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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

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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.

Approved By
Kenneth Kang (SPR) and Uma Ramakrishnan (SPR)

Prepared by a staff team of the Strategy, Policy, and Review Department, led by Marialuz Moreno Badia, coordinated by Heiko Hesse, and consisting of Chiara Castrovillari, Jung Kim, Liam O'Sullivan, and Martha Woldemichael, under overall guidance from Natalia Tamirisa and in collaboration with an interdepartmental working group comprising AFR, APD, EUR, MCD, WHD, COM, FAD, FIN, ICD, LEG, MCM, RES, and STA. Further guidance was provided by Bikas Joshi, Kenneth Kang, and Uma Ramakrishnan. Merceditas San Pedro-Pribram and Phyo Zin provided administrative support.

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INTRODUCTION

1. **The Executive Board and Management broadly welcomed the thrust of the findings and recommendations of the Internal Evaluations Office (IEO) evaluation on growth and adjustment in IMF-supported programs.** Directors noted that the IEO evaluation comes at an opportune time, as many member countries are seeking Fund support to close external gaps exacerbated by the pandemic, while building sustainable growth. Directors acknowledged the broad consistency and complementarity of the overall assessment with the IMF's 2018 Review of Program Design and Conditionality (RoC). They also welcomed 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. At the same time, Directors gave broad support to the IEO recommendations on the growth implications of IMF-supported programs, structural reforms, capacity development (CD), collaboration with external partners, and the role of analytical models.

2. **This paper presents the Management Implementation Plan (MIP) to take forward the Board-endorsed recommendations from the IEO evaluation, including specific actions, timing, and responsibility for implementation.** The proposed MIP actions aim at: (i) increasing the realism of growth projections and fostering a more systematic analysis of social and distributional implications in Fund-supported programs; (ii) 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; and (iii) further developing and deploying the tools needed to support greater attention to sustainable and inclusive growth in program work. Staff has already a work program underway that addresses some of the IEO recommendations, and additional actions are being proposed for further reinforcement. 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 (BoP) needs but also pay greater attention to their growth effects.

THE IEO RECOMMENDATIONS AND BOARD REACTIONS

3. **The IEO put forward three recommendations to further enhance program countries' capacity to sustain economic activity while undertaking needed adjustment and to improve growth prospects beyond the program** (Box 1). This section summarizes the Directors' reactions to the recommendations.

4. **Directors agreed that Fund-supported programs need greater attention to growth implications.** While reiterating that the core objective of Fund lending is to help members resolve their BoP problems, they agreed that the IMF's attention to growth implications in programs should be more thorough, systematic, realistic, and sensitive to social and distributional consequences. In that context, they concurred that fiscal multiplier assumptions should be carefully discussed but

called for a flexible application of tools as multipliers are often difficult to estimate and depend on country-specific circumstances. Directors also recommended paying more attention to contingencies for growth shortfalls, taking into account country specificities and the potential need for confidentiality to avoid adverse market reactions. In addition, the monitoring of key social and distributional aspects should be strengthened wherever possible.

5. **Directors broadly concurred that the IMF should pay greater attention to supporting deep, more growth-oriented structural reforms, with more effective CD support and collaboration with external partners.** Directors reiterated the need to keep structural conditionality parsimonious and prioritized in line with program objectives, and generally cautioned against veering too far out of core areas. Directors agreed on the need to assess how CD and surveillance could be better integrated with program design and implementation and looked forward to the conclusions of the ongoing IEO evaluation of Fund CD.

6. **Directors recommended that the Fund continue to invest in building a toolkit of models and monitors.** They concurred that such models can be applied as a basis for analyzing the adjustment-growth relationship and assessing growth-related developments in the program context. Directors also welcomed the set of already available models and encouraged staff to make use of them on a case-by-case basis and adapt them to better reflect country-specific circumstances.

Box 1. The IEO Recommendations

#1— Attention to growth implications of Fund-supported programs should become more thorough, systematic, realistic, and sensitive to social and distributional consequences.

- Board papers supporting General Resource Account (GRA) as well as Poverty Reduction and Growth Trust (PRGT) programs should clearly explain the program's growth implications both during the program and over the medium term.
- In discussing the program's macroeconomic framework, particular attention should be paid to discussion of fiscal multiplier assumptions.
- Program design should pay more consistent attention to contingencies for growth shortfalls, based on scenario analysis.
- Subject to data availability, strengthened monitoring of key social and distributional metrics would help to measure progress.
- Revisions to the 2002 Guidelines on Conditionality (GoC) (in the context of the next RoC) and the 2014 Operational Guidance Note on Conditionality (OGN) should be considered to give further guidance on the role of Fund-supported programs in fostering favorable growth outcomes.

 # 2— IMF-supported programs should pay greater attention to supporting deep, more growth-oriented structural reforms, with more effective CD support and collaboration with partners—such as the World Bank—in areas outside the Fund's core mandate and expertise.

- Structural conditionality should be parsimonious enough but also more focused on removing structural impediments critical to achieving sustained and inclusive growth.
- The Fund should seek ways to strengthen collaboration with the World Bank and other relevant partners in design and implementation of structural reforms in shared and non-core areas.
- The Fund should revisit how CD support is integrated with program design and implementation aimed at promoting deeper and more successful reform efforts in the program context.

Box 1. The IEO Recommendations (concluded)

 # 3—The Fund should continue to invest in building a toolkit of models and monitors that can be applied as a basis for analysis of the adjustment-growth relationship and assessing growth-related developments in the program context.

- Functional departments should continue to take the lead in developing a suite of models suitable for analyzing the adjustment-growth relationship.
- Country teams should be encouraged to apply the models now being developed to achieve greater realism in program projections, to explore trade-offs, and explain associated risks to authorities.
- The Fund should increase efforts to keep track of whether structural reforms were sustained after the program concludes.
- Further attention should be given to country desks' capacity to track developments in key distributional indicators, in close collaboration with the World Bank and other agencies.

THE MANAGEMENT IMPLEMENTATION PLAN

7. **The MIP builds on the *2018 Review of Program Design and Conditionality* (RoC) *(SM/19/72) and the 2018 Review of the Fund's Capacity Development Strategy (SM/18/232)* and proposes concrete steps to strengthen their implementation.** Besides discussing ongoing work, this section specifically reports on the initiatives taken since the completion of the IEO report and proposes a number of "SMART" (specific, measurable, attainable, relevant, and timebound) actions to address the Board-endorsed recommendations. While most of these actions will be implemented by the end of FY23, a few will take longer to implement reflecting existing commitments. It should also be noted that the actions under this MIP are likely to increase pressure on current word limits in program documents.

Recommendation 1. Attention to growth implications of Fund-supported programs should become more thorough, systematic, realistic, and sensitive to social and distributional consequences.

8. **Work to develop realism tools, including in response to the RoC findings, and to improve the availability of distributional data has been ongoing, while additional resources have been allocated to social spending analysis and CD** (Box 2). Ongoing work on realism tools includes the Sovereign Risk and Debt Sustainability Framework (SRDSF).[1] In addition, the Fund is engaged in a number of important data initiatives such as the Financial Access Survey as well as a methodological update of the System of National Accounts (SNA). The Fund is also implementing a *Strategy for Engagement on Social Spending*, as well as incorporating social spending into the Fund's analytical, surveillance, and program-related work and improving data availability to support policy analysis.

[1] See discussion under Recommendation 3 for more on realism tools.

Box 2. Ongoing Fund Work on Recommendation 1

The 2018 RoC found that program growth assumptions were often too optimistic, driven largely by global forecasting errors and the underestimation of the impact of policy adjustment and overestimation of structural reform payoffs. This could reflect the fact that the ex-post quality of adjustments may have been less-growth friendly than anticipated, and/or that assumed fiscal multipliers were too low. Therefore, the RoC concluded there was a need to increase the scrutiny of macroeconomic baselines and strengthen the discussion and analysis of the impact of program policies on growth, including fiscal multipliers and the pay-offs from structural reforms. By paying greater attention to fiscal multipliers, it was expected that the optimism bias and associated underestimation of the adverse growth impact of fiscal adjustment during downturns would be reduced. In addition, the RoC called for deepening the discussion of risk scenarios and improving contingency planning in program design. It also encouraged more granular fiscal conditionality to improve the composition of adjustment and increase focus on the quality of spending. The following ongoing initiatives are geared towards achieving those goals:

- **Realism tools.** The SRDSF approved by the Board in January 2021 introduced a new suite of tools to assess the realism of baseline macroeconomic scenarios.[1] The SRDSF is expected to be operationalized by end-FY22 with the launch of the Staff Guidance Note and template.
- **Data.** Several ongoing initiatives aim at enhancing the Fund's ability to conduct distributional analysis by improving the quality and availability of data. Among them, the planned update of the 2008 edition of the SNA will include a new chapter focusing on the compilation of distributional accounts.[2] Addressing data gaps on household distributional information has also been prioritized by the G20. In addition, the IMF's Financial Access Survey has been adapted to the changing landscape of financial services, providing up-to-date information on financial inclusion indicators, including two which specifically monitor Target 8.10 of the UN Sustainable Development Goals.[3]
- **Social spending**. As part of the implementation of the Strategy for IMF Engagement on Social Spending[4] approved by the Board in May 2019, and to support the incorporation of social spending issues into the Fund's analytical, surveillance and program-related work, the first of a series of background papers was completed in December 2021 focusing on pensions issues and underlining the need to consider the role of spending adequacy and efficiency in designing conditionality. Additional background papers on social safety nets, education, and health will be completed in FY23 as inputs into the Guidance Note on Social Spending, which will help country teams in deciding when and how extensively to engage on different social spending issues. To support the implementation of the Strategy and policy analysis, the Government Finance Division in the Statistics Department has also continued to enhance the collection and dissemination of government expenditure data based on the Classification of the Functions of Government (COFOG), which provides details on the spending items typically included in social spending (i.e., education, health, and social protection). In addition, the Expenditure Policy Division (EPD) in the Fiscal Affairs Department (FAD) is hiring five headquarters-based consultants in FY22 to help analyze social spending as part of a broader crisis response and CD effort. The plan is to transform the current EPD CD model to include medium-term programmatic engagements focused on developing capacity on expenditure policy issues. For instance, a pilot program with Sierra Leone has already started, and others are in the pipeline.
- **Fiscal revenue.** FAD has recently prepared technical notes to provide guidance on tax policy reforms after economies have recovered from the COVID-19 crisis and fiscal consolidation becomes imperative and on the possible scope for and design of temporary "COVID-19 recovery contributions" raised on high incomes or wealth. The focus is on identifying tax measures that can boost revenue mobilization in a way that is both inclusive and growth friendly and to help meet the extraordinary financing needs following the pandemic. FAD will otherwise continue to contribute to ongoing Fund work on the distributional implications of tax reforms through the provision of CD and the development of related

Box 2. Ongoing Fund Work on Recommendation 1 (concluded)

assessment tools. A Revenue Portal will also be launched shortly on the IMF website containing FAD's revenue administration (RA) and tax policy (TP) products including technical notes, research reports, analytical tools, training, seminars and publications on burning issues, offering easy access in one place to a repository of the IMF's work to the revenue community.

[1] For more details, see the 2021 Board paper on the Review of the Debt Sustainability Framework for Market Access Countries.
[2] The update of the 2008 edition of the SNA was launched in 2020 and builds on distributional work led by the OECD in cooperation with other international organizations including the IMF.
[3] Target 8.10 aims to strengthen the capacity of domestic financial institutions to expand access to financial services with the goal of promoting inclusive economic growth.
[4] The strategy is based on best practices, including: (i) engagement guided by an assessment of the macro criticality of a specific social spending issue and consideration of that issue in an IMF-supported program context, and by the existence of in-house expertise; (ii) enhanced collaboration with International Development Institutions; (iii) strengthened program design and conditionality; (iv) clearer guidance on the use of targeted and universal transfers in the context of a broader discussion on the effectiveness of the social safety net; and (v) better communications, including by leveraging input from a broad set of stakeholders.

9. **Beyond these steps, moving forward with recommendation 1 requires taking a holistic approach.** Therefore, this recommendation will be taken up primarily in the context of the revisions to the OGN on program design and conditionality and the Surveillance Guidance Note (SGN) which are both expected to be completed by FY23-H1.[2] Once the OGN and SGN are published, the operational implementation of the recommendations can follow a differentiated approach, commensurate with the availability of enhanced tools. Proposed actions include (see Annex I):

- **Proposal #1**. The OGN on program design and conditionality will be revised with the objective of having a thorough, systematic, and realistic discussion of program implications for growth, as appropriate and feasible in a given country context. The revised OGN on program design and conditionality will be informed by findings in both the 2018 RoC and the IEO report on growth and adjustment in Fund-supported programs.[3] Proposed actions on the realism of the program baseline, fiscal multiplier assumptions, contingency plans, and social spending issues will be provided along the following lines:

  (1a) Policy Notes (PNs) and Staff Reports (SRs) associated with Fund arrangement requests and program reviews with a significant growth deviation relative to previous projections will be required to discuss prominently the realism of baseline growth projections by, at a minimum, leveraging the realism tools embedded in debt sustainability frameworks (DSFs).[4] These tools will allow staff to assess: (1) the consistency between the planned fiscal adjustment and growth assumptions under plausible fiscal multipliers for all countries; (2) the

[2] In addition to the proposals outlined in this MIP, the OGN and SGN will include references to ongoing workstreams on the distributional impact of policies and inclusion.

[3] The OGN will include a procedural section on required elements of program documents, where the MIP requirements and actions will also be mentioned.

[4] This requirement is in line with the LIC DSF Guidance Note, which mandates the production of a new DSA when, inter alia, "countries experience significant changes in economic circumstances" (¶14). The assessment of growth deviations is left to staff's judgement.

realism of real GDP growth and output gaps for countries using the SRDSF; and (3) the consistency between public investment and growth for countries using the Low-Income Country DSF (LIC DSF).[5] To complement this analysis and depending on country circumstances and data availability, the use of additional tools will be strongly encouraged.[6]

(1b) PNs will include contingency plans where appropriate and subject to confidentiality. Given the high degree of uncertainty around program baselines, staff and authorities need to reach understandings on a set of policy responses for contingencies. This collaborative process places authorities in a stronger position to consider a range of options in a timely manner, should risks materialize. While program reviews typically function as an ex-post mechanism to address changed circumstances relative to initial projections, contingency plans allow staff to think ex ante about possible shifts in the program strategy. As such, the OGN will clarify that contingency plans are not intended to identify a precise response to a particular future scenario with defined triggers, but rather are a risk-management tools that identify pressure points and a set of possible responses. These plans should ideally outline a relevant adverse scenario, elaborating how key program variables/ targets/ objectives—including from growth shortfalls in such scenarios—would be impacted by discussing potential policy responses to restore stability.[7] In general, contingency plans would be recommended for applicable Upper Credit Tranche (UCT)-quality Fund-supported programs (based on country needs), subject to capacity constraints.[8] Discussions with the authorities on the contingency plans will be relayed to Management and reviewers—with appropriate confidentiality—in back-to-office reports and/or the SR cover memo to management. In addition, the OGN will clarify that staff should discuss internally during the PN review process and with the authorities during program negotiations the potential tradeoffs between alternative policy mixes in achieving the needed adjustment and growth.

(1c) The OGN will provide updated guidance on conditionality regarding social spending, drawing on the ongoing work to operationalize the 2019 Strategy for IMF Engagement on

[5] The DSFs offer a suite of realism tools to scrutinize key drivers of public debt using a mixture of cross-country and historical performance, and to flag optimism or pessimism. A few of these tools focus on the realism of growth projections. In particular, the fiscal adjustment and growth tool assesses the consistency between fiscal adjustment and growth assumptions by comparing the impact of the planned fiscal adjustment on growth under a range of plausible fiscal multipliers. The real GDP growth tool compares real GDP growth projections with potential growth projections, output gap, and the historical average growth. The output gap tool calculates output gap revisions from historical data. The public investment and growth tool assesses the consistency between growth and public investment assumptions using growth accounting and comparing current and previous projections for public and private investment.

[6] See recommendation 3 and Annex II.

[7] The OGN will not prescribe the nature of the scenario in a contingency plan as this should be determined by country-specific circumstances. Potentially, contingency plans can cover a broad range of shocks not just to growth but also fiscal revenues, commodity prices, export volumes, remittances, FDI, debt and portfolio inflows, rollover assumptions for short-term debt, and deposit outflows.

[8] Country teams should get in touch with the senior reviewer in the Strategy and Policy Review (SPR) department early on to reach an understanding on the need for and depth of contingency plans, taking into consideration capacity constraints and other factors such as access level, capacity to repay, likelihood of adverse scenario, and risks to debt sustainability.

Social Spending (see Box 2). Programs should aim to mitigate the adverse effects of adjustment measures on the vulnerable, and conditionality should support social objectives where critical for achieving the goals of the member's program or for monitoring its implementation.[9] While PRGT-supported programs are expected to explicitly incorporate measures to protect the vulnerable and generate public support for adjustment, GRA-supported programs would do so where critical for achieving program goals or for monitoring the program in addressing the underlying BoP problem and may in this regard require the introduction or expansion of social safety nets.[10] Engagement on social spending issues would specifically aim to: (1) identify those issues that are macro-critical, (2) understand the member's needs and priorities with regard to the role of social spending, (3) take stock of existing analysis, (4) identify any analytical and data gaps, and (5) formulate policy recommendations.

- **Proposal #2**. The revised SGN will clarify that Article IV SRs of members with ongoing Fund-supported programs are expected to address the implications of key policy measures (for example, fiscal consolidation) on growth and stability over the medium term, where appropriate under the Fund's legal framework for surveillance. The growth implications of policies (including fiscal adjustment) are already embedded in the macro-framework. However, Article IV consultations for countries with Fund-supported programs provide an opportunity to step back from immediate program aspects and take a fresh and comprehensive look at the member's economic challenges and policies that are macro-critical, as defined in the 2012 Integrated Surveillance Decision, from a medium-term perspective, including growth implications of Fund-supported programs. This proposal clarifies that Article IV SRs produced concurrently with program reviews should deal with all surveillance-related issues, including those related to Fund-supported programs, which are often missing.

- **Proposal #3.** The next RoC will review the role of Fund-supported programs in fostering growth and discuss the appropriateness of the 2002 GoC in that regard. Previous RoCs have analyzed issues related to growth optimism and growth-friendly fiscal policies in Fund-supported programs.

- **Proposal #4.** Staff will set up a training program for country authorities on the SRDSF, including its realism tools. Training workshops and online courses aimed at strengthening macroeconomic analysis, including DSFs, are already offered to country authorities.[11] Complementing these efforts, SPR department has already provided virtual workshops to authorities on the new SRDSF

[9] The key channels through which social spending can become macro-critical in a program context are fiscal sustainability, spending adequacy, and spending efficiency (see IMF 2019, A Strategy for IMF Engagement on Social Spending).

[10] While social protection measures are guided by PRGS documents for countries with PRGT-supported programs, there is no equivalent institutional requirement for those with GRA-supported programs.

[11] Other tools for which the Fund offers training material include Growth-at-Risk (GaR) and Debt-Investment-Growth (DIG)-type models (see Annex II for details on these tools).

for a few pilot cases. A joint training program with Institute for Capacity Development (ICD) will also be developed by mid-FY24 to, inter alia, increase authorities' ownership and facilitate discussions on projections during missions.

10. The implementation of these proposals is expected to enhance the realism of baseline projections and foster a more systemic analysis of growth and distributional implications of policies under Fund-supported programs. The realism tools should be used as part of the iterative process of producing the program baseline macro-framework. Though they are not a panacea, these tools will undoubtedly lead to staff being more explicit about baseline assumptions in program documents. The expectation is that, by focusing the discussion on features that may differ from past and cross-country experience and giving more prominence to fiscal multipliers, alternative scenarios, and policy tradeoffs, staff would be better placed to identify potential optimism or pessimism and, if warranted, revise their projections. More realistic projections would ultimately help limit excessive adjustment ex-post subject to the available program financing envelope. In addition, although contingency plans are currently included in some program documents in line with internal guidance, it is expected that scenario analysis will be implemented more consistently and systematically, as appropriate and subject to confidentiality. 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 where appropriate under the Fund's legal framework for surveillance. An 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, where this is consistent with the primary goals of solving the member's BoP problem and achieving medium-term external viability.

Recommendation 2. IMF-supported programs pay greater attention to supporting deep, more growth-oriented structural reforms, with more effective capacity development support and more effective collaboration with partners—such as the World Bank—in areas outside the Fund's core mandate and expertise.

11. Ongoing CD efforts have supported the design and implementation of conditionality in Fund-supported programs. CD continues to play a key role in supporting member countries' efforts to build institutions and capacity necessary to formulate and implement sound economic and financial policies, complementing the Fund's lending and surveillance mandates. Following up on the 2018 Review of Fund's CD Strategy, work on better integrating CD with lending and surveillance has been ongoing including the publication of staff guidelines on CD country notes in January 2020 and leading ultimately to the publication of the 2021 Operational Guidelines for Integrating CD with Surveillance and Lending.[12] In designing structural conditionality, the Fund also closely collaborates with external partners, notably the World Bank, in areas outside its core mandate and expertise—for example, social protection, state-owned enterprise reform, and public expenditure review. While

[12] In addition, the forthcoming Fragile and Conflict-Affected States (FCS) Strategy envisages the roll out of Country Engagement Strategies (CES) across FCS to better tailor engagement, support integration of CD with surveillance and lending, inform program design and conditionality, as well the dialogue with country authorities and partners.

well-established collaboration frameworks are already in place for debt vulnerability and financial sector assessments, the IMF and the World Bank are currently stepping up their engagement and collaboration in new high-priority areas such as climate change, FCS, and digitalization. Actions under the MIP on Bank-Fund Collaboration on Macro-Structural Issues aimed at improving access to, and exchange of, information and knowledge across the IMF and the World Bank are also in train. In particular, the joint Bank-Fund Staff Guidance Note finalized in January 2022 summarizes best practices on information and document sharing processes, including in the context of mission work, and identifies areas for improvement.

12. Beyond these ongoing initiatives, implementing recommendation 2 will require further steps to ensure the durability of structural reforms and to better integrate CD into lending, leveraging external partnerships. The proposed actions aim at encouraging Fund-supported programs to pay greater attention to the depth and growth orientation of structural conditions (SCs), while being realistic about what can be achieved during program period and continuing to keep SCs parsimonious and prioritized in line with program objectives. This is also a recognition that successful implementation of structural reforms depends on country ownership and requires fully accounting for resource and absorption capacity constraints. The actions also aim to maximize the synergy between Fund-supported programs and CD, and leverage expertise of other development partners in the shared and non-core areas of the Fund's work. Proposed actions include (see Annex I):

- **Proposal #1a**. The revised OGN on program design and conditionality will explain that PNs in Fund-supported programs at request for a new arrangement and at each review should indicate the depth of each SC,[13] where the SCs are presented along with the purpose/rationale for their inclusion in the program. The revised OGN will explain how the depth of SCs is assessed and classified into low-, medium- and high-depth. The revised OGN will also clarify that it is neither necessary nor feasible that all SCs or in some cases (e.g., FCS) any SCs be of high depth. It will explain that a given SC may also be classified as having a different depth depending on countries due to different country-specific circumstances (e.g., capacity, resources, and political constraints). The OGN will explain that the ultimate judgement of the depth of a SC would lie with the country teams, rather than inter-/intra-departmental reviewers, with the former in a better position to assess country-specific conditions. The revised OGN will also highlight the importance of adequate sequencing of SCs. To the extent possible, especially in the non-core areas of the Fund-supported program, SCs should reflect the analysis and expertise of the World Bank and/or other development partners.

- **Proposal #1b**. The revised OGN on program design and conditionality will recommend the inclusion of an annex table mapping (whenever possible) SCs with CD findings and planned CD

[13] The concept of "depth" was first introduced in the 2007 IEO evaluation on structural conditionality. Subsequent RoCs followed that methodology, classifying structural depth into three categories (low-, medium- and high-depth) according to the durability of the structural change. The 2018 RoC also includes examples of parsimonious and focused SCs.

from the Fund and other multilateral organizations.[14] The objective is for program documents to identify key technical constraints that may affect the program and possible CD modalities to address them, indicating proposed timing and links to relevant structural benchmarks. The description of risk factors in program documents should also discuss, if warranted, the need to take measures supported by CD.

- **Proposal #2**. Staff will implement the 2021 Operational Guidelines for Integrating CD with Surveillance and Lending. Strengthening the integration of the Fund's CD with its policy advice and lending was a key recommendation of the 2018 Review of the Fund's CD Strategy. The guidelines identify best practices for both area department country teams and CD departments at key points of interaction to facilitate improved integration. The proposed recommendations aim at: (i) establishing a consultative process among area and CD departments in coordination with country authorities to set the CD strategy and priorities, which country teams are encouraged to reflect in CD country strategy notes (CD-CSN); (ii) maintaining a regular engagement between CD providers and country teams over the CD project lifecycle and the surveillance/lending process, including through the involvement of CD experts in area department missions as needed; and (iii) discussing relevant aspects of CD strategy in program processes (for example, in country documents, pre-mission interdepartmental meetings, and with the authorities and other country-based stakeholders) if critical to the implementation of policies. Staff will report on progress in the context of the 2023 CD Strategy Review and propose new measures to enhance CD impact. In the interim, staff will engage with the Executive Board on the main areas of focus of the 2023 review in Q2 of FY23 and continue annual engagements on CD priorities in the context of the budget cycle.

- **Proposal #3.** Staff will implement the broad principles for coordination with the World Bank or other relevant International Financial Institutions under the Resilience and Sustainability Fund (RST) beginning in FY23, subject to the Executive Board approval of the RST and underlying design and reform objectives. The RST focuses on supporting policy reforms to help build resilience and sustainability by addressing long-term structural challenges such as climate and pandemic preparedness, which will entail close coordination with the World Bank and other relevant Multilateral Development Banks to ensure complementarity and to provide the best policy advice.

- **Proposal #4**. Staff will review the experience with Bank-Fund collaboration (BFC) in Fund-supported program based on lessons from ongoing initiatives, including on growth-related issues. The stock-taking will be done as part of the Board Paper on the effectiveness of BFC, which is planned by end-FY25.

[14] It should be noted that the Fund is fully responsible for the establishment and monitoring of all conditions attached to the use of its resources. This implies that, there will be no cross-conditionality, under which the use of the Fund's resources would be directly subjected to the rules or decisions of other organizations (2002 Guidelines on Conditionality). The proposed MIP action does not affect this policy.

- **Proposal #5.** Staff will create an Operational Guidance Gateway for staff to have access to the latest guidelines, including on collaboration with external partners such as the World Bank, by end-FY25. This initiative is part of the Integrated Digital Workplace (iDW) program.[15]

13. These proposals are 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. The empirical evidence shows that the growth dividends of structural conditions are closely related to the depth of SCs.[16] By using an early assessment of structural challenges and CD complemented by the depth concept in SC as an organizing device, staff and authorities can consider more carefully what structural reforms are more critical to meet program goals, and how best to achieve these reforms through appropriate design, sequencing (that takes full account of capacity constraints), and monitoring. Leveraging external partnerships to provide CD in areas outside the Fund's expertise, mapping CD provided by other multilateral organizations as well as the Fund with program goals, can help prioritize CD demand to ensure that resources are directed towards the authorities' reform priorities, thereby increasing traction.

Recommendation 3. The Fund should continue to invest in building a toolkit of models and monitors that can be applied as a basis for analysis of the adjustment-growth relationship and assessing growth-related developments in the program context.

14. Significant resources have already been committed to the development of new tools and revamping the Fund's digital infrastructure over the next few years. Ongoing initiatives have focused on the development of various tools to monitor and assess growth, social, and distributional developments, including in the context of Fund-supported programs (see, Annex II). In addition, steps have been taken to implement the Fund's iDW program, which aims at improving collaboration and knowledge management, enhancing work process efficiency, and modernizing IT tools, applications, and platforms.

15. In this context, MIP actions in response to recommendation 3 aim at supporting the ongoing effort to develop user-friendly tools and enhance their accessibility by staff. Proposed actions include (see Annex I):

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[15] The iDW program aims to utilize technology to improve the efficiency of its internal operations and support the effectiveness of its economic analysis and policy advice. It seeks to improve collaboration and knowledge management, enhance work process efficiency across major Fund workstreams, and rationalize the current technology footprint through consolidation and modernization of IT tools, applications, and platforms. The initiative will contribute to strengthen economic and data analysis.

[16] The background paper on "Structural Conditions, Structural Reform and Growth in IMF-supported programs" produced as part of the 2021 IEO Evaluation on Growth and Adjustment in IMF-supported programs found a positive relationship between SC implementation and progress on structural reforms, especially when the depth and growth orientation (or content) of SCs are accounted for. In the medium run, a mere implementation of SCs by itself is not found to have delivered significant growth: greater depth and growth orientation of SCs have mattered significantly for such benefits.

- **Proposal#1.** Staff will develop and make available to staff new analytical tools to improve growth forecasts, assess the adjustment-growth relationship, and facilitate risk scenario analysis including:

  (1a) *The Financial Programming Environment (FPE).* ICD in collaboration with the Information Technology Department (ITD) is developing a new analytical platform to manage macroeconomic frameworks and prepare projections. The tool will introduce built-in user-friendly capabilities to generate alternative risk and policy scenarios. In addition, the macroeconomic framework under the FPE could be linked to a broad range of forecasting tools to ensure consistency while allowing for tailoring to country specific circumstances. The FPE will also offer the flexibility to integrate models from other sources and has the added advantage of making macroeconomic assumptions more transparent and minimizing human error. The FPE prototype is currently being refined with pilot countries in the European Department (EUR), Western Hemisphere Department (WHD), and Middle East and Central Asia Department (MCD). A final version of the FPE is expected to be made available to staff by end-FY24. While staff take-up is expected to be gradual, it should benefit from ITD's continuous technical support and ICD's hands-on training through its Internal Economics Training (IET) platform.

  (1b) *A beta version of the panel nowcast toolkit.* Departmental nowcasting initiatives are addressing challenges from the lack of timely GDP data for monitoring economic activity and producing reliable growth forecasts. In EUR, a nowcasting project was successfully piloted on 5 countries.[17] In the African Department (AFR), machine learning algorithms were leveraged to build a country-by-country nowcasting toolkit, covering about 20 countries in sub-Saharan Africa so far. For countries that do not publish quarterly GDP series, a panel nowcast framework is under development, in collaboration with the Research Department (RES). The toolkit will be made available to staff by end-FY23. It is expected to cover 200 economies from 2004Q1 to the latest previous quarter.

  (1c) *A user-friendly Excel-based interface for the Debt, Investment, Growth, and Natural Disasters (DIGNAD) model.* In collaboration with functional departments, RES continues to develop extensions of the Debt, Investment, Growth (DIG) model to account for country specificities: (i) Debt, Investment, Growth, and Natural Resources (DIGNAR) is well-suited for economies with a large natural-resource sector; (ii) DIGNAR-19 captures shocks from the COVID-19 crisis, including pandemic-related declines in labor supply, a collapse in oil prices, and disruptions in trade and remittances; (iii) DIG-Labor incorporates segmented labor markets to assess the macro impact of different mixes of investment in human capital and infrastructure and (iv) DIGNAD, which is under development, allows for policy scenario analysis under a natural disaster shock. To date, DIG-type models have been applied to more than 70 country cases, facilitated by training to Fund desks and technical support from RES

[17] Austria, Hungary, Ireland, Malta, and Poland.

and SPR. RES and FAD are currently collaborating towards developing a user-friendly Excel-based interface for DIGNAD, with Madagascar and Samoa as pilot countries. The tool will be made available to staff by end-FY23.

(1d) *The growth-at-risk (GaR) model version "2.0"*. The Monetary and Capital Markets Department (MCM) is working with ITD to update its GaR tool, which quantifies risks to future GDP growth stemming from macro-financial factors, incorporating recommendations from external reviewers. The project aims at upgrading the previous version of the GaR model and the associated Excel interface, drafting the user guide, and developing the companion training courses. The updated tool will be made available to staff by end-FY23. The newly established MCM Task Force on Growth at Risk is expected to provide technical support to staff to facilitate take-up.

(1e) *The Country data annex (CoDA) tool*. SPR and RES are developing an Excel-based tool that compares current macroeconomic framework projections of key variables to that of the latest published SR and World Economic Outlook (WEO) submission to highlight differences in country forecasts. Once operationalized by end-FY24, it will allow staff to perform consistency checks, identify large deviations early on, and make corrections as warranted.

- **Proposal#2.** Staff will create a Diagnostics Gateway to improve accessibility to analytical tools and facilitate country analysis, including on growth. This initiative, which falls under the iDW program, is expected to be completed by end-FY25. An initial phased pilot with a focus on Fund-supported programs is being undertaken as a collaborative initiative co-led by AFR and SPR.

16. The MIP actions in response to IEO recommendation 3 are expected to expand the available toolkit, enabling staff to improve forecast performance and facilitating scenario analysis. The development, deployment, and effective use of the new analytical tools has the potential to improve the realism of staff's projections and strengthen the quality of program discussion, including with the authorities, on the adjustment-growth relationship in Fund-supported programs. In addition, by bridging data gaps, introducing consistency checks, and allowing scenario analysis, these tools should allow a heightened scrutiny of baseline assumptions while striving to accommodate country-specific circumstances (including data constraints). Cognizant of the limitations of existing models to fully capture complex country-specific circumstances (e.g., in dollarized economies), it is important to take a modular approach. From that perspective, given its model integration functionalities, the FPE will provide a valuable platform for departments to disseminate new tools (e.g., GaR, nowcasting tools, or DIG-type models) as they develop them, thereby making it easier for FPE users to apply them.

RESOURCE IMPLICATIONS

17. 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. This MIP has strived to leverage existing workstreams to the extent possible. As a result, many of the policy-related deliverables and new tools are already in the Board's Work Program and incorporated into current departmental work plans and budgets—for example, the OGN on program design and conditionality, the SGN, the development of the FPE and other analytical tools, and the RST. Therefore, the additional near-term costs resulting from these proposals are expected to be manageable. However, the "operational" implementation of these recommendations may require mobilizing additional resources for both area and functional departments. Quantifying these additional costs is difficult at this preliminary stage as they are a function of the number of Fund-supported programs and risks associated with them as well as the roll out of new workstreams.[18] Back-of-the envelope calculations of the marginal MIP cost beyond already planned workstreams assuming 60 Fund-supported programs, indicate that the additional resource needs could reach up to three full-time equivalent (FTE) staff during the first year of the MIP implementation, with area departments bearing two-thirds of that cost.[19] Though these estimates should be interpreted with caution and will need to be reassessed in next year's budget discussion, they point to some pressure points given competing priorities. Thus, in the absence of additional resources, some trade-offs and reprioritization within existing budgets are inevitable.

18. Medium-term resource needs have not yet been identified for actions going beyond FY23, though many of these actions are part of previous commitments. For example, the next RoC, the next CD Review, the Board paper on the effectiveness of BFC, and the deployment of the FPE are already part of the work plans of leading accountable departments. Nonetheless, the medium-term budget implications of this MIP will have to be discussed in the context of FY24–25 budget proposals as work progresses and additional staffing needs, including with specialized skills, are identified as warranted.[20] Resource implications for country teams will also need to be addressed in the context of regular budget discussions.[21]

[18] In addition, reskilling will be an important fixed cost.

[19] The average number of ongoing Fund-supported programs excluding precautionary arrangements in 2020–21 was 60.

[20] Proposals to create an Operational Guidance Gateway and a Diagnostics Gateway are expected to be costed and funded under the iDW program. The integration of CD into IMF lending would require additional resources over the medium-term in the areas of public financial management, revenue administration and expenditure policy, resulting from (i) a deeper contribution to the design and monitoring of SCs and (ii) an increase of coordination costs required by more granular work on linking CD activities and program design. At the same time, it should be noted that the majority of this envisaged costs related to CD integration are not specific to this MIP.

[21] In this regard, the MIP measures could especially affect FCS work given the current staffing constraints. However, FCS resources are substantially being increased separately as part of the FCS workstream, so the marginal MIP costs pertaining to FCS are likely to be much lower. In addition, the implementation of the MIP measures often depends on data availability, e.g., on social spending, or model adequacy for subsets of countries such as FCS.

Annex I. IEO Evaluation on Growth and Adjustment in IMF-Supported Programs: Recommendations, Board Responses, and Proposed Follow-up

IEO Recommendation	Executive Directors' Responses	Follow-Up Plan	Accountability
1. Attention to growth implications of Fund supported programs should become more thorough, systematic, realistic, and sensitive to social and distributional consequences.	Directors broadly agreed with Recommendation 1 that attention to growth implications of Fund supported programs should become more thorough, systematic, realistic, and sensitive to social and distributional consequences, while reiterating that the core objective of Fund lending is to help members resolve their balance of payment (BOP) problems without resorting to measures destructive of prosperity, as mandated by the Articles of Agreement. While it was also emphasized that growth is fundamental to sustainably resolving BOP problems, there was also recognition of macroeconomic adjustment and sustainable policies as a pre-condition for sustainable and balanced growth. Directors regretted that growth outcomes have often fallen short of program projections and concurred on the need to improve the realism of forecasts but also to pay greater attention to growth outcomes in IMF supported program design. In this context, they considered that the findings of the IEO evaluation together with the RoC should provide important input to the ongoing review of the operational guidance note on conditionality. A	**#1. Revise the operational guidance note (OGN) on program design and conditionality** with the objective of having a thorough, systematic, and realistic discussion of program implications for growth in program documents, as appropriate and feasible in a given country context (Timeline: By FY23-H1): **1a.** The OGN will recommend that program documents will discuss prominently the **realism** of baseline growth projections by, at a minimum, leveraging the realism tools embedded in debt sustainability frameworks, including the tool to assess the consistency between fiscal adjustment and growth under a range of plausible fiscal multipliers. **1b.** The OGN will recommend that Policy Notes should include—where appropriate and subject to confidentiality—**contingency plans**, including if baseline growth falls significantly short of program projections. In addition, the OGN on program design and conditionality will clarify that the PN review process and program discussions with authorities should cover **policy tradeoffs** in achieving adjustment and growth.	**SPR**

IEO Recommendation	Executive Directors' Responses	Follow-Up Plan	Accountability
	number of Directors also saw merit in reviewing the 2002 Conditionality Guidelines to further clarify the balance between stabilization and growth considerations. Directors agreed with the need to carefully discuss fiscal multiplier assumptions, while calling for a flexible application of tools, as multipliers are often difficult to estimate and depend on country specific circumstances. They also recommended paying more attention to contingencies for growth shortfalls, taking into account country specificities and the potential need for confidentiality to avoid adverse market reactions. Directors agreed with strengthening the monitoring of key social and distributional aspects wherever possible, including by working with relevant partners such as the World Bank. Some Directors also encouraged a more systematic assessment of distributional considerations in programs.	**1c**. The OGN will provide updated guidance regarding **social spending** drawing on the ongoing work to operationalize the Strategy for IMF Engagement on Social Spending. **#2. Clarify in the revised Surveillance Guidance Note (SGN)** that Article IV Staff Reports of members with Fund-supported programs are expected to address the implications of key policy measures (for example, fiscal consolidation and reforms) on growth and stability over the medium term where macro-critical as defined in the 2012 Integrated Surveillance Decision. (Timeline: By FY23-H1) **#3**. **Review the role of Fund-supported programs in fostering growth in the next RoC** and discuss the appropriateness of the 2002 Conditionality Guidelines in that regard. (Timeline: By end-FY24) **#4. Set up a training program for country authorities on the Sovereign Risk and Debt Sustainability Framework**, including its realism tools. (Timeline: By mid-FY24)	**SPR** **SPR, LEG** **SPR, ICD**
2. IMF-supported programs pay greater attention to supporting deep, more growth oriented structural reforms, with more effective capacity development (CD) support and more effective	Directors broadly concurred with Recommendation 2 that Fund-supported programs pay greater attention to supporting deep, more growth-oriented structural reforms, with more effective capacity development (CD) support and more effective collaboration with partners—such as the World Bank—in areas outside the Fund's core	**#1. The revised OGN would encourage that Fund-supported programs pay greater attention to supporting deep more growth-oriented reforms,** while continuing to keep structural conditionality parsimonious and prioritized in line with program objectives (Timeline: By FY23-H1):	**SPR**

IEO Recommendation	Executive Directors' Responses	Follow-Up Plan	Accountability
collaboration with partners—such as the World Bank—in areas outside the Fund's core mandate and expertise.	mandate and expertise. They reiterated the need to keep structural conditionality parsimonious and prioritized in line with program objectives, and generally cautioned against veering too far out of core areas. Directors concurred on the need to assess how CD and surveillance could be better integrated with program design and implementation and looked forward to the conclusions of the ongoing IEO evaluation of Fund CD. While looking forward to the Management Implementation Plan for IMF Collaboration with the World Bank on Macro-Structural Issues, a few Directors encouraged staff and management to propose concrete steps on this matter and to review the experience with World Bank-Fund collaboration in Fund-supported programs.	**1a. Explain in the revised OGN that country teams indicate in the Policy Notes the depth of each Structural Condition (SC) according to the criteria used in the past RoCs,** a process which could guide staff in adequate sequencing of SCs for successful reforms. **1b. Recommend in the revised OGN the inclusion of an annex table mapping (whenever possible) structural benchmarks with CD findings and planned CD** from the Fund and other multilateral organizations or CD providers.	
		#2. Implement the 2021 Operational Guidelines for Integrating CD with Surveillance and Lending and report on progress in the 2023 CD Strategy Review, to help ensure that CD effectively supports growth-related policies in the program context. (Timeline: By End-FY23)	**SPR, ICD in collaboration with other CD and Area Departments**
		#3. Implement the broad principles for coordination with the World Bank or other relevant International Financial Institutions under the Resilience and Sustainability Trust (RST), subject to the Executive Board approval of the RST and the underlying design and reform objectives. (Timeline: When the Trust is operational; expected mid-FY23)	**SPR**
		#4. Review the experience with Bank-Fund Collaboration (BFC) in Fund-supported programs based on lessons	**SPR**

IEO Recommendation	Executive Directors' Responses	Follow-Up Plan	Accountability
		from ongoing initiatives, including on growth-related issues, as part of the Board Paper on the effectiveness of BFC. (Timeline: By end-FY25) **#5. Create an Operational Guidance Gateway for staff to have access to the latest guidelines, including on collaboration with external partners** such as the World Bank. (Timeline: By end-FY25)	**KMU, SPR, ITD**
3.The Fund should continue to invest in building a toolkit of models and monitors that can be applied as a basis for analysis of the adjustment-growth relationship and assessing growth-related developments in the program context.	Directors agreed with Recommendation 3 that the Fund continue to invest in building a toolkit of models and monitors that can be applied as a basis for analysis of the adjustment growth relationship and assessing growth related developments in the program context. They welcomed the set of already available models and encouraged staff teams to make use of them on a case-by-case basis and adapt them to better reflect country specific circumstances. Directors agreed that investing in the Research Department's structural reform database would be helpful.	**#1. Develop and make available to staff new analytical tools for improving growth forecasts, assessing the adjustment-growth relationship, and conducting risk scenario analysis:** **1a**. ICD's Financial Programming Environment (FPE). (Timeline: By end-FY24) **1b**. A beta version of the panel nowcast toolkit. (Timeline: By end-FY23) **1c**. A user-friendly Excel-based interface for DIGNAD. (Timeline: By end-FY23) **1d**. The growth-at-risk model version "GaR 2.0". (Timeline: By end-FY23) **1e**. The Country data annex (CoDA) tool. (Timeline: By end-FY24) **#2. Create a Diagnostics Gateway** to improve accessibility to analytical tools and facilitate country analysis, including on growth. (Timeline: By end-FY25)	**ICD, ITD** **RES, AFR** **RES, FAD** **MCM, ITD, ICD** **SPR, RES** **AFR, SPR, ITD**

Annex II. Analytical Tools for Assessing Economic Growth, Income Distribution, and Social Impact

Table 1. Tools for Assessing Growth-Related Developments		
Financial Programming Environment	*Description*	The Financial Programming Environment (FPE) is designed to manage macro-frameworks and prepare macro-framework projections. It introduces new features such as built-in support for alternative risk/policy scenarios, a broad range of forecasting tools, and an "open structure" to incorporate additional tools at any point.
	Department	ICD, ITD
	Availability	The FPE is under development and being piloted with area department teams to test and collect feedback. A final version of the FPE is expected to be made available to staff by end-FY24.
Nowcasting Toolkit	*Description*	The toolkit leverages unconventional data sources to produce quarterly real GDP growth nowcasts. The tool consists of a (i) **panel nowcast** that aims to produce nowcasts for all countries, including those that do not publish quarterly GDP data, and (ii) **country-specific** nowcast frameworks for individual countries. The country-specific tool uses a combination of R codes and Excel templates. The **panel nowcast** will cover 200 economies from 2004Q1 to the latest previous quarter. The **country-specific nowcasts** are being developed for sub-Saharan African (SSA) countries.
	Department	RES, AFR
	Availability	Country specific frameworks and results for some 20 SSA countries are already available, while the remaining ones are in the pipeline. The panel nowcast is under development and is expected to be available by end FY23.
Debt-Investment-Growth Models	*Description*	The debt-investment-growth **(DIG)** models provide a framework to conduct macroeconomic assessment and policy scenario analysis: • The **Debt, investment, growth and natural resources (DIGNAR)** model has features for economies with a large natural-resource sector. • The **Debt, investment, growth, natural resources, and COVID-19 (DIGNAR-19)** model captures the shocks related to the COVID-19 crisis. • **DIG-Labor** allows to capture segmented labor markets, which are prevalent in LICs, and explore the trade-off/complementarity between investing in human capital and infrastructure. • The **Debt, investment, growth, and natural disasters (DIGNAD)** model is being developed to assess macroeconomic implications of climate change, with a particular focus on natural disaster shocks. The model will feature a set of ex-ante adaptation policies aimed at building structural and financial resilience, as well as a wide range of financing sources that includes concessional loans and grants.
	Department	RES, SPR, FAD
	Availability	The DIG, DIGNAR and DIGNAR-19 are available to staff. An excel-based interface for **DIGNAD** is under development and it is expected to be ready by end-FY23.

Table 1. Tools for Assessing Growth-Related Developments (continued)		
Growth at Risk Model	*Description*	The model provides an assessment of the entire medium term probability distribution of growth to gain a better understanding of upside and downside risks, including those associated with "fat tails." It combines information from historical data series on macroeconomic variables with forward-looking information captured by market participants and incorporated in financial variables and other indicators.
	Department	MCM
	Availability	The model has been available publicly since 2019. A GaR 2.0 version is under development and it is expected to be ready by end-FY23.
Country Data Annex Tool	*Description*	CoDA will be an excel tool that runs an automatic comparison on a list of variables from the macro-framework of the review document to that of the latest published SR and latest WEO submission. In doing so, it can highlight large deviations in country forecasts based on pre-determined thresholds.
	Department	SPR, RES
	Availability	The tool is under development. SPR expects to make the tool available to all desks by end-FY24.
Country Forecast Performance Analysis	*Description*	The tool produces evaluation reports that can be consulted to see an analysis of the accuracy of past WEO forecasts on growth, inflation, and external balance. The reports show a comparison of projections against historical outturns to highlight discrepancies between forecasts and history.
	Department	RES, SPR
	Availability	Available to staff.
Structural Reforms Analysis Tool	*Description*	The Structural Reforms Analysis Tool is designed to analyze the long-run effects of structural reforms, as well as quantify the relative importance of the different channels at work.
	Department	RES
	Availability	Available to staff.
Structural Reforms Dividends Toolkit	*Description*	The Structural Reform Dividends Toolkit (SRDT) is an interface to compute potential growth dividends from structural reforms in 68 EMDEs. The toolkit computes the average yearly additional real GDP growth that countries may achieve in the medium term by closing reform gaps. Data cover the areas of openness to trade, openness to external finance, domestic finance regulation, product market regulation, labor market regulation as of 2014.
	Department	RES
	Availability	Available to staff.

Table 1. Tools for Assessing Growth-Related Developments (concluded)		
COVID Impact Toolkit	*Description*	The COVID impact toolkit covers 3 tools: • The **Sectoral-based Pandemic Impact Framework (PIF)** is an excel interface file used to estimate the impact of restrictions in mobility on monthly GDP outcomes due to domestic Covid shocks. The **PIF** can be adapted for any country with gross value-added data per sector. • The **Potential Output Tool** is an excel interface file used to estimate the impact of different shocks related to COVID (domestic demand; international spillovers; capital; TFP; NAIRU shocks) on GDP and potential output in the medium term. The tool is made available for all the G20 countries and some LICs. • The **SEIRD model** enables the estimation of the relationship between mobility and the pandemic dynamics in different countries.
	Department	RES
	Availability	Available to staff.
Structural and Financial Indicators Across Countries	*Description*	STATA toolkit that generates scatterplots of structural indicators and GDP per capita, allowing cross-country comparisons. The tool is based on a dataset of structural and financial indicators. The dataset covers 217 countries and territories from 1980 to 2020. Specific indicator data coverage depends on data availability.
	Department	RES
	Availability	Available to staff.
Fiscal Multiplier Toolkit	*Description*	The excel template helps country teams integrate the impact of fiscal shocks into their growth projections, in particular the persistence of the effect on growth.
	Department	FAD
	Availability	Available to staff.
Structural Reforms and Shadow Sector Model	*Description*	The model is designed to investigate the short and long-run impact of labor and product market reforms, including on growth. The model can be used to assess the aggregate effect of individual reforms, reform packages, and sequencing.
	Department	APD, FAD
	Availability	Available to staff.

Table 2. Tools for Monitoring Social and Distributional Developments		
Social Protection and Labor Assessment Tool	*Description*	The excel template helps to examine Social Protection & Labor (SPL) systems in countries and relative to comparators. The tool uses data visualization to highlight differences among SPL schemes/programs for tailored policy advice and includes distributional aspects.
	Department	FAD
	Availability	Available to staff.
Distributive Incidence Analysis Tool	*Description*	The excel template can be used to estimate the magnitude of the welfare impact of an increase in fuel prices on households in the context of a fuel subsidy reform. The tool provides estimates of the direct and indirect welfare impacts of an increase in fuel prices, and the distribution of these impacts across household income groups.
	Department	FAD
	Availability	Available to staff.
Toolkit for Evaluating the Welfare Effects of Fiscal Consolidations in LICs	*Description*	The toolkit provides graphical interfaces to access a model examining the welfare effects of fiscal reforms involving three broad tax instruments: value added tax (VAT), corporate income tax (CIT), and personal income tax (PIT).
	Department	IMF Inequality working group, SPR, RES
	Availability	Available to staff.