

**Implementation Plan in
Response to The Board
- Endorsed Recommendations
from The IEO Evaluation Report
on Growth and Adjustment in
IMF - Supported Programs**



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IMPLEMENTATION PLAN IN RESPONSE TO THE BOARD- ENDORSED RECOMMENDATIONS FROM THE IEO EVALUATION REPORT ON GROWTH AND ADJUSTMENT IN IMF-SUPPORTED PROGRAMS

EXECUTIVE SUMMARY

This management implementation plan (MIP) proposes actions in response to the Independent Evaluation Office (IEO)'s report on growth and adjustment in IMF-supported programs. Overall, the IEO report pointed to the lack of evidence on a consistent bias toward excessive austerity and the findings that programs have yielded growth benefits relative to a counterfactual of no Fund engagement. The broad consistency and complementarity of the overall assessment with the IMF's 2018 Review of Program Design and Conditionality were also acknowledged. Building on the 2018 Review of Program Design and Conditionality and the 2018 Review of the Fund's Capacity Development Strategy, the proposed MIP actions aim at:

- **Increasing the realism of growth projections** and fostering a more systematic analysis of contingency plans and social and distributional implications in Fund-supported programs.
- **Encouraging deeper and more growth-oriented structural reforms** in line with the program objectives, leveraging a more effective collaboration with external partners, with due consideration of growth effects.
- **Further developing and deploying new analytical tools** needed to support greater attention to sustainable and inclusive growth in program work.

The full implementation of the MIP package will help ensure that, at a time when many countries face strong headwinds, IMF-supported programs not only deliver necessary adjustment to address balance of payments needs but also pay greater attention to their growth effects. More realistic projections would ultimately help limiting excessive adjustment ex-post subject to the available program financing envelope. It is also envisaged that the discussion of medium-term growth implications of Fund-supported programs, including fiscal adjustment, will become a regular practice with more rigorous and systematic analysis in Article IV consultations. In addition, more emphasis on social spending analysis and measures to mitigate the adverse effects of adjustment on the vulnerable would help improve the design and formulation of conditionality in IMF-supported programs. These proposals are also intended to improve IMF country teams' accountability when setting conditionality, enhance the ownership of country authorities, and establish processes that help ensure resources are directed to the areas of highest impact.

While the policy-related deliverables are already incorporated into current departmental work plans and budgets, the operational implementation of these recommendations may require mobilizing additional resources. Staff has already a work program underway that addresses some of the IEO recommendations, and additional MIP actions are being proposed for further reinforcement. While most of these actions will be implemented by the end of FY23, a few will take longer to implement reflecting existing commitments. The near-term implementation of the proposed MIP will need to be mostly managed within existing budgetary envelopes but, in light of competing work priorities, some trade-offs may be unavoidable if additional resources are not available. Medium-term resource needs have not yet been identified for actions going beyond FY23, though many of these actions are part of previous commitments. It should also be noted that the actions under this MIP are likely to increase pressure on current word limits in program documents.

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