EXECUTIVE SUMMARY

This evaluation assesses, for the period 2012–23, the evolving application of the International Monetary Fund's mandate that resulted in the extension of Fund activities into newer policy areas beyond its four traditional core policies (exchange rate monetary, fiscal, and financial sector) explicitly mentioned in the 2012 Integrated Surveillance Decision.

The application and the scope of the Fund's mandate were consistent with its legal framework and there was a consensus across the membership that both the traditional core policies, as well as the newer policy areas were relevant and reflected important needs and priorities for the Fund's membership in the context of a rapidly changing world economic order, characterized by increased multipolarity and shocks. However, views differed on the degree of preference among the newer policy areas and on the role of the Fund in five specific policy areas that resulted in Fund strategies, i.e., governance, social spending, digital money, climate, and gender. Further, these strategies were established through relatively condensed and ad hoc processes, which have created a number of operational challenges.

This report assesses the Fund's decision-making process, its principles for engagement, and its engagement with partners related to newer policy areas using seven evaluation criteria: inclusiveness, transparency, comprehensiveness, coherence, clarity, flexibility, and consistency.

Comprehensiveness and Coherence. To be comprehensive and coherent, the decision-making process should have considered all relevant information and possible alternatives, as well as their budgetary and risk management implications. Here, the evaluation finds that the absence of a strategic longer-term anchor to guide engagement in newer policy areas resulted in decisions being taken in an ad hoc manner and not as part of a larger discussion of the longer-term role of the Fund. The decisions related to Fund engagement in newer policy areas and their resource and risk implications were taken in a piecemeal way, creating misalignments between the ambition expressed in the policy decisions and the resources committed to implementing them. In addition, the Fund engaged with numerous external organizations, seeking their expertise in newer policy areas. This engagement took on various forms, and there was no overarching institutional framework nor an adequate monitoring and self-evaluation system, which prevented profiting from best practices and a more efficient engagement across partners.

Inclusiveness. To be inclusive, the decision-making process should have involved all relevant stakeholders in an evenhanded way and considered their perspectives and interests. This evaluation, however, finds that inclusiveness among Executive Board constituencies was mixed in relation to the decisions on how to engage in newer policy areas and to what extent, with the process largely driven by management and the preferences of some key members.

Transparency. Transparency refers to adequate information being available to all and open to scrutiny. The decision-making process was not sufficiently transparent in relation to resource allocations, as the lack of granular data did not allow the Executive Board to take decisions informed by more precise data on how resources were allocated by policy area across all Fund activities. In addition, the discussion of risks related to Fund engagement was limited, and the Executive Board did not have access to a comprehensive risk assessment when taking strategic decisions on the application of the Fund's mandate.

Clarity. Clarity refers to whether key criteria, priorities, and other concepts related to Fund engagement in newer policy areas were clearly defined and understood. To determine when and how to engage in a newer policy area, the Fund established four principles or filters: (i) "macrocriticality," to determine when to engage; (ii) "IMF expertise," to determine whether to provide policy advice; (iii) "relevance, severity, and urgency," to determine depth of engagement; and (iv) an undefined filter used to determine frequency of engagement. However, this evaluation finds that the process of applying these filters in bilateral surveillance lacked clarity. This evaluation also found a lack of clarity in assessing evenhandedness when engaging in newer policy areas.

Flexibility and Consistency. Flexibility refers to whether key criteria, priorities, and other concepts enabled the Fund to adapt its engagement within newer policy areas in response to evolving resources, risks, and country circumstances. Consistency refers to whether key criteria, priorities, and other concepts enabled the Fund to limit its engagement within newer policy areas to issues where it can provide consistent high-quality policy advice, thereby ensuring greater traction and uniformity of treatment. This evaluation finds that the aforementioned filters are better suited for enabling flexibility than enhancing consistency, as they constitute a relatively low hurdle for the Fund to engage in newer policy areas, and to adapt the provision of policy advice, as well as the depth and frequency of engagement, to country-specific circumstances within a context of limited resources. The Fund also has adapted the concept of evenhandedness, resulting in greater flexibility in conformance with the objective of uniformity of treatment.

Overall, the paper concludes that the aforementioned challenges related to the seven evaluation criteria can be addressed by the following recommendations:

Recommendation 1: The Executive Board and management should enhance the decision-making process by (i) developing an inclusive Fund-wide institutional strategy for Fund engagement in newer policy areas; and (ii) taking a more holistic approach when endorsing individual strategies for newer policy areas by better linking the decisions related to their scope, required resources, and risk management implications.

Recommendation 2: Management and staff should address operational challenges by producing budget data in a manner that allows tracking by policy area across all Fund activities and operations. The Board should consider what policy areas need to be tracked and the level of granularity required, balancing the need for more detailed data with the costs and complexity involved in providing such data.

Recommendation 3: Management and staff should update the 2022 Guidance Note for Surveillance Under Article IV Consultations in order to enhance the clarity of key elements regarding Fund surveillance in newer policy areas.

Recommendation 4: The IMF should adopt an Executive Board-approved high-level Statement of Principles for Engagement with Partners to establish a coherent best practice framework.