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DRAFT ISSUES PAPER

POLITICAL ECONOMY IN IMF-SUPPORTED PROGRAMS

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Draft Issues Paper for an Evaluation by the Independent Evaluation Office (IEO)

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I. INTRODUCTION

1. **This evaluation will assess the integration of political economy (PE) considerations in IMF-supported programs.** While Fund-supported programs are designed to resolve members' balance of payments (BOP) challenges and achieve medium-term external viability through policy reforms, quantitative conditionality and monitoring, their success is often shaped by the countries' political and institutional contexts. Staff therefore face the challenge of assessing factors that may be outside their core expertise and determining how much weight to give to PE considerations. Insufficient attention to these factors can undermine implementation and lead to perceptions of a one-size-fits-all approach, whereas excessive emphasis may weaken program effectiveness, raise concerns of lack of evenhandedness, and create perceptions of political accommodation.

2. **Despite the importance of PE considerations, the Fund thus far has neither adopted an operational definition of PE nor established a clear framework to guide their integration into programs.** A large external literature shows that PE factors can systematically influence Fund-supported programs, shaping borrowing decisions, negotiation dynamics, the design and stringency of conditionality, and implementation outcomes. Sound assessments of the political feasibility and sustainability of structural and other reform measures, for example, can influence the pace and sequencing of these reforms, helping tailor program conditionality and identifying areas in which additional institutional and capacity development may be required. Doing so can strengthen country ownership, help address implementation risks, and determine reform sustainability and program success. At the same time, taking account of PE factors can be challenging, given intertemporal and incentives trade-offs.

3. **The evaluation will look at all arrangements approved and concluded during the evaluation period: 2015–September 2026**. It will assess the nature and content of PE considerations in these arrangements, the extent to which and how the Fund took due regard of these considerations in program design and implementation, and their implications for the achievement of program objectives. Special attention will be paid to fragile and conflict-affected states (FCS) and small developing states (SDS), which face a variety of protracted PE challenges. The evaluation will also analyze the adequacy of the IMF's institutional conditions for the integration of PE considerations, such as the legal framework, policy guidance and staff's expertise.

II. EVALUATION RATIONALE

4. **The term "political economy" is broadly used to describe the political, social, and institutional factors that influence program design and conditionality.** The literature offers various definitions of PE, all emphasizing the interaction between political and economic forces and their influence on policy choices and outcomes. These definitions highlight the role of power, interests, and institutions in influencing economic decisions and the distribution of resources, and the relationship between economic outcomes and political processes. For the purpose of this evaluation, these interactions and dynamics are collectively referred to as "PE considerations."

5. **Stakeholders, including Executive Directors, staff, and CSOs, have raised several concerns regarding the integration of PE considerations during program design and implementation.** These include:

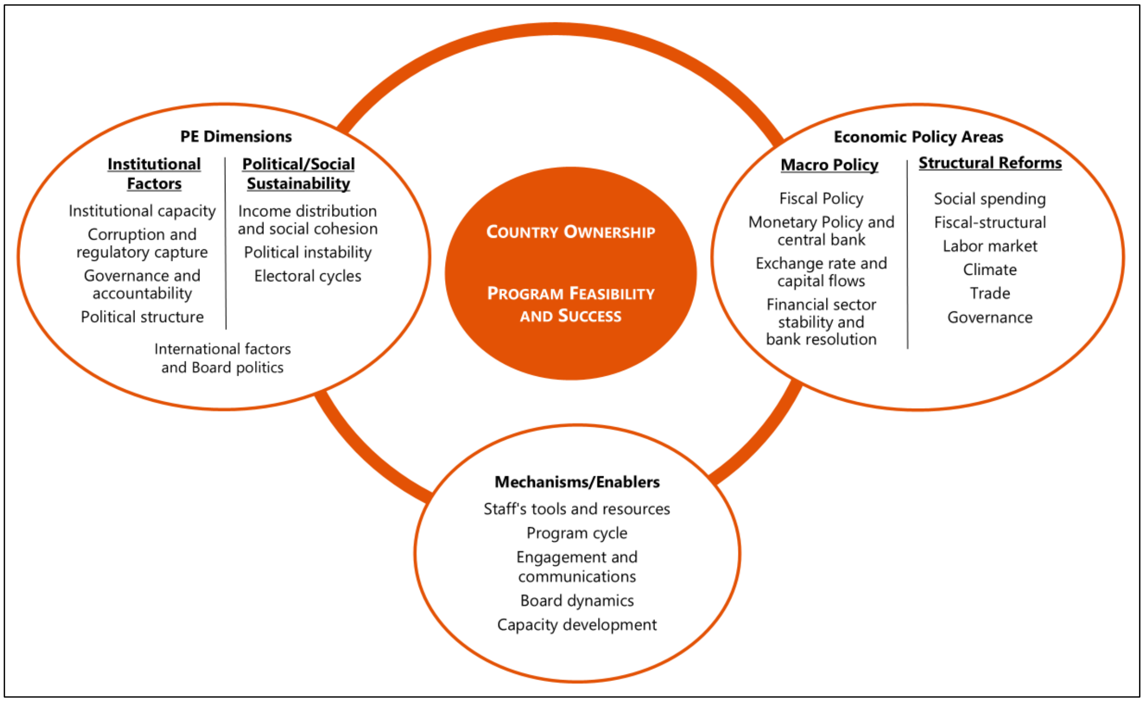
- *Political sustainability of programs and ownership*, including "first best" vs. alternative options; short-run macroeconomic stability and longer-run economic and social sustainability; sequencing of measures, disbursements, and quick wins; distributional consequences; and social acceptability of structural reforms.
- *Electoral cycles* and their influence on program negotiation and design and implementation.
- *Relevance of the full program cycle*, including pre-program discussions, program negotiation and assurances, approval, implementation (including disbursements, or lack thereof, and cancellations), concluded programs and post-program assessments. The interaction of PE considerations with precautionary arrangements and with the repeated use of Fund resources (UFR) have also attracted stakeholders' attention.
- *IMF and borrowing country program-related communications*, as potentially critical drivers of program continuity and success.
- *Staff's expertise and skills*, as a condition to internalize PE issues, including presence on the ground, seniority and turnover, review process, and training.
- *IMF engagement with all relevant stakeholders,* beyond ministries of finance and central banks, including line ministries, the executive, legislature and judiciary, opposition parties, civil society, and development partners and experts.

6. **Concerns about the role and importance of PE in IMF-supported program design and outcomes have fostered an extensive external literature.** This literature conceptualizes PE considerations as encompassing how international power relations, domestic political interests and institutions, and the IMF's own organizational incentives influence different stages of IMF programs, including which countries chose whether or not to borrow from the Fund and why, the size and terms of loans, the design and stringency of conditionality, and program implementation and outcomes. This literature spans several dimensions. It examines inter alia domestic conflicts of interest and veto players that affect "ownership" of reforms and the need for conditionality (Drazen 2002), and how citizens, labor, and social groups shape and constrain what governments can accept in negotiations (Caraway, Rickard, and Anner 2012), including how borrowers' ties to major shareholders can influence negotiation dynamics and outcomes (Ferry and Zeitz 2024). It analyzes how program design interacts with partisanship and electoral incentives (Beazer and Woo 2016), how major shareholders and Executive Board politics influence lending decisions and conditionality in addition to macroeconomic factors (Copelovitch 2010; Dreher, Sturm, and Vreeland 2015), and how staff beliefs and informal incentives affect lending decisions (Chwieroth 2013). Finally, it covers how these political forces shape the content of conditions and their distributional impact, for example, on inequality via social spending cuts and labor reforms (Lang 2016; Rickard and Caraway 2019; Steinwand and Stone 2008) and implementation and enforcement dynamics.

7. **Analytical framework.** The evaluation will adopt an analytical framework (Figure 1) based on the identification and analysis of:

- the main PE dimensions likely to affect or to be affected by IMF programs;
- the main economic policy areas typically integrated in IMF-supported programs that may have PE implications;
- the factors, (understood as mechanisms, processes, or conditions) that enable or hamper the integration of PE considerations in programs; and
- the impact that the integration, or lack thereof, of PE considerations has on country ownership and, ultimately, program success.

Figure 1. Simplified Analytical Framework for the Integration of PE in Programs



8. **Political economy dimensions affected by or affecting IMF programs.** A number of dimensions stand out as closely interlinked with policy areas typically included in Fund-supported programs. These include:

Institutional factors

(i) *Institutional capacity,* comprising the administrative and technical ability of the government to implement the policies to which it has committed. Even when governments and legislatures formally adopt laws, weak capacity can prevent effective enforcement of tax collection, execution of budgets, production of reliable macroeconomic data, or coordination across agencies. These constraints affect program credibility and expectations from the outset.

(ii) *Corruption and regulatory capture* refer, respectively, to the abuse of public authority for private gain and acting in the interest of the regulated industry rather than the public. Both phenomena distort resource allocation, increase costs, weaken implementation capacity, and erode the credibility of policy commitments.

(iii) *Governance and accountability* constituting, respectively, the framework of institutions, mechanisms, and practices through which governmental power is exercised, and to the capacity of this framework to enable the public to monitor and enforce consequences on the government.

(iv) *Political structure* refers to the arrangement of political institutions, actors, and rules through which power is organized, exercised, and constrained, which may have a bearing on programs. Interest groups can mobilize political influence to resist or weaken reforms which threaten their privileges, distorting policy away from the public interest, often diluting or blocking IMF conditionality. Such groups can engage in rent seeking, lobbying, passive resistance, or financing political campaigns.[1] Relatedly, political fragmentation, polarization, and decision-making gridlock can form a binding constraint on policy implementation.

Political/Social Sustainability

(i) *Income distribution and social cohesion* pertain to the fairness of how national income, public spending, and tax burdens are distributed across individuals, social groups, and generations, as well as the degree of trust and solidarity within society. High inequality can erode trust, fuel populism and unrest, and drive distributional conflicts that polarize societies and block necessary adjustments. Intergenerational transfers (pensions and public debt) add further challenges, particularly in aging societies where pressure on pay-as-you-go systems intensifies generational conflict. Future generations may lack political voice, making it electorally rational to favor unsustainable pension schemes or debt-financed spending over necessary reforms.

(ii) *Political instability* shortens policy horizons and undermines the credibility of reform commitments. Instability can arise in several ways, including changes of government without regime change, transitions between regime types, civil unrest, and political violence (Jong-A-Pin 2009). Frequent government turnover reduces commitment to long-term reforms and encourages strategic use of public debt. Both government changes and regime transitions often bring abrupt policy reversals and repudiation of prior commitments. Civil unrest can disrupt economic activity and may force program suspension or renegotiation, while political violence destroys capital, diverts spending to security, and significantly complicates reform implementation.

[1] The informal economy offers a pertinent example: unregulated activities erode the tax base and complicate program monitoring, while formalization efforts face resistance from those who benefit from informality.

(iii) *Electoral cycles* shorten policy horizons and complicate program implementation. Governments facing elections have incentives to boost spending, cut taxes, or delay unpopular reforms, and elections are associated with non-compliance with conditionality, and IMF program interruptions (Dreher 2003).

(iv) *International factors* beyond a country's control—including cross-border spillovers, other IFIs, credit rating agencies, and global capital markets—can constrain reform space, policy choices, and program implementation. In addition to these market and institutional forces, political dynamics within the IMF Executive Board—reflecting the diverse interests of member countries—may also shape program design, conditionality, and the degree of flexibility afforded to country authorities.

9. **Economic policy areas most frequently associated with PE considerations in Fund-supported programs.** A preliminary review of program documents during the evaluation period reveals that PE considerations have been particularly prominent in fiscal policy, while also playing an important role in monetary policy and central bank reforms, exchange rate and capital flow management, and financial sector stability and bank resolution. Beyond these macroeconomic areas, PE considerations have also featured prominently in structural reforms, including social spending, fiscal-structural, labor market reform, governance, climate- and trade-related policies.

10. **Factors for the integration of PE considerations.** These refer to the processes and enabling conditions for the integration of PE considerations in Fund-supported programs. The integration of PE considerations may emerge before the program itself, in the surveillance context, and during all stages of the program cycle, including negotiation, design, approval, and implementation stages. They can be grouped into:

(i) *Tools and resources available to staff*, including a sufficiently clear framework, expertise, on-the-ground presence, and internal structures.

(ii) *Stages of the program cycle* where this integration should happen, starting with the pre-program awareness of relevant dimensions in the surveillance context, program negotiations, during the program design—affecting key variables such as the sequencing and timing of conditionality and disbursements or the availability of quick wins—the review process, the implementation phase, and, where necessary, the provision of CD throughout the process.

(iii) *Engagement with third parties*, including program communications (by the Fund and in collaboration with country authorities), engagement with all relevant stakeholders during the program cycle, and collaboration with partners.

(iv) *Board dynamics*, which emerge as an important determinant of the attention paid to PE considerations and for achieving uniformity of treatment.

(v) *Capacity Development,* including the use of technical assistance and training to strengthen institutional capacity, support reform implementation, and address constraints identified through analysis of PE considerations, as well as the role played by CD throughout the program cycle, for example, capacity assessments and support of realistic design and sequencing of reforms.

III. INSTITUTIONAL FRAMEWORK

11. **The IMF has not adopted a legal or operational definition of PE.** The IMF's Articles of Agreement refer to the "social and political policies of members" in the context of surveillance. For the program context, a more distant justification for the introduction of PE considerations can be found in Article I, Section V, which indicates that use of Fund resources (UFR) are for the correction of maladjustments in countries' BoP, "…without resorting to measures destructive of national or international prosperity." Notwithstanding the lack of a definition, program-related political and social policy considerations have featured extensively in Fund policy documents. Conditionality guidelines have clarified the scope and circumstances in which these considerations are to be included in program design and conditionality, and several guidelines by policy area and country groups have included references to the inclusion of political and social considerations (Annex I). However, the conditionality guidelines do not use political economy as a standalone concept, relying instead on concepts like ownership, commitment, administrative and implementation capacity, feasibility, parsimony, and assurances.

12. **Notwithstanding the absence of a clearer overall framework, IMF programs have persistently sought to integrate PE considerations across policies, program conditionality, and all stages of the program cycle.** This has posed a particular challenge, with integration requiring to remain consistent, not only with the relevant provisions of the Articles of Agreement, but also with the provisions applicable to each lending facility or instrument, the requirement to resolve the member's BoP problem, and the objective to achieve medium term external viability.

13. **The 1979 Conditionality Guidelines (GoC) stated that in helping members devise adjustment programs, the Fund "shall pay due regard" to the domestic social and political objectives of members.** The decision (IMF 1979) recognized that social and political considerations are not invariably isolated from economic considerations, and that domestic social or political policies of a member may produce consequences of an economic character that are within the scope of the Fund's purposes as set out in Article I. The 2002 GoC reiterated that the Fund should pay due regard to members' domestic social and political objectives, economic policies, and circumstances, reaffirming member ownership while reserving responsibility for financing conditionality to the Fund. Collectively, these provisions imply that the Fund "supports" the member program, which it helps to devise; and that program conditionality is only for the Fund to establish as conditions for financing. Subsequent GoC updates (2006–09) emphasized national ownership, broadening political support for reforms with interest or political groups, and recognizing that implementation depends not only on executive action but also on legislative approval, sub-national governments, and state-owned enterprises.

14. **Program-related guidance has also progressively strengthened attention to PE considerations.** The 2014 Revised Operational Guidance Note (OGN) (IMF 2014) strengthened requirements for more systematic assessments of structural conditionality and deeper analysis of institutional and political capacity, while noting that discussions of political constraints in staff reports remained brief and insufficiently specific. The OGN recommended anchoring programs in national reform plans, strengthening public communication, enhancing capacity assessments on

realistic timelines, encouraging use of SMPs to sustain reform momentum, and providing further guidance on prior actions and PE analysis. Subsequently, the 2018 Review of Program Design and Conditionality (IMF 2019b) found that politically complex structural challenges had intensified and that program ownership was stronger when programs were aligned with national reform plans, implementation capacity, and effective communication strategies. While most staff reports discussed political support for reforms, electoral cycles, and risks of instability, political constraints affecting specific reforms were often not explicitly identified. Case studies nonetheless underscored the importance of PE considerations, highlighting political resistance, instability, and the benefits of having a nationally owned reform strategy. The 2022 Guidance Note that followed the approval of the 2021 CSR incorporated the concept of economic sustainability "as a set of conditions that, under realistic assumptions, will support sustained, balanced, and inclusive growth, without requiring large or disruptive adjustments to the BOP or domestic stability" (IEO 2024). Subsequent guidance and reviews (IMF 2024a) further mainstreamed PE considerations, emphasizing country ownership, political and implementation capacity, communication, distributional impacts, flexibility in FCS, PE feasibility, and reform challenges arising from polarization, social strains, and electoral uncertainty. Lastly, the ongoing 2026 Review of IMF Program Design and Conditionality (IMF 2026a) and the forthcoming 2026 Comprehensive Surveillance Review (IMF 2026b) are highly relevant to this evaluation.

15. **Policy-specific and country-group guidance notes have increasingly incorporated PE considerations into program design and implementation.** Policy guidance has highlighted the relevance of PE considerations in areas such as governance and corruption (IMF 1997; 2018a; 2023a), Social spending (IMF 2019a; 2024b), Climate-related lending (IMF 2023c; 2025), Gender (IMF 2022b; 2024c), and Inequality (IMF 2018b). Similarly, guidance for country groups has increasingly emphasized PE considerations in Fund engagement. These include guidance for fragile and conflict-affected states (IMF 2012; 2022a; 2023b) and for small developing states, building on the 2014 and 2017 iterations to culminate in the 2024 Staff Guidance Note on the IMF's engagement with small developing states (IMF 2014; 2018c; 2024d).

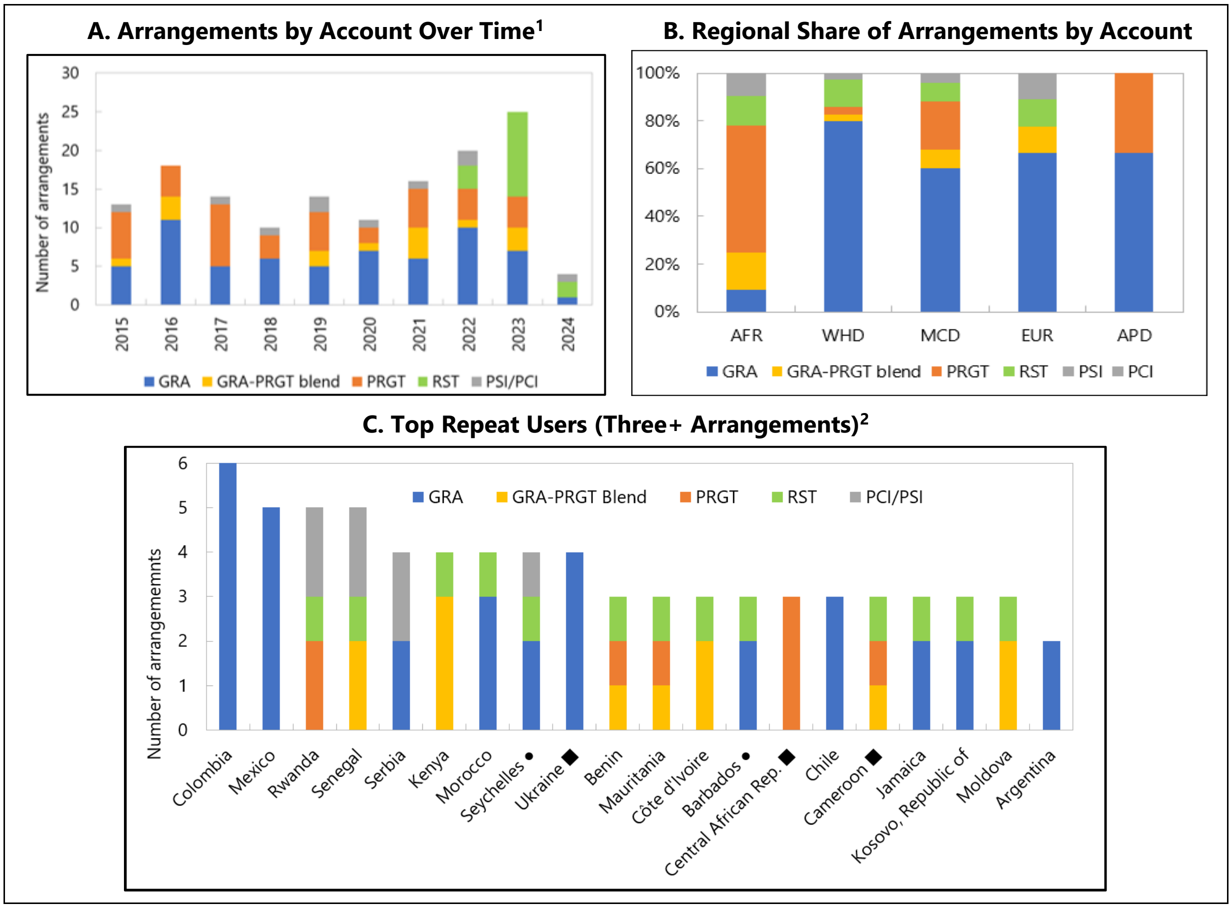
IV. IMF PROGRAMS UNDER CONSIDERATION

16. **The evaluation will cover IMF-supported arrangements approved between January 2015 and September 2026, excluding emergency financing and arrangements still ongoing.** During this period, 145 arrangements[2] were approved, comprising 63 GRA-only arrangements (43 percent), 41 PRGT-only arrangements (28 percent), 15 GRA-PRGT blended arrangements (10 percent), 16 RSF arrangements (11 percent), and 10 PCI/PSIs (7 percent). Arrangement approvals averaged close to 14 a year through 2021, rising to a peak of 25 in 2023 with the post-pandemic wave of UCT arrangements and the introduction of the RSF (Figure 2A). By area department, the largest share of arrangements was with members in AFR (64) and WHD

[2] Data as of June 30, 2026. Arrangements may comprise the use of more than one facility: blended EFF/ECF or SBA/SCF operations are counted as one arrangement. Thus, the dataset comprises 145 arrangements and 160 underlying arrangements and instruments. RSF arrangements are counted as separate programs, including where approved concurrently with a UCT arrangement. Emergency financing (RFI/RCF) is excluded.

(35), followed by MCD (25), EUR (18), and APD (3) (Figure 2B). GRA-only arrangements predominated in WHD (28 of 35), MCD (15 of 25), and EUR (12 of 18), while PRGT-supported arrangements (including PRGT components of blends) accounted for the bulk of engagement in AFR (44 of 64). RSF arrangements were distributed across four area departments. Repeat users ranged from particularly frequent precautionary GRA users to PRGT and blend-heavy users in Africa, with most layering an RSF onto an existing UCT arrangement (Figure 2C).

Figure 2. Composition, Trends, and Repeat Engagement: 2015–Mid-2026



Source: IEO staff estimates.
[1] Excludes arrangements still ongoing as of mid-2026, consequently recent years are understated and the post-2023 decline reflects this exclusion, not reduced engagement. The 2023 peak largely reflects the RST rollout (11 of 25).
[2] ■ Fragile and Conflict-Affected States; ● Small Developing States.
Note: GRA = General Resources Account; PRGT = Poverty Reduction and Growth Trust; RST = Resilience and Sustainability Trust; PCI = Policy Coordination Instrument; PSI = Policy Support Instrument; AFR = African Department; APD = Asia and Pacific Department; EUR = European Department; MCD = Middle East and Central Asia Department; WHD = Western Hemisphere Department.

17. **Precautionary arrangements and non-financing instruments together accounted for nearly 30 percent of arrangements.** The 145 arrangements comprised 135 financing arrangements (93 percent), with total commitments of SDR 528 billion (SDR 505 billion from the GRA, SDR 17 billion from the PRGT, and SDR 5 billion from the RST) and 10 non-financing PCI/PSIs (7 percent). Of the 145 arrangements, 108 (74 percent) involved drawings on Fund

resources totaling SDR 146 billion (28 percent of total commitments); the remaining 37 (10 non-financing and 27 undrawn precautionary arrangements) did not. The wide gap between commitments and drawings largely reflects large precautionary lines, mainly FCLs, that were never drawn: only 6 of the 33 precautionary arrangements were drawn upon, 4 of them—Morocco, Colombia, Armenia, and Honduras—to address COVID-19-related financing needs.

18. **Cancellations and off-track arrangements**. Of the 145 arrangements, 36 were cancelled, although most cancellations were associated with the approval of a successor arrangement or a switch to emergency financing —only 7 cancelled arrangements did not have a successor arrangement. Cancellations were concentrated in the GRA (83 percent of total and 5 out of the 7 cancellations without a successor arrangement). Separately, 47 arrangements went off-track, evenly split between the GRA and the PRGT, with PE considerations ranging from elections and changes of government to coups, conflict and state collapse, vested interest and union resistance, legislative blockage, and governance failures including threats to central bank independence and misreporting. Five arrangements were both cancelled and went off-track, reflecting PE challenges such as election-driven fiscal loosening, reversals of agreed price measures, legislative fragmentation diluting core reforms, misreporting, and cancellation by incoming administrations.

19. **Repeated use of Fund resources was a defining feature.** The 145 arrangements and instruments were spread across 71 distinct member countries, among which 41 countries had 2 or more arrangements approved during the evaluation period, together accounting for 115 of the 145 arrangements and instruments—nearly four-fifths of the total. Nineteen countries had 3 or more arrangements, and 4 countries (Colombia, Mexico, Rwanda, and Senegal) accounted for 21 arrangements.

V. SCOPE, METHODOLOGY, AND WORK PLAN

20. **Scope of the evaluation.** The evaluation will analyze how the IMF took account of PE factors in Fund-supported program design and implementation, including GRA, PRGT, RSF, and precautionary arrangements. It will explore the treatment of PE issues across groups of countries, giving focused consideration to SDS and FCS.

21. **Evaluation questions**. The following list of evaluation questions cover three broad and interconnected areas: (a) what should be the subject and modalities of the Fund's integration of PE (Background Paper 1 description below), with a particular focus on questions (i)–(iv); (b) how well did the Fund carry out that integration in practice (Background Papers 2–4), with a particular focus on questions (v)–(xiv); and (c) did the Fund possess the resources, human, financial, and institutional, to adequately integrate PE considerations (Background Paper 5), focusing particularly on questions (xv)–(xvi).

(i) What were the legal and institutional underpinnings for the Fund to include PE considerations in its arrangements? Was there an agreed PE definition in the Fund, shared by the Board, management, and staff? Was guidance to staff on what and how to cover adequate?

(ii) According to the literature, and in the eyes of internal and external stakeholders, what are the areas included in IMF arrangements with the potential to impact PE in borrowing countries and the PE areas in borrowing countries that affect IMF-supported programs (design, ownership, implementation, and success)? How does the consideration by the Fund of these areas affect the borrowing country, the international financial system, and the Fund itself, either directly or via ownership and arrangements success?

(iii) What are the mechanisms for the Fund to incorporate PE-relevant issues into arrangements to achieve country ownership and arrangement success, including: (a) quality of program design and implementation, understood as probability of success of the arrangement and including coherence, accuracy, and realism of projections, and sequencing of disbursements and conditionality; (b) engagement with all relevant stakeholders; (c) review process; (d) handling of arrangement-related communications; (e) corruption assessments, governance diagnostics and country strategies; and (f) coordination with partners in borrowing countries?

(iv) How do other institutions, including multilateral development banks, integrate PE considerations in their operations and engagement with members; and what lessons can be learned for Fund engagement?

(v) In practice, to what extent did the Fund adequately incorporate PE considerations in program design and implementation monitoring while balancing the risks of excessive accommodation and excessive rigidity? What were the PE dimensions effectively identified and discussed by the Fund in practice? How did the Fund incorporate those considerations? What were stakeholders' views on the scope and depth of the treatment of PE considerations?

(vi) Did the Fund coordinate adequately with partners on PE?

(vii) Was the Fund evenhanded across arrangements and across country groups when integrating PE considerations?

(viii) How did the integration of PE considerations impact arrangements success/failure, repeated UFR, reform fatigue, and the sustainability of outcomes?

(ix) What was the link between the incorporation of PE considerations and authorities' ownership/ arrangements success/traction? Differences in arrangements performance across different political regimes?

(x) How did PE coverage interact with other areas of work?

(xi) To what extent and how effectively did the Fund integrate capacity development when incorporating PE considerations in arrangements?

(xii) How did PE considerations affect the roles of the Fund as ruthless truth teller or trusted advisor?

(xiii) Were guidelines adequate?

(xiv) What was the role of (i) resident representatives; (ii) mission chiefs and country teams; (iii) CD experts and backstoppers; and (iv) external partners, in the identification and incorporation of PE considerations?

(xv) Did staff possess the expertise, guidance, capacity, country specific knowledge, and resources (tradeoffs) to undertake proper PE analyses?

(xvi) Were the internal organizational structures and processes in place for adequate coordination and knowledge sharing on PE?

22. **Methodology and criteria.** The evaluation will assess the IMF's institutional framework for the inclusion of PE issues in arrangements and the treatment of those issues during the evaluation period. For the latter, the evaluation will combine in depth country cases studies with an aggregate analysis of a broader set of programs using large language models (LLMs), sentiment analysis, and data work. Main sources of evidence will include desk reviews, interviews, staff and country authority surveys. Desk reviews will cover mainly internal policy documents, guidelines issued to staff, program documents, and internal and external research papers. The findings and recommendations of previous IEO evaluations will also be taken into account.[3] Interviews will be conducted with: (i) current and former members of the IMF Executive Board and staff; (ii) country authorities and other local stakeholders, including during country visits; (iii) bilateral donors, regional and multilateral partners; and (iv) representatives of civil society, non-governmental organizations, and the private sector. Useful evaluation criteria will include relevance, coherence, effectiveness, efficiency, evenhandedness, uniformity of treatment and sustainability (IEO 2025b).

23. **Background Papers.** The evaluation will draw on the analysis and findings of five background papers:

- **Background Paper 1: The IMF approach to political economy.** This background paper will explore (i) the legal underpinnings for the Fund's treatment of PE, including formal (if any) and operational or informal definitions used by the institution and the operational guidance provided to staff; (ii) the topics/areas typically included under the umbrella of PE (which in turn will define the coverage of the evaluation) and their a priori importance for program design; (iii) external stakeholders' view on the Fund's treatment and coverage of PE; and (iv) a comparison of the Fund's approach to PE with that of other IFIs.
- **Background Papers 2–4: Country cases.** These background papers will analyze the adequacy of the coverage of PE considerations in GRA, PRGT, and FCS and SDS programs, respectively; and their implications for program design and implementation. They will also look into pre-program PE considerations in the surveillance context, repeated UFR, and cooperation with external partners; and will also include examples where PE factors may have deterred program requests and prompted decisions not to proceed. These papers will adopt a twofold approach, evaluating approximately six

[3] Relevant IEO evaluations include IEO (2003, 2013, 2016, 2017, 2018, 2022, 2024, 2025a).

country cases in depth and extracting general conclusions from the full range of cases through the use of LLMs and data work. Country case studies will preliminarily include[4]: Colombia, Pakistan, Sri Lanka, Tunisia, and Ukraine in the GRA; Benin, Ghana, Honduras, Kenya, Moldova, Nepal, and Zambia in the PRGT/RST; and Chad, Haiti, Mozambique, Seychelles, Somalia, and Suriname in the FCS/SDS category. These papers will also incorporate lessons from focus countries in recent IEO evaluations.

- **Background Paper 5: Institutional issues.** This background paper will analyze IMF staff's capacity to incorporate PE issues in programs, including expertise and knowledge, incentives, length of appointment, and training, the institutional structures for coordination and knowledge sharing, and the resource implications of this type of work. A key aspect will be the role of resident representatives and other "on the ground" staff, as well as mission chiefs and country teams where feasible.

24. **Timeline and Format**. The evaluation is an ex post analysis and expected to be completed by the end of 2027.

[4] Country case selection criteria include diversity in terms of geography, domestic PE situation, country classification, and program type (with some cases falling in more than one typology; e.g., blended arrangements), size, repeated use of Fund resources, and success level. The selection also attempts to (i) identify cases with high potential for the extraction of widely applicable lessons following a preliminary desk review and consultations with Executive Directors and staff; (ii) prevent excessive repetition of country cases recently covered in depth by the IEO; and (iii) keep the number of cases limited, given resources and time constraints.

ANNEX I. EVOLUTION OF "POLITICAL ECONOMY CONSIDERATIONS" IN IMF'S LEGAL AND INSTITUTIONAL FRAMEWORK

Year	Conditionality Reviews and Guidance	Guidance in Specific Policy Areas	Country Group Guidance	RSF Operational Guidance
1979	Guidelines on Conditionality			
1997		Guidance Note on the Role of the Fund in Governance Issues		
2002	Guidelines on Conditionality	Exceptional Access Framework (Access Policy in Capital Account Crises and subsequent modifications)		
2009	Conditionality in Fund-Supported Programs—Purposes, Modalities, and Options for Reform	Creating Policy Space: Responsive Design & Streamlined Conditionality in LIC Programs		
2012		AML and CFT Inclusion in Surveillance and Financial Stability Assessments – Guidance Note	Staff Guidance Note on Fragile and Conflict-Affected States	
2014	Revised Operational Guidance Note on Program Design and Conditionality			
2018	Review of Program Design and Conditionality	Framework for Enhanced Fund Engagement on Governance Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Strategy	How to Operationalize Inequality Issues in Country Work	
2019		Strategy for IMF Engagement on Social Spending		
2021		2021 Comprehensive Surveillance Review		
2022		IMF Strategy Toward Mainstreaming Gender	IMF Strategy for Fragile and Conflict-Affected States	
2023		Review of Implementation of the 2018 Governance Framework	Staff Guidance Note on Implementation of the FCS Strategy	RSF Operational Guidance Note
2024	Operational Guidance Note on Program Design and Conditionality	Interim Guidance Note on Mainstreaming Gender OGN for IMF Engagement on Social Spending Issues	Staff Guidance Note on Small Developing States	
2025		Enterprise Risk Management Staff Guidance Note		Updated RSF OGN

Sources: IEO staff; IMF Intranet.

ANNEX II. POLITICAL ECONOMY CONSIDERATIONS IN IMF PROGRAM DOCUMENTS APPROVED SINCE 2015

A preliminary text analysis exercise reveals extensive and growing coverage of political economy (PE) issues. A keyword-based text analysis is used to examine seven political economy (PE) dimensions relevant to IMF-supported programs: institutional capacity; governance and accountability; corruption and regulatory capture; political structure; political instability; electoral cycles; and income distribution and social cohesion. For each dimension, all paragraphs extracted from IMF program document publications[1] approved from 2015 onwards are searched using a keyword dictionary.

Paragraphs containing at least one of the abovementioned keywords are retained as PE theme-related passages. For each IMF account type and publication year, an indicator is constructed as the number of distinct PE theme-related passages divided by the number of distinct publications. Each data point therefore represents the average number of distinct theme-related passages per publication for a given account type and year. The figures should be interpreted as measures of the salience[2] of PE themes in IMF publications—a higher value indicates that the average publication devoted more textual space to discussion of the particular PE theme. Figure A.II.1 presents this salience of PE themes in IMF publications by year and account type. For example, an increase in the governance and accountability series (Figure A.II.1B) indicates that the average publication contained more discussion of governance, transparency, accountability, oversight, rule of law, misreporting, data integrity, and related institutional safeguards, suggesting that these issues became more salient in IMF publication over time.

The text analysis (Figure A.II.1) suggests a broadening of PE coverage in IMF publications over time, driven primarily by governance and accountability (Figure A.II.1B), corruption-related issues (Figure A.II.1C), and distributional and social protection concerns (Figure A.II.1G). The governance and accountability dimension is the most salient and exhibits the strongest increase across account types, while corruption and regulatory capture and income distribution and social cohesion also trend upward over the period. By contrast, political structure (Figure A.II.1D) and electoral cycles (Figure A.II.1F) remain comparatively less prominent and display limited variation over time. Political instability (Figure A.II.1E) occupies an intermediate position and is most salient in PRGT and Blend (GRA-PRGT) publications, consistent with greater attention to fragility, conflict, security risks, and political uncertainty in those contexts. Overall, the results suggest growing attention to institutional and social constraints on reform implementation, but a more limited focus on political actors, coalitions, and electoral incentives.

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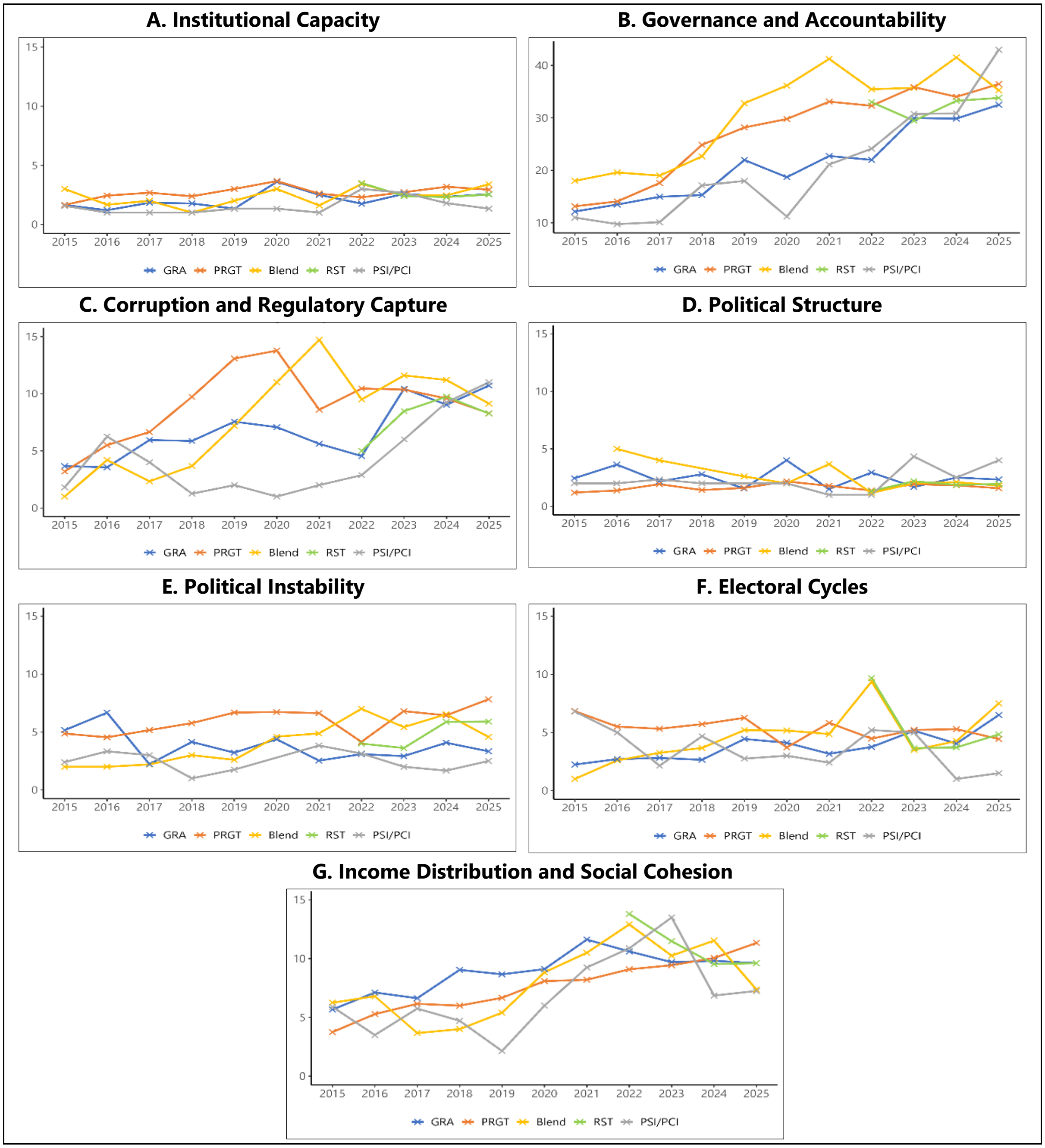
[1] A "publication" refers to an IMF program document. IMF program documents encompass staff reports that are program requests, and subsequent program reviews. This analysis was run on 772 IMF publications since 2015.

[2] Salience refers to the extent to which a theme is discussed within the average publication, as measured by the average number of distinct PE theme-related passages per publication.

Figure A.II.1. Salience of PE Themes in IMF Publications, by Year and Account Type

(Average number of distinct PE theme-related passages per publication)



Source: IEO staff estimates.

Note: Each graph point represents the average number of distinct theme-related passages per publication for a given account type and year. Because some account-year points include only a small number of publications, a single publication with extensive discussion of a theme can produce a visible spike or drop in the line. The figures should therefore be interpreted as changes in the salience of a theme within the average publication, rather than necessarily as broad-based shifts across all programs. RST is shown separately for RST-related publications and is not mutually exclusive with the underlying account classification. Y-axis scales vary across panels. GRA = General Resources Account; PCI = Policy Coordination Instrument; PRGT= Poverty Reduction and Growth Trust; PSI = Policy Support Instrument; RST = Resilience and Sustainability Trust.

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