



INTRODUCTION

This evaluation assesses how the application of the IMF’s mandate has evolved since 2012 to cover a steadily expanding range of topics and policies beyond the Fund’s traditional focus on exchange rate, monetary, fiscal, and financial sector policies. While historically, the IMF has covered other structural policies with a direct impact on growth and development, Fund engagement in a host of policy areas has increased considerably in the last decade, since the approval of the 2012 Decision on Bilateral and Multilateral Surveillance, also known as the Integrated Surveillance Decision (ISD) (IMF, 2012). The Fund has incrementally expanded its coverage to include, for example, labor markets, inequality and inclusion, social protection, gender, energy and climate change, governance and corruption, demographic change, digitalization, and sociopolitical and geopolitical developments. Notably, from 2018, the Executive Board¹ has approved five specific strategies for the IMF’s work in five topical areas: governance, social spending, digital money, climate change, and gender, which constitute a central focus of this evaluation.

The evaluation distinguishes between the “traditional core” and “newer” policy areas and describes the IMF’s “mandate” as including key decisions and associated reviews that enabled it to evolve. The ISD established that the focus of bilateral surveillance should be those policies that can “significantly influence present or prospective balance of payments or domestic stability,” i.e., what is known as the macrocriticality principle.² The ISD also explicitly identified four policies—exchange rate, monetary, fiscal, and financial sector—that will “always” be the subject of the Fund’s bilateral surveillance and that the coverage of other policies is to be assessed against whether they meet the macrocriticality criterion. These four policies were often internally referred to as the Fund’s traditional “core” policies. For clarity purposes, and to distinguish additional macrocritical policies from the four traditional core policies, this paper refers to them in a generic way as “newer” policies—the use of “core” and “newer” does not imply any judgement about whether different topics or policies are more or less important than others. On the concept of “mandate,” it has been interpreted as the Fund’s purposes and powers as set forth in the Articles of Agreement and subsequently operationalized by successive Board decisions (IMF, 2010a).

The incremental process of engagement in newer policy areas has presented serious adaptation challenges and trade-offs for the Board, management, and staff, which can be characterized by a trilemma between scope, traction, and resources (Figure 1). Broadening the scope of surveillance into newer policy areas that can impact Balance of Payments (BOP) and domestic stability serves the Fund’s mandate, its relevance, and its flexibility to attend to

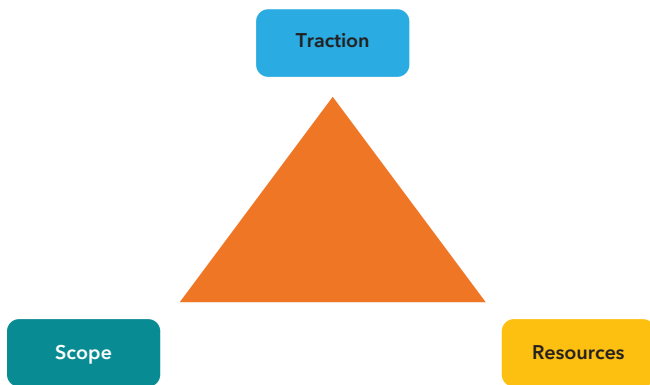
¹ The Board of Governors is the highest decision-making body of the Fund and delegates most powers to conduct the business of the Fund to the Executive Board. In this paper, “the Board” refers to the Executive Board.

² The 2015 Guidance Note for Surveillance under Article IV Consultations (hereafter the 2015 Guidance Note) mentions the terms “macro-critical” and “macro-criticality” with a hyphen, however other Fund documents subsequently referred to the terms without a hyphen (IMF, 2015b). In this report, we adopt the terms “macrocritical” and “macrocriticality” throughout.

its member’s needs. The Fund’s traction rests on its ability to deliver high-quality and value-added analysis and policy advice, and the perception that the Fund is treating its members uniformly, which requires adequate expertise and enough resources dedicated to both traditional core and newer policy areas. At the same time, the Fund has limited resources and has traditionally maintained a flat real budget, which limits the possibility of expanding the scope and maintaining the traction of policy advice.

In principle, this Scope-Traction-Resources trilemma can be managed in different ways: prioritizing or reducing topics within the scope; adjusting the traction, i.e., the quality and value-added of the analysis and advice (of one or more topics); relying on the expertise of other institutions rather than building Fund expertise; increasing or overstressing resources; or a combination of them. These are the main tensions that have characterized the process of engagement in newer policy areas that are further analyzed in the evaluation.

FIGURE 1. TRILEMMA OF IMF ENGAGEMENT IN NEWER POLICY AREAS



Source: IEO staff.

The evaluation covers the period 2012–23 and focuses on three overarching themes within this trilemma: the decision-making process, the operationalization of decisions, and engagement with partners. The evaluation takes an overarching approach to the key elements that have driven the overall evolution of the application of the Fund’s surveillance mandate into newer policy areas, but does not evaluate the underlying policy areas themselves,

which would typically be the subject of individual IEO evaluations.³ It has been conducted using a short evaluation format, which required limiting its scope in three main ways:

- ▶ *Fund policies: surveillance policy.* The surveillance mandate encompasses a particularly wide set of policy topics, while the issues included in lending policy are more narrowly focused, as it is anchored on attaining macroeconomic stability within a short time frame and focuses on the policies that are critical to achieving program objectives. Likewise, capacity development (CD) activities are anchored on areas where the Fund has well-established expertise within a subset of the policies covered in surveillance.
- ▶ *Time period: 2012–23.* As illustrated in the report, the ISD marks an inflection point in the surveillance mandate, establishing a framework that enables the Fund to engage in a broad set of newer policy areas. However, Section 2. A provides a historical context for the evolution of the Fund’s policies.
- ▶ *Focus: the decision-making process, operationalization, and engagement with partners.* The evaluation focuses on extracting lessons from three main themes that affect each component of the trilemma: (i) the decision-making process that has led to the selection of newer policy areas, including the institutional processes and main actors involved, as well as resourcing and risk considerations, guided by how well these processes meet key principles of inclusiveness, transparency, comprehensiveness, and coherence; (ii) the operationalization of the surveillance mandate through different surveillance decisions, looking at the framework and clarity of different principles of engagement related to newer policy areas, including macrocriticality, expertise, depth, frequency, and uniformity of treatment; and (iii) the forms of engagement with partners that have an established expertise in the newer policy areas.

³ In the past decade, for example, multiple IEO evaluations have covered the IMF’s evolving work in surveillance and policy advice (IEO, 2017; 2019a; 2019b); the Fund’s evolving role in engaging with groups of members (IEO, 2018a; 2022a); and in engaging with the World Bank (IEO, 2020b).

Sources of evidence and background papers. The main sources of evidence for this evaluation are (i) desk reviews of external and internal Fund documents, including those related to Board-approved surveillance policies, staff guidance notes, surveillance reports (Article IVs, flagship multilateral reports, selected issues, and working papers, Board presentations, staff briefings to management and budget and human resource documents; and (ii) semi-structured interviews, surveys and questionnaires with Fund stakeholders, including current and former Board members, authorities, management, staff, and external stakeholders (staff and representatives from other international organizations, think tanks, and civil society organizations (CSOs)). The analysis also draws on findings from previous IEO evaluations and updates and eight background papers produced for this evaluation: (i) Interpreting and Amending the IMF’s Mandate, 1944–2011; (ii) Applying the IMF’s Mandate—The Decision-Making Process; (iii) Enhancing Clarity of Key Elements

in The Evolving Application of the IMF’s Mandate; (iv) Toward an IMF Framework for Engagement with Partners; (v) The IMF’s Integrated Surveillance Decision: Looking Backward, Thinking Forward; (vi) Evolution of IMF Engagement on Climate Change; (vii) The IMF and Its Mandate—Financial Sector Surveillance; and (viii) Applying the IMF’s Mandate—Governance and Corruption.

The report is structured as follows: Section 2 provides historical and legal context for the evaluation; Section 3 evaluates the decision-making process that drove the evolution of the Fund’s mandate; Section 4 considers the clarity of key criteria and principles that operationalize the Fund’s engagement in newer policy areas in surveillance; Section 5 assesses the coherence of the Fund’s framework for engagement with partners; Section 6 summarizes the key evaluation findings; and Section 7 sets out the IEO’s recommendations.