Adoption, Implementation, and Impacts of IMF-Supported Programs: A Systematic Literature Review

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Abstract

International Monetary Fund (IMF) supported programs play a pivotal role in shaping economic and political outcomes in recipient countries. However, the processes through which countries adopt, implement, and are affected by these programs vary significantly across contexts. This systematic literature review aims to examine how countries engage with IMF support programs, specifically, how they adopt and implement these programs, and the subsequent political, economic, and social impacts. The review adopts the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) framework to ensure methodological transparency and rigor. A comprehensive search strategy was conducted across multiple academic databases for peer-reviewed articles published since 2000. Inclusion criteria encompassed empirical studies that examine at least one stage of a country's engagement with IMF programs. The selection process followed PRISMA guidelines, including screening, eligibility assessment, and data extraction stages. The initial search yielded 261 studies, of which 76 met the inclusion criteria. The findings suggest that IMF interventions are not purely technocratic; they are deeply embedded in the political economy of both borrowing countries and the Fund itself. This review highlights that implementation success is often contingent on domestic political will, bureaucratic strength, and government credibility, while outcomes vary widely across contexts, reflecting differences in program design, compliance levels, and external economic conditions.

Keywords: *IMF-supported Program, adoption, conditionalities, implementation, Impact, post-crisis reforms.*

JEL Classifications: F33, F41, E62, H63, O19

Background

The International Monetary Fund (IMF) has faced increased public attention due to its significant influence in current global affairs. According to the Articles of Agreement of the IMF, a key objective is to instill confidence among its members by granting them temporary access to the Fund's general resources. Accordingly, IMF-supported programs have long been a central instrument of global economic governance, aimed at stabilizing distressed economies and promoting structural reforms. The sovereign debt crises, followed by the global financial crisis, highlighted the vital importance of the IMF in preserving stability within the global economy (Stubbs et al., 2018). Particularly when international financing suddenly terminates and/or their current accounts experience a sharp decline, member countries often turn to the IMF for support. In such circumstances, governments expect to improve economic performance and prevent a potentially damaging collapse of the financial system or of domestic consumption through a mix of IMF financial aid and economic reforms imposed by the Fund (Bas & Stone, 2014). A country implementing specific domestic policy reforms in exchange for financial assistance from the IMF is explained by "Standard (ex post) conditionality" (Joyce, 2003). Its successful implementation is of paramount importance, directly impacting a borrowing nation's ability to meet program objectives and simultaneously underpinning the institutional credibility of the Fund (IMF, 2017).

Since its establishment at Bretton Woods in 1944, the IMF has been a subject of debate regarding both its role and the success of its programs. An expanding body of literature has examined not only the general effects of IMF interventions on macroeconomic indicators like growth, inflation, and fiscal stability, but also the significant differences in program outcomes across regions, time periods, and types of arrangements. This wide variation in results highlights key questions about the design, execution, and contextual factors that shape the effectiveness of IMF involvement. Gaining insight into these varying outcomes is essential, especially for Sri Lanka, a country increasingly turning to the IMF for support amid ongoing global shocks, debt risks, and structural difficulties. This literature review, therefore, brings together major contributions in the field, traces the development of academic discussions, and pinpoints gaps in understanding varied effects of IMF-supported programs across the program's life cycle, including Adoption, Implementation, and Impacts.

The key contribution of this research is to inform evidence-based policymaking on the adoption, implementation, and impact of IMF-supported programs by providing a consolidated knowledge base that helps researchers identify gaps, contradictions, and trends in IMF program studies over the last two and a half decades. This study provides evidence on the drivers of program success or failure in the context of IMF engagement, offering a way to improve negotiations and program design in the future and to execute difficult reforms so that the reform outcome is successful and sustainable. The study can support ongoing debates about global financial architecture, particularly the IMF's role, legitimacy, and reform, in light of critiques of one-size-fits-all approaches and the social impacts of austerity. Right now, when a country like Sri Lanka considers an IMF program, the debate is often driven by political ideology, public fear, or immediate financial pressure. This study aims to shift that conversation by providing a foundation of solid evidence.

The study also provides insights into global governance, particularly regarding the IMF's role, approaches, and the social impacts of difficult economic conditions. Investigating the political and institutional dimensions of IMF programs, including how domestic and international political dynamics affect program design, implementation, and outcomes, helps build political will for the reform agenda. By assessing the consistency and variation in the effects of IMF lending across countries and time periods and identifying patterns of success and failure, the study provides a clear picture of what to expect, helping governments manage public expectations and plan for both the short-term economic pain and the potential long-term gains.

Key concepts and Theoretical framework

The core challenge in the IMF literature is endogeneity: countries that seek IMF programs are already in economic distress, making it difficult to separate the program's effects from the pre-existing crisis. Hence, many such empirical reviews are conducted within a theoretical framework that integrates program Adoption, Implementation, and Impact. Accordingly, the following distinct analytical lenses explain how an IMF program is reshaped at every stage from its initial design to its long-term institutional impacts.

Adoption of IMF-supported Programs**:** Countries seeking IMF support are mainly driven by the convergence of economic and political factors, as well as external influences. Macroeconomic crises, driven by fiscal imbalances, coupled with inflationary pressures and balance-of-payments deficits, increase the likelihood of access to IMF support (Bird, 2007). Program adoption is also motivated by the characteristics of the different political regimes. Program Design and Conditionality remain integral elements of IMF lending and have been the subject of rigorous debate since the Fund's inception. Conditionalities are embedded in program structures, requiring borrowers to comply during implementation. Prescribed conditionalities typically include structural reforms, monetary stabilization, and fiscal consolidation. The efficacy of IMF conditionality is of paramount importance, not only in enhancing the likelihood of successful program outcomes but also in underpinning the credibility and legitimacy of the IMF as an impartial and expert advisor on macroeconomic stability.

Implementation of IMF Programs**:** A country's ability to adhere to agreed reforms, which depends on the quality of governance and the capacity of its institutions, determines the effectiveness of program implementation (Stone, 2008). The high level of corruption, coupled with weak administrative structures and a country's technical challenges, hampers program compliance (Vreeland, 2003). The implementation and compliance progress of the borrowing countries is tracked through the IMF's monitoring mechanism, while emerging obstacles are addressed. Societal resistance to structural reforms and austerity measures disrupts program implementation, while political instability and the resulting non-compliance led to the interruption or suspension of the program (Barro & Lee, 2005).

Outcome and Growth Impact on the Economy: Countries adopt IMF-supported programs, anticipating diverse outcomes. Mainly to foster GDP growth, improve debt sustainability, consolidate fiscal performance, and stabilize exchange rates while controlling inflation (Bird, 2007; Barro & Lee, 2005). However, macroeconomic performance improvement through IMF support would jeopardize social indicators, including increases in poverty, inequality, and unemployment, while human development indicators are hampered by reductions in social spending (Dreher, 2006). Although improved regulatory frameworks and public-sector reforms have been achieved through program conditionalities, varying political consequences, such as democratization and authoritarianism, have led to different outcomes (Przeworski & Vreeland, 2000).

Post-crisis Reforms**:** Following the 2020 COVID-19 shock and the subsequent global "polycrisis" (inflationary pressures, rising interest rates, and geopolitical conflicts), the IMF underwent significant structural and policy transformations. The structural changes undertaken by the Fund, focusing on post-pandemic reforms, include Pricing and Surcharge Reforms, Capacity Development (CD) Integration, Institutional Shift in Governance, Debt Restructuring Debates and the Sovereign Crisis, and Climate Financing and the Resilience and Sustainability Trust (RST).

The theoretical framework explains the lenses through which the key concepts are operationalized and linked to maintain the integrated synthesis. A few key concepts that mainly operationalize the IMF program are described below.

Public Choice Theory applies economic principles to political processes, viewing policymakers and public institutions as self-interested actors, much like individuals and firms in markets. When applied to access to IMF support programs, Public Choice Theory provides a framework for understanding how political motivations, incentives, and institutional interests influence both the IMF's lending decisions and the behavior of borrowing countries. From a Public Choice perspective, access to IMF support is not solely determined by economic need or program design. Instead, it is shaped by the political interests of powerful IMF member states, the strategic behavior of borrowing governments, and the interplay between domestic and international political incentives.

Political Economy and External Influences relates to the IMF programs, encompassing elite incentives, international power dynamics, and strategies of political survival (Vreeland, 2003; Stone, 2008). Access to IMF support and agreement on conditionality are affected by geopolitical alignment, reflecting the dominance of power (Bird, 2007). Adoption of the program and implementation sustainability are influenced by aid-dependency ties between IMF lending and broader donor frameworks. The orientation of IMF policies and their enforcement are shaped by the Fund's governance structure and the voting power of member states, which are concentrated in wealthier countries (Stone, 2008). IMF support involuntarily promotes economic behavior characterized by greater risk-taking and a greater reliance on dependency (Przeworski & Vreeland, 2000).

Incorporating this broader suite of institutional and political economy theories moves the review beyond a simple critique of IMF policy to provide a comprehensive mapping of why structural reforms succeed or fail. Therefore, to maintain the "integrated synthesis," this review is mostly confined to political economy theory.

Methodology

This study uses the Systematic Literature Review (SLR) method, a qualitative approach for reviewing existing literature to examine how countries adopt, implement, and are affected by IMF assistance programs. The methodology is guided by the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework to ensure transparency, consistency, and rigor in the search and selection process.

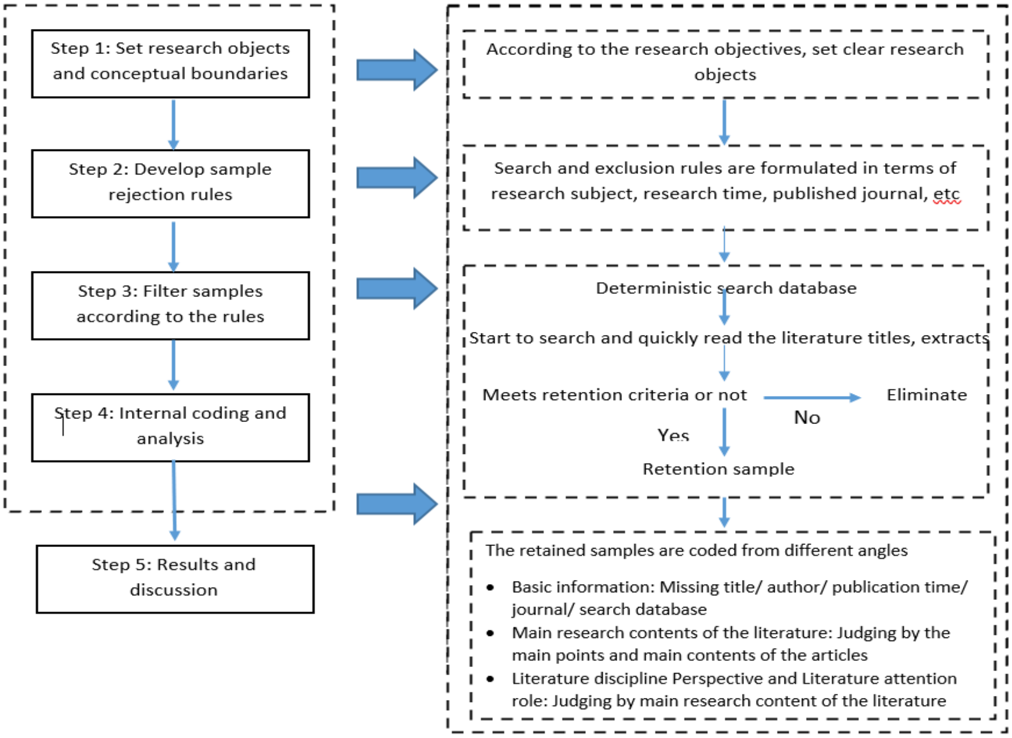

Figure 1: Literature review process

Screening of the literature is conducted based on titles, content, and relevance to the inclusion and exclusion criteria, in line with the guidelines of Page et al. (2021).

Table 1: Inclusion and Exclusion Criteria

Inclusion criteria	Exclusion criteria
• Studies between 2000 and 2025 to ensure sufficient and up-to-date research • Publications in English or with an English translation available • Seminal work on the theories has been included without considering the time frame • Empirical studies on the IMF programs • Studies from individual countries, regional comparisons, or cross-country analyses. • Peer-reviewed journal articles with high academic reputation and influence; working papers from reputable organizations, including the IMF, the World Bank, and academic institutions.	• Studies that date before 2000 • Non-academic literature • Duplicate publications • Non-English studies

The literature review was conducted using a structured web-based search strategy guided by the recommendations of Page et al. (2021) in accordance with the PRISMA statement. A combination of keywords and Boolean operators was employed to identify relevant literature on IMF-supported programs and their outcomes.

Table 2: Search strategy

Pillar 1: The Institution	Boolean	Pillar 2: The Intervention	Boolean	Pillar 3: The Outcomes/Impacts
"IMF" "International Monetary Fund"	AND	"Conditionality" "Structural adjustment" "Stabilization program" "extended fund facility" "standby arrangement" "Resilience and sustainability trust" “debt restructuring”	OR	“Fiscal performance" "economic stability" "economic growth" "inequality" " "austerity" "Fiscal consolidation" “Debt sustainability”

This study conducted a literature search across multiple large-scale academic databases, including JSTOR, ScienceDirect, Google Scholar, and IMF eLibrary, covering the period from 2000 to 2025. A series of keywords and comprehensive Boolean strings, presented in Table 2, was compiled to capture all synonyms. To ensure quality, the literature selection focuses only on Q1, Q2, and Q3 articles; however, this approach yielded a limited number of sources. Consequently, the search was broadened to include studies from reputable, peer-reviewed journals with high impact factors. The databases used in this search are detailed in the methodological framework outlined in Figure 2, with formats adapted from the PRISMA. After a meticulous review of each retrieved result and the exclusion of duplicate literature, book reviews, and non-academic research, a total of 76 academic papers on the Adoption, Implementation, and Impacts of IMF-Supported Programs were obtained. The literature written only in English was considered for the review. During the preliminary screening of the literature, multiple key criteria were used to ensure the reliability of the data sources, the relevance of the research topic, the rationality of the research conclusion, and the high quality of the included literature.

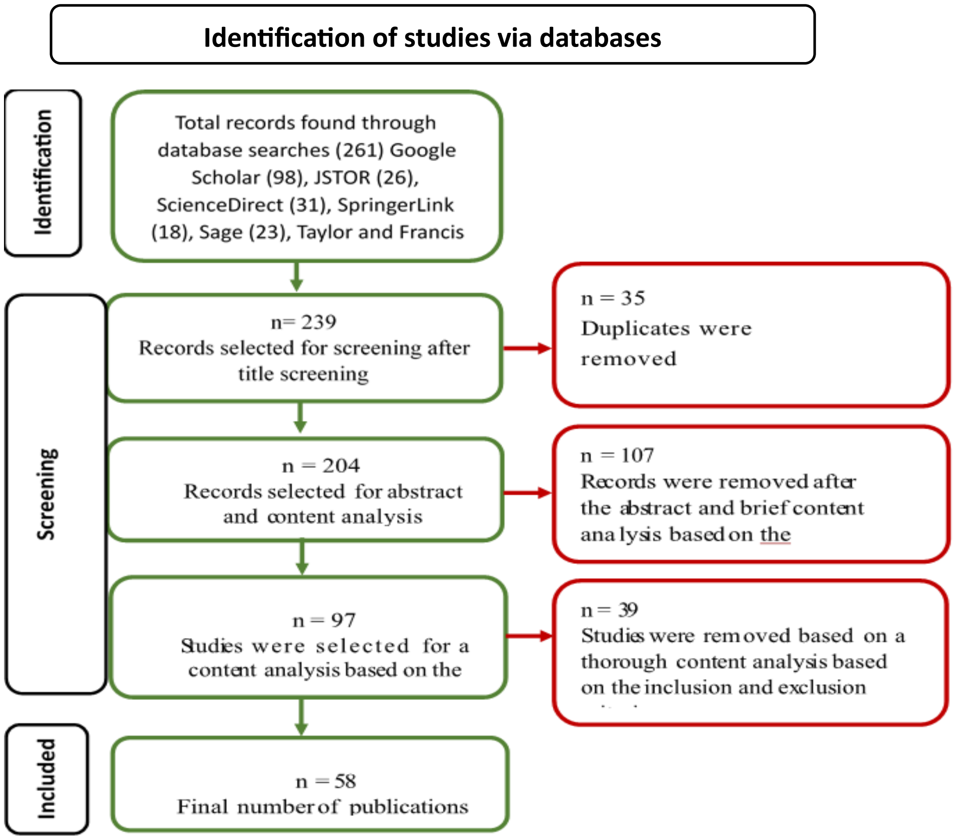

Figure 2: Methodological coverage
Composed by the Authors

To assess the methodological quality and risk of bias of the included studies, a custom quality assessment tool was developed to satisfy PRISMA 2020 reporting guidelines. Therefore, a domain-specific checklist was constructed, anchored in established econometric reporting standards. The tool evaluates studies across five core methodological domains: (1) Data Integrity and Source Reliability; (2) Model Specification and Pre-estimation Diagnostics; (3) Endogeneity and Reverse Causality controls; (4) Post-estimation Diagnostic Rigor; and (5) Robustness and Sensitivity Analyses. To establish constructive validity and ensure inter-rater reliability, the custom tool and its accompanying scoring codebook were pilot-tested on a [15%] random subsample of the included articles.

Results and Discussion

Findings from the literature review were clustered based on the common themes identified in line with the research objectives. The identified common themes include: Design and Terms of IMF Assistance; Implementation and Compliance Dynamics; Outcomes; Growth Impact; Long-Term Effects; Political and Institutional Mediators; Cross-country Comparisons and Contextual Variations; Theoretical and Methodological Approaches; and Reform Debates.

The graphical presentation below presents the literature review by common themes. In the review, it was observed that most studies represent more than one common theme. For example, some of the studies discussed the adoption and design of the program's conditionalities, as well as their outcomes. However, based on the most relevant context, 15 percent of the studies under review contested the design and terms of IMF assistance programs. Such studies discussed the rationale for adoption of the programs, including the Conditionality & Program Types considered at the design stage. Studies on Implementation and Compliance Dynamics were included in 12 percent of the studies under review, while the majority, or 23 percent, focused on the impact of IMF programs. These discussions covered both the positive and negative outcomes of the programs, while a few reflected the authors' inconclusive opinions.

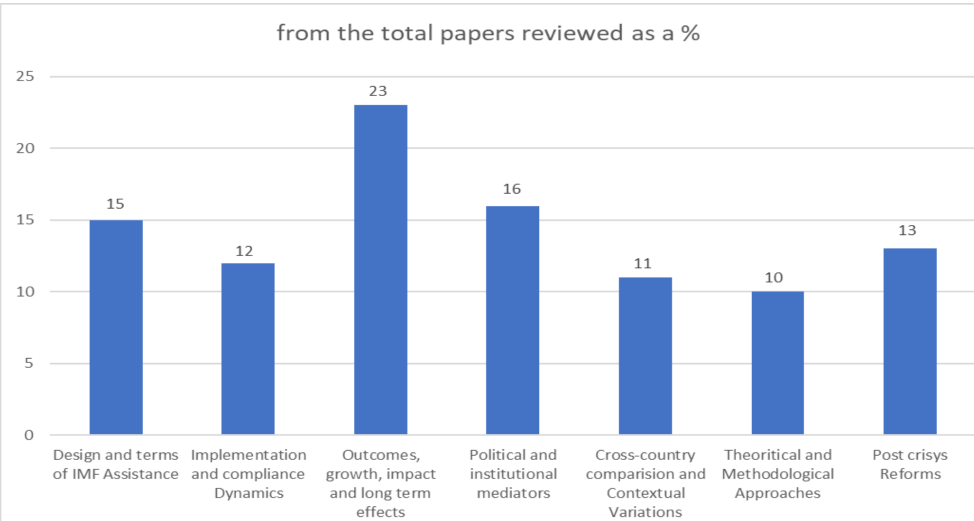

Figure 3: Classification of materials according to the common themes as a percentage of the total number of journal articles employed

Sources: Prepared by authors

A sample of 16 percent identified the Political and Institutional Mediating role of the IMF-supported programs. Cross-country Comparisons and Contextual Variations were discussed in 11 percent of studies, and they mainly focused on low-income countries and on differentiating program implementation in the European Union, specifically during the Asian financial crisis. Theoretical and Methodological Approaches were described in 10 percent of studies; specifically, most studies employed econometric models, contributing new knowledge to the literature. In addition, 13 percent of the reviewed literature discussed post-crisis reforms, including debt restructuring.

Determinants of Program Participation and Adoption

Dual-Nexus of Adoption: Demand-Side Distress vs. Supply-Side Geopolitics. The literature on IMF program initiation is divided between demand-side economic imperatives and supply-side geopolitical factors (Barro & Lee, 2005). Entering an arrangement is a joint decision requiring a sovereign's request and the Fund's approval (Przeworski & Vreeland, 2000). On the demand side, acute distress—characterized by depleted reserves, systemic deficits, and high debt obligations—remains the primary catalyst for seeking assistance (Bird et al., 2004; Willett, 2001, 2002). However, Dependency and Political Economy scholars argue that purely technocratic models ignore crucial supply-side drivers (Steinwand & Stone, 2008). The IMF's lending decisions are heavily skewed by the foreign policy preferences of its major shareholders; a nation's probability of securing support escalates with its quota size and geopolitical alignment with Western powers (Barro & Lee, 2005; Stone, 2008; Eichengreen et al., 2008). Consequently, the IMF operates as a risk-averse lender, often marginalizing low-income nations lacking powerful patrons. Domestically, Public Choice literature indicates that executives use IMF conditionality as a commitment device, strategically deflecting the political blame for austerity onto the Fund to bypass local opposition (Vreeland, 2003; Przeworski & Vreeland, 2000). This creates a political business cycle where governments preferentially sign arrangements immediately post-election to front-load severe reforms (Dreher & Vaubel, 2004). Concurrently, the IMF's internal bureaucratic desire to avoid high-profile program failures further shapes these global lending dynamics (Willett, 2001, 2002). A prominent finding in IMF literature is "recidivism," the chronic, repeated reliance on Fund resources by the same sovereign borrowers (Bird et al., 2004; Conway, 2005). Because IMF programs are designed to provide short-term financing for temporary shocks, recurrent participation signals a failure to correct underlying structural imbalances (Bird et al., 2004). Empirically, program entry is highly path-dependent: a country's historical experience with the Fund is one of the strongest statistical predictors of future participation (Atoian & Conway, 2006; Jensen, 2004; Pop-Eleches, 2009). The dynamics of these participation spells vary significantly with economic development: recidivism is highly concentrated and prolonged due to deep-seated structural vulnerabilities, such as dependence on primary commodity exports, low per capita income, and autocratic governance structures, which trap Low-Income Countries (LICs) in long-term concessional lending arrangements (Bird & Rowlands, 2009, 2015). Conversely, middle-income nations exhibit shorter program durations and a higher probability of exiting IMF spells, as they can readily re-access private international capital markets once short-term stabilization is achieved (Conway, 2005). However, prolonged dependence alters intervention outcomes. Duration models demonstrate that while initial IMF participation shortens external crises, long-term dependence diminishes this stabilization effect (Dreher & Vaubel, 2004). Furthermore, chronic reliance incurs institutional costs, often manifesting as systematically overoptimistic growth projections that undercut the realism of the underlying fiscal framework (IEO, 2002).

Macroeconomic Consequences of Participation**:** The long-term economic impact of IMF programs remains heavily contested. Sturm, Berger, and de Haan (2002) find that while the IMF targets financially distressed nations, higher historical participation correlates with slower long-term growth and yields no significant improvements in aggregate investment, inflation, or trade openness. Crucially, heavy IMF involvement inadvertently hinders growth by eroding domestic governance and the rule of law, as external mandates override local democratic accountability (Sturm et al., 2002). Furthermore, IMF lending volumes are strongly correlated with a country's foreign commercial bank debt, suggesting that these programs often indirectly bail out private international creditors rather than strictly finance domestic structural improvements (Oatley & Yackee, 2004; Oatley, 2011).

Emerging Paradigms and the 2024 Institutional Turn - In response to sovereign debt gridlock and the mixed historical track record of large bailouts, the IMF’s Independent Evaluation Office mandated a major overhaul of operational guidelines, including an Exceptional Access Policy Review and mandatory active program assessments (IEO, 2024). This institutional shift aligns with academic demands to abandon simplistic econometric models (Stone, 2008). To accurately evaluate the real-world impact of structural adjustments in developing nations, modern research must now account for the complex, multi-layered interplay of program selection bias, domestic political veto players, and international geopolitical influence.

Program Implementation and Compliance

The implementation of IMF arrangements marks the intersection of international technocratic mandates and domestic governance, with the literature focusing on factors that drive compliance or premature interruption (Mussa & Savastano, 2000). Borrowers frequently delay or abandon mandated actions, creating a persistent "compliance gap." Implementation outcomes are co-determined by the structural intensity of conditionalities, domestic institutional capacity, and local political constraints, rather than technical design alone (Ivanova et al., 2003; Joyce, 2003). Due to the perceived domestic costs of these conditionalities, developing nations typically delay seeking cheaper IMF assistance until macroeconomic imbalances become severe (Goldstein, 2001). Furthermore, Dependency and Public Choice theories argue that the volume and severity of these conditions are driven more by external strategic pressures and institutional constraints than by the host state's objective macroeconomic needs (Lang, 2016; Vreeland, 2003). The IMF leverages weak bargaining positions by imposing stricter conditionality on fiscally constrained borrowers (Vreeland, 2003) and intensifying capital-rationing requirements during global crises (Lang, 2016). Furthermore, repeat borrowers become locked into invasive frameworks due to path-dependent bargaining weakness. Historically, this trend toward intrusive conditionality peaked during the 1997 Asian Financial Crisis, drawing severe criticism for mandating overly complex structural overhauls (Desai & Vreeland, 2011). Crucially, the proliferation of conditions negatively correlates with a borrower's ultimate compliance rate (Goldstein, 2001; Bird, 2001). Finally, Public Choice scholars show that conditionality inflation is exacerbated by high global interest rates, weak domestic policies, and concurrent World Bank lending, thereby cementing the IMF's role as a gatekeeper for broader access to multilateral and private credit (Dreher & Vaubel, 2004; Dreher, 2006; Gould, 2003).

A high percentage of IMF programs are prematurely interrupted, with sovereign borrowers routinely failing to utilize their fully approved credit tranches (Mussa & Savastano, 2000). While external shocks play a role, internal political shifts are the primary cause of compliance failure. Consequently, the IMF recognizes that successful reform requires genuine domestic commitment rather than external enforcement (IMF, 2001). This creates an "Ownership Paradox": the IMF demands domestic "program ownership" for long-term stability, but the intrusive, externally imposed nature of its structural conditions actively destroys the local political legitimacy required to maintain it (Boughton & Mourmouras, 2002; Khan & Sharma, 2001). Applying Two-Level Games and Veto Player Theory, models demonstrate that governments cannot execute structural adjustments in a vacuum. They must manage internal veto players and entrenched interest groups threatened by fiscal consolidation (Drazen, 2001; Mayer & Mourmouras, 2002). Political and Institutional Predictors:

Program failure is heavily driven by weak political unity, ethnic fractionalization, and civil conflict (Ivanova et al., 2003). Institutional factors such as trade openness, ideological cohesion, and regime stability further shape compliance (Joyce, 2003). Conversely, governments that complete IMF programs immediately prior to elections often secure re-election by signaling administrative competence (Dreher, 2004). Governance Theory explains why political will alone is insufficient. Complex reforms (e.g., VAT overhauls, SOE restructuring) demand sophisticated administrative mechanisms. In low-capacity environments lacking regulatory quality or anti-corruption safeguards, unrealistic IMF mandates trigger bureaucratic bottlenecks, systemic leakages, and inevitable compliance failures.

Macroeconomic and Socio-Demographic Impacts: The Dispersion of Outcomes

While the IMF's stated objective is to facilitate balance-of-payments adjustments and sustainable growth (Boughton, 2002; Camdessus, 2000), four decades of empirical research reveal deeply polarized outcomes. Some frameworks view IMF arrangements as vital stabilizers, while critics argue that policy conditionalities trap developing nations in contractionary cycles and exacerbate social disparities (Stiglitz, 2000; Vreeland, 2003). This divergence stems from methodological variations, country sampling differences (e.g., Low-Income vs. Middle-Income), and the econometric challenge of isolating causal counterfactuals (Bird & Rowlands, 2009). Regarding real GDP growth, the literature is sharply divided. However, a stabilizing synthesis identifies a positive relationship between IMF participation and growth recovery (Ahmad et al., 2016; Evrensel, 2002; Fidrmuc & Kostagianni, 2015). Specifically, in Low-Income Countries (LICs), long-term engagements like the Poverty Reduction and Growth Facility (PRGF) successfully restructure public spending toward social infrastructure, build institutional capacity, and buffer against severe external shocks (Bird & Mosley, 2006; Dicks-Mireaux et al., 2000).

To address the selection bias in early studies, Mumssen et al. (2013) applied Propensity Score Matching (PSM), confirming that IMF engagement provides statistically significant growth impulses in LICs and effectively mitigating the severe growth drag typical of systemic crises (Barro, 2001). Conversely, a robust "contractionary consensus" links IMF participation directly to declines in economic output (Barro & Lee, 2005; Bordo & Schwartz, 2000; Przeworski & Vreeland, 2000). Most notably, Stiglitz (2000) argues that standard IMF prescriptions force nations into an "austerity trap," making recessions significantly worse. Extensive panel data corroborate this, showing that contractionary fiscal and monetary targets cause immediate, short-term declines in output (Bird, 2001; Dreher, 2006; Hutchison, 2001, 2004). While long-term growth may eventually recover as structural reforms take root

(Atoyan & Conway, 2006), the immediate effect of demand compression is to fundamentally stall economic momentum (Butkiewicz & Yanikkaya, 2005; Eichengreen et al., 2008; Marchesi & Sirtori, 2011).

A primary justification for IMF programs is their catalytic effect—the premise that a Fund "seal of approval" unlocks external funding (Rowlands, 2001). However, while programs attract official multilateral aid, they frequently fail to stimulate private investment, especially in nations with poor compliance histories (Edwards, 2003). Furthermore, Dependency Theory scholars argue the IMF functions as an enforcement mechanism for private creditors; lending volumes often track outstanding commercial bank debt, prioritizing foreign-investor insulation over domestic growth (Oatley, 2011). Prolonged IMF dependence and exceptionally large bailouts can also widen sovereign bond spreads and depress private inflows by signaling the severity of the crisis, in the absence of credible reforms (Mody & Saravia, 2003; Benelli, 2003). Consequently, empirical attention has increasingly shifted toward social equity. Within a Public Choice framework, literature demonstrates that mandated structural adjustments yield regressive distributional consequences, systematically shifting economic resources away from lower-income groups (Foster et al., 2019; Garuda, 2000; Oberdabernig, 2013).

IMF-mandated fiscal consolidation directly increases income inequality (Lang, 2016;). Facing rigid targets, politicians cut welfare and social spending to protect their political bases, (Schaltegger & Weder, 2014). Even if long-term liberalization attracts foreign investment (Foster, 2018), the short-term distributional outcomes remain severely regressive. This inequality is worsened by a monetary squeeze; high interest rates compress credit for the poor while shielding wealthy creditors (Claessens & Perotti, 2007; De Haan & Sturm, 2017). Finally, strict mandates for central bank independence prevent governments from utilizing redistributive monetary policies during crises, permanently locking in wealth disparities (De Haan & Sturm, 2017).

Post-2020, IMF literature shifted focus from temporary liquidity stabilization to managing complex sovereign insolvency. When an Emerging Market and Developing Economy (EMDE) faces a full solvency crisis, the IMF acts as the central institutional anchor for debt restructuring (Togo, 2025; Breuer et al., 2025). Consequently, this phase initiates intense political-economy negotiations over burden-sharing, dictating which specific actors, domestic taxpayers, local banks, or external bondholders must absorb the financial losses required to achieve long-term debt sustainability. While historical debt restructuring focused on Paris Club creditors, contemporary literature highlights the coordination challenges of a fragmented landscape dominated by non-Paris Club lenders and private bondholders. Sri Lanka’s unprecedented 2022 macroeconomic crisis serves as a crucial case study for these complexities, particularly when ineligibility for the G20 Common Framework paralyzes the domestic economy (Breuer et al., 2025). To resolve these prolonged negotiations, researchers evaluate the IMF's new Sovereign Risk and Debt Sustainability Framework (SRDSF). The SRDSF strictly calculates sustainable debt limits, dictating mandatory creditor haircuts before the Fund releases bailout tranches, such as Sri Lanka's 17th extended financial arrangement. Contemporary literature highlights the dangers of Domestic Debt Restructuring (DDR). Because EMDE banks and pensions hold most sovereign debt, DDR forces a severe trade-off: imposing deep haircuts destroys banking capital and stalls recovery, while shielding banks shift the burden onto regressive fiscal austerity (Togo, 2025). Additionally, scholars argue that current restructuring frameworks create an illusion of immediate resilience. By anchoring sustainability to rigid surplus targets and debt servicing, programs restrict long-term fiscal space for vital domestic investments. Without deep principal reductions, these interventions merely pause crises and risk cyclical recidivism. Ultimately, evaluating these multifaceted dynamics requires overcoming significant methodological challenges (Hutchison, 2004; Oberdabernig, 2013). As the IMF's Independent Evaluation Office (IEO, 2022, 2024) confirms, simplistic models must be replaced by robust frameworks that treat IMF programs as complex, path-dependent political and institutional processes.

Policy implications and research gaps

The synthesis of contemporary IMF literature reveals critical policy implications and distinct research gaps for Emerging Market and Developing Economies (EMDEs) navigating macroeconomic instability and sovereign debt distress. From a policy perspective, the persistent "compliance gap" and the severe regressive distributional impacts of austerity dictate that structural conditionality must be realistically calibrated to a host nation's baseline administrative capacity and domestic political veto players, rather than relying on rigid, uniform targets that frequently trigger recidivism. Furthermore, as crisis management increasingly necessitates Domestic Debt Restructuring (DDR), policymakers face a precarious trade-off between destroying local banking capital and imposing regressive fiscal burdens. Consequently, interventions, including the deployment of the Sovereign Risk and Debt Sustainability Framework (SRDSF), must be carefully managed to avoid binding countries to structural "short-termism" that restricts long-term domestic investment. Despite these insights, significant research gaps remain. Methodologically, the literature underscores the acute challenge of isolating the true causal counterfactual, urging a departure from simplistic, single-equation models toward advanced econometric frameworks that explicitly account for path-dependent selection bias and endogeneity. Substantively, further empirical investigation is urgently needed to understand the coordination dynamics of highly fragmented modern creditor landscapes particularly the behavior of non-Paris Club and private institutional bondholders and to measure the long-term impacts of DDR on capital accumulation, especially in nations forced to navigate post-crisis recovery outside streamlined global mechanisms.

Conclusion

This structured review systematically maps the theoretical discourse surrounding the adoption, implementation, and socioeconomic impacts of IMF-supported programs. By integrating Dependency Theory, Political Economy, Institutionalism, and Public Choice Theory, the analysis reveals that an IMF arrangement is a continuous, path-dependent feedback loop. Adoption is not merely technocratic; it is driven by geopolitical alignments and domestic political survival strategies, such as blame-shifting. Implementation faces a chronic "compliance gap," as proliferating conditionalities and internal veto players frequently overwhelm local institutional capacity, eroding program ownership. Impact remains contentious; while short-term stabilization is often achieved, long-term GDP growth is debated, and the burden of fiscal adjustment is frequently regressive, exacerbating income inequality. The contemporary post-pandemic landscape introduces new structural realities that existing literature has yet to fully integrate. By identifying these conceptual and methodological boundaries, this review establishes the foundation for the subsequent empirical analysis, highlighting the urgent need to evaluate how modern IMF arrangements operate within specific domestic, political-institutional settings to co-determine long-term macroeconomic stability and social equity.

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