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**Statement by Mr. Andrianarivelo, Mr. Sylla, Mr. Nguema-Affane, and Mr. Sidi Bouna
on Independent Evaluation Office—Growth and Adjustment in IMF-Supported
Programs
(Preliminary)
Executive Board Meeting
August 30, 2021**

We thank the IEO for a thorough evaluation on growth and adjustment in IMF-supported programs and the Managing Director for her insightful statement and her broad agreement with the IEO recommendations.

We welcome the finding that the IMF’s increased focus on enabling growth in the context of Fund-supported programs has had positive results overall although more needs to be done to achieve projected growth rates. While growth performance in countries under program has tended to outperform countries without program, growth outcomes in program countries did not achieved the projected levels. Optimistic assumptions on fiscal multipliers appear to have played a key role. The evaluation also rightly highlights the need to adapt these assumptions to country circumstances and underscores their limited discussions in staff reports. Thus, the finding that there is a lack of adequate discussions on contingencies needed to respond to potential growth shortfalls during the design of a program is a concern. Therefore, we call, once again, for flexibility of programs based on contextual challenges of the membership. In this regard, the preparation of documents such as policy note prior to any consultation with the authorities should be thoroughly reviewed to avoid rigidity in program conception. We also agree that in addition to seeking higher growth outcomes, programs should also ensure that growth benefits are adequately redistributed among the population. Against this backdrop, we support **Recommendation 1.**

To achieve higher and more realistic growth rates under Fund-supported programs there is a need to pay closer attention to the program design and implementation of growth-friendly policies. Regarding fiscal policy, we noted with concern many programs’ underperformance in important areas that are crucial to their success, including in the protection of the poor as well as in ensuring adequate levels of health and education spending. Security expenditures in the fragile and conflict affected countries should be also

be considered in this vein. Structural conditionality too did not have the expected impact on growth due mostly to the relatively limited number of structural measures included in programs and also importantly their lack of depth. However, even more concerning is the fact that while capacity development was provided to countries to support the implementation of structural conditionality, it was not always provided to the members with weaker capacity nor was it effective in strengthening the implementation of structural reforms. Hence, we also support **Recommendation 2**.

We note the infrequent use of the exchange rate as a policy tool to support growth, as well as the limited number of countries that transition to greater exchange rate flexibility during Fund-supported programs. As a result, many program countries appear to have lost competitiveness during the period under review by the IEO, especially among PRGT-eligible members. While this highlights the role that a more flexible exchange rate could play in promoting competitiveness, we insist that the choice of an exchange regime is and should remain solely the prerogative of members. In addition, the Fund should work closely with countries that decide to transition to a more flexible exchange rate by ensuring that certain prerequisites are in place, notably the establishment of an adequate policy framework with, among other, measures to deepen the foreign exchange market.

On debt, we fully share the analysis that achieving meaningful and lasting debt sustainability requires ambitious debt operations, including haircuts, as opposed to narrower measures, such as reprofiling. That being said, contrary to fiscal policy measures and structural conditionality, debt operations are not fully under the control of country authorities. They are negotiated with external creditors, including increasingly with private creditors, and obtaining meaningful haircuts from creditors remains challenging for some members. This, in turn, could delay program negotiations with the Fund, as we have witnessed recently during the pandemic where a few member countries did not receive emergency assistance due to the reluctance of some creditors to provide the necessary relief to achieve debt sustainability. The option of using Fund resources to finance debt and debt service restructuring operations (DDSROs) in the context of Fund-supported programs (as reaffirmed in March 2021) should be further promoted in program design.

We concur that further improvement of the models that help analyze the impact on growth of policy measures and reforms is needed. This will help member countries in their efforts to attain their growth objectives under Fund-supported programs while also contributing to address the risks that could materialize during program implementation and the policies to mitigate those risks. Further refinement of the models is particularly needed for the ones that are adapted to LICs given their weaker data. These models should also be used to enrich program discussions with country authorities. We support **Recommendation 3**.