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Book Summary

IMF-Supported Programs: Recent Staff Research

Edited by Ashoka Mody and Alessandro Rebucci

International Monetary Fund, April 2006, 292 pp., $37.50 (paperbound)

What are the effects of IMF-supported programs? This volume includes recent IMF staff research that moves beyond the characterization of programs as one-zero events to ask new, more nuanced questions. In particular, the circumstances under which the program is designed, the limitations on program implementation, and the specific national and international economic conditions when the program is in effect all influence its ultimate outcome. Thus, the book seeks to answer the following questions:

- How—and how much—does success depend upon the design of the program?
- Why does the quality of implementation vary, and how is it related, in particular, to program "ownership"?
- Do differing economic conditions influence the willingness and ability of countries, private markets, and the IMF to coordinate to achieve success?

The key achievement of the research reported here is to deal with this complexity while also providing practical insights. *On program design,* the value of fiscal adjustment is underscored, as is the effort to increase the accuracy of program projections. In turn, the quality of program projection is identified with more accurate and comprehensive information, especially on initial conditions. Authors call for more refined theoretical analytical frameworks to deal, for example, with capital account crises and the determinants of long-term growth.

Variations in program-implementation experiences are found to reflect differences in domestic institutions and political constraints. These results are consistent with calls for greater country ownership of IMF-supported programs. The IMF's governance structure may also be an important influence on program design and implementation.

Recent research on program effectiveness has focused on the IMF's role in the context of capital account crises and in catalyzing capital flows, distinguishing among different country economic conditions in evaluating success. Regarding the resolution of capital account crises, it finds that private creditors and the IMF were largely repaid; hence, to protect domestic taxpayers, who bore much of the costs of the crises, it is suggested that IMF lending be conditioned on the quality of pre-crisis policies and institutions. In helping member countries maintain medium-term access to international capital markets, the IMF may be most effective when they are vulnerable to, but not yet in, a crisis.

Much remains to be done, however. Above all, the challenge is to further characterize the relevant quantifiers of design, implementation, and country conditions in the context of different types of programs and countries.