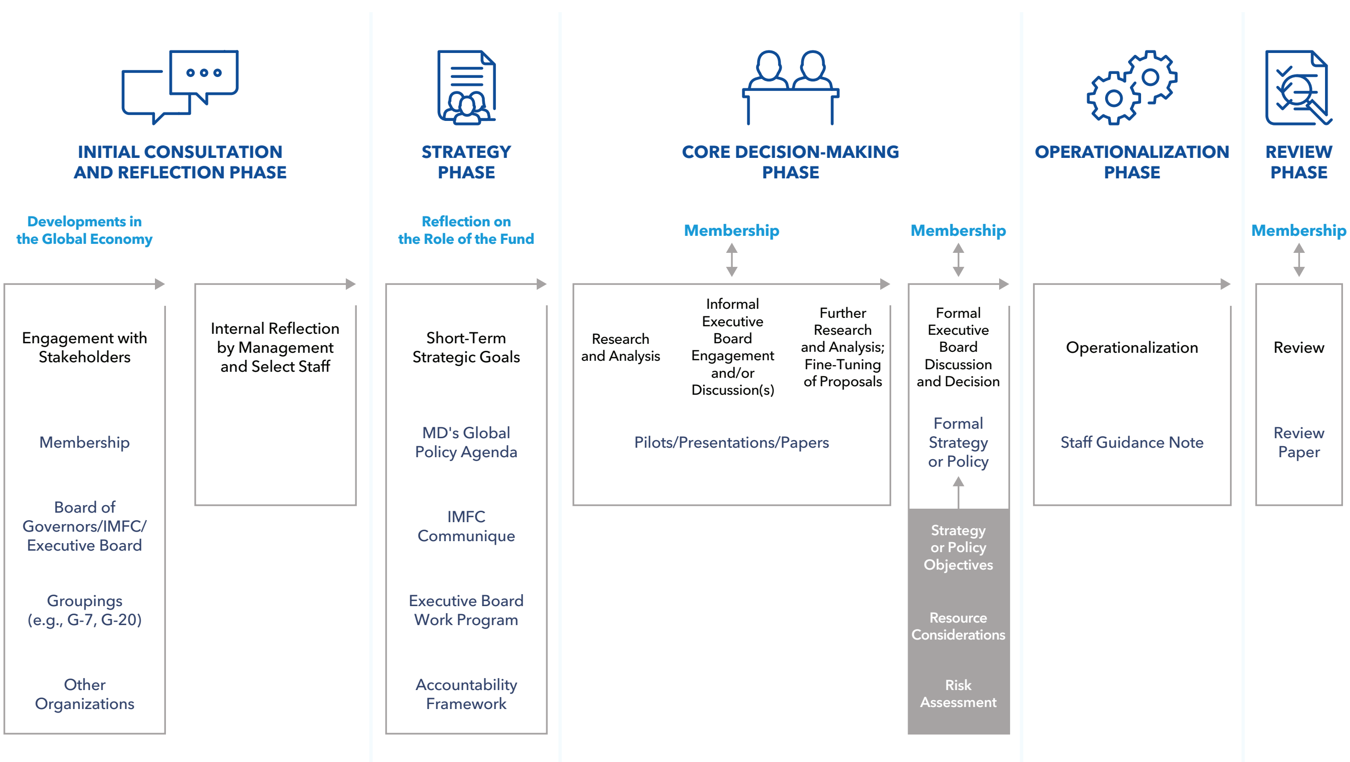
THE DECISION-MAKING PROCESS[13]

This section assesses the decision-making process related to strategy and policy design, resources, and risk management considerations, which resulted in Fund engagement in newer policy areas. It focuses on those areas that generated the five specific strategies for governance, social spending, digital money, climate change, and gender. This section uses four evaluation criteria (inclusiveness, transparency, comprehensiveness, and coherence), which resulted in key findings 1, 2, 4, 5, and 6, summarized in Section 6.

DECISION-MAKING PRACTICES: BRIDGING THE GAP IN STRATEGIC DIRECTION AND INCLUSIVENESS

The process of engagement in newer policy areas beyond the four traditional core policies explicitly identified in the ISD can be characterized through five broad phases (Figure 4). This process typically took several years to complete, from initial consultations and reflections, to development, and, ultimately, endorsement by the Board of a Fund strategy or policy.

FIGURE 4. KEY STEPS IN THE DECISION-MAKING PROCESS



Source: De Lannoy (2024).

[13] This section draws on the background paper by De Lannoy (2024).

First, the Initial Consultation and Reflection Phase was characterized by dialogue and iteration among key internal and external stakeholders and a critical role for the Managing Director. The Managing Director's role was central in driving changes in terms of engagement in newer policy areas. Executive Directors supported the Managing Director's prerogative to take initiatives and consider engaging in newer policy areas relevant to the Fund's membership. Through frequent formal and informal interactions with the Board and the broader membership, the Managing Director was well positioned to gather different views about changes in the global economy, and to launch initiatives to address challenges facing the membership. Staff also played an influential role, as some early research and initiatives, like those on governance and anti-corruption, were originated by select groups of staff. Specific groups of Fund members, as well as other institutions and stakeholders, such as the International Monetary and Financial Committee (IMFC), the G7, the G20, and the Intergovernmental Group of TwentyFour (G24), contributed to influencing the evolving scope in applying the Fund's mandate by calling on the Managing Director and the Fund to engage in newer policy areas. However, the IMFC and the Board were not considered drivers of change, at least not in this phase. The IMFC mostly endorsed proposals by the Managing Director and played a limited role in initiating workstreams. The policies that resulted in the five specific strategies were all introduced in the Managing Director's Global Policy Agenda (GPA) before being mentioned in the IMFC Communiqué/Chair's Statement and did not originate from the Board.

Second, the Strategy Phase was driven by four key internal Fund processes but lacked a Fund-wide, institutional strategy for engagement in newer policy areas. The four key internal processes were (i) the Managing Director's semi-annual GPA, which identified the policy challenges faced by the membership, outlined policy responses needed to address said challenges, and laid out the role of the Fund; (ii) the semi-annual IMFC Communiqué/Chair's Statement, issued following the deliberations of the IMFC; (iii) the semiannual Board Work Program, which translated the strategic directions laid out in the GPA and IMFC Communiqué/Chair's Statement into concrete actions; and (iv) the Accountability Frameworks, which set goals and objectives for individual departments. These processes typically focused on short-term policy priorities and the allocation of resources for the year ahead. Initiatives aimed at developing longer-term approaches to policy decision making and creating an overarching Fund-wide, institutional strategy to consider broader strategic questions or alternative options, were not sustained. One precedent was the Medium-Term Strategy (Box 2) initiated in 2004. In 2023, the Board began a reflection on how to enhance the discussion of longer-term institutional strategic priorities, which is still a work in progress, and is expected to be reviewed in the summer of 2024.[14]

Third, in the Core Decision-Making Phase, the Board had the biggest impact in shaping any proposals for Fund engagement in newer policy areas. In this phase, staff typically commenced more in-depth work and prepared presentations, pilots, and/or papers based on their research and analysis, both for informal and formal Board discussions. The Board influenced any proposals for Fund engagement in newer policy areas through overseeing and providing guidance to management and staff, first informally, when management and staff explored newer policy areas and reflected on ways forward, and later formally, once a policy or strategy was defined and sent to the Board for discussion and ultimately endorsement. Often, management and staff also consulted informally and bilaterally with Board members during this process. The informal bilateral consultations and Board meetings were particularly important for the Board to shape the proposals before they were finalized, indicating the extent to which they were willing to support proposals' specific elements.

[14] This process resulted in a number of proposals discussed by the Fund's Agenda and Procedures Committee (APC) in August 2023, introduced on a pilot basis. One practice is an informal dialogue between the Board and management (in the form of an informal half-day retreat) on medium-term strategic priorities, to take place annually and serve as an anchor for other products (IMF, 2023d). It is too early to evaluate its impact or whether it will fully address the lack of a Fund-wide, institutional strategy for engagement in newer policy areas.

BOX 2. THE FUND'S MEDIUM-TERM STRATEGY, 2004–06

The MTS sought to develop a strategic approach to deciding on the Fund's medium-term priorities, while integrating consideration of the available human and budget resources. It noted that (i) there was a sense that, over time, the Fund had been pulled in too many new directions, straining its original mandate; (ii) engaging in new areas without eliminating old ones had made it difficult to allocate resources effectively and to stay ahead of emerging challenges; and (iii) there was the question of whether the Fund was fully prepared to meet the macroeconomic challenges ahead (IMFC, 2005).

The MTS, endorsed by the IMFC in 2006, laid out several Fund-wide, institutional medium-term priorities, including establishing a multilateral consultation process to address global imbalances, reviewing the 1977 Decision, strengthening support for emerging markets through deepening financial and capital market surveillance, and focusing Fund policy advice to low-income countries on sustainable growth and structural policies that would support achievement of the Millennium Development Goals (IMF, 2006b). However, with the departure of the then Managing Director in 2007 and the onset of the GFC, interest in the MTS exercise waned. Looking back on the MTS experience, staff interviewed for this evaluation questioned its added value and considered its development to be resource intensive and ultimately top-down, rather than inclusive. There has been no similar initiative since.

Bossone (2008) found that the Managing Director and the Committee on the Fund's Strategic Priorities were the strategy's predominant originators. By contrast, the IMFC and the Board played only a limited role in establishing and designing the MTS. Through formal and informal discussions, however, the Board did play a key role by providing direction and feedback on management's proposals, ensuring that the MTS would reflect the membership's preferences and needs. The Board also helped define what was politically feasible and ensured that the MTS would be integrated into the Fund's medium-term budget.

Sources: IMFC (2005); IMF (2006b); Bossone (2008); De Lannoy (2024).

Finally, in the Operationalization (fourth) and Review (fifth) Phases, the strategy was implemented, including through the preparation of a guidance note, and was later reviewed based on its implementation. Following a Board-endorsed strategy or policy, staff sometimes prepared a guidance note to provide further clarification on its operationalization. As of this writing, staff has produced an interim guidance note on gender (IMF, 2024a) and a guidance note on social spending (IMF, 2024b). Staff has also included operational guidance related to governance, social spending, digital money, climate change, and gender in the 2022 Guidance Note for Surveillance Under Article IV Consultations (hereafter the 2022 Guidance Note) (IMF, 2022a). While guidance notes were expected to remain within the scope of the policy paper approved by the Board, staff had a margin of discretion in working out the operational details. In the Review Phase, a strategy or policy was reviewed after some time, based on the experience gained through its implementation. Paying sustained attention to specific topical areas is key for Fund work in those areas to move forward. For the governance strategy (endorsed in 2018), the Fund undertook an interim update in 2020. In 2023, the Board discussed, first informally and then formally, the review of its implementation (IMF, 2023b).[15] While the Board indicated it looked forward to regular updates on the social spending, digital money, climate, and gender strategies, it did not call for a full review within a specific time frame.

The absence of a strategic anchor to guide decisions negatively impacted comprehensiveness and coherence and resulted in ad hoc decisions that were not part of a larger discussion of the longer-term role of the Fund. The absence of a Fund-wide, institutional strategy for Fund engagement in newer policy areas did not allow the Board to anchor discussions in a broader strategic reflection

[15] For a discussion on the challenges related to ensuring sustained attention to governance and corruption issues, see Levonian (2024).

and resulted in ad hoc decisions on specific strategies without a broader discussion on how they fit into the overall Fund strategy or possible alternative options. This prevented discussions about which among the wide range of macrocritical policy areas were considered more relevant for Fund engagement, how to prioritize among them once decided, and how to qualify to what extent the Fund should engage in them in terms of depth and frequency. Executive Directors almost unanimously signaled the lack of a Fund-wide institutional setup to discuss the Fund's longer-term strategic priorities. While they welcomed the Managing Director's GPA, they did not believe the GPA reflected a medium-term orientation and argued that the role of the Board was limited.

Most Executive Directors believed that overall engagement with the Board as part of the decision-making process that resulted in the five specific strategies was not fully inclusive. The inclusiveness of the decision-making process is defined by how extensively all relevant stakeholders are engaged and the level of consideration given to their perspectives and interests. As part of an inclusive process, most Executive Directors argued that, ideally, regardless of voting power, all Executive Directors should receive the same information, at the same time, so they could analyze and respond to it in consultation with their capitals, and that management and staff should seek inputs during informal meetings with the entire Board. While the Board held 20 informal Board meetings and 8 formal Board meetings to discuss the governance, social spending, digital money, climate change, and gender strategies, many Executive Directors and staff interviewed for this evaluation indicated that not all Executive Directors had the same opportunity to shape the proposals related to Fund engagement. In parallel with these Board meetings, management and staff also held informal bilateral meetings with Executive Directors, but not always with all of them, or with all of them to the same extent. Changes made to proposals following these informal bilateral consultations therefore only reflected the views or were known only to a select group of Executive Directors. This resulted in the perception that some options were already taken off the table before they could be discussed with the entire Board. Most Executive Directors believed that choices related to how and to what extent to engage in newer policy areas were largely driven by the Managing Director and the views of some key members with larger voting powers. These concerns intertwined with the broader discussion on members' voice and representation in the Fund, as well as the perception that members' quota shares no longer reflected their position in the global economy.[16]

RETHINKING RESOURCES: THE CALL FOR A MORE HOLISTIC APPROACH AND GRANULAR DATA

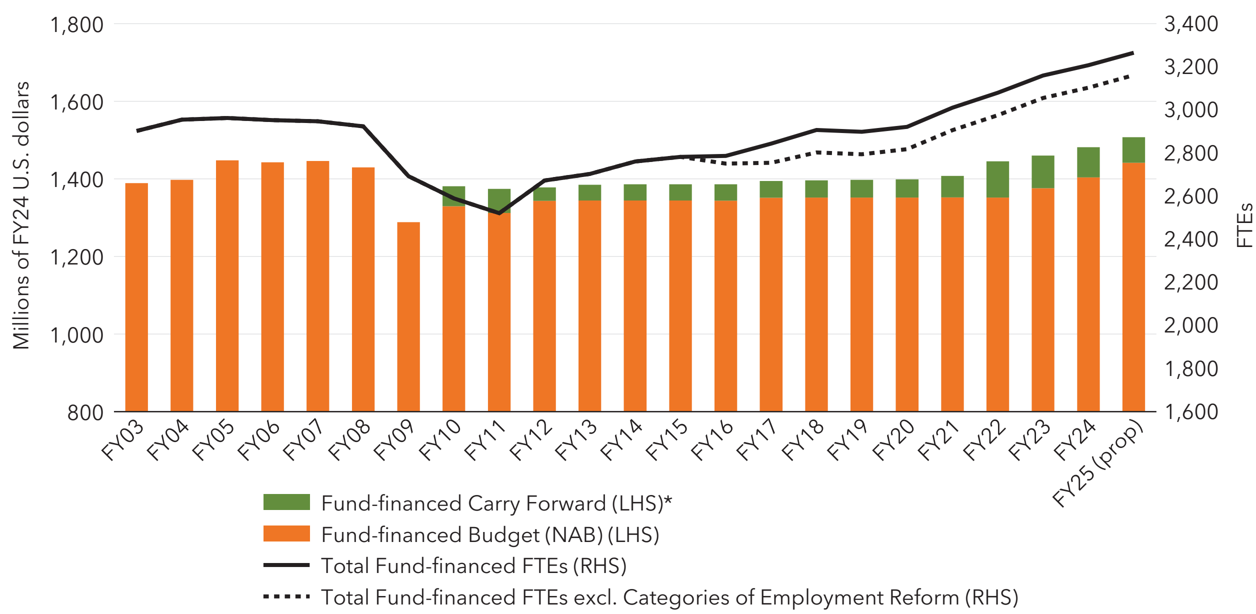
The Fund's capability to absorb and implement a steadily expanding range of ongoing work and newer activities, while sustaining high-quality work, requires an adequate resource allocation. Yet, interviews conducted with Fund staff at all grade levels, for both the current evaluation and past IEO evaluations (IEO, 2014; 2016; 2017; 2020b; 2023), have emphasized several persistent concerns and challenges, which, if resolved, could help minimize the tension presented by the Scope-Traction-Resources trilemma (Section 1). Broadly, interviewees' concerns centered on four interrelated areas: (i) the persistent high work pressures and insufficient fungible staff and expertise required to respond effectively to both internal and members' demands to engage in newer policy areas; (ii) the need to accompany newer workstreams with sufficient budget resources and that critical choices are needed, either to reprioritize among current activities or to increase resources to support newer areas; (iii) broader concerns about the Fund's relevance, including that the Fund may have spread "too wide and too thin" and is suffering from mission creep; and (iv) the impact on the Fund's reputation as a result of the deteriorating quality of work, both in traditional core policies and newer policy areas. The rest of this section assesses some of these trends in further detail.

[16] Complaints about the current state of voice and representation in the Fund, particularly by EMEs, are well documented. The last quota and governance reforms that resulted in a realignment of quota shares (and therefore also voting power) were approved by the Board of Governors in December 2010 and only came into effect in January 2016 after a long ratification process. As part of the 16th General Review of Quotas, on December 15, 2023, the Board of Governors approved a 50 percent quota increase allocated to members in proportion to their current quotas. As the membership could not agree on a realignment of quota shares to reflect changes in the global economy since 2010, the Executive Board was asked to work to develop possible options for a quota realignment as part of the 17th General Review of Quotas by June 2025 (IMF, 2023f). The membership did agree to increase the number of Executive Directors from 24 to 25, to allow for the creation of an additional Sub-Saharan African constituency in the Board.

At the time of the endorsement of the five specific strategies and their external publication, there was no formal decision on resource allocations, which were later included in the Medium-Term Budget (MTB), guided by a zero real growth rule. When the Board endorsed the governance, social spending, digital money, climate, and gender strategies, it did not include a formal decision on the resources allocated to them. As a result, the resource impact of these five specific strategies still needed to be incorporated in subsequent MTB decisions. The Fund's MTB is led by the Office of Budget and Planning (OBP), is subject to Board approval, and has been discussed every year in the period from March to May. The MTB allocated the budgetary resources across all Fund activities, and the process was structured to incorporate input from the GPA, Board Work Program, and policy-specific discussions, and was the result of extensive engagement between staff, management, and the Board. Throughout almost the entire evaluation period, decisions related to the MTB were guided by a zero real growth rule, until the approval of the Budget Augmentation Framework in 2021. Further, since 2021, the real budget has been measured using a deflator based on the U.S. consumer price index, which is not necessarily aligned with the Fund's actual pattern of expenditure. The Fund's real budget remained almost identical between FY2003 and FY2023. In FY2003, the Fund spent US$1,389 million (real 2024 USD), compared to US$1,376 million in FY2023 (Figure 5). Over the same period, staff numbers, measured as IMF-funded Full-Time Equivalent (FTE) staff, increased by a modest 8.6 percent from 2,902 (FY2003) to 3,152 (FY2023).

As a result of the decision to maintain a flat real budget through 2021, work on newer policy areas was covered through a combination of resource reallocations, internal savings, and staff overtime. While all MTB documents since 2012 have described efforts to reprioritize, streamline, and, where possible, sunset workstreams, in practice, substantively scaling back workstreams has proved elusive, with continued demands on the Fund to deliver a persistent increase of the scope of work. While the Board decided to add new workstreams or identified new priorities, experience showed that it was very difficult—given the Fund's heterogeneous membership and the fact that priorities are not always aligned across the membership—for the Board to agree on what activities or workstreams to end.

FIGURE 5. FUND-FINANCED BUDGET ENVELOPE AND PERSONNEL, FY2003–23



Source: FACTS, OBP (including historical outturn reports).

Notes: Figure excludes special travel allocations for Annual Meetings and OED/IEO transfers in relevant years. FTEs include longer-term contractual staff who were recategorized as FTE staff in 2010. *Carry Forward: from 2010, the Board agreed to transferring a portion of unused resources in a fiscal year to the next one.

As a result, in practice, reprioritization options have been limited. OBP did initiate two major streamlining exercises,[17] which provided average savings of around 4 percent of the aggregate budget envelope per year for reprioritization (IMF, 2021l).

The higher workload resulted in unsustainable work pressures for staff. Staff work pressures, measured in terms of overtime, annual leave usage, and unused leave balances, while declining, remained consistently high and above targets during the evaluation period (Figure 6). While the Fund had a targeted average overtime rate of 10 percent,[18] for the Fund's professional staff (levels A9-B5), this threshold was exceeded in every year in the period FY2012–23 in all five area departments, as well as in the Strategy, Policy and Review Department (SPR), MCM, and the Institute for Capacity Development, and for all but one year in the Fiscal Affairs Department (FAD). SPR (17 percent) and FAD (15.4 percent) accounted for the highest average annual overtime use. Average annual leave usage remained under the 30 days per fiscal year allocated to full-time staff (26 days before May 1, 2021). Work pressures have been elevated since the COVID19 pandemic, with average overtime among senior-level staff (B-level), in both area and functional departments, exceeding 20 percent in the period FY2020–23.[19] Indeed, MTB documents and annual risk reports (see Section C) discussed between 2012 and 2023 noted on a regular basis that demands on staff were unsustainable and constrained staff's ability to deliver outputs, both related to the traditional core policies as well as the newer policy areas.

After maintaining zero real budget growth for almost a decade, the Board approved the Budget Augmentation Framework in 2021 with a 6 percent increase in the Fund's net administrative budget, significantly below the 9.1 percent increase originally requested by management. In early 2021, management requested an increase in the budget because of rising pressures to address the priorities and needs of the membership, reduced budget buffers, and unsustainable demands on staff. While acknowledging that a budget increase was justified, Board members commanding a majority of voting power believed that the initial budget augmentation proposal went too far. The Board's input resulted in a formal proposal for a Budget Augmentation Framework (IMF, 2021l), discussed by the Board on December 1, 2021. It amounted to a 33.6 percent decrease from what was originally proposed by staff in July, and realigned the shares of specific policy areas within the budget augmentation envelope, notably increasing the share of climate and macrofinancial surveillance and reducing that of inclusion and gender (Table 1).[20] Overall, staff believed that the resources allocated under the approved Budget Augmentation Framework were inadequate to comprehensively cover all issues deemed macrocritical, and despite this increase, work pressures remained high and above target.

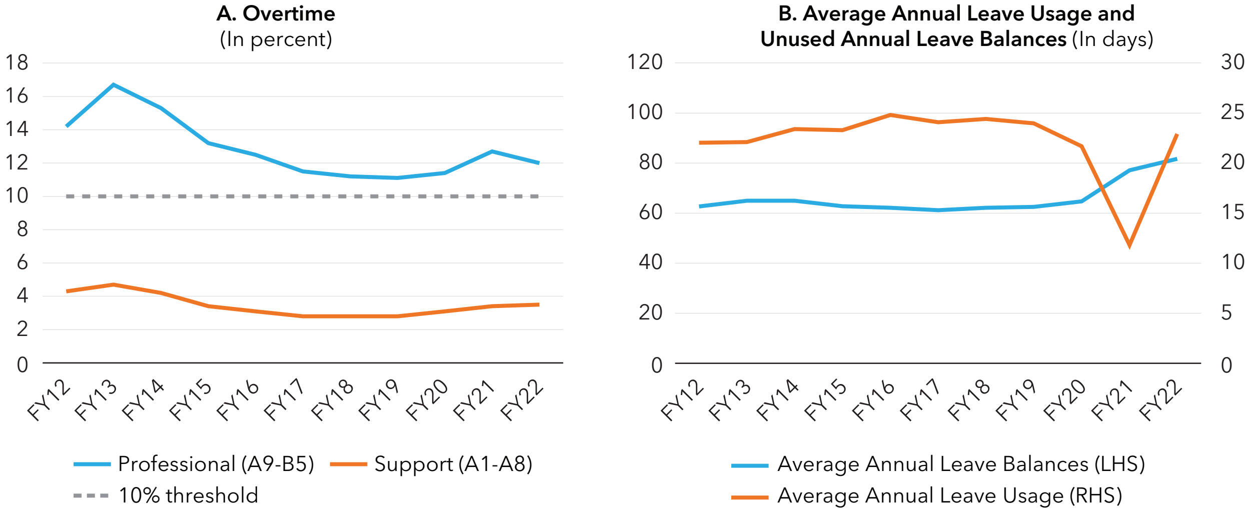
[17] The first exercise was discussed and approved by the Board on April 23, 2015, and streamlined a number of policies and procedures including the frequency of Article IV consultations, reducing the frequency of country program reviews and post-program monitoring, discontinuing Ex Post Assessments, and streamlining safeguards assessments. Some of these changes to policies and procedures required formally amending earlier Board decisions (IMF, 2015a). The second streamlining exercise was discussed by the Board on June 15, 2018, but did not require a formal Board decision as management's proposals were more limited in scope (IMF, 2018c).

[18] FY2017 Output Cost Estimates and Budget Outturn paper.

[19] While annual estimates of the excess overtime equivalent for FTE staff are not available, a staff estimate in 2014 suggested that excess overtime over the period FY2008–13 accounted for an equivalent of 60 FTE staff (FY2014–16 Medium-Term Budget).

[20] While the Budget Augmentation Framework paper provided indicative FTE numbers, these numbers were based on average grade/salary levels, and the binding constraint was the dollar amount. For example, with the additional US$27 million reserved for the Fund's climate work (Table 1), the Budget Augmentation Framework paper proposed to recruit 73 FTEs (2/3 fungible macroeconomists and 1/3 climate or operational experts). However, in practice, the number of FTEs that can be hired within the USD$27 million envelope depends on their grade/salary level. As a result, in this paper, we focused on dollar amounts rather than FTE numbers. While there was no data available on the aggregate number of FTEs, for example, on climate, digital money, or gender experts working at the Fund, the annual Staff Recruitment and Retention Experience Reports provided information on hiring within newer policy areas.

FIGURE 6. STAFF OVERTIME AND ANNUAL LEAVE, FY2012–22



Source: IEO staff calculations based on Human Resources Department data.

Note: (a) Data shows average overtime rates for professional and support level staff, as well as long-term contractual staff, as of the end of each respective fiscal year. Employees on LWOP, visiting scholars, and field experts are excluded. (b) Data includes all staff and shows average annual leave usage and unused annual leave balances, as of April 30 of each respective fiscal year.

In addition, the decisions related to Fund engagement in newer policy areas and their resource and risk implications were taken in a piecemeal way, negatively impacting comprehensiveness and coherence, and resulting in misalignments between the ambition expressed in the policy decisions and the resources committed to implementing them.[21] While the approved Budget Augmentation Framework increased the Fund's budget, it only provided additional resources and set priorities for five select workstreams (Table 1). As they are implemented, or when new priorities arise, further trade-offs will have to be made. For some newer policy areas, this has resulted in significant differences between the resources deemed necessary to implement the strategy and the resources finally approved by the Board (Table 2), which required strategies to be scaled down in scope, depth, and number of countries reviewed after they had been formally endorsed by the Board and published externally on the Fund's website. Over half of Executive Directors, representing almost 64 percent of voting power, believed that the budget augmentation process was a step forward in providing better information and different options, but still fell short of a fully integrated decision-making process allowing for prioritization and trade-off decisions across all Fund activities. A more holistic approach would not preclude an iterative process considering decisions related to scope, required resources, and the risk implications of a newer policy area. However, it does imply that the formal endorsement of a strategy and its publication may only take place after rightsizing the initial proposals and there is an agreement on all these elements.

Evidence gathered for this evaluation suggests that data presented in the MTB underestimated the real cost in terms of the time staff worked on newer policy areas, and the extent to which this work crowded out work on the four traditional core policies, which raises transparency concerns. Despite their high profile in Fund communications, the GPA, and the Board Work Program, data presented in the MTB suggest that resources allocated to newer policy areas remained relatively limited. However, as detailed in Annex 2, such data were subject to significant limitations. For example, the Fund's time management system did not allow the Fund to systematically track what policy areas staff worked on and therefore did not generate the granular budget data needed to correctly

[21] See Gallagher, Rustomjee, and Arevalo (2024) in relation to decisions taken on the Fund's Climate Strategy and subsequent discussions related to the budget allocation for implementing said strategy.

measure the real cost and the share of newer policy areas in the Fund's budget. Evidence gathered from interviews and a staff survey[22] conducted for this evaluation, as well as analysis of alternative data to measure Fund engagement in newer policy areas in De Lannoy (2024), indicate that staff dedicated more time to newer policy areas than suggested by data presented in the MTB, at times, at the expense of work on traditional core policies. Further, mission chiefs raised concerns that coverage of newer policy areas impacted the quality of bilateral surveillance given the expansion of the number of policy areas expected to be covered and the relatively small country teams with limited expertise on certain topics. More broadly, previous IEO evaluations have found that Fund-wide resource constraints have particularly impacted the quality of bilateral surveillance for small, fragile, and conflict-affected states (IEO, 2018a; 2022a). In this respect, the resource decision-making process was not sufficiently transparent, as the lack of granular budget data by policy area did not allow the Board to understand in sufficient detail how resources were allocated by policy area across all Fund activities.

TABLE 1. THE BUDGET AUGMENTATION FRAMEWORK
(In millions of FY2022 USD)

	INITIAL PROPOSAL *July 2021*		APPROVED BUDGET AUGMENTATION FRAMEWORK *December 2021*				
	9.1% Total Increase		6% Total Increase		PHASE I (1.8%)	PHASE II (2.1%)	PHASE III (2.1%)
	USD	SHARE	USD	SHARE	USD	USD	USD
Total	**110**	**100%**	**73**	**100%**	**22**	**25**	**26**
Climate	36	32%	24	37%	8	9.3	9.3
Digital Money	20	18%	14	19%	3.6	5	5.7
Inclusion and Gender	7	7%	2	3%	1	1	0
Fragile & Conflict-Affected States	31	28%	21	29%	5.3	7.4	8.5
Macrofinancial Surveillance	9	8%	9	12%	3.9	2.6	2.2
Buffer	12	11%	0	0%			
Synergies	–5	–5%	0	0%			

Source: IMF (2021k; 2021l).

TABLE 2. GAP BETWEEN STAFF REQUESTS AND BOARD-APPROVED ALLOCATIONS
(In millions of FY2022 USD)

	CLIMATE		DIGITAL MONEY		INCLUSION AND GENDER	
	USD	PERCENT	USD	PERCENT	USD	PERCENT
Strategy/Policy Document	36		21		-	
Initial Budget Augmentation Proposal	36		20		7	
Approved Budget Augmentation Framework	27		14		2	
Difference Relative to Strategy/Policy Document	**–9**	**–25%**	**–7**	**–33%**	**-**	**-**
Difference Relative to Initial Budget Augmentation Proposal	**–9**	**–25%**	**–6**	**–30%**	**–5**	**–71%**

Source: Author calculations based on IMF (2019; 2021h; 2021i; 2021l).

[22] The response rate to the IEO survey was 17.8 percent, corresponding to a total of 441 responses. The response rate for this survey was similar to previous IEO surveys. The survey's findings were further corroborated by in-depth interviews with staff.

NAVIGATING RISKS: MISSING A THOROUGH RISK EVALUATION

The Fund's risk management practices evolved substantially during the evaluation period, culminating in the establishment of the Office of Risk Management (ORM) in 2018. By design, in light of the Fund's role in the global economy, the nature of the Fund's operations entails risk taking. As a result, the goal of the Fund's risk management practices is to understand and manage risks more effectively, not to eliminate them. In March 2012, the Managing Director established a Working Group on the Fund's Risk Management Framework, which recommended inter alia establishing an enhanced central risk management function. This led to the creation of the Risk Management Unit in 2014, which became the ORM in 2018 (IMF, 2021b). While individual Fund departments and units constituted the first line, responsible for day-to-day risk management, including the identification, assessment, and mitigation of risks, ORM reported directly to management and provided an independent view and challenge to ensure the quality and uniformity of the risk management process across the Fund, flagging possible disagreements with staff's risk assessment.

The discussion of risks related to Fund engagement in newer policy areas was limited, ad hoc, and lacked a comprehensive risk assessment, which raised transparency concerns. The documents for the governance, social spending, digital money, climate, and gender strategies covered risks in a very limited and high-level way. None of the strategy or policy documents provided a systematic and comprehensive discussion of the risks, covering arguments both in favor of and against engaging in newer policy areas. The Fund's risk profile and relevant risk management decisions were mostly discussed by the Board once a year at the time of the risk report Board meeting. These risk reports[23] were formally discussed by the Board, but not published, and since 2016, they have been complemented by informal midyear risk updates. However, annual risk reports did not discuss specific risks or risk mitigation measures[24] related to newer policy areas. Furthermore, they did not constitute an ideal instrument for doing so, as the Board discussion took place ex post when individual strategies or policies had already been endorsed by the Board and published externally.

In December 2022, the Board approved the Fund's Enterprise Risk Management (ERM) framework, which covers risks related to the application of the Fund's mandate extensively, but a strategic approach is still missing. The Fund's ERM framework was approved at the end of 2022 and includes an extensive ERM Risk Taxonomy, which categorizes four hierarchical risk levels (from 1 to 4), based on six Level-1 risks: (i) business; (ii) environmental, social, and governance; (iii) financial; (iv) operational; (v) reputational; and (vi) strategic. The risks related to the application of the Fund's mandate are covered across all six Level-1 risks (IMF, 2023a). Going forward, this framework should allow staff to prepare a comprehensive risk assessment when contemplating or reviewing Fund engagement in newer policy areas, assessing risks across all six Level-1 risks. However, without an overarching Fund-wide, institutional strategy (Section 3.A.), risk management would be limited to analyzing the risks of individual strategies or policies ad hoc, without the context of a broader institutional strategy and an analysis of longer-term risks for the Fund as an institution.

[23] The Fund's risk reports, the Reports on Risk Management in the period 2012–14, and the Risk Reports from 2015 onward, provided an assessment of the Fund's risk profile across its different business areas.

[24] For instance, the Fund's climate strategy argued that stepping up the IMF's engagement on climate change would help mitigate reputational and strategic risks to the Fund, noting that if it was not properly resourced, it could increase business risks by straining other critical issues central to the IMF mandate and could result in reduced quality and traction of the Fund's advice, in turn affecting its reputation (IMF, 2021i). As explained earlier, however, the Budget Augmentation Framework scaled down the resources requested by staff for the Fund's climate strategy and there was no comprehensive follow-up assessment of how this misalignment would affect the risks signaled by staff. This unassessed misalignment can, in itself, create reputational risks for the Fund.