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REVIEW OF PROGRAM DESIGN AND CONDITIONALITY: INITIAL CONSIDERATIONS

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International Monetary Fund
Washington, D.C.

September 15, 2025

REVIEW OF PROGRAM DESIGN AND CONDITIONALITY: INITIAL CONSIDERATIONS

EXECUTIVE SUMMARY

The 2026 Review of Program Design and Conditionality (ROC) assesses the effectiveness of IMF-supported programs during 2018–24 in solving members' balance of payments (BOP) problems and restoring medium-term external viability. This period has been marked by large systemic shocks such as the COVID-19 pandemic and major geopolitical disruptions, weaker global growth, tighter financing conditions, and elevated social strains, which have severely complicated the pursuit of economic stability. In this context, the review will examine whether Fund program design and conditionality are fit for purpose. This paper, and a companion background paper, provide input for the first informal engagement with Executive Directors.

To shed light on program performance in this extraordinary period, the 2026 ROC takes a major step forward compared to previous reviews with deeper empirical analysis of a range of issues, broader coverage, and novel methodologies including the use of machine learning. It fills important analytical gaps from previous ROCs, providing the first systematic assessment of *program outcomes* (success of programs since 2002, debt forecast errors), *policy frameworks* (review-based monetary policy conditionality, exchange rate adjustment), and *program design* (macro-financial, structural, and social spending conditionality).

Amid historically more challenging global conditions, members face more persistent and likely larger BOP needs. These conditions heighten the urgency of strengthening macroeconomic policy frameworks and buffers. At the same time, they complicate adjustment and reform. Empirical analysis of Fund-supported programs shows that timely, realistic, and sustained adjustment and ownership are robust drivers of success, with ownership more likely when programs are accompanied by improvements in social outcomes. On the other hand, adverse shocks, especially when underlying vulnerabilities are large, notably lower the likelihood of achieving program objectives.

In this ROC period, programs helped vulnerable members to stabilize in the face of large shocks. The Fund rapidly scaled up emergency financing during COVID-19 to help members with urgent BOP needs amid very high uncertainty, enabling them to meet critical social needs and limit economic losses, before transitioning to upper credit tranche arrangements to tackle persistent imbalances. Overall lending volumes and the number of arrangements were close to historical peaks. Program design and conditionality were tailored first to the pandemic's acute phase and then to resolving persistent imbalances. Outside large systemic shocks, there was significant progress in improving the accuracy of growth forecasts, which had previously been identified as a serious weakness for the credibility of baselines.

The program experience in this ROC period demonstrates that the Fund helped members navigate difficult tradeoffs in exceptional circumstances. Program design and conditionality aimed to use multiple policy levers to facilitate external adjustment. Successful cases illustrate the benefits of well-calibrated, comprehensive policy packages. Nonetheless, securing medium-term external viability has been a challenge, partly reflecting the large shocks, insufficiently strong policy frameworks, and social and political difficulties in the face of shocks of pivoting to the needed policy tightening. Program outcomes generally leaned heavily on fiscal expenditure compression reflecting the magnitude of the shocks and limited progress in improving policy frameworks, while structural conditionality yielded only modest gains, owing to the insufficient depth of reforms and lags in reform impacts. The share of follow-on arrangements has increased, with members progressing at different degrees in addressing persistent imbalances.

The lessons from recent programs highlight five key themes to enhance the effectiveness of programs and secure medium-term external viability, including in the face of further headwinds emanating from major transformations underway: high-quality, comprehensive, and well-balanced macroeconomic adjustment and reform packages that pay due regard to domestic and social circumstances; robust program design given high uncertainty, leveraging surveillance and synergies with the Comprehensive Surveillance Review; timely and proactive engagement with the Fund; resolving cases of large and persistent BOP needs; and adequate financing. It is proposed that these themes, and potential recommendations for enhancing program design and conditionality, be explored further at the second informal engagement with Executive Directors.

Approved By
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Abbreviations and Acronyms

AREAER	Annual Report on Exchange Arrangements and Exchange Restrictions
BOP	Balance of Payments
BRM	Base or Reserve Money
CA	Current Account
CD	Capacity Development
CEMAC	Central African Economic and Monetary Community
CFM	Capital Flow Management
COVID-19	Coronavirus Disease of 2019
CSO	Civil Society Organization
CSR	Comprehensive Surveillance Review
CPI	Consumer Price Index
DSA	Debt Sustainability Assessment
DSF	Debt Sustainability Framework
EA	Exceptional Access
EBA	External Balance Assessment
ECF	Extended Credit Facility
ED	Executive Director
EF	Emergency Financing
EFF	Extended Fund Facility
EM	Emerging Market
EMDEs	Emerging Market and Developing Economies
ERA	Enterprise Risk Assessment
FCS	Fragile and Conflict-Affected States
FDI	Foreign Direct Investment
FCL	Flexible Credit Line
FX	Foreign Exchange
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GRA	General Resources Account
GSDR	Global Sovereign Debt Roundtable
HIPC	Highly Indebted Poor Countries
ICCs	Inflation Consultation Clauses
IDS	International Debt Statistics
IFS	International Financial Statistics
IEO	Independent Evaluation Office
IFIs	International Financial Institutions
IMF	International Monetary Fund
ITs	Indicative Targets
LICs	Low-Income Countries
MCPs	Multiple Currency Practices
MONA	Monitoring of Fund Arrangements

MPCCs	Monetary Policy Consultation Clauses
NA	Normal Access
NDA	Net Domestic Assets
NEER	Nominal Effective Exchange Rate
NPL	Nonperforming Loans
ODA	Official Development Assistance
PAs	Prior Actions
PC	Performance Criteria
PCI	Policy Coordination Instrument
PFM	Public Financial Management
PLL	Precautionary and Liquidity Line
PSI	Policy Support Instrument
PRGT	Poverty Reduction and Growth Trust
QPCs	Quantitative Performance Criteria
QTs	Quantitative Targets
RBC	Review-Based Conditionality
REER	Real Effective Exchange Rate
ROC	Review of Program Design and Conditionality
RSF	Resilience and Sustainability Facility
RTs	Reform Targets
SBs	Structural Benchmarks
SBA	Stand-by Arrangement
SC	Structural Conditionality
SCF	Stand-by Credit Facility
SCID	Structural Conditionality Implementation and Depth
SDS	Small Developing States
SLL	Short-term Liquidity Line
SOEs	State-Owned Enterprises
SSC	Social Spending Conditionality
UCT	Upper-Credit Tranche
UFR	Use of Fund Resources
UN	United Nations
WAEMU	West African Economic and Monetary Union
WB	World Bank
WEO	World Economic Outlook

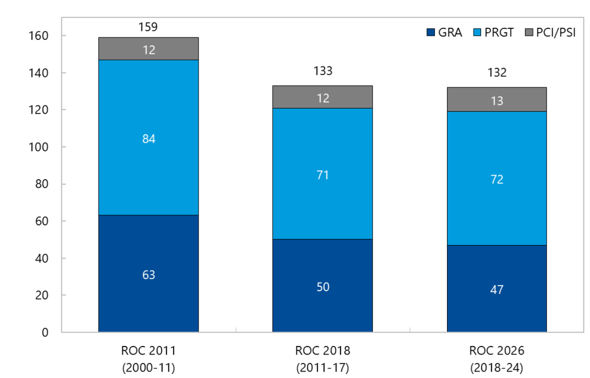
INTRODUCTION

1. **The Review of Program Design and Conditionality (ROC) is a periodic assessment of the effectiveness, appropriateness, and implementation of IMF-supported programs and conditionality.** IMF-supported programs aim to assist members solve their balance of payments (BOP) problems in a manner that is consistent with the Articles of Agreement and that establishes adequate safeguards for the temporary use of Fund resources. This primarily means solving the members' BOP problems without recourse to measures destructive of national or international prosperity and restoring medium-term external viability, while fostering sustainable economic growth. The ROC assesses the consistency of Fund-supported programs with these objectives, as elaborated in the Guidelines on Conditionality (IMF, 2002), draws lessons for effective program design and conditionality, and proposes changes to ensure they remain fit for purpose.

2. **The 2002 Guidelines and subsequent work have highlighted important lessons for effective program design and conditionality.** The Guidelines emphasize national ownership and capacity to implement the program, criticality and clarity of measures to achieve program objectives, parsimony of conditions, appropriate tailoring to country circumstances, and coordination as relevant with other international financial institutions (IFIs) albeit without cross-conditionality. Subsequent work has affirmed the relevance of these principles, while highlighting the need for sufficiently ambitious and high-quality adjustment and reform, attention to social implications, and robust program design (IMF, 2005, 2012, 2015b, 2019; IEO, 2008, 2021). The most recent ROC (IMF, 2019 and 2024a) also drew attention to the need for timely and adequate debt operations.

3. **The present ROC is the first since COVID-19 and covers a period of large adverse systemic shocks and heightened global uncertainty.** It comprises General Resources Account (GRA) and Poverty Reduction and Growth Trust (PRGT) arrangements (approved or ongoing) between January 2018 and December 2024, a period that spans the COVID-19 pandemic, the subsequent cost-of-living crisis, multiple geopolitical conflicts, and heightened global economic and policy uncertainty. There were 47 GRA arrangements (excluding the Flexible Credit Line and Short-term Liquidity Line, or FCL and SLL, given the absence of ex post conditionality), 72 PRGT arrangements, and 13 programs with the Policy Coordination Instrument (PCI) or defunct Policy Support Instrument (PSI) (Figure 1). Unlike the previous ROC that included advanced economy programs in the euro area, programs in this ROC comprise emerging market and developing economies (EMDEs). Several important methodological and analytical innovations distinguish the 2026 ROC from its predecessors, as outlined in Box 1.

Figure 1. ROC Sample Coverage
(Number of programs)



Sources: MONA database; IMF staff calculations.
Notes: Excluding FCL and SLL (owing to no ex-post conditionality). PRGT programs include blenders who use combined GRA and PRGT resources.

Box 1. Key Novelties of the 2026 ROC

Relative to earlier editions, the 2026 ROC significantly strengthens the analytical underpinnings of the assessment of programs. The assessment of ***program success*** is systematically undertaken for the first time using a comprehensive sample dating back to 2002, with coverage expanded from 78 to 250 programs through machine learning methods. This allows the identification of new linkages among success, initial conditions, adjustment paths, and program design. An alternative PRGT methodology is also introduced to better balance outcomes across sectors and mitigate the impact of forecast over-optimism, providing a strong robustness check. ***Growth realism*** is evaluated against both outcomes and historical performance, underscoring the central role of shocks, global factors, and policy settings. ***Fiscal policy*** findings highlight the impact of shocks on underperformance, while noting the expanded use of granular and social spending conditionality in line with prior recommendations. On ***debt***, this ROC presents the first systematic analysis of debt forecast errors using DSA data, complemented by new evidence on restructuring experiences, vulnerabilities, and capital inflows. ***Monetary policy*** coverage features the first in-depth review of review-based conditionality, along with new assessments of inflation objectives, outcomes (using synthetic controls), and forecast errors. The ROC also provides the first systematic assessment of ***exchange rate adjustment,*** absent from previous reviews.

The 2026 ROC also extends its examination to wider aspects of program design and conditionality. The ***macro-financial*** analysis provides new econometric evidence on the effects of conditionality on credit and nonperforming loans (NPLs), differentiated by policy type, financial cycle, and compliance behavior. ***Structural conditionality*** is examined in greater depth, including sequencing, governance-related reforms, and the orientation of conditionality, with empirical evidence linking stronger, growth-oriented measures to improved growth and institutional quality. Coverage of ***social spending*** is expanded to encompass conditionality, outcome indicators, poverty, and inequality. Finally, a ***survey*** of stakeholders was conducted and extended to the entire IMF membership, allowing for more nuanced cross-country perspectives. Taken together, these innovations seek to underpin a more rigorous, comprehensive, and policy relevant review of program design and conditionality.

4. This paper serves as an input for a first informal engagement with Executive Directors. It analyzes program performance, provides a preliminary assessment of program design and conditionality, and seeks Directors' guidance on reform areas. A second informal engagement is envisaged for Spring 2026 to develop reform proposals and, as needed, deepen analysis in a targeted manner. The formal Board discussion is planned for mid-2026 to offer recommendations, including reaffirming or revising the 2002 Guidelines on Conditionality (IMF, 2002). There have been several reviews of Fund lending policies during this ROC period, such as revisions to access limits and reviews of precautionary instruments (IMF, 2023a), the Policy Coordination Instrument (IMF, 2023b), charges and the surcharge policy, and the PRGT Facilities and Financing. This ROC builds on and complements these and other recent work and ongoing policy reviews, including on debt and the IEO evaluations on the pandemic response (IEO, 2023) and on exceptional access policy (IEO, 2024). Work is underway to maximize synergies with the Comprehensive Surveillance Review (CSR). Arrangements under the Resilience and Sustainability Facility (RSF) will be covered in a separate review, given their focus on longer-term resilience building from climate change and pandemic preparedness.

5. The paper is structured as follows. The next section sets out some foundational points about programs and design. It is followed by a discussion of the evolving context and what is different this time, as well as the Fund's overall lending response to the multiple global shocks that have characterized this ROC period. The subsequent section analyzes program experience since

2002 to draw lessons for success across conditions and contexts. This sets the stage for a stocktaking of program design and conditionality over the past seven years, highlighting common issues. These issues are then organized into five themes that staff suggest exploring further and providing preliminary recommendations on in the next paper, if Directors agree. A comprehensive background paper presents additional analytical support for staff's findings.

SOME PRELIMINARIES

6. **Fund program engagement fundamentally aims to help a member solve its BOP problems while safeguarding Fund resources.** These problems—whether actual, prospective, or potential—are typically reflected in an external financing gap or BOP need arising from current account deficits, insufficient international reserves, or adverse developments such as from external obligations. The Fund supports members in designing and implementing policy measures to address the BOP problem, while ensuring adequate safeguards, including capacity to repay the Fund (this is known as the upper credit tranche or UCT standard; IMF, 2023c). This support uniquely enables other creditors to provide financing with confidence that the member can solve its BOP problems through the program. Program design also serves as the primary safeguard against credit risks to the Fund. The member's policy commitments are described in a letter of intent and memorandum of economic and financial policies. Performance is monitored through quantitative performance criteria (PCs), prior actions (PAs), indicative targets (ITs), and structural benchmarks (SBs).

- *GRA programs*, mainly Standby Arrangement (SBAs) and Extended Fund Facility (EFF) arrangements, require that policy measures to *resolve* the BOP need be taken within the program period. Growth objectives can be pursued as long as they are consistent with the primary goal of correcting the member's BOP problem and the achievement of medium-term external viability. SBAs are flexible and up to 3 years in length; they provide short-term financing in support of members' adjustment policies with repayment due in 3¼–5 years. EFFs offer longer program engagement of up to 4 years and longer repayment periods of 4½–10 years to help members put in place policies that tackle serious medium-term BOP problems (i.e., of a structural nature or because of slow growth and an inherently weak BOP position).

- *PRGT programs* assist low-income countries (LICs) with concessional financing, primarily through the Extended Credit Facility (ECF) to help members facing protracted BOP problems, i.e., whose resolution could extend over the medium to longer term. (The Standby Credit Facility or SCF is also available for LICs with short-term BOP needs, including in precautionary contexts.) An ECF arrangement aims to make *significant progress* toward a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth. ECF arrangements may extend up to 5 years though typically are shorter, with a repayment period of 5½–10 years. The difference with the GRA reflects the recognition of the time and sustained effort typically required for resolution of the BOP problem in LICs. This also means that follow-on program engagement to address protracted BOP problems may be necessary for PRGT countries.

7. Designing effective Fund-supported programs to address BOP problems requires balancing policy ambition with financing constraints, mindful of implementation capacity and retaining scope to adapt to changing conditions. These trade-offs influence the size of the adjustment, the mix of policies, and adaptability during implementation:

- *Adjustment and financing.* Resolving BOP problems requires external adjustment and financing. The adjustment must be sufficient to address external imbalances without imposing excessive short-term economic or social costs. Financing facilitates adjustment, with ample financing permitting more gradual adjustment while limited financing requires a larger and typically more front-loaded adjustment effort. The nature of the shock matters: temporary shocks may justify more financing to smooth its effects, while permanent ones generally call for more adjustment. Excessive adjustment can be socially destabilizing; on the other hand, over-financing may delay needed adjustment and weaken reform incentives. The optimal mix of adjustment and financing aims to minimize economic disruptions while ensuring long-term sustainability.
- *Policy mix*. A coherent set of fiscal, monetary, exchange rate, and structural policies, tailored to country conditions and underpinned by sound prioritization and sequencing of reforms, is needed to deliver the targeted adjustment. The appropriate mix depends on the source of BOP pressures, available financing, implementation capacity, and political economy considerations. For example, in many LICs, BOP pressures emanate from large fiscal deficits—stemming from a mismatch between revenue and expenditure needs—requiring consolidation to improve the public sector's balance sheet and support disinflation. Exchange rate depreciation can aid external rebalancing, but its effectiveness depends on the strength and credibility of monetary frameworks and consistency with fiscal policy to limit pass-through to inflation. Fixed exchange rate regimes imply more resort to fiscal tools to deliver needed adjustment.
- *Adaptability during implementation*. Fund-supported programs must be responsive to shocks and evolving conditions. This means they need to be open to recalibration in a timely manner if the chosen policy mix is not delivering on the necessary adjustment. Program targets, timelines, or reform pace may need to be adjusted, depending on available policy space and financing. The ability to correct course—grounded in timely and comprehensive monitoring through program reviews—is critical to avoid excessive or insufficient adjustment and to safeguard program credibility and success, especially in uncertain economic and political environments.

THE EVOLVING CONTEXT

The objective of Fund program engagement—supporting members in resolving BOP imbalances through sound macroeconomic policies and frameworks—has remained constant, but the global context has shifted considerably over the last three decades: from the relative stability of the Great Moderation to successive systemic shocks such as the Global Financial Crisis, Euro Area sovereign debt crisis, to more recently a pandemic, geopolitical instability, and global economic policy uncertainty. This evolving context has heightened the importance of building stronger policy buffers and institutional resilience, while also severely complicating program design and implementation.

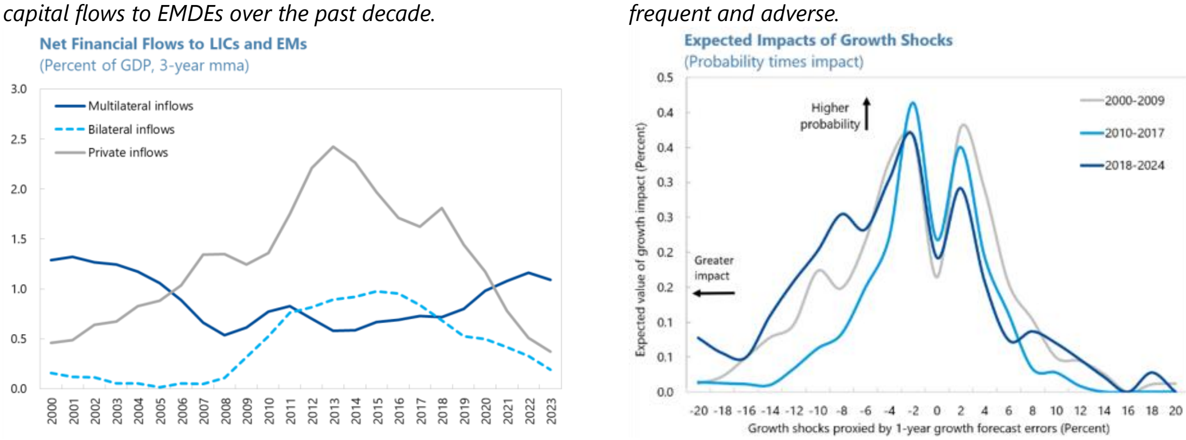
A. From Idiosyncratic to Systemic Risk

8. The global economic context during the current ROC period has been particularly challenging, with slow growth, tight financing conditions, and more frequent and intense systemic shocks. World real GDP growth averaged 2.9 percent during 2018–24 compared to around 3.7 percent in the two decades prior. Financial conditions were tighter and more discriminating. Over the past decade, private capital inflows and bilateral support to EMDEs have trended notably downward (a decline that precedes more recent scale backs in official direct assistance) while costs of financing have increased with tightening monetary policy globally in recent years. Moreover, high public debt has constrained policy space, potentially limiting the scope for further external borrowing in many countries. Adverse economic shocks also have grown in frequency and severity. The expected growth impacts of shocks have become more negative over time (Figure 2—the dark blue line has shifted further to the left).

Figure 2. More Challenging Global Conditions

There has been a marked decline in private and bilateral capital flows to EMDEs over the past decade.

Growth shocks in this ROC period have been more frequent and adverse.



Sources: World Bank IDS; IMF staff calculations.
Notes: The chart on net financial flows presents a simple average across 116 EMDEs, 53 of which are PRGT-eligible. The expected growth impact of shocks is estimated by multiplying the historical frequency of forecast errors by their average size, disaggregated by periods.

9. These conditions underlying the current ROC period differ in important respects from those that shaped crisis dynamics over the past three decades.

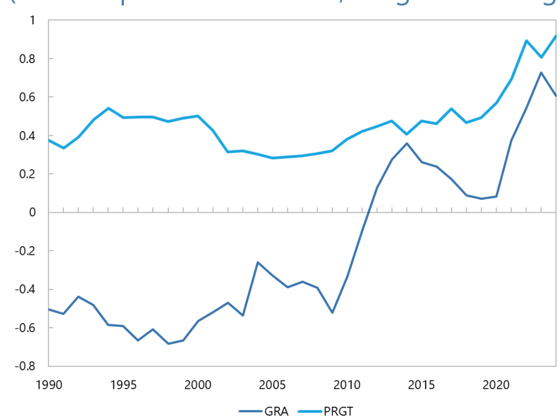
- *The BOP crises of the 1990s were largely idiosyncratic or regional.* Unlike prior crises, they were driven by large, volatile capital outflows from EMs. In many cases, insufficient institutional and regulatory safeguards following rapid capital account liberalization led to a buildup of balance sheet vulnerabilities. When investor sentiment soured, the result was sudden stops, sharp current account reversals, and real exchange rate collapses. A favorable backdrop of world trade and GDP growth and global financial conditions generally facilitated rapid recoveries, in turn helping sustain adjustment and reform efforts.

- *The Great Moderation of the 2000s saw strong world trade and GDP growth, low macroeconomic volatility, and accommodative financial conditions*. Several EMDEs strengthened their policy frameworks and built buffers, allowing them to absorb shocks without turning to IMF support.

- *The Global Financial Crisis (GFC) and subsequent euro area debt crisis, however, were systemic economic shocks at the core of global financial system.* They resulted in a synchronized downturn, amplified financial stress, and a broad decline in global risk appetite (IMF 2008, 2009, 2010, and 2011). World trade and GDP growth subsequently remained persistently subdued, monetary conditions remained very accommodative given low inflation, and public debt rose, contributing to slower recoveries and more protracted resolution of imbalances.

- *This ROC covers the most recent turbulent period shaped by systemic shocks*. The COVID-19 pandemic triggered lockdowns, supply chain disruptions, collapsing consumer demand, and unprecedented government borrowing. The resulting economic fallout was elevated inflation and higher debt. These were subsequently compounded by escalating geopolitical tensions and conflict, which disrupted trade routes, drove up food and energy prices, and increased food insecurity in vulnerable regions. Significant monetary tightening by major central banks in response to inflationary pressures raised borrowing costs, especially for vulnerable EMDEs, and slowed global growth.

Figure 3. Elevated Socio-Political Strains
(Political polarization index; weighted average)



Sources: Our World in Data; V-Dem (2025); World Population Prospects; United Nations (UN); IMF staff calculations.
Notes: Population-weighted average of the political polarization score (which represents the extent to which society is divided into hostile political camps) for the 2026 ROC sample. Higher scores indicate more polarization. A score of 0 is the average across all countries and years.

10. **The more frequent and intense systemic shocks have had uneven impacts across members, exposing stark divergences in economic resilience and recoveries.** While advanced economies deployed available policy space to counter the shocks and generally returned to their pre-pandemic growth trajectories, many EMDEs continue to grapple with persistent scarring (IMF, 2025a)—marked by a lower output path, constrained policy space, and vulnerability to financial, trade, and commodity price volatility. Consequently, growth differences between EMDEs and advanced economies have narrowed, and external imbalances have become more dispersed, with significantly larger gaps at the upper end of the distribution that will take time and sustained effort to redress. These economic strains have been accompanied by elevated social strains and greater political polarization in many economies, which further complicate adjustment and reform efforts (Figure 3). In this environment, stakeholder acceptance is critical for advancing reforms, yet resistance often emerges because the costs are immediate and tangible, while benefits are more diffuse and longer term (IMF, 2025b).

B. Implications for Building Resilience

11. As the global environment has become more shock-prone, with slower growth and tighter financial conditions, the implications for countries are far reaching:

- *BOP needs are likely larger and more persistent*. Adverse shocks and more costly financing exacerbate imbalances, while open financing gaps undermine economic stability and growth. Resolving imbalances requires more adjustment (also because of lesser overall financing). Lower world growth and higher uncertainty can prolong the time to restore stability as undertaking and sustaining adjustment is more challenging. Headwinds to BOP stability are also arising from major transformations underway. Shifting trade relations and rising security-related spending pressures could place additional strains on adjustment.

- *A shock-prone context calls for strengthening macroeconomic policies and buffers*. While financing can help smoothen the impact of a transitory and exogenous shock, strong policies, frameworks, and buffers enable members to run countercyclical macroeconomic policies to offset (at least partially) the impact of shocks and afford the space for reforms to create jobs and raise potential growth. Weaker policies, on the other hand, worsen scarring and complicate economic recovery.

- *However, a challenging international economic context as well as domestic socio-political constraints can make the task of strengthening policies and resolving imbalances more arduous.* Amid lower global growth, undertaking and sustaining adjustment over a protracted period—albeit necessary for resilience—can dampen near-term growth and employment prospects. Delivering on this adjustment and reform is further complicated by domestic social strains and fatigue following protracted economic difficulties, especially in fragile contexts where increased precarity can set back hard-won gains. Conversely, a more favorable context—stronger world growth and accommodative financial conditions—supports external demand and facilitates a stronger, swifter, and earlier recovery.

OVERALL LENDING AND PROGRAM RESPONSE

In the face of heightened systemic shocks in this ROC period, the Fund adapted its operational response to help members restore external stability. This began with a rapid scale-up of emergency financing during COVID-19, followed quickly by a shift toward upper-credit tranche (UCT)-quality programs aimed at addressing persistent BOP needs. Overall lending and the number of arrangements approached historical peaks, with the EFF emerging as the most widely used GRA facility. Results of a survey of IMF stakeholders show a broadly favorable view of program design and conditionality.

A. Overall Response

12. The Fund's response to COVID-19 was swift and decisive. The IEO (2023) noted, "The Fund deserves great credit for its effective and agile response to a crisis like no other. […] A record 62 countries received support within the first three months of the onset of the pandemic, two-thirds of them on concessional terms. The Fund's early disbursement of financial support at a time of urgent need and high uncertainty was deeply appreciated by country authorities." Overall, 77 members received emergency financing (EF). Financial support through emergency assistance and IMF arrangements—comparable in scale to the GFC response—was critical in addressing urgent financing needs, supporting members to maintain essential spending, protect vulnerable populations, and avoid sharp procyclical tightening that would have deepened the downturn. In addition, in August 2021 the IMF allocated SDR 456 billion (US$650 billion) to boost global liquidity—the largest such allocation in its history (IMF, 2021a). By moving quickly, decisively, and adeptly, the Fund played an essential stabilizing role. This is in line with the membership's previous responses to major systemic shocks such as the GFC or the breakdown of Bretton Woods: provide adequate liquidity to stabilize the international monetary and financial system and, once the system has broadly stabilized, pivot to resolving imbalances to sustain macroeconomic stability and growth.

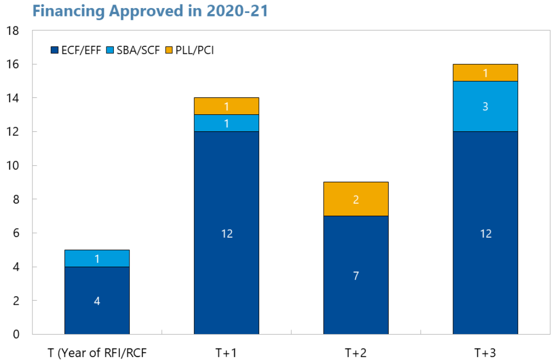
13. Demand for Fund arrangements has remained high. The initial emergency response to COVID-19 was followed by an increased demand for upper credit tranche (UCT) programs to resolve persistent BOP imbalances, while laying the groundwork for durable economic recoveries. Over half (44) of the users of emergency financing pivoted to UCT programs (Box 2), including precautionary arrangements and the signaling instrument (PCI) (Figure 4).

Box 2. Transition From Emergency Financing to UCT-Quality Programs After the Pandemic

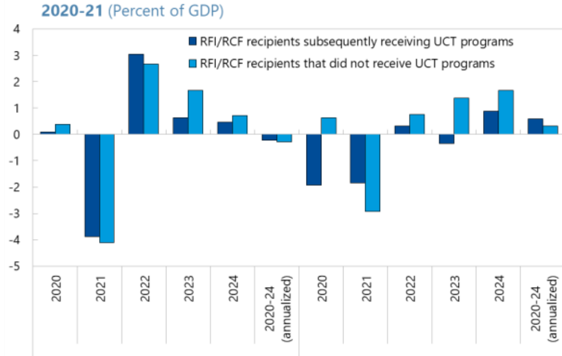
By 2021, the focus of Fund engagement began shifting from EF toward programs addressing persistent BOP imbalances. This included a pivot primarily to EFF and ECF arrangements, with some members opting for precautionary and signaling instruments such as the PLL and the PCI, respectively. The transition unfolded gradually: while a few countries shifted to UCT programs in the same year as EF approval, the number rose significantly over the following three years, with over half of EF users eventually transitioning to UCT programs.

The transition to UCT programs helped smoothen the effect of the pandemic shock, with no major difference in average fiscal outcomes between those that transitioned and those that did not. Both groups exhibited comparable initial levels of public debt and fiscal adjustment patterns post-pandemic. Fiscal expansions in 2020–21 were broadly aligned, though PRGT users who transitioned to UCT programs were on average able to provide support in both years in contrast with those that did not. By 2022, both groups began consolidating. The overall consolidation over the medium term (2019–24 annualized) was slightly higher for those who transitioned to UCT programs. In addition, there are no systemic differences between EF recipients who transitioned to UCT programs and those who did not in terms of inflation and reserve accumulation.

Number of Fund-Support UCT Programs Following Emergency Financing Approved in 2020-21



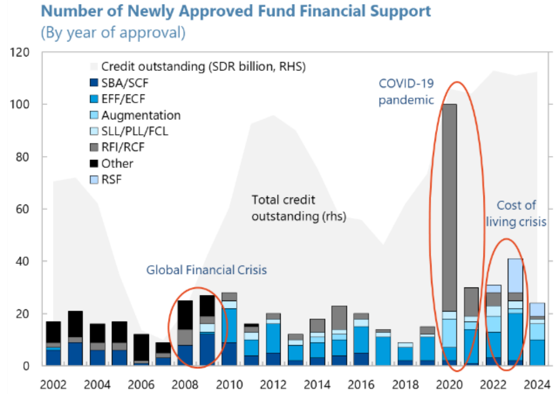
Fiscal Adjustment: Countries Receiving Emergency Financing in 2020-21 (Percent of GDP)



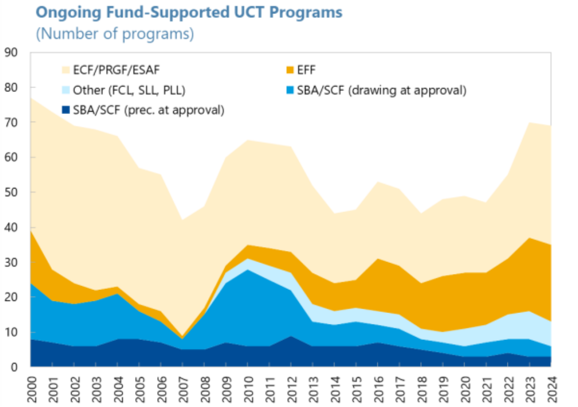
Sources: IMF WEO; MONA database.

Figure 4. Key Program Trends

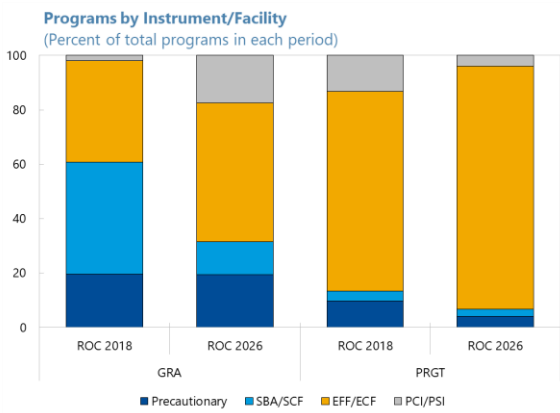
Demand has been strong for Fund programs and, during the pandemic, emergency financing…



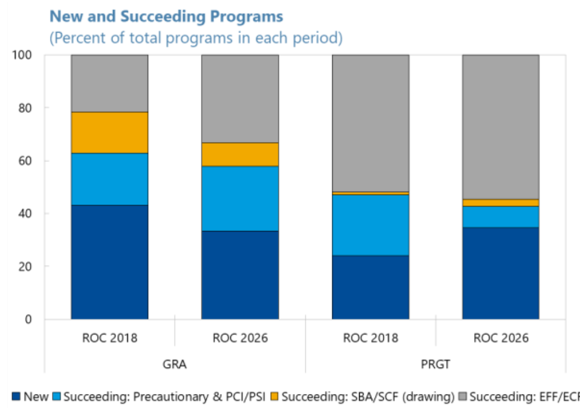
…followed by EFF/ECF and precautionary arrangements.



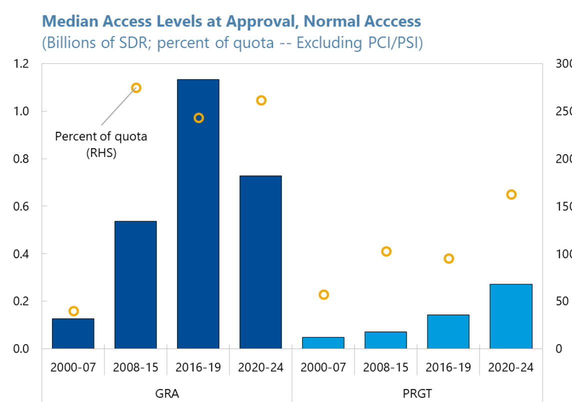
The share of EFF/ECF arrangements has increased…



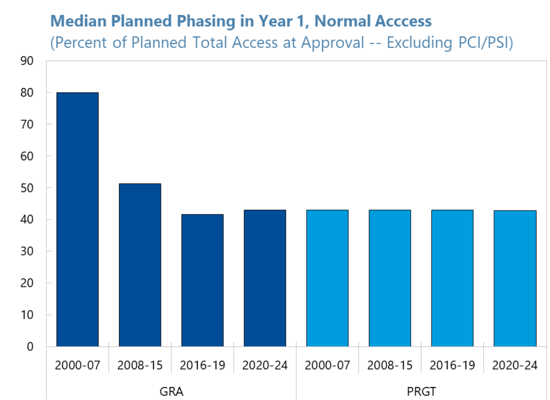
…as has the share of successor EFF arrangements and precautionary/signaling programs.



Access levels increased somewhat in GRA arrangements and more notably in PRGT arrangements…



…while phasing remained broadly unchanged with about 40 percent planned disbursement during the first year.



Sources: MONA database; IMF staff calculations.

14. **Demand has shifted toward longer engagements to tackle persistent BOP needs.** In the GRA, demand shifted to EFF arrangements and modestly longer engagements of 3.5 years on average from 3 years in the previous ROC sample. The share of follow-on arrangements increased (Figure 4), with the use of precautionary/signaling instruments rising to nearly one-third and about

15–20 percent of arrangements involving lower access, reflecting a graduated form of engagement aimed at sustaining reform progress and safeguarding against external risks. In the PRGT, demand for the ECF (which had been the dominant instrument before the pandemic) also increased. The number of follow-on cases declined by one fifth, but the share of drawing arrangements increased, reflecting limited buffers and the typically protracted nature of BOP problems in LICs.

15. Access increased but phasing remained stable, with most programs designed with a semi-annual review cycle. Median access at program approval increased slightly for GRA programs and by over 50 percent of quota for PRGT programs relative to the last ROC period. About 40 percent of access continued to be disbursed in the first year. Credit outstanding at end-2024 exceeded SDR 112 billion (US$147 billion), a record (Figure 4). But the number of exceptional access cases declined to 14 (8 GRA and 6 PRGT programs) from 17 (16 GRA and 1 PRGT programs) (Box 3). There was a shift to semi-annual reviews—86 percent of arrangements compared to 72 percent previously—in line with streamlining efforts (IMF, 2015a) and operational guidance (IMF, 2024a).

16. Program completion and conditionality implementation rates declined during the pandemic but subsequently started to recover (Figure 5). The share of arrangements before COVID with all or most reviews completed was comparable to the last ROC. This share declined in 2020–21 but rebounded subsequently in the relatively small sample of completed arrangements. Among GRA cases, implementation rates of PCs followed a similar pattern—during COVID, the rates declined somewhat, reflecting the Fund's temporary accommodation of the extraordinary COVID circumstances, but rebounded thereafter. Among PRGT programs, implementation rates of PCs were broadly stable over time. Among both sets of programs, implementation rates of structural conditionality remained broadly stable.

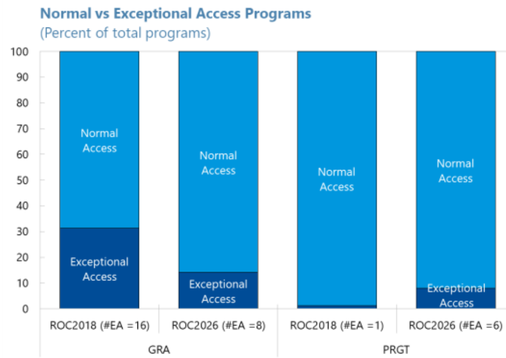
B. Survey of Stakeholders' Perceptions—Preliminary Results

17. A survey of stakeholders sought to gather broad impressions on program design and conditionality and on the Fund's role as a trusted advisor to members. Respondents included country authorities, Executive Directors, mission chiefs, and resident representatives. Academic experts, private sector representatives, and civil society organizations (CSOs) were also invited to participate in the survey. As of August 12, responses from 86 member countries were received. The survey will remain open through September to allow for further responses.

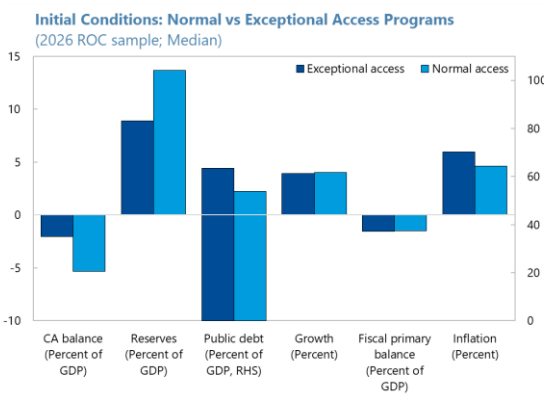
18. Based on responses so far, stakeholders overwhelmingly agree that Fund-supported programs improve countries' economic and financial prospects (Background Paper, Section XII). They credit programs with improving fiscal outcomes and, to a somewhat lesser extent, monetary outcomes, financial stability, and reserves buffers (Figure 6). They generally view programs as focused, timely, and effective in helping members confront shocks, consistent with IEO (2023). Around 70 percent of respondents noted that Fund-supported programs include the ability to adapt when shocks materialize. (Disaggregated survey results will be shown in the next paper, after the survey closes at end-September 2025.)

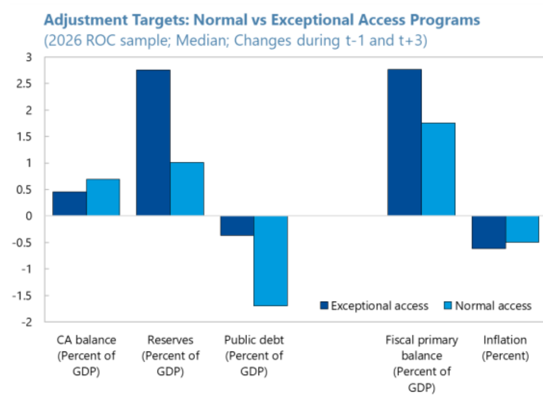
Box 3. Exceptional Access Arrangements: Trends and Program Design

There are fewer exceptional access (EA) programs in the 2026 ROC sample. The number of GRA EA programs halved to eight (about 15 percent)—Ukraine (2015 EFF), Argentina (2018 SBA, 2022 EFF), Egypt (2020 SBA, 2022 EFF, which subsequently fell below EA thresholds), Ecuador (2020, 2024 EFF), and Panama (2021 PLL, which was treated as precautionary). The number of PRGT EA programs rose to six (6.7 percent)—Chad (2021 ECF), Kenya (2021 ECF-EFF), Ethiopia (2019 EFF-ECF, 2024 ECF), Benin (2022 EFF-ECF), and Somalia (2023 EFF-ECF). In the 2026 ROC sample, EA programs accounted for about half of both committed and disbursed Fund financing. Relative to the 2018 ROC, access levels declined modestly. Review completion rates are broadly in line with other programs.



Initial conditions were broadly similar, while planned adjustments were larger, for EA programs relative to normal access (NA) programs. The median initial conditions—growth, fiscal primary balance, and public debt ratios—were broadly comparable to NA programs, while the external current account deficit was smaller, reserve coverage was lower, and inflation was somewhat higher. Correspondingly, the median EA program targeted stronger reserve accumulation, fiscal adjustment, and inflation reduction. The small number of observations prevents a robust empirical analysis of performance to date, though preliminary outcomes suggest macroeconomic outcomes, including reserve accumulation have, in some cases, fallen short of program targets.





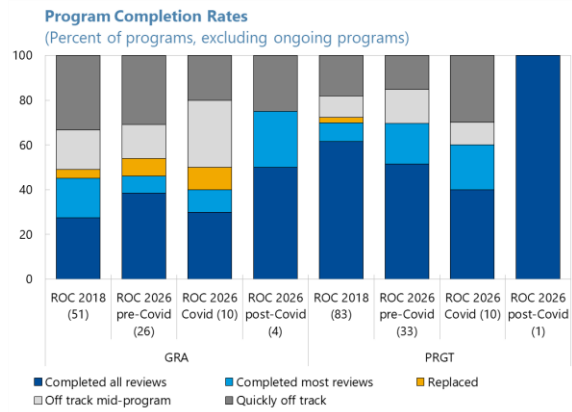
Sources: MONA database; IMF staff calculations.
Notes: EA = Exceptional access programs; NA = normal access programs. Number of programs in parenthesis.

19. **The IMF is viewed as a trusted advisor to authorities and official creditors by 90 percent of these respondents.** Stakeholders view program design as tailored to country specificities, reflecting the nature of vulnerabilities and the need for adjustment, though about half of the respondents did not perceive program design as appropriately considering the distributional impact of conditionality or social and political conditions in the country. They also generally view programs as parsimonious, but the effectiveness of structural reforms was perceived as weaker than

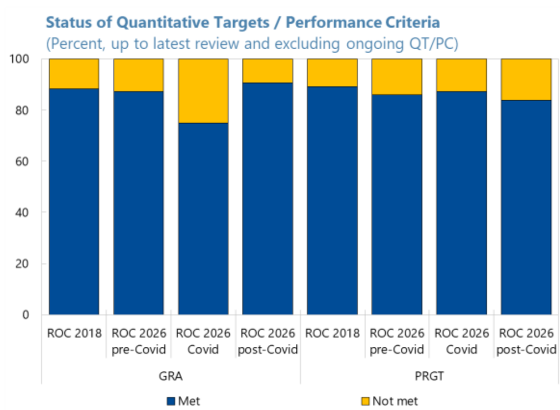
other policy areas. Compared to the 2018 ROC, the authorities' perceptions of evenhandedness improved (from 39 percent in the last ROC survey to 57 percent).[1]

Figure 5. Overall Program Completion and Implementation Rates

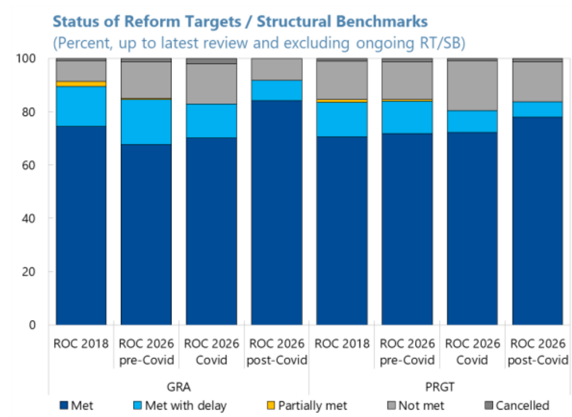
During the COVID-19 pandemic, the share of off-track cases increased, …



…implementation rates of PCs for GRA programs fell, …



…while those for structural conditionality were stable.



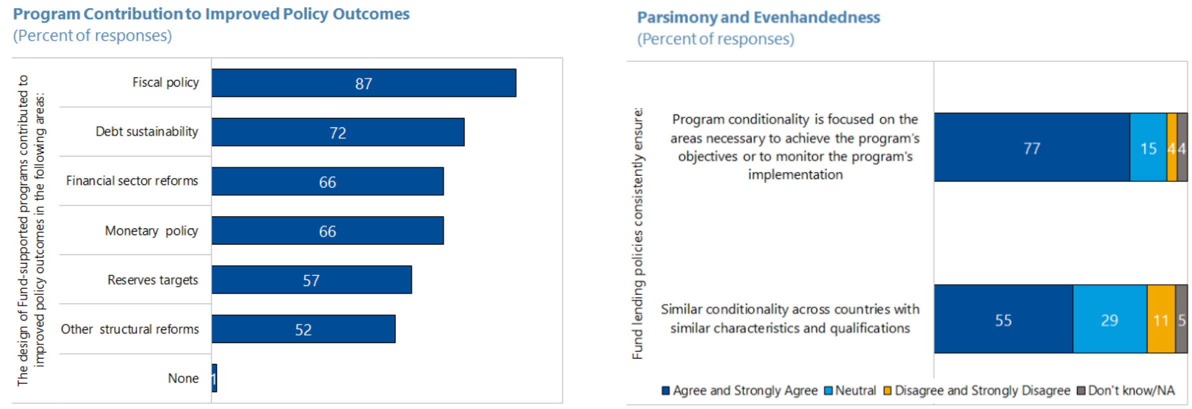
Sources: MONA database; IMF staff calculations.
Notes: Number of programs in parenthesis.

[1] The results are not fully comparable as all country authorities were surveyed while, in 2018, only program countries were surveyed. Still, responses gathered so far suggest that restricting the analysis to just program country authorities would not change the broad results.

Figure 6. Survey of Stakeholders: Preliminary Views on Program Design and Outcomes

Stakeholders view IMF-supported programs as supportive of better policy outcomes in key areas…

…parsimonious in design, and generally evenhanded in the application of conditionality.



Source: IMF staff calculations based on 2026 ROC Stakeholder Survey responses received as of August 12, 2025.
Notes: As of August 12, 2025, inputs were received from authorities from 86 IMF member countries, 16 Executive Directors, 65 Mission Chiefs, 25 Resident Representatives, 4 academic experts, and 8 CSOs. The survey also included questions on program tailoring, capacity to absorb shocks, financing and adjustment mix, appropriateness of structural conditionality, catalytic effects, and the Fund's role as a trusted advisor.

ANALYZING PROGRAM SUCCESS

Considering the Fund's engagement amid a challenging global context, it is important to discern the robust drivers of program success. To this end, a longer-term empirical analysis examines 250 GRA and PRGT arrangements since 2002 across a range of initial conditions, structural and institutional settings, and external environments. The results point to the importance of timely, realistic, and sustained adjustment. Strong ownership is also critical and is more likely when programs are accompanied by improvements in social outcomes. But adverse shocks—especially where underlying vulnerabilities are sizable—significantly lower the likelihood of achieving program objectives.

20. Nearly 75 percent of Fund-supported programs since 2002 achieved some degree of success following the 2018 ROC classification of programs as fully, partially, or not successful (based on their effectiveness in resolving members' BOP problems and restoring medium-term external viability) (Figure 7).[2] PRGT arrangements recorded somewhat higher rates of full or partial success.

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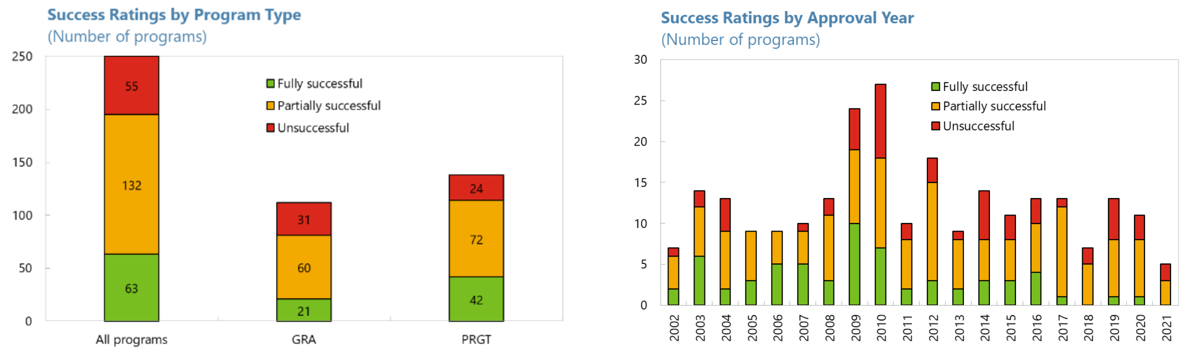
[2] Following the methodology pioneered in the 2018 ROC, programs are categorized as "successful", "partially successful", or "unsuccessful" based on their ability to resolve members' BOP problems and attain medium-term external viability. For GRA arrangements, the nature of post-program Fund engagement (i.e., whether there is a drawing successor program) is used as a proxy for resolving a BOP problem while the evolution of vulnerabilities is considered when assessing medium-term external viability. For PRGT arrangements, the focus is on reduced external vulnerabilities and indicators of macroeconomic performance and poverty reduction policies in line with the emphasis of PRGT facilities. In this ROC, many more programs are analyzed dating back to 2002, for a total of 250 arrangements (112 GRA and 138 PRGT) approved since 2002. The Background Paper (Section I) provides details of the methodology and key findings. A robustness exercise for PRGT programs shows that the main results broadly hold when using an alternative methodology. Results are also broadly robust to excluding the nature of post-program Fund engagement from the definition of success for GRA arrangements.

Figure 7. Program Performance

Success rates were higher in PRGT arrangements and during the Great Moderation.



Source: IMF staff calculations.
Notes: Based on the 2018 ROC methodology with extended data coverage. The year denotes the start of the program. See Background Paper, Section I for further details.

21. Success rates have fluctuated over time and recent outcomes suggest that achieving full success has become less prevalent. Success was higher during the Great Moderation period, after which there was no discernible trend amid a series of systemic shocks. Successful Fund engagement is typically accompanied by strong growth and confidence effects, and characterized by robust structural reform outcomes and catalytic effects, contributing to a rebound in private credit and investment (Figure 8). However, more recently the share of fully successful programs has declined, with more programs assessed as partially successful.

22. Programs are significantly less likely to succeed when initial conditions are weak and vulnerabilities are persistent (Figure 9). Weak initial conditions include entering a program with a deep output contraction and high fiscal and current account deficits while persistent vulnerabilities include high debt, elevated gross financing needs, and financial sector fragilities. Success outcomes are not primarily driven by shocks *prior to* program approval, suggesting that programs tend to manage such shocks effectively. However, when shocks interact with existing vulnerabilities or persist without timely adjustment, they can deepen imbalances and further reduce the likelihood of success. This underscores the value of timely engagement to avoid conditions from deteriorating to an extent that become more difficult to reverse.

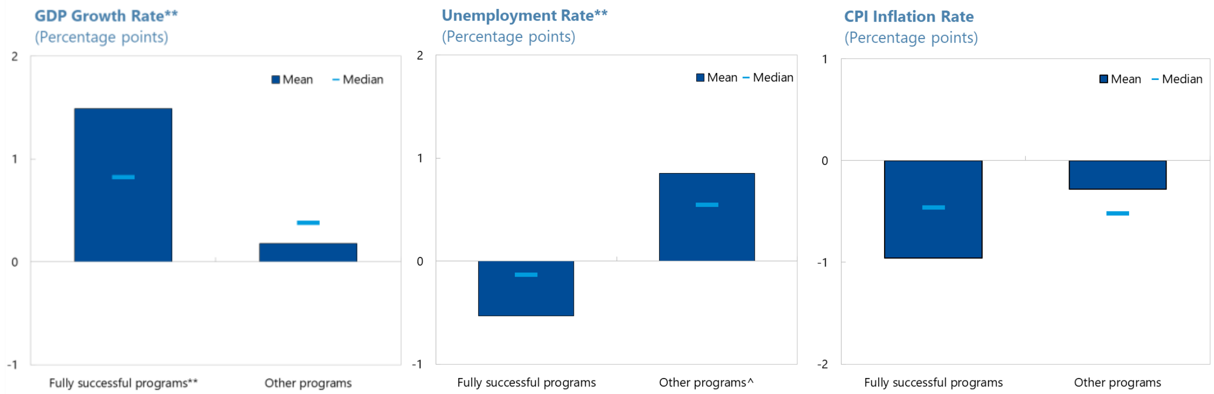
23. Frontloaded, realistic, and sustained policy action as well as strong national ownership emerge as critical and robust determinants of program success (Figure 10).[3] Even accounting for existing weaknesses and occurrence of shocks, a frontloaded but realistic fiscal adjustment planned at program approval is associated with enhanced probabilities of success. Success prospects are also higher for longer engagements, especially in the context of pre-existing debt vulnerabilities and external shocks, underscoring the importance of sustained policy action in

[3] National ownership refers to the commitment to a program of policies by country officials who have the responsibility to formulate and carry out those policies, based on their understanding that the program is achievable and is in the country's best interest (IMF, 2006). In practice, ownership is difficult to quantify; for the purpose of the empirical analysis, program implementation and completion rates are used as a proxy.

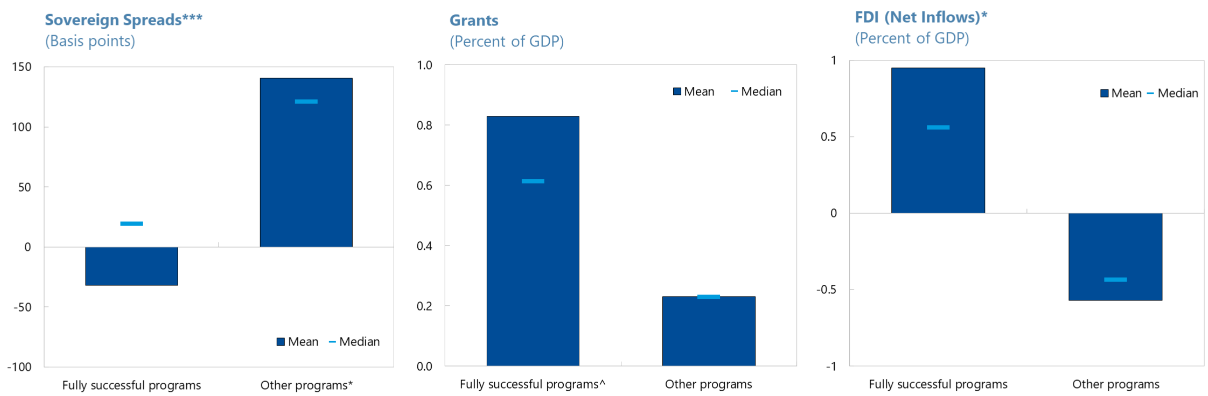
building resilience. In all cases, review completion and program implementation rates are strong predictors of success, emphasizing the importance of strong program ownership.

Figure 8. Stylized Facts of Successful Programs: Program Adjustment

Successful programs are characterized by higher growth, larger reductions in unemployment rates, and greater disinflation…



…as well as more substantial catalytic effects.



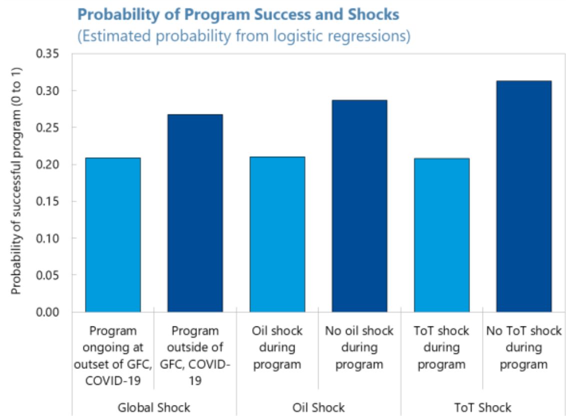
Source: IMF staff calculations.

Notes: Program adjustment refers to differences between 3-year averages after program approval and pre-program values. For structural scores, program adjustment refers to differences between 3 years after program approval and pre-program values. Blue bars denote mean differences from non-program cases controlling for country and fixed effects. Light blue bars denote median differences residualized from the same fixed effects. Statistical significance of the mean differences from non-program cases are shown next to the X axis labels. Statistical significance of the mean differences between fully successful and other programs are shown next to the chart titles. Robust standard errors. *** p<0.01, ** p<0.05, * p<0.1, ^ p<0.25. See Background Paper for further information on the methodology and sensitivity analysis.

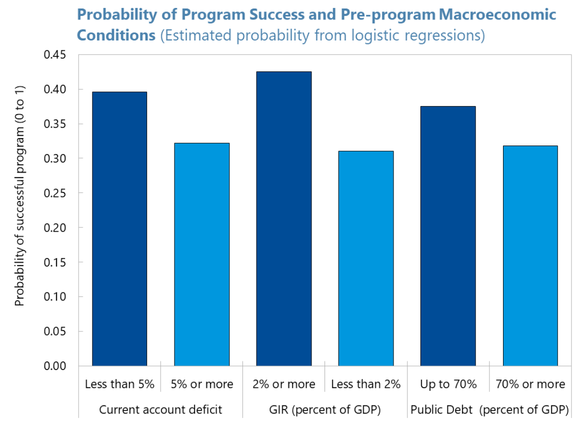
24. The evidence also highlights that combining credible adjustment with social protection can support national ownership and improve the likelihood of program success. While frontloaded and realistic policy adjustment remains essential for program success, staff analysis finds that ownership is more likely when programs are associated with meaningful improvements in social outcomes, such as reductions in unemployment and increases in social spending (Background Paper, Section I). Ownership also appears stronger in programs with frontloaded Fund disbursements and more gradual external adjustment.

Figure 9. Stylized Facts of Successful Programs: Pre-Program Conditions

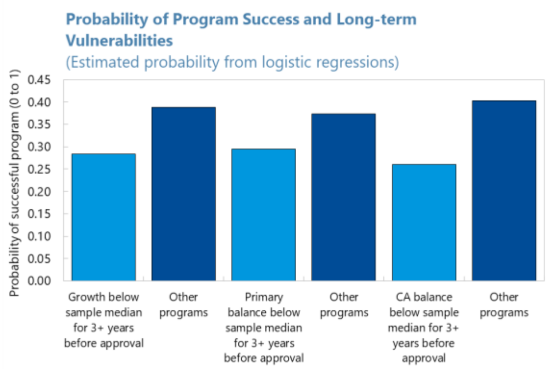
Adverse shocks during programs lower success prospects…



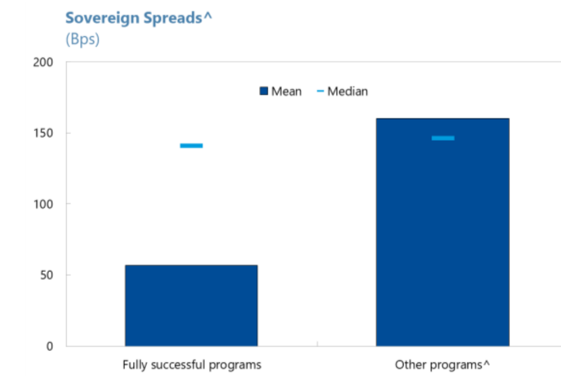
…as do sizable macroeconomic imbalances, …



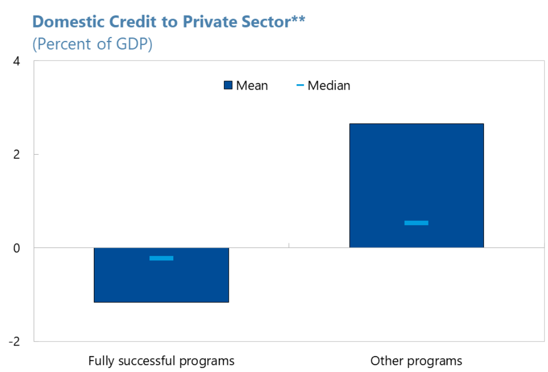
…especially when they are protracted, …



…or accompanied with an erosion of market confidence, …



…and credit booms that exacerbate financial vulnerabilities ahead of program approval.

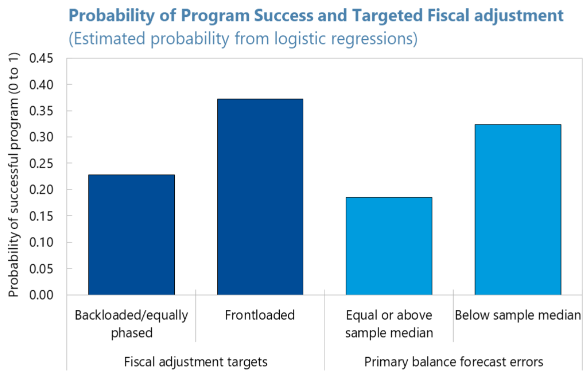


Source: IMF staff calculations.

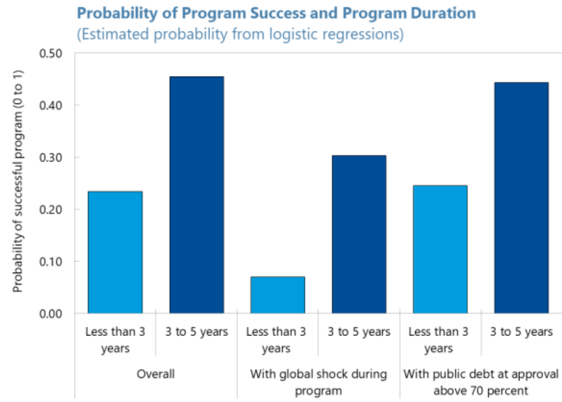
Notes: Pre-program refers to the year before program approval. In the upper charts, the bars denote the estimated probability of program success obtained from logistic regressions. Results reported in the mid-left chart are based on analysis of annual trends in the five years prior to approval. Blue bars in the mid-right and lower charts denote mean differences from non-program cases controlling for country and fixed effects. Light blue bars denote median differences residualized from the same fixed effects. Statistical significance of the mean differences from non-program cases are shown next to the X axis labels. Statistical significance of the mean differences between fully successful and other programs are shown next to the chart titles. Robust standard errors. *** p<0.01, ** p<0.05, * p<0.1, ^ p<0.25. See Background Paper for further information on the methodology and sensitivity analysis.

Figure 10. Predictors of Program Success

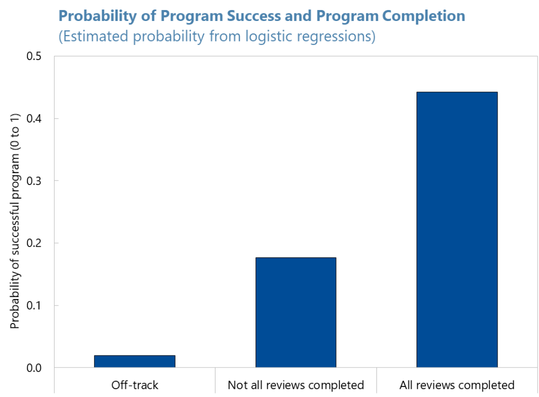
More frontloaded though realistic fiscal adjustment, …



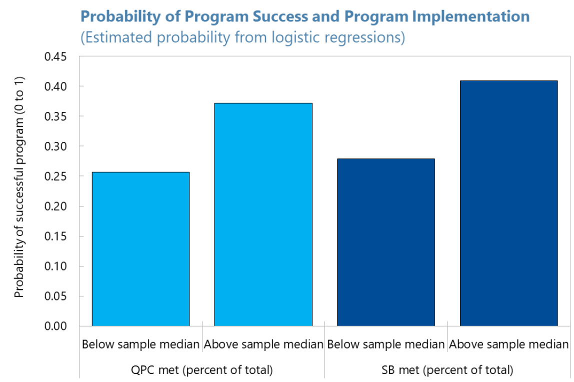
…sustained over longer periods, …



…and high completion rates are associated with success, …



…underscoring the importance of program ownership.



Source: IMF staff calculations.
Notes: The bars denote the estimated probability of program success obtained from logistic regressions with controls for occurrence of shocks during programs and pre-program macroeconomic trends. Frontloaded fiscal adjustment is equal to 1 when projected average primary balance in the first two years of program (approval and subsequent year) exceeds the projected average of the primary balance in the first 4 years from approval. The primary balance forecast errors are obtained as the difference between observed and projected primary balance at approval; the variable is equal to 1 if the difference is above the sample median. The variable for off-track programs is equal to 1 when less than 50 percent of program reviews are completed. See Background Paper for further information on the methodology and sensitivity analysis.

PROGRAM POLICIES AND PERFORMANCE

Program outcomes during this ROC period were significantly shaped by shocks. Program design and conditionality adapted to the pandemic, while adjusting back to pre-pandemic patterns thereafter, and aimed to use multiple policy levers. But outcomes leaned heavily on fiscal expenditure compression, owing to shocks and limited progress in improving policy frameworks. Structural conditionality had a limited impact in some cases, owing to the insufficient depth of reforms and lags in reform impacts. Successful cases show that well-calibrated, comprehensive policy packages lead to sustainable adjustment and secure financing.

A. Macroeconomic Outcomes and Forecast Accuracy

25. Overall macroeconomic outcomes relative to initial program projections were significantly affected by COVID-19 and other shocks (Figure 11). Over half of the programs registered external current account balances in line with projections and met or nearly met their international reserves targets. Growth outcomes, however, fell short of expectations in over half of the GRA programs and three-quarters of PRGT programs that mostly spanned the COVID-19 period. Relatedly, over two-thirds of programs did not meet their fiscal targets, leading to public debt being higher than projected at approval of several programs. Inflation on average was also above projections, which in turn contributed to the cost-of-living crisis.

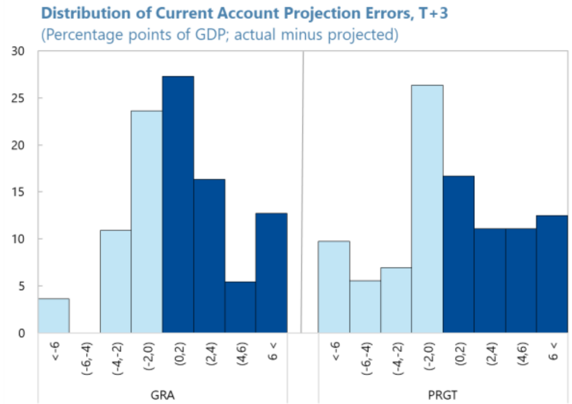
26. Aside from the COVID-19 period, forecasting accuracy of GDP growth improved notably (Figure 12). Large forecast errors were concentrated in 2020–21; otherwise, near- and medium-term growth projections have aligned with outcomes. One-year-ahead forecast errors averaged just 0.2 percentage points since 2022, a significant improvement over the 2018 ROC, which had highlighted optimism as a key concern in programs. Three-year-ahead forecasts also were broadly in line with outcomes when the pandemic years are excluded.[4] There is no systematic optimism bias in program countries relative to surveillance cases, a reflection of the general improvement in forecasting accuracy and of realism tools (Background Paper, Section II). However, PRGT-eligible fragile and conflict-affected states (FCS) continue to underperform in near- and medium-term projections, highlighting the need for tailored forecasting approaches in such contexts (Background Paper, Section IX).

27. Program outcomes reveal considerable heterogeneity, which stem from divergent initial conditions and structural and institutional factors. Macroeconomic policies and buffers were notably strengthened in several cases (e.g., Benin, Costa Rica, Jamaica, Morocco, Rwanda, and Serbia). However, programs starting with large initial external imbalances more frequently experienced deviations from macroeconomic targets and projections, such as fiscal and current account balances, reserve accumulation, and growth. Programs with FCS experienced higher inflation, lower growth, and weaker reserve accumulation than planned. A larger share of countries with follow-on arrangements faced fiscal shortfalls.

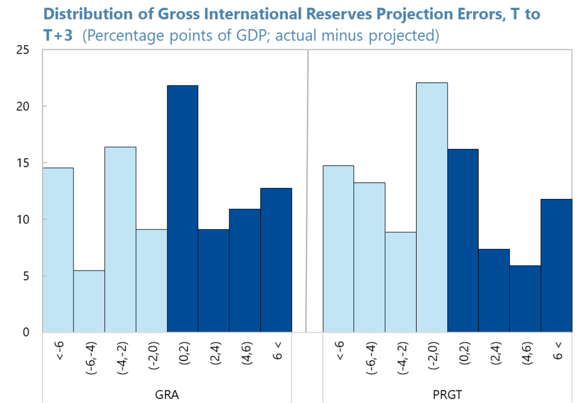
[4] Regression analysis indicates that the pandemic alone accounts for at least half of the medium-term forecast deviations in the 2026 ROC, with other shocks contributing an additional tenth.

Figure 11. Program Macroeconomic Outcomes Relative to Initial Projections

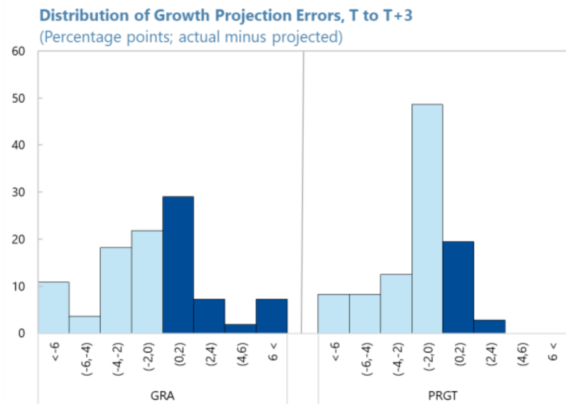
Notwithstanding significant shocks, current account outcomes on average were better than projected…



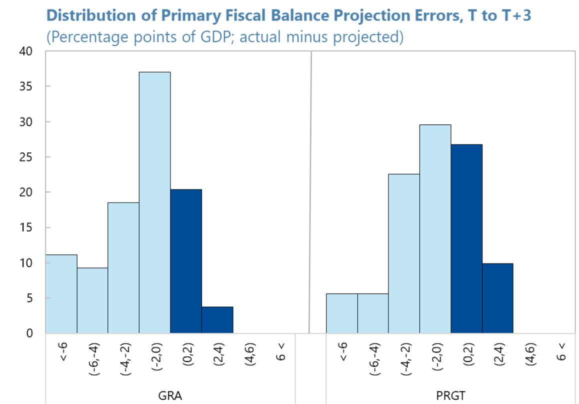
…and international reserves accumulation was in line with projections.



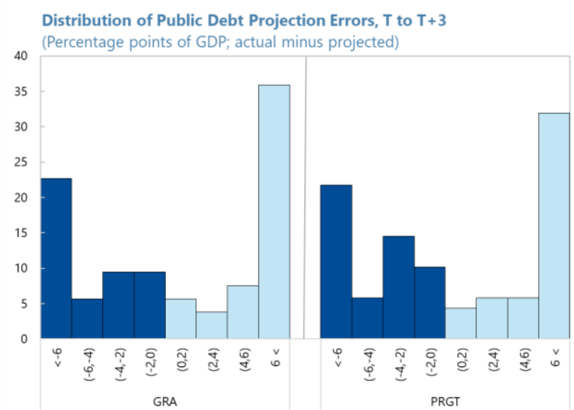
However, growth was weaker than envisaged…



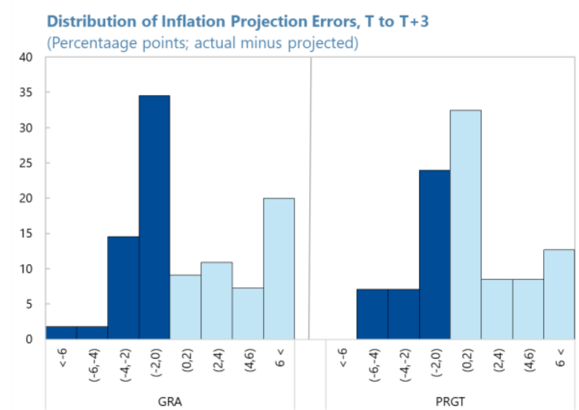
…as was fiscal adjustment…



…and one-third of programs had notably higher-than-projected public debt.



Inflation exceeded projections on average.



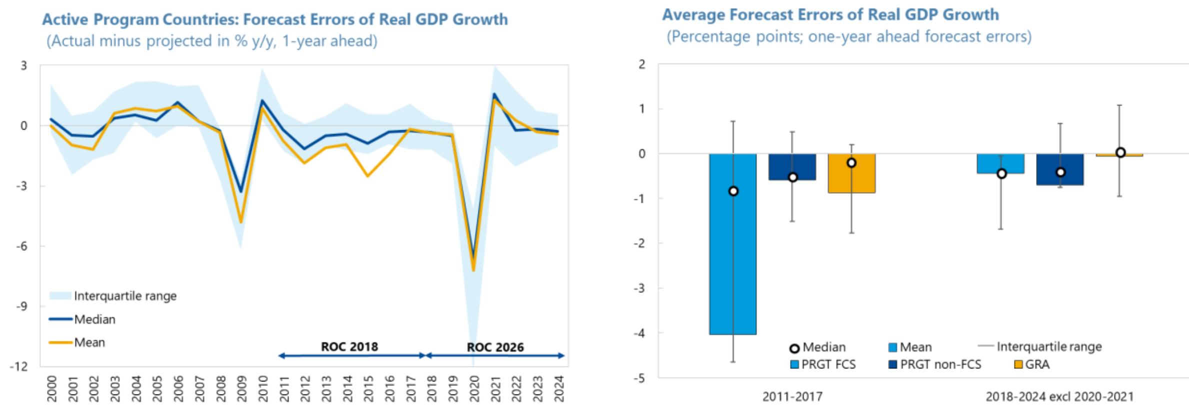
Sources: IMF WEO; MONA database; IMF staff calculations.

Notes: Forecast errors for more recent programs approved in 2022, 2023, and 2024 are T+2, T+1, and T, respectively. Light blue bars represent worse than projected outcomes.

Figure 12. Realism of Macroeconomic Framework

Systemic shocks have historically coincided with the largest forecast misses.

In FCS, repeated local shocks (e.g., conflicts, disasters, epidemics) have driven persistent underperformance.



Sources: MONA database; IMF WEO; IMF staff calculations.
Notes: Forecast errors are calculated as the difference between actual outcomes and the corresponding projections.

28. The performance of members with follow-on arrangements has also varied significantly. A follow-on arrangement is one that begins within three years of the expiration or cancellation of a preceding arrangement.[5] Nearly half of follow-on GRA programs and about three-fourths of follow-on PRGT programs built on the foundation of the preceding programs and registered some progress. For analytical purposes to illustrate the heterogeneity of program performance in this ROC period, *successor* arrangements—defined as those building on an arrangement where the previous arrangement has made steady progress—could be distinguished from *repeated* arrangements—defined as the follow on arrangement to address unresolved issues from the preceding arrangement. Whether an arrangement belongs to one or the other category is explained in Background Paper, Section X.[6] Successor arrangements typically experienced stronger external adjustments, maintained greater fiscal discipline, and accumulated more reserve buffers in their preceding programs. In GRA cases, they were also more effective at mitigating the increase in public debt during shocks. While Fund exposure generally rose among members with follow-on arrangements, it rose by less for successor programs, particularly for GRA cases.

B. Overall Program Design

29. Program design and conditionality adapted to the COVID-19 shock and partially returned to pre-pandemic patterns thereafter. Programs that started in 2018–19 were hit by the COVID-19 pandemic in early 2020, while programs that started in 2020–21 were designed in the midst of very significant uncertainty as to their evolution and economic impact. In general, external

[5] While the Fund cannot approve a GRA arrangement that ex ante assumes the need for a future arrangement, ex post a follow-on arrangement may nevertheless be needed (e.g., if new sources of BOP need arise or if the measures implemented prove insufficient). Some special considerations apply, however, for the ECF in the PRGT, where it is acknowledged that a successive program may be needed.

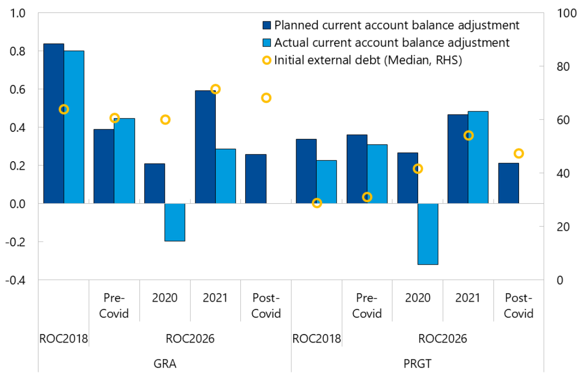
[6] The classification of follow-on arrangements does not detract from the requirement that, when designing a Fund-supported program, each Fund arrangement must stand on its own.

and fiscal targets were eased in 2020 to accommodate urgent needs from the pandemic and tightened in 2021 to remove temporary pandemic support. Fiscal targets in programs that started after 2021 generally returned to pre-pandemic patterns, but external targets remained lower. Overall, fiscal and monetary policy settings were tighter in programs with weaker external positions, with a strong emphasis on fiscal consolidation to facilitate external adjustment (Figure 13).

Figure 13. External Adjustment, Policy Mix, and Financing in Program Design

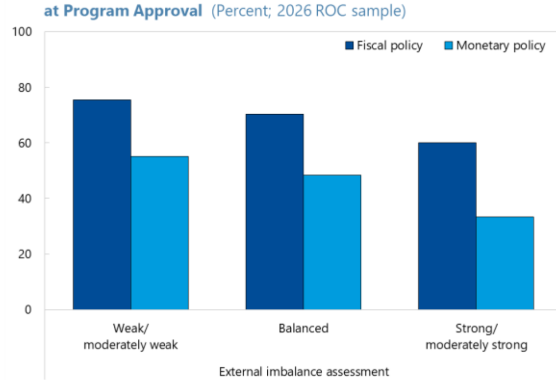
External adjustment targets and outcomes were adapted in 2020–21 to the COVID shock.

External Adjustments, Targets
(Percent of GDP, Annualized during t-1 and t+3)



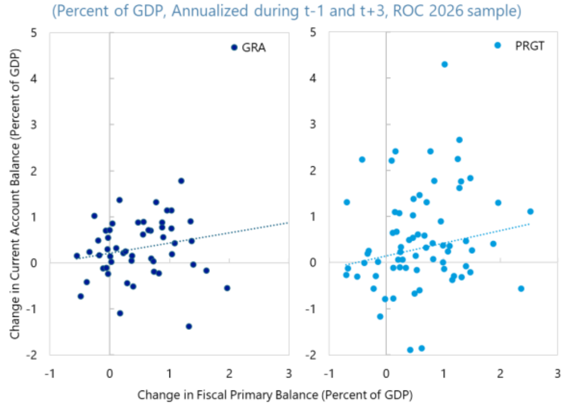
Programs addressing weak external positions emphasized fiscal and monetary tightening, …

Recommendation of Tightening Fiscal and Monetary Policies at Program Approval (Percent; 2026 ROC sample)



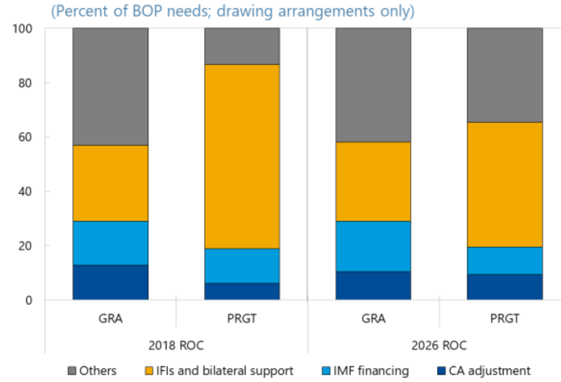
…with fiscal adjustment targets larger than external adjustment targets.

External vs Fiscal Adjustment, Targets
(Percent of GDP, Annualized during t-1 and t+3, ROC 2026 sample)



The mix of external financing and adjustment was similar to the last ROC.

External Adjustment vs Financing
(Percent of BOP needs; drawing arrangements only)



Sources: MONA database; IMF Consistency Policy Assessment; IMF staff reports; IMF staff calculations.
Notes: IMF financing is on a gross basis. CA adjustment calculates the cumulative external current account adjustment over the program period. The calculation is also applied to the 2018 ROC sample (thereby correcting a calculation error in the 2018 ROC paper). The CA adjustment accounted for 10 (13) percent and 9 (6) percent of the BOP need in GRA and PRGT programs, respectively, in the 2026 (2018) ROC samples. Correspondingly, IMF financing contributed 19 (16) percent and 10 (13) percent for GRA and PRGT programs, respectively.

30. The mix of external adjustment and financing was broadly similar to the last ROC. Current account adjustment continued to account for about 10 percent of BOP needs, and IMF financing continued to account for about 20 and 10 percent of the BOP needs for GRA and PRGT cases, respectively. While PRGT programs continued to rely heavily on IFI and bilateral support, the share of this support in meeting BOP needs declined, requiring further reliance on more expensive market financing sources. External debt has increased, particularly in PRGT cases.

31. Program design attempted to deploy multiple policy levers but, ex post, expenditure compression was often the primary tool used to address imbalances. Program design strongly emphasized domestic resource mobilization, especially in PRGT cases. Where the exchange rate regime allowed, there was also emphasis on monetary and exchange rate adjustment to facilitate external rebalancing. Nonetheless, in practice, these policy levers performed only weakly, owing to growth shocks and institutional weaknesses. For instance, poorly anchored inflation expectations, particularly in intermediate exchange rate regimes, meant that exchange rate depreciations led to rising inflation, negating the real exchange rate and current account adjustment. Therefore, the weight of adjustment in practice fell typically on discretionary expenditure compression, and in turn on capital investment and social spending. Structural reforms, though crucial for medium-term rebalancing, take time to deliver, placing further emphasis in near-term adjustment on fiscal policy.

C. Fiscal Policy

32. Fiscal targets broadly aimed to stabilize or lower debt, were tailored to country contexts, and adapted to evolving shocks (Figure 14).

- *Overall adjustment.* The targeted primary balance was broadly in line with debt stabilizing levels for GRA programs and aimed to reduce debt levels for PRGT programs. The average annual fiscal adjustment target was ½ percent of GDP for GRA programs and ¾ percent of GDP for PRGT programs, with higher adjustment planned for members at higher levels of debt vulnerability. These adjustments were lower than in the previous ROC for GRA cases (with the 1¼ percent of GDP) and higher for PRGT cases (with ¼ percent of GDP).

- *Response to COVID-19.* Fiscal adjustment targets were lowered for programs approved in 2020 to accommodate COVID-related support and were significantly raised for programs approved in 2021 to facilitate the withdrawal of temporary pandemic measures.

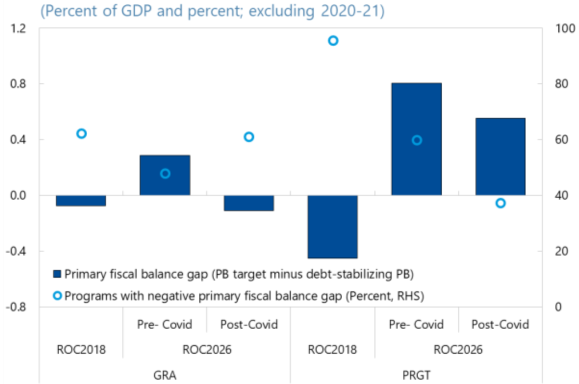
- *Quality of adjustment.* GRA programs continued to rely primarily on expenditure measures, while PRGT programs increasingly emphasized revenue mobilization. Post-pandemic, GRA programs on average set primary balances slightly below debt-stabilizing levels, balancing fiscal adjustment needs with growth considerations. GRA programs aimed to facilitate higher capital spending, a trend that is less pronounced in PRGT programs.

- *Granularity of conditionality.* GRA programs increasingly adopted quantitative targets on social spending and on the oversight of state-owned enterprises (SOEs), while PRGT programs focused particularly on priority spending and revenue administration. Fiscal structural conditionality increasingly addressed subsidies, SOEs, and revenue reforms (details are further below). The evidence suggests that social spending conditionality (SSC) is associated with improvements in poverty and inequality (particularly in PRGT countries), albeit with a lag, but has had limited effects on social spending (Background Paper, Section IV).

Figure 14. Fiscal Adjustments – Program Design and Outcomes

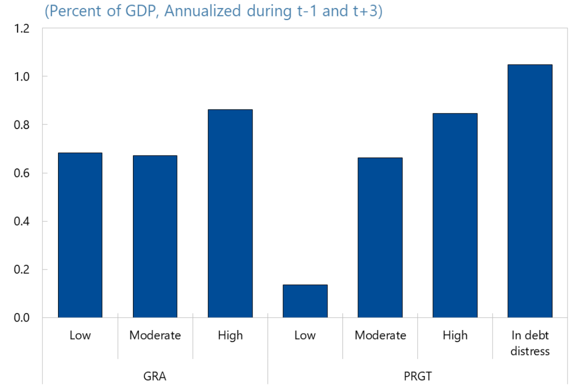
Primary balance targets broadly aimed to stabilize debt in GRA programs and reduce debt in PRGT programs …

Primary Fiscal Balance Gap: Targets vs Debt-stabilizing Levels
(Percent of GDP and percent; excluding 2020-21)



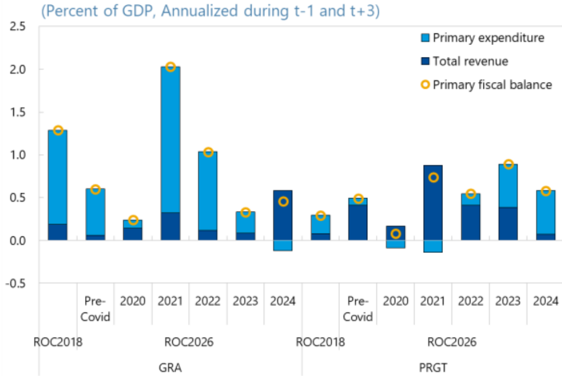
…reflecting more ambitious targets in cases with greater debt or financing vulnerabilities.

Change in Primary Fiscal Balance, Targets
(Percent of GDP, Annualized during t-1 and t+3)



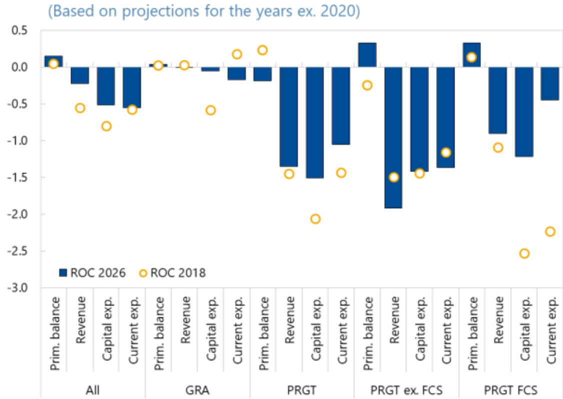
Planned adjustments incorporated the effect of COVID, and PRGT programs aimed for revenue increases.

Change in Primary Fiscal Balance, Targets
(Percent of GDP, Annualized during t-1 and t+3)



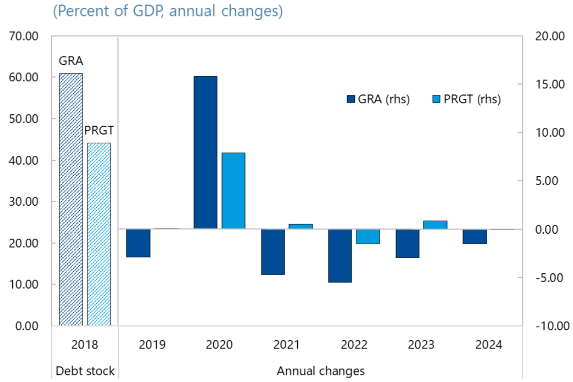
However, PRGT programs often relied on spending cuts to offset revenue shortfalls.

Median 1-Year Ahead Forecast Errors
(Based on projections for the years ex. 2020)



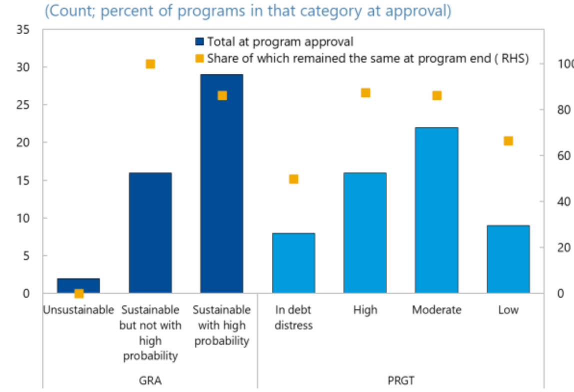
Public debt returned to pre-pandemic levels in GRA and stabilized in PRGT programs, …

Debt Stock Dynamics in Program Countries
(Percent of GDP, annual changes)



…however, without significant improvement in debt vulnerabilities.

Debt Distress Risk Assessment: ROC 2026
(Count; percent of programs in that category at approval)



Sources: MONA database; IMF WEO; IMF staff reports; IMF staff calculations.
Notes: Forecast errors are calculated as actual outcomes minus projections. Debt distress risk assessment is based on the overall risk of debt distress rating with external debt distress rating used where the overall was not available. These exclude programs envisaged to end after 2025.

33. **On average, outcomes for overall fiscal adjustment fell short of expectations (partly due to the pandemic) and the quality of adjustment was weaker than initially planned.** GRA

programs underperformed owing to persistent pandemic-related spending, while PRGT programs saw shortfalls primarily from revenue. Shocks played an important role; a longer-term analysis confirms that large fiscal deviations have been mainly driven by severe and unexpected shocks, including global crises (Background Paper, Section III). PRGT programs compensated for revenue shortfalls, both during and after shocks, by cutting current and capital spending, whereas GRA programs frequently sought to maintain current expenditure when confronted with revenue declines during periods of shocks.

34. Public debt has stabilized, albeit at high levels, and though declining in some cases, debt vulnerabilities remain significant. Median debt in GRA programs has returned to pre-pandemic levels and stabilized in PRGT programs, albeit at high levels. During the program period, debt vulnerabilities remained broadly unchanged for most programs though they were successfully reduced in about 10 percent of PRGT programs. Debt vulnerabilities (as reflected in their risk ratings) did not change in 80 percent of PRGT cases, many of which were FCS, with a third remaining in debt distress or at high risk of distress.[7] The few cases where debt vulnerabilities deteriorated reflected structural challenges, shocks, or weak program implementation. Meanwhile, debt forecast accuracy improved over time, though large errors during the pandemic and persistent challenges remain, especially in PRGT programs (Background Paper, Section V).

35. Debt restructuring operations played an important role in alleviating debt pressures in several cases, partly driven by improvements in processes, thus also helping tackle the problem of "too little too late" action on debt highlighted in the last ROC. Most restructurings improved debt sustainability, with outcomes varying in scale, duration, and market re-entry. Some (e.g., Zambia) received substantial face value reductions (from private creditors) but long-term gains were at times constrained by shocks, conflicts, or scope. All GRA programs involving debt restructuring saw a clear improvement in their debt sustainability assessment immediately following a comprehensive debt restructuring strategy (Argentina, Barbados, Ecuador, Suriname, Ukraine).[8,9] About half of PRGT cases (e.g., Somalia, Chad, Zambia) saw upgrades in debt risk ratings. Others achieved limited gains (e.g., Central African Republic, Mozambique, Republic of Congo), as operations focused more narrowly on addressing disputed claims or liquidity pressures. Experience with recent restructuring cases and ongoing work of the Global Sovereign Debt Roundtable have helped shorten the restructuring process and reduce uncertainty around them in more recent cases.

36. Considering still elevated vulnerabilities, the above points to the need for sufficiently strong adjustment sustained over an adequate period to build resilience. While program design

[7] The ongoing review of the Joint IMF-WB Debt Sustainability Framework for Low-Income Countries (LIC-DSF) is exploring how to better distinguish the nature of risks across countries, recognizing that current risk ratings mask a wide range of near and long-term risks, as well as risk drivers.

[8] Argentina's restructuring operation provided substantial cashflow relief and helped restore debt sustainability with high probability, but by the time of the program request, the impact of COVID-19 required a reassessment of assumptions rendering debt sustainable but not with high probability, a rating that was sustained through the 2022 EFF (IMF, 2025c).

[9] Ukraine re-entered a debt restructuring following Russia's invasion in 2022, with the latter together with the impact of COVID-19 being major factors behind the subsequent deterioration in Ukraine's debt vulnerabilities.

adapted to the multiple shocks of this ROC period, thus helping maintain stability, the imperative looking ahead is to deliver sufficient adjustment, underpinned by high-quality policies that enable the authorities to navigate challenging tradeoffs related to supporting inclusive growth.

D. Monetary Policy

37. During most of this ROC period, inflation globally was above historical trends and notably higher than in the decade prior. By 2022–23, the median program started with inflation one standard deviation above its historical (10-year trailing) average, reflecting COVID-related shifts in supply and demand, expansionary monetary and fiscal policies, and a surge in global commodity prices following the war in Ukraine.

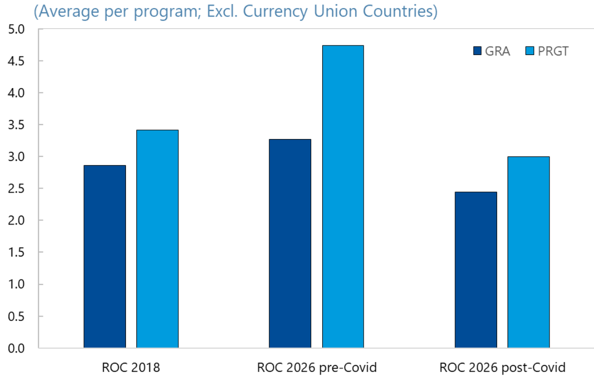
38. Most programs prioritized disinflation and tailored monetary conditionality to country specificities. About 44 percent relied exclusively on performance criteria, targeting base or reserve money (BRM) or net domestic assets (NDA). Many were PRGT programs facing structural challenges such as high dollarization, shallow markets, or weak monetary policy transmission. Another 23 percent included review-based conditionality (RBC) via inflation consultation clauses (ICCs) or monetary policy consultation clauses (MPCCs). The remaining one third, mainly currency union members (e.g., CEMAC, WAEMU) and dollarized economies (e.g., Ecuador, Panama), had no monetary policy conditionality. Structural benchmarks, more common and frontloaded in PRGT programs, supported reforms to central bank autonomy, liquidity management, and FX markets. Backed by capacity development (CD), these reforms aimed to strengthen implementation capacity, develop monetary frameworks (IMF, 2025a), and address high exchange rate passthrough (Kemoe and others, 2024). In some programs with hard pegs or currency unions, monetary policy conditionality was used to reinforce fiscal anchors and limit monetary financing.

39. Inflation outcomes were uneven, with many of the weaker cases reflecting global shocks, exchange rate dynamics, institutional weaknesses, and shortfalls in implementation (Figure 15). For many programs, inflation fell but insufficiently. An empirical analysis using a synthetic control method shows that the median program experienced medium-run inflation slightly below a "no-program" counterfactual, with larger effects for PRGT countries (Background Paper, Section VI). Exchange rate regimes were a key driver of heterogeneity: "intermediate or transitional regimes" (that fall between conventional pegs and floating arrangements or were in flux prior to program start) saw the widest dispersion in inflation outcomes relative to "no-program" counterfactuals, along with the largest inflation forecast errors, while those with clearer nominal anchors fared better, partly reflecting their differential ability to anchor inflation expectations. Global shocks were also a major contributor to forecast errors, while domestic fiscal and monetary policy slippages also played a role in PRGT cases, reflecting design and implementation challenges.

Figure 15. Inflation and Monetary Policy Conditionality

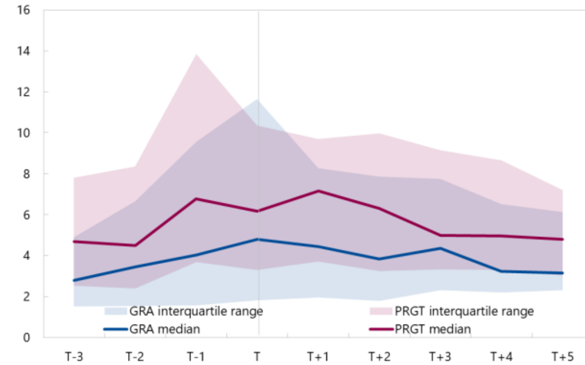
Programs, especially PRGT ones, continued to incorporate monetary policy structural benchmarks.

Structural Benchmarks: Central Bank and Exchange System Conditionality During Program
(Average per program; Excl. Currency Union Countries)



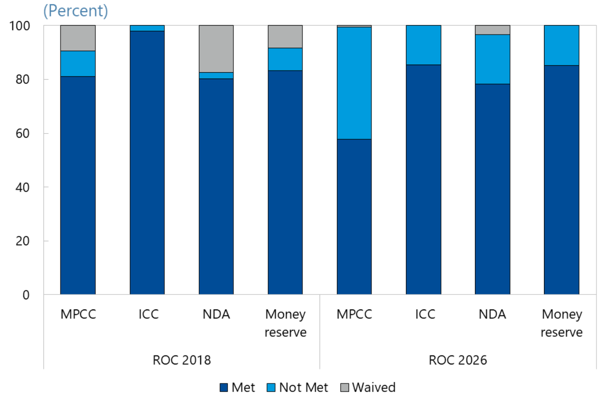
Inflation outcomes were mixed …

Inflation Outcomes Under IMF-Supported Programs
(Percent; 2018-2024)



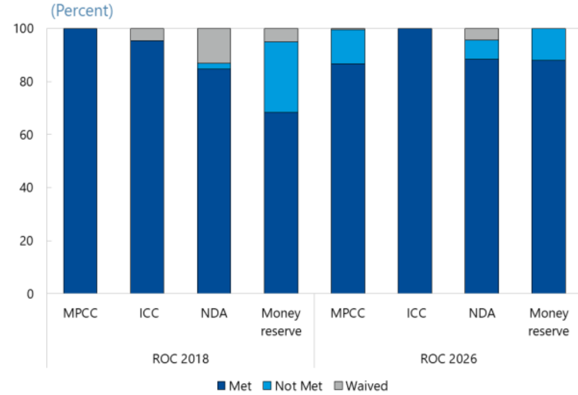
…amid weaker compliance with conditionality, particularly for GRA programs …

Monetary Policy Conditionality Performance: GRA Programs
(Percent)



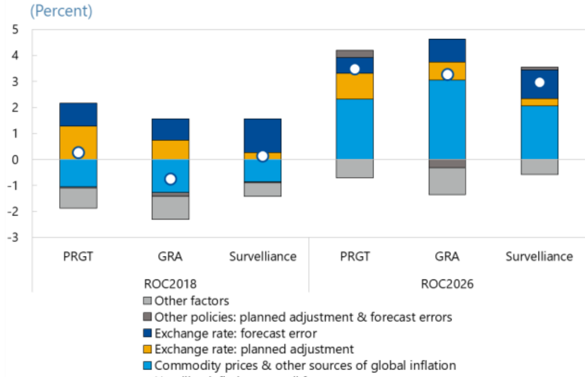
…relative to PRGT programs.

Monetary Policy Conditionality Performance: PRGT Programs
(Percent)



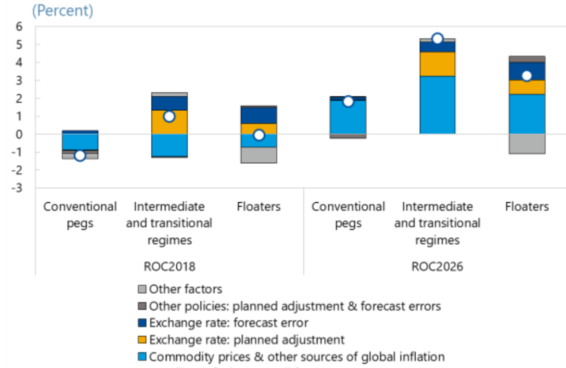
Global factors were main drivers of inflation forecast errors, but planned exchange rate adjustments were also key …

Decomposition of Inflation Forecast Errors by Program Type
(Percent)



…especially for programs starting from intermediate or transitional exchange rate regimes.

Decomposition of Inflation Forecast Errors by Exchange Rate Regime
(Percent)



Sources: MONA database; IMF WEO; IMF staff calculations.

Notes: Time T denotes program start date. Forecast errors are based on two-year ahead forecasts and were computed after dropping hyperinflation defined as cases of annual inflation above 100 percent.

40. The above considerations highlight the importance of measures to enhance credibility and anchor inflation expectations. Country case studies offer key lessons on the conditions for success and barriers that persist. Frontloaded and decisive policy tightening proved critical in Costa Rica (2021 EFF) to combat the 2022 global inflation shock, with an 825-basis point hike, supported by a credible inflation-targeting regime and exchange rate flexibility, all of which led to rapid disinflation from a peak around 10 percent. Institutional reforms to underpin credibility played a vital role in Armenia (2022 SBA), strengthening the central bank's operational framework, developing key markets for monetary transmission, and enhancing policy communications. Although the impact may materialize gradually, such reforms help to reinforce the credibility and effectiveness of monetary policy. By contrast, weak operational independence and slow institutional reforms constrained policy effectiveness and led to persistent inflationary pressures in some cases.

E. Exchange Rate and External Adjustment

41. Progress on external adjustment was mixed (Figure 16). The reserves levels as a share of imports improved in 37 percent of programs that initially had weak coverage. Over half of programs initially assessed to have weak external positions experienced some strengthening, while nearly half of those initially assessed to have broadly aligned external positions experienced a deterioration.

42. Real effective exchange rate (REER) adjustment supported rebalancing in a small share of cases, underscoring the importance of consistent policy packages for external rebalancing. While exchange rate flexibility can work as an automatic shock absorber during programs, the choice of the exchange rate regime ultimately lies with the members. Only 5 percent of programs shifted from fixed to floating regimes, while 21 percent moved from flexible to rigid regimes. Among programs with members having their own currencies, 24 percent saw nominal effective exchange rate (NEER) depreciation above 15 percent (mostly GRA countries and floating exchange rate regimes).[10] However, only half of these achieved comparable REER depreciation as inflation eroded nominal gains, revealing the limited potency of exchange rate adjustments in the absence of a comprehensive adjustment strategy.[11] Programs that paired exchange rate flexibility with credible macroeconomic and structural policies such as Jamaica (2016 SBA), Rwanda (2016 PSI-SCF), and Mauritania (2017, 2023 ECF) were more successful in reducing overvaluation.

43. Many programs, particularly those with low reserve coverage, resorted to exchange restrictions and multiple currency practices (MCPs). At approval, 54 percent of GRA programs had at least one exchange restriction and/or MCP (as defined under Article VIII, Sections 2, 3, and 4, or under Article XIV, Section 2), up slightly from the last ROC, while the share was unchanged for PRGT programs. Just 18 percent of GRA and 11 percent of PRGT programs included conditionality

[10] NEER adjustment was less frequent in PRGT programs and countries with non-floating regimes. Authorities might be reluctant to let the exchange rate adjust significantly owing to macro-financial stability concerns associated with balance sheet effects and pass-through to inflation, especially in countries with weaknesses in institutional capacity (Calvo and Reinhart, 2002; Frankel, 2005; Carrière-Swallow and others, 2016; Culiuc, 2020).

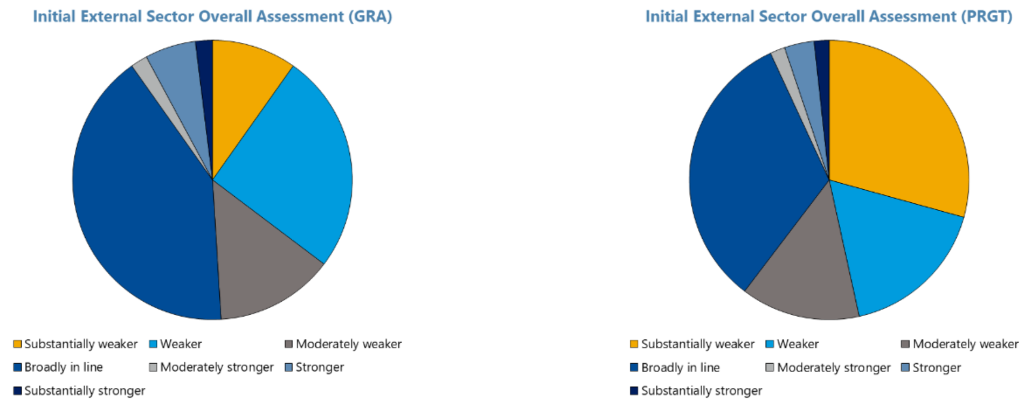
[11] Sustained real depreciation is assessed by comparing the average REER between months 19 and 24 after program approval with the average REER observed seven to twelve months prior to approval.

on exchange system reforms or the removal of restrictions, though all programs provided for the standard continuous PCs including not to impose or intensify restrictions or introduce or modify MCPs. Only 4 percent of programs achieved full removal of exchange restrictions and MCPs, while 39 percent retained at least one throughout.[12,13] The slow removal, especially among PRGT programs, reflects the protracted nature of BOP problems and limited capacity. Many LICs continue to rely on evolving monetary policy frameworks, with limited progress in institutional development.

44. Program experience shows that well-executed exchange rate reforms can deliver meaningful results. Targeted conditionality in programs with initial exchange restrictions and MCPs was linked to better reserve outcomes (by about 0.5-0.6 months). Case studies illustrate the value of a proactive and integrated approach to exchange rate reforms. In Egypt (2016 EFF, 2022 EFF), FX availability improved after the exchange rate was unified and floated. Ethiopia's 2024 ECF achieved similar results, with substantial nominal adjustment, removal of restrictions, and tight monetary and fiscal policies. To strengthen the integration of exchange rate reforms into program design, the IMF's External Balance Assessment (EBA) model could be improved to help inform the calibration of adjustments in crisis settings (Background Paper, Section VII).

Figure 16. External Sector: Assessment, Adjustment, and Exchange Restrictions

In 49 percent of GRA programs and 60 percent of PRGT programs, current accounts were initially assessed as "substantially weaker", "weaker", or "moderately weaker" than implied by fundamentals, pointing to currency overvaluation.

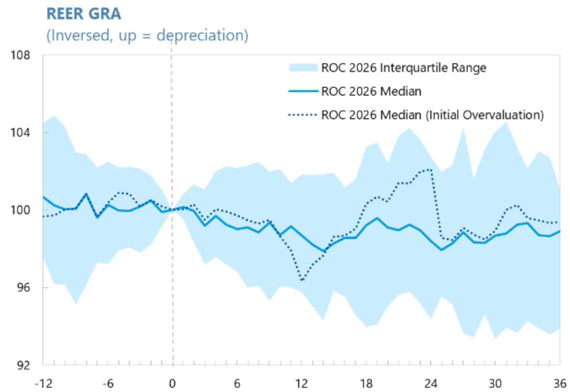


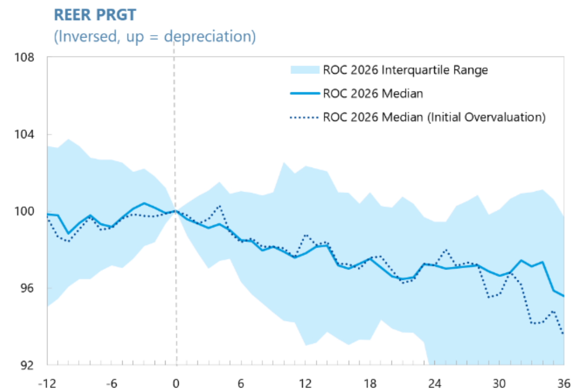
[12] More granular data are needed to assess changes in the intensity of restrictions. The variable on exchange restrictions and MCPs in the IMF's AREAER database is binary (yes/no) and does not capture reductions in the intensity or partial removal of such measures short of full removal.

[13] The analysis of a new capital flow management (CFM) index from Li (forthcoming) also indicates that there was no statistically significant change in average CFMs between the start and the end of program for GRA and PRGT programs, with most programs undergoing no change in CFM intensity.

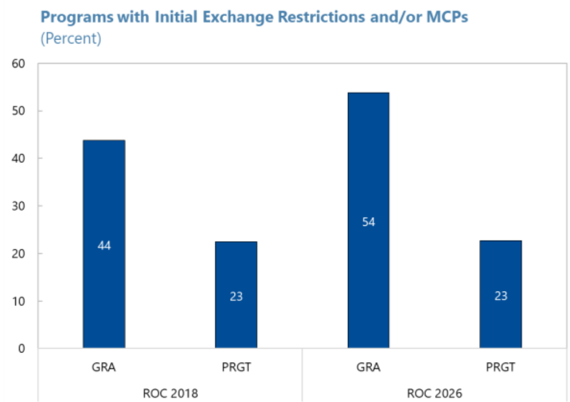
Figure 16. External Sector: Assessment, Adjustment, and Exchange Restrictions (concluded)

However, in general, REER adjustment played a limited role in external adjustment, as the median REER did not depreciate.

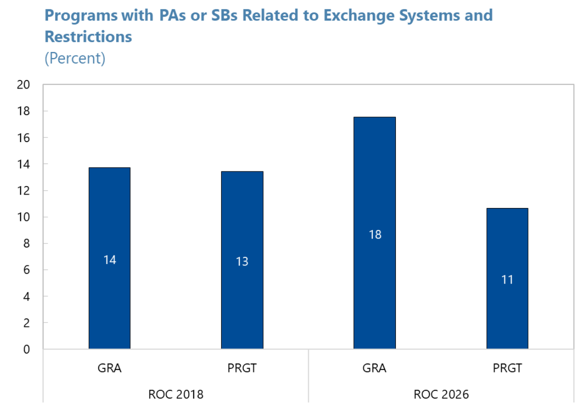




A sizable share of programs had exchange restrictions and multiple currency practices (MCP)…



…but usage of prior actions and structural benchmarks on the exchange system and restriction has remained low.



Sources: IFS; MONA database; IMF WEO; IMF External Sector Assessment database; Culiuc and Park (forthcoming); IMF staff calculations.
Notes: The dotted lines in the middle two charts restrict the sample to programs where the external sector was initially assessed as moderately weaker, weaker, or substantially weaker than the level implied by fundamentals and desirable policies.

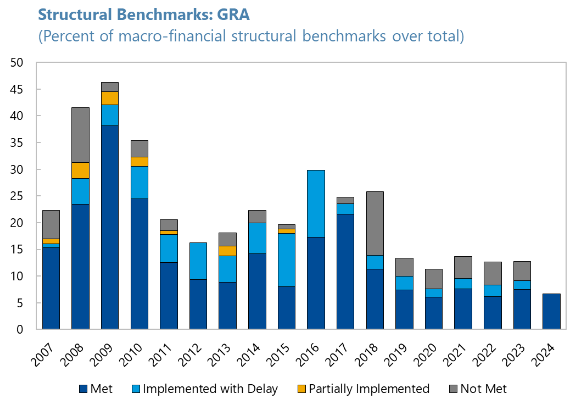
F. Macro-Financial Policy

45. **Macro-financial conditionality has evolved in response to global developments and country-specific circumstances (Figure 17).** In GRA programs, it intensified after the GFC given the need to strengthen financial regulation and banking resilience, then eased with the rollout of Basel III, whereas PRGT programs have maintained steady use, focusing on NPL resolution and oversight of risky banks, with no notable decline in compliance for GRA or PRGT programs. The use of ex-ante tools (such as stress tests and macroprudential policies) declined in response to COVID but has since started to rebound, while ex-post measures (such as bank restructuring and resolution) have remained prevalent or expanded in response to pandemic-related financial stress, particularly in PRGT cases. Conditionality has been well targeted: e.g., credit booms and rising NPLs have prompted measures to resolve NPLs and improve provisioning (e.g., Grenada ECF 2014) while legal reforms have sought to strengthen frameworks underpinning financial stability (e.g., Madagascar ECF 2021, Costa Rica EFF 2021). In domestic debt restructuring cases, ex-post measures such as

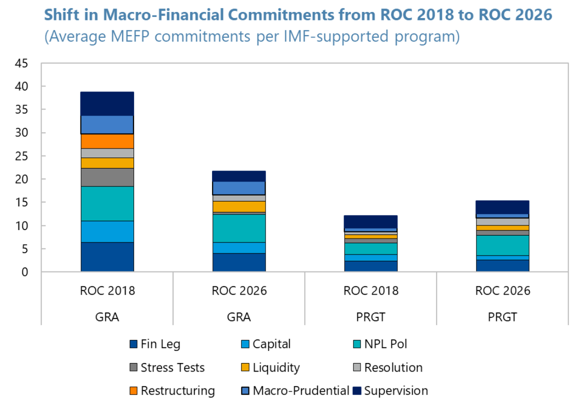
asset quality reviews and bank recapitalization have been used to mitigate the impact on the banking system. Empirical evidence suggests that macro-financial conditionality was associated with declines in NPLs pre-COVID and, in some cases, lower credit-to-GDP ratios, while post-COVID effects were more muted and concentrated in PRGT cases (Al-Karablieh and others, 2025).

Figure 17. Macro-Financial Conditionality

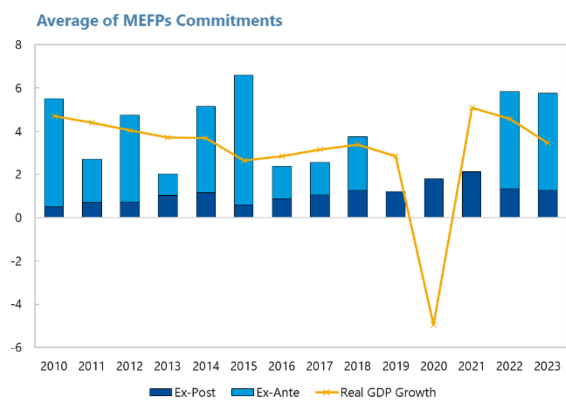
Conditionality declined sharply in GRA cases after 2016…



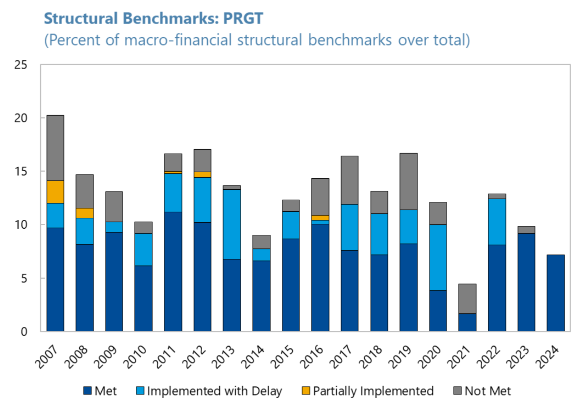
…with lesser use of ex ante tools (e.g., stress testing and macroprudential policies).



During COVID, attention shifted toward ex-post measures.



Conditionality was relatively steady in PRGT cases.



Sources: MONA database; IMF staff reports; IMF staff calculations.
Notes: Data for 2024 structural benchmarks are preliminary, particularly with respect to the implementation status of benchmarks. Figures represent averages for active programs in the respective sample years.

46. **Macro-financial conditionality can proactively help safeguard stability through timely ex-ante interventions tailored to a country's credit cycle.** For countries experiencing rapid credit growth, timely use of macroprudential tools and strengthened supervisory frameworks can help mitigate systemic risks, limiting the need for costly ex-post interventions. These tools can be especially valuable amid the ongoing expansion of digital financial innovation. In low-credit-to-GDP environments, balancing financial inclusion measures with safeguards to maintain financial stability remain important. Achieving durable outcomes require stronger institutional capacity and more systematic integration of ex-ante conditionality into program design (and surveillance) to advance the necessary reforms.

G. Structural Reforms

47. Supporting adjustment remains the core objective of structural conditionality (SC), though recent programs have increased the emphasis on growth-oriented and governance reforms (Figure 18).

- *Areas of coverage.* With a continued strong concentration in the fiscal sector, the focus of SC on growth has increased gradually, particularly among PRGT programs, alongside governance.[14] During COVID, coverage of SC areas narrowed. GRA programs prioritized governance and resilience to allow for temporary easing of adjustment. After the pandemic, the focus reverted to supporting adjustment.

- *Volume and depth.* The number of SCs remains comparable or higher than in the ROC 2018 sample, despite previous calls for greater parsimony (IMF, 2019). Overall depth—measured as high, medium, or low and reflecting the expected structural impact and durability of reforms (IMF, 2024a)—has declined slightly. Depth fell across revenue, financial sector, SOE, and social categories. But depth increased modestly in other fiscal, central bank, and anti-corruption measures, with the latter now showing the highest concentration of high-depth SCs, reflecting the increased focus on governance.

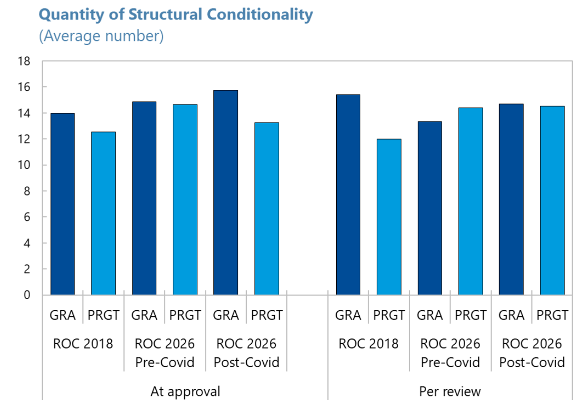
- *Implementation.* Over 80 percent of SCs were met or not met and implemented with delay, though the share of unmet SCs has increased modestly in GRA programs. Implementation rates generally do not appear to be influenced by depth. Unmet SCs are concentrated in SOE reforms, anti-corruption, and private sector-related areas, which also account for a higher share of high-depth conditions. Modifications have been frequent, mostly through longer implementation timelines. In several cases, SCs were converted into prior actions, especially in financial, social, and corruption-related areas. This shift reflects the complexity of high-depth reforms, capacity constraints, and the need to secure ownership for politically sensitive measures.

48. Empirical evidence suggests that while strong SC supports adjustment, the benefits for institutional development and growth take time to materialize (Background Paper, Section VIII). SC that is both deep and effectively implemented—hereafter, strong SC—facilitates improvements in fiscal balances, reserve accumulation, and institutional quality, and thereby is associated with overall program success and sustained engagement. However, growth gains tend to be modest during the program, though moderately stronger over the medium-term relative to non-program countries. While programs with growth-oriented SC see a somewhat higher growth impact, results vary widely and take time to materialize.

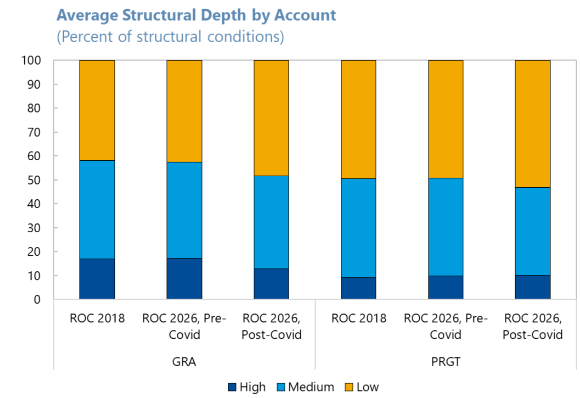
[14] This increase follows recommendations and subsequent increased focus on the macro-criticality of governance weaknesses discussed in the 2018 Review of 1997 Guidance Note on Governance.

Figure 18: Design and Implementation of Structural Conditionality

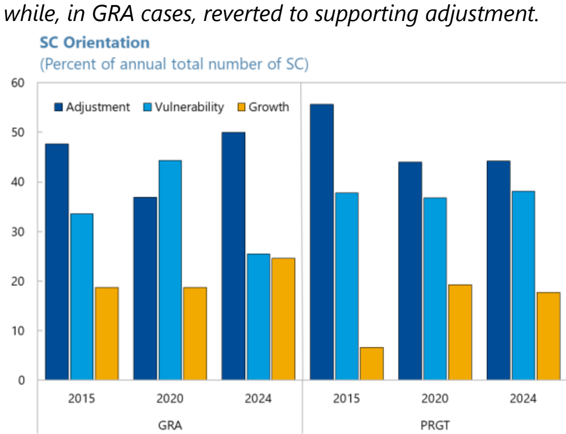
The volume of SC remains high.



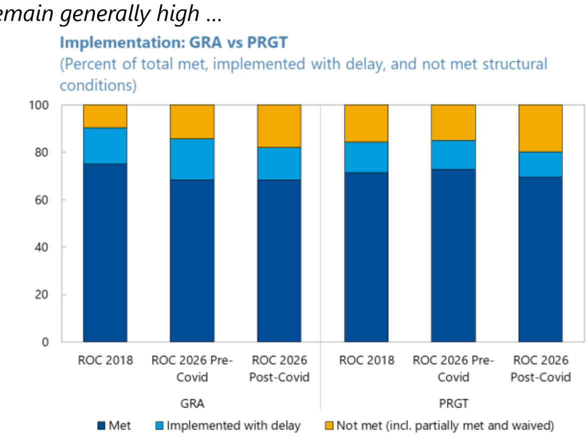
The depth of SC has declined slightly.



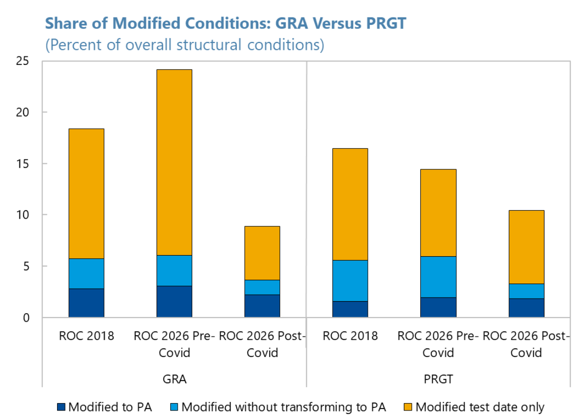
The emphasis in PRGT cases has shifted toward growth while, in GRA cases, reverted to supporting adjustment.



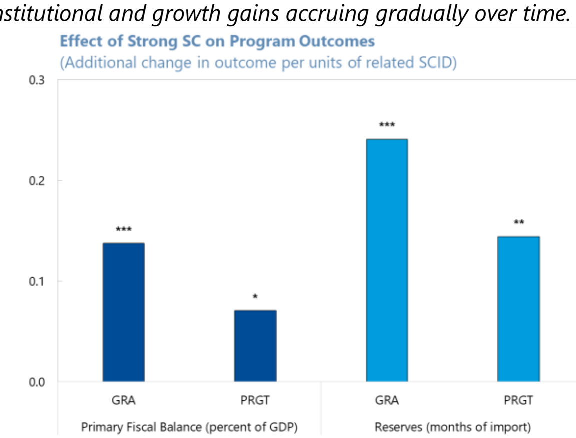
Implementation rates have deteriorated slightly, though remain generally high …



…alongside frequent modifications.



Strong SCs support macroeconomic adjustment, with institutional and growth gains accruing gradually over time.



Sources: MONA database; IMF staff calculations.

Notes: SC orientation is categorized as follows: "Adjustment"—measures supporting stabilization (e.g., fiscal, monetary, FX, SOE subsidies, financial restructuring); "Vulnerability"—governance and institutional reforms (e.g., PFM, debt management, transparency, financial supervision, statistics, anti-corruption); "Growth"—private-sector and development reforms (e.g., labor/product markets, pensions, SOEs, trade, poverty reduction). The strength of SC is measured using the SC implementation and depth (SCID) score, based on the methodology in IEO (2021). Each SC is scored by implementation—1 (met or met with delay), 0.5 (partially met) or 0 (not met)—and depth—1 (high), 2/3 (medium), and 1/3 (low). The SCID score is the sum of implementation scores weighted by depth. Statistical significance is shown at the 99 (***), 95 (**), and 90 (*) percent levels.

49. There is a need for better tailoring to country specific needs and high-depth SC to support both adjustment and growth, including through proper sequencing and sufficient follow through.[15] A high count of SC can align with parsimony if focused on critical areas and well-sequenced to deliver high impact reforms. Fiscal and governance SCs have shown improved sequencing, but growth- and social-oriented SCs often lack follow-up, limiting continuity and long-term impact. Social SCs, largely delivered through indicative targets (ITs), rarely extend beyond two reforms, particularly in PRGT programs, despite the heightened focus on poverty reduction. Only 27 percent of sequenced reforms show increased depth over time, underscoring the need for sustained progression toward more ambitious reforms in later stages of a program. The experience from RSFs may be valuable going forward, by explicitly describing reform sequencing at program design, clarifying the ultimate goal of SC.

50. Targeted and ideally pre-program CD can support high-depth SC and help improve reform implementation. Fund CD has remained closely aligned with program priorities, particularly in fiscal and financial sectors, while relying on development partners to cover growth-oriented reform areas. It has been crucial in programs with countries that need to strengthen or build their institutions, such as FCS and SDS. Integration is strong in core sectors but needs strengthening in macro-structural and SOE reforms. Enhancing coordination with other CD providers and keeping governance diagnostics current can further improve effectiveness and relevance.

H. Financing Strategy to Support Policy Adjustment

51. Amid tighter global financing conditions and declining capital flows to EMDEs, several program countries have increasingly relied on multilateral support.[16] Private and bilateral capital flows to EMDEs have declined over the past decade (Figure 2). Since 2018, and especially after 2022, bond spreads and interest rates have risen sharply, raising borrowing costs (Background Paper, Section V). As global financial conditions tightened, prompting a flight to safety, some countries lost access to international capital markets, and reliance on multilateral financing increased for the median PRGT and GRA program country by about 4 percent of GDP since 2018. The stock of multilateral debt is around 15 percent and 18 percent of GDP in the median GRA and PRGT program country respectively, at or near the peak since the GFC. However, a high concentration of such debt may complicate debt restructuring efforts in the event of distress. Despite some progress in addressing debt vulnerabilities, regaining market access remains difficult.

52. The composition of public debt has gradually shifted toward more costly sources, particularly for PRGT cases. Even before the COVID-19 pandemic, PRGT programs increasingly turned to private and non-Paris Club official lenders, reflecting the end of the Highly Indebted Poor

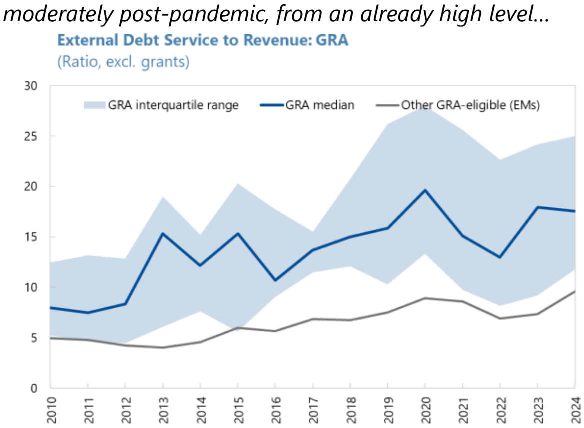
[15] Sequencing refers to multiple structural reforms in a specific area being implemented across subsequent reviews. This allows for a one review "break" in between observations, i.e., SC on central bank operations implemented in reviews 1 and 3 would count as sequenced reforms.

[16] For ¶51 and ¶52, the time-series data on creditor composition includes all years for countries under IMF programs covered in the ROC 2026, regardless of when the program started. As such, the trends reflect the evolution of creditor exposure over time and do not isolate changes that occurred specifically during program periods.

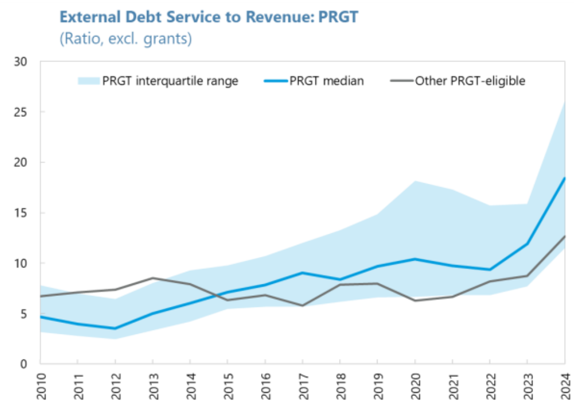
Countries (HIPC) initiative and the rise of new creditors. In PRGT countries, multilaterals still account for about half of total external public debt, but the share held by private creditors has risen sharply to nearly 20 percent, up from under 10 percent a decade ago, especially in frontier markets. In GRA countries, the share of bilateral debt from non-Paris Club bilateral creditors rose to 13 percent of total external debt, compared to less than 5 percent a decade ago. These shifts, combined with elevated debt levels and the sharp increase in funding costs, have significantly raised debt service burdens: in PRGT countries, median public external debt service doubled between 2022 and 2024 (Figure 19). GRA countries have also faced more refinancing pressures, though increased reliance on multilateral borrowing has partially mitigated risks. Countries also borrowed domestically: during 2019–23, median domestic debt rose by 6.5 percent of GDP in PRGT cases and by 11 percent of GDP in GRA countries, exceeding the pace of the previous decade.

Figure 19: Public External Debt Service

External debt service for GRA countries has increased moderately post-pandemic, from an already high level…



…and significantly for PRGT countries.



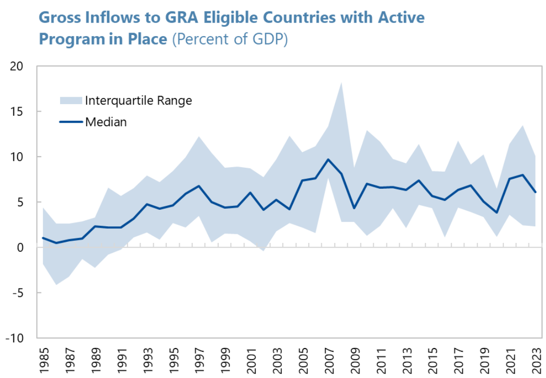
Source: IMF staff calculations based on World Bank International Debt Statistics (IDS).
Notes: 2024 onwards are IDS projections based on 2023 external debt stocks. For the GRA sample, 12 out of 38 countries do not report data to IDS.

53. Against this backdrop, the catalytic role of Fund programs has weakened. Historically, GRA arrangements attracted private and official capital inflows, while PRGT programs were linked to higher multilateral financing and official development assistance (ODA). But new empirical estimates following the approach developed by Krahnke (2023) and He and others (2024) show that these associations have diminished since the GFC, particularly for GRA cases (Figure 20).

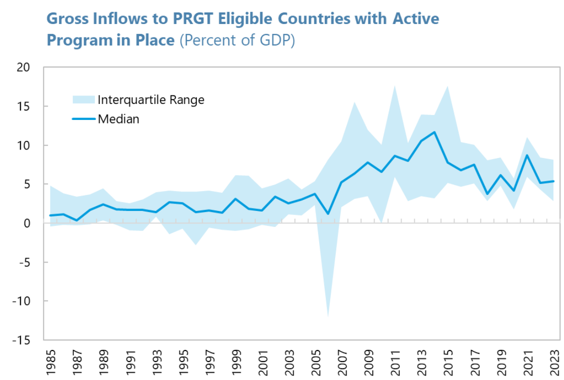
54. Strong and credible reforms and sustained program implementation are critical drivers of financing inflows. Strong program design—anchored in credible fiscal and external adjustment—correlates with higher capital flows at the beginning of the program. Sustained program implementation, such as meeting PCs, is more strongly associated with higher financial inflows, particularly in GRA programs. The depth of structural conditionality, however, shows little relationship with financing outcomes. In some cases, larger program sizes have been associated with lower inflows, likely reflecting creditor concerns about repayment risks when Fund exposure dominates. This effect appears more pronounced in high-access cases, where a high share of senior obligations to the Fund may deter private creditors (Krahnke, 2023). Evidence from the current ROC programs and recent studies show that while IMF support and debt relief can ease immediate liquidity pressures, restoring durable market access hinges on the implementation of credible reforms, strong governance, fiscal and debt transparency as well as improved fundamentals.[17] Implementation of sound debt management strategies are also helpful in attracting foreign financial flows by signaling macroeconomic stability and credibility.

Figure 20. Catalytic Role of Fund Programs

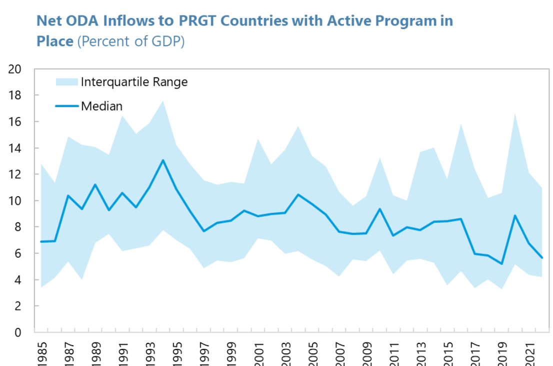
Gross inflows have been broadly stable for GRA cases …



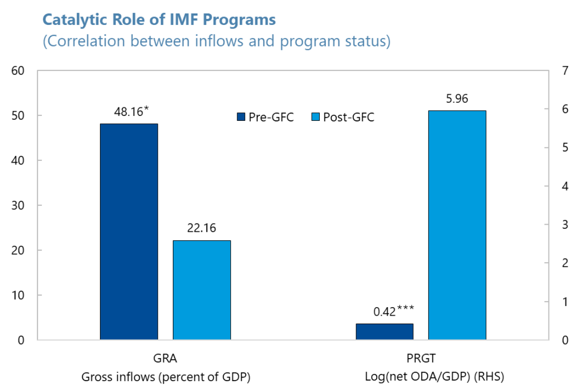
…while PRGT programs saw a modest decline after 2013 …



…partly driven by declining ODA inflows.



Program countries saw stronger inflows than non-program peers, though this difference has narrowed for GRA cases.

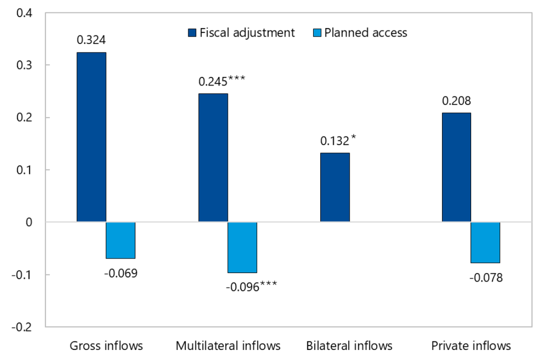


[17] Kogan and others (2024) found that an IMF arrangement is associated with a 46 percent reduction in spreads, on average, four years after the approval of an IMF arrangement, with successful implementation of the policies and reforms covered by the program being a key contributor to regaining market access. In addition, Avila-Yiptong and others (2025) show that better governance—particularly government effectiveness, control of corruption, and regulatory quality—significantly lowers spreads in EMs, reinforcing the importance of institutional strength. Recent empirical evidence also supports the positive effect that fiscal and debt transparency can have on sovereign financing conditions (see literature cited in IMF, 2023d).

Figure 20. Catalytic Role of Fund Programs (concluded)

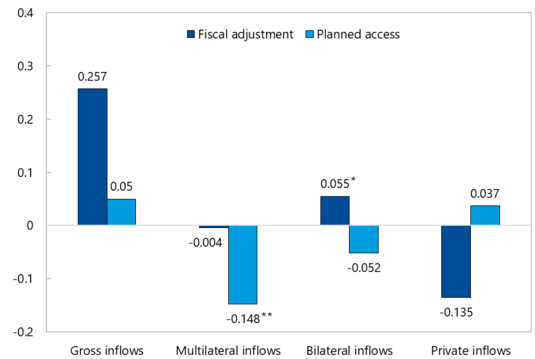
Larger planned fiscal adjustments in GRA programs align with higher inflows at program approval, …

GRA: Correlations with Inflows at Program Design
(Inflows in percent of GDP)



…a pattern also seen in bilateral inflows under PRGT programs.

PRGT: Correlations with Inflows at Program Design
(Inflows in percent of GDP)



Sources: IMF BOP database; IMF WEO; MONA database; IMF staff calculations.
Notes: Gross inflows are presented in the analytic framework, which excludes transactions related to Fund financing. Estimated correlations are obtained from regression analyses of (i) the role of Fund programs on gross inflows (similar to Krahnke (2023) and He and others (2024)); and (ii) the role of program design (such as planned fiscal adjustment and access) on various types of inflows at program approval.

I. Other Issues Covered or Proposed to be Covered

55. This ROC also explores a broader set of issues related to program design and implementation. Enterprise risk assessments have direct implications for the integrity and risk management of Fund-supported programs and are briefly discussed below. Other areas include evenhandedness and political assurances, which subject to Directors' agreement could be discussed at the second informal engagement.

- *Enterprise risk assessments (ERA).* ERAs have provided critical inputs for supporting informed and accountable decision-making in some program cases with wider potential application to support decision-making as more complex problems are considered (Background Paper, Section XI).

- *Evenhandedness.* Fund lending decisions must balance the principles of tailored support and uniform treatment of members. While evenhandedness calls for consistent application of program conditionality and design across members, UFR decisions must also account for country-specific circumstances, as long as such distinctions are grounded in relevant differences and are not arbitrary. Ensuring evenhandedness does not imply identical treatment for all members, but rather that countries facing similar conditions are treated in a comparable manner. Given its importance to the Fund's credibility and the need to preserve trust among the membership, further analysis could be undertaken for the next informal paper.

- *Political assurances.* Situations may arise where uncertain electoral outcomes could alter the member's commitment to the program or the political support for its implementation. In such cases, as a matter of practice, the Fund has required assurances from key opposition parties or presidential candidates that the overall objectives and key policies of a program will be implemented in the event of a change of government during the period of a Fund-supported program. These safeguards are particularly relevant when assessing the authorities' capacity and willingness to carry out agreed policies. Given their significance for program design and approval, this topic could be further reviewed in the next paper.

KEY TAKEAWAYS AND THEMES

The Fund has played a critical role in helping vulnerable members navigate a complex international economic context. Programs have pragmatically sought to resolve BOP imbalances and build resilience. However, the task remains incomplete. Moreover, amid an uncertain, volatile, and low global growth context and ongoing transformational changes, BOP needs and vulnerabilities will remain sizable and persistent. Therefore, strengthening macroeconomic policies, frameworks, and buffers are essential and urgent, though challenged by elevated social pressures, shifting geopolitical fault lines, and dwindling donor financing. Lessons from recent programs underscore five pivotal themes to enhance prospects of success: high-quality and well-balanced macroeconomic policy packages to address adjustment needs and set the basis for sustained growth; robust program design given high uncertainty; timely and proactive engagement with the Fund; resolving cases of persistent BOP needs, including the incidence of follow-on arrangements; and adequate financing.

A. Takeaways for Resolving BOP Vulnerabilities

56. The evidence presented in the previous sections points to the adaptability of IMF program design and conditionality in extraordinary circumstances. Specifically, programs adapted to the COVID-19 shock, such as easing fiscal consolidation in 2020, removing the temporary support measures in 2021, and subsequently reverting fiscal consolidation to pre-pandemic patterns. Important progress was made in stabilizing economies, as the Fund pragmatically helped vulnerable members navigate high uncertainty and challenging tradeoffs.

57. Nonetheless, securing medium-term external viability has been a challenge for several members who have had difficulties pursuing stronger policy tightening in the face of shocks. In turn, this raises the question of whether the Fund should have pressed for tighter policy settings. However, the heterogeneity of program experiences does not point conclusively either way. Successful programs illustrate the benefits of well-calibrated, comprehensive policy packages, including improved social outcomes. In some other cases, program design and conditionality aimed to use multiple policy levers to facilitate external adjustment, but outcomes fell short, reflecting the magnitude of the shocks and limited progress in improving policy frameworks. In some instances, the social context also made a pivot to tighter policies politically difficult.

58. Helping members to resolve their BOP imbalances and restore medium-term external viability while fostering sustainable economic growth should remain the priority going forward. There are no easy solutions, and any path involves difficult tradeoffs on how much and when to adjust, which in turn needs to reflect available financing as well as what the member can and is willing to credibly deliver. On the one hand, a gradual pace of adjustment can help a member navigate economic and social pressures in the near term, but an ultimately incomplete adjustment is neither sustainable nor helpful for the member. On the other hand, advocating strong adjustment measures in the near term can exacerbate near-term economic and social pressures, which may undermine ownership and the ability to deliver, but completing the adjustment is ultimately needed for sustainability and resolution of imbalances. This demands diligently and systematically progressing toward resolving imbalances and restoring medium-term external viability, through a comprehensive, well-balanced, and high-quality policy mix that pays due regard to domestic and social circumstances, supported by clear and proactive communication to manage expectations, counter vested interests, and strengthen cohesion throughout the process.

59. Headwinds from a complex and evolving global economic context are set to persist, further highlighting the importance of sufficient and sustained adjustment and reform. Global growth over the medium term is projected to remain the lowest in decades, and policy uncertainty remains significantly above the levels of the last few decades (IMF, 2024c). Financing conditions remain tight and official development assistance is declining. Political polarization within economies is at multi-decade highs (Figure 2). Headwinds to BOP stability are also arising from major transformations underway such as in geopolitics, trade protectionism, climate change, digital finance, other technological advances, and demographics.

60. The complexity of BOP vulnerabilities highlights the need to define well the BOP problem a program is seeking to resolve. Aiming to resolve BOP vulnerabilities across all issues that a member may face risks overloading any individual arrangement, potentially setting it up for failure. In this context, the design of Fund-supported programs should identify the most impactful measures that will help the member solve its BOP problem such that, at the outset, implementation of the program is expected to result in access to financing from markets or sources other than the Fund and the ability to repay the Fund. While the Fund cannot approve an arrangement that ex ante assumes the need for a future arrangement, ex post a follow-on arrangement may be needed, e.g., if new sources of BOP needs arise or if measures implemented prove insufficient or require more time to yield the expected benefits. This calls for a well-sequenced and integrated approach to reforms to resolve the member's BOP needs and restore medium-term external viability.

B. Key Themes for the 2026 ROC

61. Five themes emerge from the above analysis to inform and strengthen the design of Fund-supported programs. These themes are outlined below. If Executive Directors broadly agree, staff proposes to analyze these themes further at a second informal engagement in Spring 2026.

62. First is the importance of a high-quality and well-balanced policy package. Well-designed macroeconomic policies with upfront and realistic adjustment and due attention to social needs and CD requirements would support ownership and build credibility in addressing imbalances. This may include leveraging advances in the Integrated Policy Framework. Fiscal adjustment would ideally move beyond discretionary—often capital and/or social—expenditure cuts to encompass revenue mobilization, especially for PRGT-supported programs, and other nondiscretionary spending. Greater reliance on monetary and exchange rate policies to facilitate external rebalancing would reduce the burden on fiscal policy. Deeper structural conditionality supports stabilization and growth but must be sustained and well sequenced. When debt vulnerabilities are elevated and policy leeway is limited, timely and adequate debt operations may be critical to restoring sustainability.

63. Second is the need for robust program design amid high uncertainty. Progress has been made, e.g., through the realism tools of the Sovereign Risk and Debt Sustainability Framework (IMF, 2021b), the new exceptionally high uncertainty policy (IMF, 2023c), the FCS strategy (IMF, 2022), and the guidance on IMF engagement with SDS (IMF, 2024d). Further improving forecast accuracy and program realism would underpin a sound macroeconomic baseline, as would further adapting program design to tailor to country circumstances (Background paper, Section IX). Contingency planning would allow for proactively managing risks by helping members prepare to respond flexibly and in a timely manner to shocks or to recalibrate and pivot on policies where needed (Background Paper, Section II). The enterprise risk management framework could also be leveraged to facilitate a candid discussion with the Executive Board (Background Paper, Section XI).

64. Third is the benefit of timely engagement with the Fund. Timely engagement and adjustment are key drivers of program success. Resolving imbalances is easier and swifter if corrective policies are implemented in a timely manner, but stigma often leads to delays in program engagement. To this end, work is underway to exploit synergies with the concurrent CSR. The development of detailed adjustment and reform options could be encouraged in near-program (surveillance) cases to guide countries in facilitating the timely identification of problems. Systematic risk assessments and contingency policy advice, drawing on scenario analyses, would help countries prepare for adverse developments and smooth the transition from surveillance to program engagement. In recently completed programs, integrating such contingency planning where BOP vulnerabilities remain elevated could further support timely policy adjustments.

65. Fourth is the need to resolve persistent BOP problems. Against the backdrop of a rise in follow-on GRA arrangements, a key challenge is to help members resolve imbalances and restore medium-term external viability. In a complex international context, financing gaps could resurface, even when the authorities take the measures to restore medium-term external viability within the program horizon. Additional BOP needs could also arise from new sources, as discussed in ¶59, requiring in some cases follow on programs. In this context, the sources and drivers of the BOP problem in follow-on arrangements could be further explored to refine the approach to program design and conditionality.

66. Fifth is enhancing the catalytic role of Fund-supported programs amid changing dynamics in creditor and donor support. The Fund's role to catalyze additional financing from private and official sources remains crucial to help the member solve its BOP problems. Yet this role is increasingly challenging, including as official development assistance from major donors is falling sharply, raising the risk of more high-access arrangements. Fund programs will therefore need to navigate high external financing needs and declining support from traditional donors, while maintaining appropriate levels of Fund exposure and concessional lending in line with available resources. Strong and robust program design and implementation remains central to the Fund's catalytic role. Proper burden sharing across financing sources, and more systematic cooperation with other IFIs and development partners, could be explored. Attention should be paid to the implications of changing modalities in official support. Cross-conditionality should be avoided to ensure institutional independence, timely decision making, and adaptability. Care must be taken to avoid overloading members with senior debt and crowding-out private investors, and to proactively explore options where the risk of excessive senior debt is elevated. The workstream on debt should continue to improve processes for addressing debt overhangs in a timely and adequate manner.

NEXT STEP

67. Staff propose a sequenced approach to Board engagement to refine and conclude the review. Following the first informal engagement with Directors on the issues raised in this paper, staff propose a second informal engagement in Spring 2026. The discussion would be anchored on another staff paper that could present further targeted analysis as needed and outline specific reform proposals, with the scope of the engagement developed further building on Directors' feedback. The paper would also assess adherence with the 2002 Guidelines on Conditionality. A formal Board engagement is envisaged ahead of the 2026 Annual Meetings to conclude the review.

ISSUES FOR DISCUSSION

68. Staff would welcome Directors' views and comments on the following issues:

- Do Directors broadly agree with the issues, narrative, and emerging themes presented?
- Do Directors support the proposed approach to further Board engagement and the overall direction of the review?
- Should additional elements be considered, or are there any that should be reconsidered, removed, or developed further?

Annex I. List of Countries Covered in ROC 2026

GRA

Angola (EFF 2018)
Argentina (SBA 2018*, EFF 2022*†)
Costa Rica (EFF 2021)
Ecuador (EFF 2019, EFF 2020*†, EFF 2024*†)
Egypt (EFF 2016, SBA 2020*†, EFF 2022*†)
Equatorial Guinea (EFF 2019)
Gabon (EFF 2017, EFF 2021†)
Georgia (EFF 2017†, SBA 2022†)
Jamaica (SBA 2016†, PLL 2023)
Jordan (EFF 2016†, EFF 2020†, EFF 2024†)
Mongolia (EFF 2017)
Morocco (PLL 2016†, PLL 2018†)
North Macedonia, Republic of (PLL 2022)
Pakistan (EFF 2019†, SBA 2023†, EFF 2024†)
Panama (PLL 2021*)
Paraguay (PCI 2022)
Rwanda (PCI 2019†, PCI 2022†)
Senegal (PCI 2020†)
Serbia, Republic of (SBA 2015†, PCI 2018†, PCI 2021†, SBA 2022†, PCI 2024†)
Sri Lanka (EFF 2016, EFF 2023†)
Tajikistan (PCI 2024)
Tunisia (EFF 2016†)
Ukraine (EFF 2015*†, SBA 2018†, SBA 2020†)

FCS

Armenia (SBA 2019†, SBA 2022†)
Bosnia and Herzegovina (EFF 2016†)
Iraq (SBA 2016)
Kosovo, Republic of (SBA 2023)
Ukraine (EFF 2023†)

SDS

Barbados (EFF 2018, EFF 2022†)
Cabo Verde (PCI 2019)
Seychelles (PCI 2017†, EFF 2021†, EFF 2023†)
Suriname (EFF 2021)

PRGT

Bangladesh (ECF-EFF 2023)
Benin (ECF 2017, ECF-EFF 2022*†)
Cote D'Ivoire (ECF-EFF 2023†)
Gambia, The (ECF 2024†)
Ghana (ECF 2015†, ECF 2023)
Guinea (ECF 2017†)
Honduras (SBA-SCF 2019†, ECF-EFF 2023†)
Kenya (SBA-SCF 2016†, ECF-EFF 2021*†)
Kyrgyz Republic (ECF 2015†)
Liberia (ECF 2024†)
Madagascar (ECF 2021†, ECF 2024†)
Malawi (ECF 2018†, ECF 2023)
Mauritania (ECF 2017, ECF-EFF 2023†)
Moldova (ECF-EFF 2016, ECF-EFF 2021†)
Nepal (ECF 2022)
Rwanda (PSI 2013†, SCF 2016†, SCF 2023†)
Senegal (PSI 2015†, SBA-SCF 2021†, ECF-EFF 2023†)
Sierra Leone (ECF 2024†)
Tanzania (PSI 2014†, ECF 2022)
Togo (ECF 2024)
Uganda (ECF 2021)
Zambia (ECF 2022)

FCS

Afghanistan, Islamic Republic of (ECF 2016†, ECF 2020†)
Burkina Faso (ECF 2018†, ECF 2023†)
Burundi (ECF 2023)
Cameroon (ECF 2017, ECF-EFF 2021†)
Central African Republic (ECF 2016†, ECF 2019†, ECF 2023†)
Chad (ECF 2017†, ECF 2021*†)
Comoros (ECF 2023)
Congo, Republic of (ECF 2019, ECF 2022†)
Congo, Democratic Republic of (ECF 2021)
Cote D'Ivoire (ECF-EFF 2016†)
Ethiopia (ECF-EFF 2019*, ECF 2024*†)
Gambia, The (ECF 2020)
Guinea-Bissau (ECF 2015†, ECF 2023)
Liberia (ECF 2019†)
Madagascar (ECF 2016)
Mali (ECF 2013†, ECF 2019†)
Mozambique (ECF 2022)
Niger (ECF 2017†, ECF 2021†)
Papua New Guinea (ECF-EFF 2023)
Sao Tome And Principe (ECF 2024†)
Sierra Leone (ECF 2017†, ECF 2018†)
Somalia (ECF-EFF 2020*, ECF 2023)
Sudan (ECF 2021)
Togo (ECF 2017)

SDS

Cabo Verde (ECF 2022†)
Comoros (ECF 2023)
Sao Tome And Principe (ECF 2015†, ECF 2019†, ECF 2024†)

Sources: MONA database; IMF staff calculations
Notes: *Exceptional Access, †Follow-on Arrangements: defined as a Fund-supported arrangement that is approved within three years after the expiration or cancellation of a preceding arrangement. FCS and SDS in this table are only FCS and SDS that used/accessed GRA/PRGT programs. In line with the 2018 ROC, all PCI programs are classified under GRA irrespective of PRGT-eligibility status. A country-program can fall into more than one category. It may also belong to a category in the years when it had one arrangement and to a different category during another arrangement.

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