongoing processes, workstreams, and external collaboration activities are already reflected in the Board Work Program. Early implementation measures are expected to be absorbed within departmental envelopes if implementation proceeds as planned. Also, when appropriate, tool and capacity development will also draw on ongoing resource commitments through existing CD modalities. Costs for AI-enabled tools are expected to be covered through the IT-intensive capital framework. However, in line with the CSR certain elements—including expanding distributional analysis, staff expertise on debt financing, and work on data, fiscal risks, adapting existing tools to developing countries’ circumstances, and policy interactions and trade-offs—may entail additional resource needs that could lead to net positive costs requiring careful consideration of trade-offs. These proposals will be prioritized and sequenced in the CSR and in implementation planning thereafter, taking into account the necessary tradeoffs in the context of the Fund’s flat real budget.

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Glossary

AI	Artificial Intelligence
CD	Capacity Development
CMFE	Comprehensive Macroeconomic Forecasting Environment
CSR	Comprehensive Surveillance Review
DIGNAD	Debt-Investment-Growth and Natural Disasters
DMFC	Data and Macro-Framework Consistency
DPF	Data Provision to the Fund for Surveillance Purposes framework
DRSA	Departmental Risk and Control Self-Assessment
DSA	Debt Sustainability Analysis
EMMIEs	Emerging Markets and Middle-Income Economies
ERM	Enterprise Risk Management
FCDO	Foreign, Commonwealth and Development Office
FAD	Fiscal Affairs Department
FIN	Financial Department
FM	Fiscal Monitor
FSAP	Financial Sector Assessment Program
FTE	Fiscal Transparency Evaluation
FY	Financial Year
HANK	Heterogeneous Agent New Keynesian
ICD	Institute for Capacity Development
IEO	Independent Evaluation Office
IFI(s)	International Financial Institution(s)
IMF	International Monetary Fund
ISD	Integrated Surveillance Decision
IT	Information Technology
ITD	Information Technology Department
LEG	Legal Department
LIC(s)	Low-Income Country(ies)
LIC-DSF	Debt Sustainability Framework for Low-Income Countries
MCM	Monetary and Capital Markets Department
MAC-DSA	Market-Access Country Debt Sustainability Analysis
MIP	Management Implementation Plan
MTDS	Medium-Term Debt Strategy
OBP	Office of Budget and Planning
ORM	Office of Risk Management
PFM	Public Financial Management
PSIA	Poverty and Social Impact Analysis
RAM	Risk Assessment Matrix
RES	Research Department
ROC	Review of Program Design and Conditionality
SEC	Secretary's Department

SDG(s)	Sustainable Development Goal(s)
SGN	Surveillance Guidance Note
SMART	Specific, Measurable, Attainable, Relevant, and Timebound
SPR	Strategy, Policy, and Review Department
SRDSF	Sovereign Risk and Debt Sustainability Framework
STA	Statistics Department
TA	Technical Assistance
WEO	World Economic Outlook
WBG	World Bank Group
WHD	Western Hemisphere Department

INTRODUCTION

1. The Executive Board and Fund Management welcomed the IEO evaluation of IMF Advice on Fiscal Policy. The Board discussed the evaluation on December 4, 2025. Directors welcomed the report, which reviews Fund fiscal policy advice provided in the context of Fund surveillance over 2008–2023—a period marked by exceptional shocks, including the Global Financial Crisis and the global pandemic. Directors noted that the shift toward greater fiscal activism for both short-run stabilization and long-term goals has heightened the need for clearer articulation of trade-offs across competing objectives. Against this backdrop, they welcomed the generally positive assessment of recent Fund fiscal advice and endorsed the IEO’s four main recommendations, while noting Management’s qualifications.

2. This paper presents a Management Implementation Plan (MIP) to take forward the Board-endorsed recommendations from the evaluation, including specific “SMART” actions, timing, and responsibility for implementation (see Annex I).

IEO RECOMMENDATIONS AND BOARD REACTIONS

3. This section summarizes Executive Directors’ reactions to the IEO’s four main recommendations and specific suggestions (Box 1).

Box 1. IEO Recommendations

Recommendation 1. Output Stabilization: The IMF should ensure that staff reports typically include clear and specific advice on the fiscal stance, the macroeconomic impact of the recommended fiscal policy, and the policy mix.

Specific suggestions include:

- Fiscal stance. There should be an expectation for staff reports to include clear and specific advice on the recommended short- to medium-term fiscal stance in the staff appraisal, including the indicators used to assess the stance (e.g., primary or overall balance where structural primary balance is not available), and uncertainty caveats (e.g., growth and fiscal forecasts, fiscal multipliers, and data adequacy).
- Composition.* Staff reports should be explicit about the trade-offs in fiscal policy advice between sustainability and stabilization, including a clear rationale for the staff recommendations (e.g., impact of fiscal measures on growth, costs and benefits of medium-term policy anchors, and why measures were chosen when they appear at odds with Fund strategies or multilateral assessments). To address political economy considerations, the reports could provide alternative revenue and spending options reflecting social preferences and political realities that would still deliver the recommended stance.
- Policy mix and spillovers. Where relevant, there should be an articulation of the relationship of the recommended fiscal stance with other monetary, financial, external, and structural policies and objectives. For Emerging Markets and Middle-Income Economies (EMMIEs), better coverage of the interaction of fiscal policy recommendations with monetary and macroprudential policy and debt management strategies is warranted to deliver a more countercyclical stance. Strengthening and FM

Box 1. IEO Recommendations (Continued)

attention to the role of fiscal policies in shaping inflation and external developments in the WEO would usefully complement the coverage of cross-border spillovers in Article IV reports of systemically important countries and analyses in the External Sector Reports

Recommendation 2. Analytical Toolkit: The IMF should make more use of existing analytical tools and conduct further research on debt data, liquidity risks, medium-term anchors and paths, and distributional effects.

Specific suggestions include:

- Use of existing tools. Article IV reports should meet the same requirements as those of Fund-supported programs for incorporating realism tools. Tools such as FAD's cyclically adjusted balance calculations, country-specific multiplier, the "Optimal Fiscal Paths Dashboard," PSIA (Poverty and Social Impact Analysis), and MTDS (Medium-Term Debt Strategy) should be made more broadly available to country teams to inform the recommended fiscal tightening or stimulus and align medium-term fiscal policy with debt management strategies. The IMF could also investigate how to improve the review process to enhance the consistency of analysis and use of tools.
- Further research. Given rising debt vulnerabilities, more comprehensive debt databases including contingent liabilities are warranted. Liquidity risks remain insufficiently integrated into IMF debt sustainability frameworks, particularly in the LIC context, underscoring the importance of the LIC-DSF review to strengthen the analysis of rollover and market-access risks. Other priority areas include developing approaches for analyzing medium-term fiscal anchors and paths and better articulate the trade-offs with long-term priorities and better assessing the distributional effects of fiscal measures and their feedback loops to the sustainability and credibility of future fiscal adjustments.

Recommendation 3. Fiscal Sustainability: The IMF should enhance the provision of proactive and specific advice on debt and fiscal risks, including debt management and fiscal rules and frameworks.

Specific suggestions include:

- Debt and fiscal risks. DSA findings could be more consistently used to link baseline advice with identified debt risks. Article IV reports could more regularly discuss options to mitigate fiscal risks, including those emerging from off-balance-sheet operations, such as strengthening PFM systems and budget institutions. The IMF could investigate how to improve the review process to ensure more typical coverage of mitigation options, including to address implementation risks. Additionally, multilateral surveillance should mainstream the fiscal risks from emerging global spending pressures, including industrial policies and defense spending.
- Debt management. There is scope in Article IV reports to make more reference to the Fund's substantial institutional work and TA advice on institutional aspects of debt management, in response to new creditors and financial instruments. More attention to "below-the-line" aspects (how a deficit—and inherited debt—should be financed) and enhancing the staff's debt financing expertise are also warranted.
- Fiscal rules and frameworks. Leveraging on its cross-country and in-house expertise, the Fund could deliver more proactive and specific advice on fiscal frameworks (including the limitations of existing fiscal rules or institutions) and expand its coverage on LICs, to promote the rebuilding of buffers in favorable economic conditions. The use of TA can help overcome capacity constraints and customize the advice.

Box 1. IEO Recommendations (Concluded)

Recommendation 4. Potential Growth and the Provision of Public Goods: The IMF should strengthen the articulation of trade-offs between competing long-term spending needs and fiscal sustainability, highlighting their effects on long-term growth, debt dynamics, and distributional outcomes. When financing constraints are binding, it should identify the financing gap and propose options to generate fiscal space.

Specific suggestions include:

- Trade-offs. The Fund could more effectively leverage its inter-departmental surveillance meeting to enhance the focus of multilateral surveillance on structural issues and to conduct analysis surpassing what country teams can achieve. This includes examining the likely macro-fiscal impact of long-term spending priorities on growth potential, debt sustainability, and their distributional effects. Such efforts would subsequently bolster bilateral advice by enabling staff to more explicitly articulate the trade-offs between competing long-term spending needs.
- Coverage. Fiscal policy advice related to long-term spending needs would benefit from setting guidelines of frequency and depth of coverage—ranging from signaling to in-depth analysis (e.g., every 3–5 years). For instance, to help LICs achieve the select SDG(s) that they have identified as priorities, the Fund could undertake periodic assessments of the resources required to make meaningful progress toward these objectives, making use of its SDG Financing Tool and present options to create fiscal space

4. Directors broadly endorsed Recommendation 1 for the IMF to typically include in bilateral surveillance clear, specific, and well-communicated advice on the fiscal stance, the macroeconomic impact of the recommended fiscal policy, the policy mix, and spillovers, while ensuring the Fund’s role as a trusted advisor. They agreed on the importance of consistency and evenhandedness in providing tailored advice on the fiscal stance, the macroeconomic impact of the recommended fiscal policy, the policy mix, and spillovers, while ensuring the Fund’s role as a trusted advisor. Directors noted the importance of taking due account of data limitations and binding debt and financing considerations, particularly for emerging markets and low-income countries. Directors also generally noted the importance of considering elements of political economy and capacity constraints to increase the traction of Fund advice, presenting where appropriate a menu of sound policy options, including in the critical area of domestic revenue mobilization. Pointing to elevated debt levels, a number of Directors stressed the need for greater focus on fiscal sustainability. Some Directors also underscored the importance of better integration of advice on fiscal policy and external and exchange rate policies.

5. Directors supported Recommendation 2 for the IMF to make more use of existing analytical tools and conduct research on debt data, liquidity risks, medium-term fiscal anchors and paths, and distributional effects. While agreeing on the need to find ways to increase staff take-up of existing tools—including realism tools, properly calibrated multipliers, and scenario analysis—they also stressed that these should inform rather than replace staff’s judgment. Directors underscored the importance of continuously assessing and aiming to enhance data availability, supported by technical assistance. They welcomed the IEO’s acknowledgement that research priorities should also be guided by cost-benefit and budget considerations. Directors also noted the significant advances already made in analyzing liquidity risks.

6. Directors supported, some of them with some qualifications, Recommendation 3 for the IMF to enhance the provision of proactive and specific advice on debt and fiscal risks, debt management, and institutional frameworks, including fiscal rules. They stressed the importance of linking findings from debt sustainability analysis to the baseline policy advice, identifying and mitigating fiscal risks, including through preemptive measures and contingency planning, making more reference to the Fund’s work on debt management, and supporting the adoption of fiscal rules. Directors were mindful of the resource implications of the recommendation, including developing staff expertise on debt financing, and noted that decisions on adopting certain institutional arrangements such as fiscal rules are ultimately the prerogative of member states.

7. Directors supported, some of them with some qualifications, Recommendation 4 for the IMF to strengthen the articulation of trade-offs between long-term spending needs and fiscal sustainability, highlighting their effects on long-term growth, debt dynamics, and distributional outcomes, and propose options to generate fiscal space when financing constraints are binding. While welcoming the progress already made in the coverage of long-term spending needs, Directors looked forward to adequate consideration of the IEO’s recommendations in the CSR to further refine the guidance on coverage of long-term issues guided by the principles of macrocriticality and selectivity. Directors generally emphasized the need for continued and enhanced collaboration with other international financial institutions (IFIs) in areas with limited Fund expertise, including the detailed costing and financing assessments of long-term development spending pressures.

MANAGEMENT IMPLEMENTATION PLAN

8. Staff carefully considered how to best implement the Board-endorsed recommendations while ensuring synergies with ongoing institutional reviews and workstreams and being mindful of resource constraints. This MIP proposes several “SMART” (specific, measurable, attainable, relevant, and timebound) actions that leverage the ongoing 2026 Comprehensive Surveillance Review (CSR), the Review of Program Design and Conditionality (ROC), the LIC-DSF review and other existing workstreams. This approach aims to strengthen the Fund’s fiscal policy advice in a pragmatic, holistic, and efficient manner. Certain actions are already proceeding ahead of the completion of these institutional reviews or initiation of this MIP. Meeting some requirements will require developing new tools, data, and expertise and should be subjected to careful cost-benefit analysis. This approach is in line with the Board’s call for early implementation of IEO recommendations on operational aspects that do not require a policy change.

9. The 2026 CSR assesses the quality and value added of fiscal policy coverage in Article IVs as generally high, even if there is scope for improvement. Fiscal policy advice has been more granular, tailored, and better integrated into the overall policy mix than other policy recommendations. Most Article IVs assess the fiscal stance and its consistency with debt sustainability, but fewer systematically discuss trade-offs with output stabilization, social and development objectives, and external stability. While fiscal risks are frequently identified (and sometimes quantified), analysis of these is often relegated to annexes (RAM/DSA). There remains

scope to strengthen coverage of debt and financing issues, improve the quantification and integration of fiscal risks—especially those outside the general government—and more clearly prioritize and sequence fiscal-structural recommendations taking into account each country's implementation capacity. Addressing these gaps is important to ensure that surveillance in terms of fiscal policy can better support member countries in a more uncertain and shock-prone world.

10. Based on extensive consultation and analysis, the 2026 CSR proposes three strategic priorities to strengthen the effectiveness of Fund advice—including on fiscal matters—and to support countries' resilience and growth, external stability, and risk management in a more shock-prone environment. These proposals broadly align with the IEO recommendations.

- **CSR Strategic Priority 1.** For fiscal policy, this priority aims to deliver more granular, tailored, and integrated advice by strengthening the assessment of fiscal issues, ensuring greater consistency of macro projections (including by greater focus on the realism of financing assumptions), and by improving the calibration of fiscal-structural recommendations (including prioritization, sequencing, and implementation capacity) based on country-specific macro-fiscal-structural diagnostics. In these respects, the CSR—and ROC—aligns closely with IEO Recommendation 3 and, more broadly, with Recommendation 2 and some aspects of Recommendation 4.
- **CSR Strategic Priority 2.** In the fiscal areas, this priority supports a more comprehensive assessment of the external sector by strengthening attention to domestic–external linkages, as well as their better integration in Article IV staff reports. In this respect, it is broadly consistent with IEO Recommendation 1 on improving the overall policy mix advice and with Directors' call for better integration of fiscal policy advice with external and exchange rate policies.
- **CSR Strategic Priority 3.** This priority aims to make surveillance more agile, timely, and better integrated in its coverage of risks, including fiscal risks. It does so by sharpening the focus on key risks and improving understanding of their impact and transmission channels, thereby testing the robustness of baseline policy advice and supporting better-calibrated contingent policy advice. This is broadly aligned with IEO Recommendations 2 and 3.

11. To support implementation of these strategic priorities and enhance traction, the CSR emphasizes greater focus and agility in surveillance. In particular, the CSR calls for clarifying and refining the application of macrocriticality at the country level and for continuing efforts to streamline and modernize surveillance, including through improvements in analytical tools, data, and skills. This is consistent with operationalization of all the IEO recommendations, and in particular Recommendations 2 and 4.

A. Recommendation 1: Output Stabilization - in Staff Reports, Include Clear and Specific Advice on the Fiscal Stance, the Macroeconomic Impact of the Recommended Fiscal Policy and the Policy Mix

12. Staff will address Recommendation 1 through operational actions that build on existing processes and workstreams. In particular, the 2022 Surveillance Guidance Note already provides the current framework for fiscal policy advice in Article IV consultations, and this already covers many aspects of Recommendation 1. Similarly, the Sovereign Risk and Debt Sustainability Framework (SRDSF) for market access countries and the Debt Sustainability Framework for Low-Income Countries (LIC-DSF) provide structured analytical inputs that help meet Recommendation 1. Fund flagships—the World Economic Outlook (WEO) and Fiscal Monitor (FM)—and cross-country analysis provides a multilateral context for bilateral advice. Finally, the interdepartmental review process serves as an important quality control mechanism in all of the areas covered by Recommendation 1.

Further Operational Guidance, Supported by Tools

- **Clarify expectations for fiscal policy advice in Article IVs, supported by targeted tool deployment.** Through the interdepartmental review process, SPR and FAD (with other departments) have started and will continue to further reinforce existing guidance on Article IV fiscal coverage, including: (i) assessing the fiscal stance (and the indicators used to do this); (ii) discussing key trade-offs; and (iii) presenting the authorities' fiscal plans along with staff's assessment. Application will remain tailored to country circumstances and constraints, including data limitations in EMMIEs and LICs, and the extent to which debt and financing considerations are binding and thus limit the existence of trade-offs. FAD will support teams with tools and guidance to assess the fiscal stance, and SPR (with other departments) will revise the Surveillance Guidance Note (SGN) to promote clearer articulation of trade-offs and—where relevant—alternative policy options.

New Operational Guidance, Supported by Ongoing and New Research

- **Strengthening coverage of policy synergies and trade-offs in bilateral surveillance.** Broadly consistent with the findings of the IEO evaluation, the 2026 CSR identified some gaps in Article IV coverage of policy synergies and trade-offs. Staff will address these by: (i) clarifying—through guidance and the review process—the operational application of macrocriticality to fiscal issues, including policy synergies and trade-offs, while preserving flexibility consistent with the 2012 ISD; (ii) better calibrating—through guidance and peer learning—advice to country circumstances, data availability, and capacity constraints, including through analytical work and CD activities;¹ and (iii) reflecting, including based on the recent and ongoing analytical work and country examples, on how to incorporate political economy considerations to enhance traction, including by presenting a menu of policy options together with some discussion of economic efficiency of different policy options, as well as socio-economic impact trade-offs, for consideration by country authorities.

¹For instance, through ICD's capacity development of macroeconomic frameworks, which provides country teams and authorities with integrated analytical tools for macro analysis of fiscal policies.

Improve coverage of fiscal policy interactions in multilateral surveillance. FAD, RES, and SPR will deepen their analysis of how fiscal policies shape inflation, external developments, and spillovers in the flagships and cross-country work, complementing and supporting Article IV analysis. The ongoing CSR and its operationalization provide a further opportunity to refine the treatment of fiscal–external and fiscal–exchange-rate linkages in Article IVs.

B. Recommendation 2: Analytical Toolkit—Make More Use of the Existing Analytical Tools and Conduct Further Research on Debt Data, Liquidity Risks, Medium-Term Anchors and Paths, and Distributional Effects

13. The Fund has developed a suite of analytical tools to support its fiscal policy advice.

These include the SRDSF and LIC-DSF for debt sustainability analysis; FAD’s cyclically adjusted balance calculations; fiscal multiplier estimates; the Optimal Fiscal Paths Dashboard; Poverty and Social Impact Analysis (PSIA) tools; the Debt-Investment-Growth and Natural Disasters (DIGNAD) model for resilience and infrastructure spending and debt sustainability, the Medium-Term Debt Management Strategy (MTDS) toolkit (jointly with the World Bank), and integrated macroeconomic framework tools, such as structural and semi-structural models, and Forecasting and Policy Analysis System (FPAS)-type frameworks. The Fund has also improved its analysis of liquidity risks: the SRDSF and the ongoing review of the LIC-DSF provide for a more robust treatment of liquidity risks, have stronger data requirements, and produce a more granular analysis of domestic debt and rollover risks. The Fund is also deploying AI to strengthen data management and enhance analytical tools in support of surveillance and policy advice.

14. Staff will address Recommendation 2 through two complementary actions: (i) wider dissemination and take-up of existing tools; and (ii) targeted work and research in priority areas.

Wider Dissemination and Take-up of Existing Tools:

- **Expanded access to fiscal analytical tools through centralized documentation, and easy access to regularly updated tool internal webpages complemented with practical guidance, training, and peer learning.** Building on the sidebars to the SGN, SPR with other departments will establish and maintain a centralized repository of tools, including documentation and notes on their appropriate use and limitations. Authoring departments will continue identifying opportunities to simplify tools (especially for LICs), as well as training and outreach activities, although doing so will require some reprioritization of resources. To facilitate the take-up of tools, each webpage will provide clear instructions on how to use the tool (including good country practice examples), with practical guidance and details on training. FAD will place its existing cyclically adjusted balance calculations, country-specific multipliers, “Optimal Fiscal Paths Dashboard,” PSIA, and MTDS toolkits on its intranet page, to make them more widely available. During the review process, SPR and FAD will encourage transparent reporting of multiplier assumptions and clear assessment of the fiscal stance (including through the computation of the cyclically adjusted balance) in Article IVs and in other surveillance

products. Capacity development activities will support the deployment of analytical tools and strengthen CD-surveillance integration.

Targeted Work and Research Focused on Four Priority Areas:

- **Addressing debt data gaps through implementation of existing frameworks and collaboration.** Deployment of the Data Provision to the Fund Framework supports improvement of public sector and external debt indicators, with a view to closing remaining coverage gaps (including contingent liabilities). In addition, staff will continue to collaborate with the World Bank to improve the reporting and more systematic use of debt data through their Debtor Reporting System (which is being supported by Japan).
- **Strengthening analysis of liquidity risks supported by the enhancement of DSA tools.** On the LIC side, the ongoing LIC-DSF review is proposing new tools that will allow closer scrutiny of financing and rollover risks, including in domestic debt markets, through the enactment of new liquidity thresholds for overall debt indicators. This will be supported by the new template that will be developed. In parallel, updates to the SRDSF Guidance Note will develop guidance on the coverage of external and financial vulnerabilities, building on existing tools and through enhancements to the template. Main additions to the template include: (i) a table of external and financial indicators and related guidance; (ii) projection of debt composition by debt holder; and (iii) inclusion of projected debt to multilaterals in the new table of external and financial indicators.
- **Exploring approaches to medium-term fiscal anchors and paths.** FAD (in consultation with RES and SPR) will explore approaches to medium-term fiscal anchors and paths. Subject to resources, it will develop analytical frameworks to better articulate the trade-offs between medium-term fiscal targets and long-term growth objectives, building on existing work on optimal fiscal paths. Findings will be disseminated through the Fund's research.
- **Assess distributional effects of fiscal measures.** Building on existing and ongoing Fund research, FAD (with other departments as appropriate) will continue to use aggregate theoretical macro models, such as HANK models, to examine the distributional impact of fiscal policy. For country-specific empirical work, the focus will be on developing higher-level guidance and operational principles grounded in existing empirical research.

C. Recommendation 3: Fiscal Sustainability—Enhance the Provision of Proactive and Specific Advice on Debt and Fiscal Risks, Debt Management, and Fiscal Rules

15. The Fund has made substantial progress in strengthening its advice on fiscal sustainability. This includes: the SRDSF and LIC-DSF with their enhanced treatment of liquidity risks; a suite of tools for assessing countries' fiscal risks including the fiscal risk toolkit, the Growth-at-Risk and Debt-at-Risk frameworks, and internal Vulnerability Exercises; continued application of the Fiscal Transparency Code through Fiscal Transparency Evaluations; extensive capacity development on

public financial management, debt management, and fiscal institutions; FAD's fiscal rules dataset and related analytical work; and the recently published Staff Discussion Note on "Fiscal Guardrails against Rising Debt and Looming Spending Pressures."

16. Staff will address Recommendation 3 through operational improvements in: (i) debt and fiscal risks; (ii) debt management; (iii) fiscal rules and frameworks.

Debt and Fiscal Risks:

- **Strengthening the link between DSA findings (particularly in cases where it identifies debt risks) and baseline policy advice.** SPR will use the interdepartmental review process to make sure that DSA findings are integrated into the Staff Report main text. The updated SRDSF SGN will clarify how to use DSA results to inform baseline fiscal policy advice, particularly in cases where the DSA identifies debt risks. This includes how to balance the objectives between sustainability and stabilization (achievement of the latter drawing on the tools referenced earlier under Recommendation 1). The SGN will also examine the implications of financing risks and ways to mitigate these (including through contingency planning), supported, for instance, by realism tools and examples of good country practice. The CSR and the ROC will encourage more systematic use of modeling tools to ensure consistency of macro projections in countries with higher fiscal vulnerabilities.
- **Strengthening fiscal risk coverage in Article IV reports.** SPR with FAD will update the SGN to focus discussion on key fiscal risks (including contingent liabilities and implementation risks), transmission channels, and mitigation/contingency planning. This will be supported by the recent and ongoing work, peer learning (use of DSA scenario, CMFE pilots), and targeted training and country team support.
- **More systematically covering fiscal risks in multilateral surveillance.** RES, FAD, and SPR will continue integrating fiscal risks from emerging global spending pressures (including industrial policies and defense spending) in the flagships and cross-country work; FAD will continue to provide dedicated analysis in the Fiscal Monitor.

Debt Management:

- **Integrating debt management issues more systematically, when relevant, in Article IVs.** Based on technical notes and lessons from country support, SPR and MCM will update the SGN to encourage the use of the Fund's work and CD on debt management (including on awareness raising on risks involving complex instruments; use of annual borrowing plans, advice on institutional arrangements, legal framework for debt governance and accountability) and, where relevant, discussion of below-the-line financing.
- **Building staff expertise on debt financing.** Subject to the availability of resources, Management will consider modalities and resource requirements to strengthen staff expertise on debt management in area departments, MCM, and SPR. It will include the acquisition of

specific skills and training to improve the realism of financing assumptions and Fund’s advice on formulation of financing strategies.

Fiscal Rules and Frameworks:

- **Providing more proactive advice on fiscal frameworks through surveillance and capacity development, and better outreach activities.** FAD (with SPR and area departments) will continue to deliver specific advice on fiscal frameworks (improving existing rules where necessary, and strengthening PFM systems and budget institutions), with attention to LICs to support rebuilding buffers. Internal and external outreach will better disseminate current work. TA will help tailor advice on rules and frameworks to country circumstances.
- **Updating the fiscal rules and fiscal councils’ dataset.** FAD will continue to update and extend this dataset, and to publish guidance and analytical work on the design of fiscal rules and their implementation.

D. Recommendation 4: Potential Growth and Provision of Public Goods – Strengthen the Articulation of the Trade-Offs Between Competing Long-Term Spending Needs and Fiscal Sustainability

17. The Fund has made important progress in integrating long-term spending issues into surveillance. Multilateral surveillance—through the WEO and FM—and the cross-country analytical work program² regularly covers long-term spending pressures and their implications for growth and debt sustainability. The Fund’s work also shows that well-designed redistribution can support both inclusion and economic performance. Staff reports have increasingly covered the fiscal implications of climate change and gender issues following the adoption of Fund strategies in these areas.

18. Staff will address Recommendation 4 through multilateral and bilateral actions, guided by the principles of macrocriticality and selectivity, while respecting resource constraints.

Multilateral Surveillance:

- **Sharpening multilateral surveillance of the macro-fiscal implications of long-term spending priorities.** RES and FAD will continue to use WEO and FM to assess how selected spending priorities (e.g., defense, energy security, physical and digital infrastructure, pensions, education, healthcare, and climate) affect growth and debt sustainability. Support to area departments will remain subject to resources and expertise.

²For instance, RES’ active work program with the UK’s Foreign, Commonwealth and Development Office (FCDO) on the nexus between debt and growth.

Bilateral Surveillance:

- **Using the recommendations from the 2026 CSR to guide the coverage of macrocritical long-term fiscal issues in Article IVs.** The CSR and the updated SGN will clarify the principles of macrocriticality and selectivity, which will also need to be applied to determining the extent of coverage of long-term fiscal issues in each Article IV.³ The updated SGN will also clarify expectations for A-IV consultations in terms of covering long-term spending needs, trade-offs with fiscal sustainability, and distributional implications of fiscal policy.
- **Strengthening macroeconomic frameworks, diagnostics, and tools to check that long-term growth strategies are consistent with available financing.** In line with the CSR recommendations, staff will provide capacity development assistance on spending efficiency to minimize the costs of meeting long-term spending pressures (drawing in part on research in the October 2025 Fiscal Monitor), together with complementary diagnostics (e.g., Fiscal Transparency Evaluations and fiscal risk reporting) and research. In parallel, the ongoing LIC-DSF review will recommend developing a long-term module, as a complementary tool to be applied where relevant, for assessing the public debt stress and sustainability implications of policy and investment decisions associated with development and other long-term challenges, including those stemming from climate adaptation, building on FAD and WB work.
- **Deepening collaboration with partner organizations that have greater expertise than the Fund on long-term spending needs.** Staff will continue to collaborate with the World Bank Group and other IFIs, drawing on their expertise on the detailed costing and financing of long-term development spending, while focusing Fund work on the macro-fiscal implications of such spending consistent with the Fund's mandate and comparative advantage.

ENTERPRISE RISK ASSESSMENT

19. This section reviews the risks that the Fund seeks to mitigate through this MIP and the main controls and mitigation actions that would help manage them. Staff conducted the risk identification and impact assessment described below, drawing on the enterprise risk analysis presented in Annex 5 of the IEO evaluation report and framing the discussion in line with the Fund's ERM approach.

20. If left unaddressed, the IEO findings point to business, reputational, and operational risks for the Fund. Inconsistent fiscal advice, including uneven coverage of the fiscal stance, policy trade-offs and interactions as well as insufficient attention to fiscal risks, debt management, and long-term fiscal challenges could weaken the quality and consistency of surveillance and reduce the traction of Fund advice with the membership (business risk), while also undermining the Fund's credibility (reputational risk). Gaps in the analytical toolkit and weak integration of DSA findings into

³The CSR recommends clarification and refinements to the application of the macrocriticality criterion at the country level—emphasizing evidence-based assessment, risk-based depth and frequency of coverage, and expertise-driven policy advice—while reaffirming the 2012 ISD. See the CSR Midpoint Note [Number to add after Board circulation]

baseline advice could weaken the analytical underpinnings of recommendations. Operational risks—including insufficient data quality and consistency, insufficient macro-framework consistency, and frictions in institutional processes such as data sharing—could lead to analytical gaps, lower the quality of the Fund’s advice and traction, and increase reputational risks.

21. Current controls and proposed mitigants. The interdepartmental review process helps safeguard the credibility and consistency of fiscal advice. The SRDSF, LIC-DSF, and the broader suite of fiscal risk tools provide key analytical foundations. Ongoing interdepartmental initiatives—notably the workstream to enhance support for country teams and reviewers on macro-framework and data consistency (DMFC)—also strengthen the control environment by addressing data quality and integrity, macro-framework consistency, and related institutional processes. Near-term operational actions under this MIP address immediate gaps, while implementation of the 2026 CSR recommendations—through the updated SGN, targeted training, and strengthened tool and data work—will further reinforce the quality of fiscal advice in a coherent and resource-efficient manner. Residual risks are expected to remain contained and will be monitored with the implementation of the 2026 CSR.

22. Implementing the recommendations also entails business and operational risks. These include the risk of excessive standardization that could reduce tailoring to country circumstances, overly mechanical use of tools that substitute for staff judgment, and resource pressures if multiple workstreams are advanced simultaneously.

23. Current controls and proposed mitigants. These implementation risks are mitigated through: (i) the phased and carefully sequenced approach set out in the CSR and reflected in this MIP; (ii) CSR guidance that emphasizes selectivity, flexibility, and tailoring; (iii) clear messaging—reinforced through the updated SGN and training—that tools should inform, not replace, judgment; and (iv) careful sequencing and prioritization of resource-intensive workstreams. Responsible use of AI, under appropriate governance, could also help improve the efficiency and timeliness of selected surveillance tasks while preserving staff accountability. Residual implementation risk is expected to remain contained during the rollout phase and decline as guidance, tools, and training become more established.

24. Mismatch between the ambition of fiscal advice and available resources and expertise could create operational and business risks. Expanding fiscal advice to complex long-term structural and development issues (e.g., SDGs, climate, industrial policy) without adequate prioritization could strain staff capacity and lead to unsustainable work pressures. Providing advice in areas where the Fund has less comparative advantage could also weaken analytical quality and reduce the effectiveness of engagement.

25. Current controls and proposed mitigants. The 2026 CSR will help manage these risks by setting clearer expectations for macrocriticality and selectivity, including boundaries on depth and frequency of coverage. In areas where the Fund lacks comparative advantage, staff will rely on collaboration with the World Bank Group and other IFIs. Risks will also be monitored through existing review and follow-up processes, including departmental review mechanisms and broader

ERM follow-up arrangements, with indicative signals including the coverage of fiscal risks and trade-offs in Article IVs, uptake of relevant analytical tools, and progress in addressing key data gaps.

26. Overall, the enterprise risks associated with implementing this MIP are manageable and lower than the risks from inaction. Inaction could undermine the Fund's credibility (reputational risk) and reduce the traction, consistency, and relevance of fiscal advice (business risk), while leaving important operational vulnerabilities insufficiently addressed. By contrast, implementation would mitigate these risks while preserving the flexibility needed to tailor advice to country specific circumstances. Overall residual risk is expected to remain manageable, though still present during the implementation period, and to decline as controls and mitigation actions mature. The phased approach—combining near-term operational improvements with medium-term strategic guidance through the CSR—supports measured, coherent, and resource-efficient delivery.

RESOURCE IMPLICATIONS

27. The proposed activities align with the CSR recommendations (see 110 and related), and their cost will be assessed in the context of the ongoing CSR. The discussion of resource implications sets out broad principles supported by examples of activities to provide a high-level assessment of the resource needs associated with the proposed measures pending the finalization of the CSR and other ongoing reviews.

28. This MIP sets out a plan that, for the most part, tries to leverage existing workstreams to address the IEO's recommendations. Key activities—such as refining guidance and strengthening review practices—will be delivered within ongoing work programs and are already reflected in the Board Work Program. Early implementation measures—including promoting greater use of realism tools, strengthening linkages between DSA findings and baseline advice, deploying the DPF, and finalizing the LIC-DSF review—are expected to be absorbed within existing departmental envelopes if implementation proceeds as planned. Accordingly, these actions are not expected to generate net new resource needs. For AI-related initiatives, IT development costs would be financed through the IT-intensive capital framework and existing projects, while other costs would need to be managed through sequencing, reprioritization, and, over time, efficiency gains, with training and adoption also implying opportunity costs.

29. Nonetheless, several elements of the IEO's recommendations could entail net resource requirements. As noted by Directors and Management, expanding analysis of the distributional effects of fiscal measures, increasing specialized expertise in debt management, and developing new databases could have significant gross resource implications. In addition, assessing the growth and distributional impact of long-term spending pressures would require further analytical support from RES and FAD to area departments. Strengthening coverage of policy interactions and trade-offs—through additional analytical work—and enhancing the analysis of fiscal risks, including their transmission channels, would also involve new gross upfront costs.

30. The actions proposed in this MIP aim to support implementation of the IEO's recommendations in a cost-efficient manner. Resource pressures can be mitigated by leveraging ongoing analytical work on distributional analysis and by deepening IMF–World Bank collaboration on debt data. Over time, stronger prioritization by focusing on key fiscal risks and the use of less resource-intensive tools should help contain costs. Many proposed activities also overlap with other workstreams, including the CSR, ROC, LIC-DSF review, and DPF, and resource implications across these workstreams will be closely coordinated to avoid work replications and to benefit from synergies. Ongoing reviews will further elaborate on how gross costs could be absorbed within existing resources through synergies with existing workstreams/initiatives and reprioritization/reallocation opportunities. Any net resource requirements will be subject to prioritization and sequencing, taking into account the necessary tradeoffs in the context of the Fund's flat real budget. Where appropriate, the Fund will also rely on capacity development financing and strengthened partnerships with the World Bank and other IFIs to address analytical and data gaps, without creating new requirements that are unfunded.

Annex I. The IMF Advice on Fiscal Policy—Management Implementation Plan

IEO Recommendation	Summing Up Guidance	Follow Up Action	Accountability and Timeline
Recommendation 1. Output Stabilization: The IMF should ensure that staff reports typically include clear and specific advice on the fiscal stance, the macroeconomic impact of the recommended fiscal policy, and the policy mix	Directors broadly supported Recommendation 1 to typically include in bilateral surveillance clear, specific and well communicated advice on the fiscal stance, the macroeconomic impact of the recommended fiscal policy, the policy mix, and spillovers, while ensuring the Fund's role as a trusted advisor. Directors agreed on the importance of consistency and evenhandedness in providing tailored advice, including to emerging and low-income countries, taking due account of data limitations and binding debt and financing considerations. Directors also generally noted the importance of considering elements of political economy and capacity constraints to increase traction of Fund advice, presenting where appropriate for the authorities' consideration a menu of sound policy options, including in the critical area of domestic revenue mobilization. Pointing to the elevated debt levels in many countries, a number of Directors stressed the need for greater focus of the Fund's advice on fiscal sustainability. Some Directors also underscored the importance of better integration of advice on fiscal policy and external and exchange rate policies.	Further operational guidance, supported by tools In interdepartmental review: further clarify expectations for fiscal policy advice in Article IVs and promote clearer articulation of policy synergies and trade-offs and—where relevant—alternative policy options. Guidance (SGN) and review New guidance, supported by analysis Leverage the 2026 CSR (and updated SGN) to clarify operational application of macrocriticality and expectations for fiscal coverage (stance, trade-offs, policy mix, and constraints). CSR and SGN Strengthen coverage of fiscal policy interactions in multilateral surveillance (flagships and cross-country work), including via the ongoing CSR and its operationalization. Analytical work	SPR (with FAD, ICD, and other departments) – ongoing; by end-FY2027; assessed in the next surveillance review. FAD (with RES and SPR)— by end-FY2027; assessed in the next surveillance Review. SPR (with departments) -- by end-FY2027; assessed in the next Surveillance Review.

IEO Recommendation	Summing Up Guidance	Follow Up Action	Accountability and Timeline
Recommendation 2. Analytical Toolkit: The IMF should make more use of existing analytical tools and conduct further research on debt data, liquidity risks, medium-term anchors and paths, and distributional effects.	Directors supported Recommendation 2 to make more use of existing analytical tools and conduct further research on debt data, liquidity risks, medium-term anchors and paths, and distributional effects. While agreeing on the need to find ways to increase staff take-up of existing tools, including realism tools, properly calibrated multipliers, and scenario analysis, they also stressed that these should inform rather than replace economists' judgment. Directors underscored the importance of continuously assessing and aiming to enhance data availability, supported by technical assistance. They welcomed the IEO's acknowledgement that research priorities should also be guided by cost-benefit and budget considerations. Directors also noted the significant advances already made in analyzing liquidity risks.	Wider dissemination and take-up of existing tools Leverage the 2026 CSR, expand access to fiscal analytical tools and research through centralized documentation, tools, practical guidance, and training. <i>Plan, one-stop shop, training.</i> Continue to use CD to support implementation of tools, especially in EMMIEs and LICs, strengthen CD–surveillance integration. <i>Guidance (e.g., SGN); Specific CD roll out.</i> Targeted research and data improvements Address debt data gaps through the deployment of the Data Provision to the Fund framework and IMF-WBG collaboration. <i>Assessment and improvement of databases</i> Strengthen analysis of liquidity risks through application of SRDSF and recommendations of the LIC-DSF review. <i>Institutional Review</i>	FAD, SPR, and ICD (with other departments): mid-to end 2027; assessed in the next Surveillance Review. FAD, MCM, SPR, ICD, ongoing -- assessed in the next Surveillance and CD reviews. STA and SPR with departments: ongoing – assessed the next DPF and Surveillance Reviews. SPR: ongoing; LIC-DSF review completion by end-2026 and its implementation

IEO Recommendation	Summing Up Guidance	Follow Up Action	Accountability and Timeline
		Leverage the 2026 CSR, explore approaches to medium-term fiscal anchors/paths, subject to resource availability and build on existing reperch to continue analysis distributional effects of fiscal measures and provide high-level guidance on the coverage. Guidance (e.g., SGN) and Analytical work	FAD (in consultation with RES and SPR): ongoing; end-2028 .
Recommendation 3. Fiscal Sustainability: The IMF should enhance the provision of proactive and specific advice on debt and fiscal risks, including debt management and fiscal rules and frameworks.	Directors supported, some of them with some qualifications, Recommendation 3 to enhance the provision of proactive and specific advice on debt and fiscal risks, debt management, and institutional frameworks, including fiscal rules. They stressed the importance of linking findings from debt sustainability analysis to the baseline policy advice, identifying and mitigating fiscal risks, including through preemptive measures and contingency planning, making more reference to the Fund's work on debt management, and supporting the adoption of fiscal rules. Directors were also mindful of the resource implications of the recommendation, including developing staff expertise on debt financing, and noted that decisions on adopting certain institutional arrangements are ultimately the prerogative of member states.	Debt and fiscal risks Strengthen the link between DSA findings and baseline policy advice. SGN and good-practice country examples. Leverage the 2026 CSR, strengthen fiscal risk coverage in Article IV reports (key risks and channels; mitigation/contingency planning), supported by CMFE pilots, better use of DSA scenarios, and targeted training. Continue to mainstream fiscal risks in multilateral surveillance (WEO/FM and related work), including dedicated FM analysis by FY2028.	SPR: by end 2027 SPR/FAD (with ICD and departments): ongoing; end-FY2027 (subject to resources). FAD (with RES and SPR): ongoing; by FY2028.

IEO Recommendation	Summing Up Guidance	Follow Up Action	Accountability and Timeline
		Debt management Leverage the 2026 CSR, integrate the Fund's debt management work and CD more systematically in relevant Article IVs. Guidance (e.g., SGN); tool deployment Leverage the 2026 CSR, consider modalities and resource to build staff expertise on debt management Training, tools Fiscal rules and frameworks Continue to provide more advice on fiscal frameworks through surveillance and capacity development (including LIC focus, as appropriate). How-to-Note, TA Continue to update the fiscal rules and fiscal councils' dataset and publish related guidance/analysis on fiscal rule design and implementation. Data, guidance (e.g., SGN), analysis.	SPR and MCM: by end 2027 MCM and SPR (with area departments) subject to resources end-2027 FAD: ongoing-end-2027 FAD: ongoing-end-2027

IEO Recommendation	Summing Up Guidance	Follow Up Action	Accountability and Timeline
Recommendation 4: Potential Growth and the Provision of Public Goods: The IMF should strengthen the articulation of trade-offs between competing long-term spending needs and fiscal sustainability, highlighting their effects on long-term growth, debt dynamics, and distributional outcomes. When financing constraints are binding, it should identify the financing gap and propose options to generate fiscal space.	Directors supported, some of them with some qualifications, Recommendation 4 to strengthen the articulation of trade-offs between competing long-term spending needs and fiscal sustainability, highlighting their effects on long-term growth, debt dynamics, and distributional outcomes, and propose options to generate fiscal space when financing constraints are binding. While welcoming the progress already made in the coverage of long-term spending needs, they looked forward to adequate consideration of the IEO's recommendations in the Comprehensive Surveillance Review (CSR) to further refine the guidance on coverage of long-term issues guided by the principles of macrocriticality and selectivity. Directors generally emphasized the need for continued and enhanced collaboration with other IFIs in areas with limited Fund expertise, including the detailed costing and financing assessments of long-term development spending pressures.	Multilateral surveillance Continue to sharpen multilateral surveillance on the macro-fiscal implications of long-term spending priorities (WEO/FM and selected cross-country work). Analysis Bilateral surveillance Use the 2026 CSR to guide coverage of macro-critical long-term fiscal issues in Article IVs. Guidance (SGN) Leverage the 2026 CSR, strengthen macroeconomic frameworks to support financeable long-term growth strategies and resilience. Guidance (SGN), tools, and skills	RES, FAD, SPR: ongoing end-2027 SPR: by mid-2027 SPR, FAD, ICD: ongoing; end-2028