Policy Summary

Improving the Efficacy of IMF Programs and Conditionalities

Virtual Briefing, April 27, 2026

This document provides a summary of "Improving the Efficacy of IMF Programs and Conditionalities." This virtual briefing for G-24 members was co-organized by the G-24 Secretariat and the Boston University Global Development Policy Center. Speakers with expertise in finance ministries and central banks, academia, and the IMF provided inputs and participated in the discussion[1].

Speakers recognized that the IMF plays a central role as the lender of last resort. However, they tended to agree that achieving IMF objectives and advancing medium- to long-term financial stability requires improving IMF programs' effects on growth, export structures, and social and environmental conditions. Advancing these broader and longer-term objectives while remaining anchored in the IMF's core mandate and short-term function will require careful balancing of priorities, effective collaboration with external actors, and preservation of space for national development strategies. Speakers also repeatedly raised concerns about the IMF's evenhandedness.

IMF's Program Design to Balance Stability, Growth, and Social Goals

A central theme of the discussion was the relationship between macro issues and structural reforms, between short-term and long-term, and between fiscal adjustment and growth. Speakers tended to agree that the IMF programs were more effective on the macro side than on growth. Some speakers pointed to evidence that IMF programs have a limited impact on growth and do not improve countries' export structures, leaving them on a more sustainable footing. Evidence shows that growth is higher in PRGT programs than in GRA programs, suggesting that programs with a longer time horizon and less stringent conditionalities are more effective.

A few speakers agreed that the IMF's core mandate and expertise lie in macro issues, and some argued that external adjustment should be the IMF's top priority. However, it was generally recognized that structural reforms and longer-term issues are important to address vulnerabilities in countries' economic structures, including commodity dependence, that can contribute to repeated borrowing. Further, as the IMF increasingly deals with lower-income countries and programs that impact broader issues such as climate change and capital accumulation, a broader set of issues becomes relevant. It was acknowledged that effectively addressing such issues requires deep knowledge of national economic contexts that IMF staff can lack. In addition to improving IMF staff's knowledge of these issues, the IMF should ensure that programs align with national growth strategies and that the IMF collaborates with international actors better suited to longer-term issues. Moreover, the IMF should ensure that programs do not undermine

[1] This virtual event was held on April 27, 2026, under Chatham House rules and therefore this summary does not attribute statements to any speaker. For the purposes of this document, "speaker" refers to anyone who spoke during the call, whether they were a primary presenter, a discussant, or an intervener during the discussion.

longer-term reforms needed to advance development and address the causes of macroeconomic instability. The importance of flexibility, realism, and context-specificity in IMF programs was also repeatedly emphasized.

The importance of fiscal issues was repeatedly raised. Despite its necessity in some circumstances, fiscal consolidation can limit growth and cause social hardship, though the IMF has taken some steps to mitigate the negative distributional consequences of adjustment. Beyond fiscal issues, one speaker emphasized that IMF programs can require premature capital account liberalization, thereby increasing financial volatility. This reinforces the factors that lead countries to need IMF programs and pushes them to self-insure through reserve accumulation, further widening global imbalances. It was also noted that, although governments could certainly improve policy decisions, exogenous shocks have driven many of the G-24 members' balance-of-payments crises in recent years. Speakers argued that these points include reducing reliance on fiscal consolidation in such situations, advancing solutions to supply shocks beyond monetary tightening, and expanding eligibility for mechanisms such as the Food Shock Window or similar future tools.

Evenhandedness and Institutional Credibility

Speakers underscored the importance of preserving confidence in the IMF through the consistent and evenhanded application of its policies across the membership. Some participants noted perceptions that program access, conditionality, and flexibility may vary across countries depending on factors such as systemic relevance, income level, or geopolitical considerations. While views differed on the extent to which such factors are unavoidable in practice, there was broad agreement that transparency, predictability, and uniform treatment are essential to the institution's credibility and legitimacy. Several participants therefore emphasized the value of periodically reviewing the implementation of evenhandedness across IMF operations.

Debt Frameworks and Program Financing

Debt Sustainability Analyses (DSAs) featured prominently in the discussion. Participants highlighted the importance of enhancing their transparency, robustness, and effectiveness, particularly in debt restructuring contexts, and noted that relevant external buffers, including remittance flows where material, should be appropriately reflected. Several speakers also underscored the importance of timely Article IV consultations and of better capturing countries' export structures and external vulnerabilities in surveillance. While one speaker encouraged early engagement with the IMF when vulnerabilities arise, another noted that program design and perceived adjustment costs can influence countries' willingness to approach the Fund promptly.

Participants also discussed the scale and composition of IMF financing. One speaker observed that larger IMF exposure, given its senior creditor status, may in some cases affect the timing or scale of support from other creditors, while another cited research suggesting mixed evidence on the catalytic impact of IMF programs on private investment. Finally, several speakers emphasized that climate shocks and climate-related policy transitions can have direct balance-of-payments and macroeconomic effects and therefore merit continued attention within IMF surveillance and program design.

Recommended readings

Forster, T., et al. Cutting Trees to Balance Budgets: International Monetary Fund Programs Are Associated with Increased Deforestation. *One Earth*, 2026. Available at https://www.cell.com/one-earth/fulltext/S2590-3322(26)00077-1

Gallagher, K. P., Ray, R., & Rinner, D. Adjustment without Accumulation: Evidence on Capital Formation from IMF Programs. Boston University Global Development Policy Center, Working Paper, 2026. Available at https://www.bu.edu/gdp/files/2026/04/GEGI-WP-073-FIN.pdf

Zucker-Marques, M., Hirschel-Burns, T., et al. Toward More Effective IMF Programs: Learning from the Evidence on Conditionality. Boston University Global Development Policy Center, Policy Brief, 2026. Available at https://www.bu.edu/gdp/files/2026/04/GEGI-PB-033-FIN.pdf