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IMPLEMENTATION PLAN IN RESPONSE TO THE BOARD-ENDORSED RECOMMENDATIONS FROM THE IEO EVALUATION ON THE EVOLVING APPLICATION OF THE IMF'S MANDATE

EXECUTIVE SUMMARY

This Management Implementation Plan (MIP) proposes actions in response to the Board-endorsed recommendations provided by the Independent Evaluation Office (IEO)'s report on the Evolving Application of the IMF's Mandate.

The MIP addresses the four IEO recommendations, which aim to (i) Enhance the decision-making process for Fund engagement in new policy areas; (ii) Address operational challenges by producing budget data in a manner that allows tracking by policy area across all Fund activities and operations; (iii) Enhance the clarity of key elements regarding surveillance in new policy areas, and (iv) Adopt an Executive Board-approved high-level Statement of Principles for Engagement with Partners.

Staff will leverage existing and planned workstreams to address the IEO's recommendations. Specifically:

- The ongoing Comprehensive Surveillance Review (2026 CSR) will propose the desired level of engagement in new policy areas consistent with the forward-looking surveillance priorities, consideration of tradeoffs grounded in enterprise risk assessment, and available expertise. It will also indicate where additional resources might be required. An updated Surveillance Guidance Note will be published following the conclusion of the 2026 CSR.
- The MIP builds on the strong existing budget framework as well as significant recent efforts to continue to update and strengthen budget data reporting, recognizing its importance for strategic prioritization and budget monitoring.
- The existing modalities for collaboration with external partners will provide a strong basis to outline an Executive Board-approved high-level Statement of Principles for Engagement with Partners.

The proposed activities to enhance the decision-making process for considering the Fund's engagement in new policy areas, further strengthen budget data, and update the 2022 Surveillance Guidance Note build on and reinforce existing processes. The development of high-level principles on engagement with partners is expected to require only modest gross resources. As such, the resource cost of these activities could be absorbed within the current budgetary envelope for their respective workstreams if the work proceeds as planned. Nonetheless, deeper engagement with partners and any additional policy areas the Fund engages in would likely require additional net resourcing.

Approved By
Ceyla Pazarbasioglu
(SPR) and Michele
Shannon (OBP)

Prepared by Sarah Sanya under the guidance of Daria Zakharova (SPR) with inputs from Fabian Bornhorst, Anna Ilyina, Miroslav Josic (SPR), Laurence Allain, and Chuling Chen (OBP).

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INTRODUCTION

1. **The Executive Board and management welcomed the IEO evaluation on the Evolving Application of the IMF's mandate.** The evaluation was discussed by the Board on June 10, 2024. Directors welcomed the report's finding that the application and scope of the Fund's mandate were consistent with its legal framework and that there was consensus across the membership that both the *traditional core policy areas* and the *new policy areas* reflected important needs and priorities of the Fund's membership.¹ The Board endorsed the IEO's four main recommendations.
2. **This paper presents a Management Implementation Plan (MIP) to take forward the Board-endorsed recommendations from the evaluation, including specific "SMART" actions, timing, and responsibility for implementation** (see Annex).

IEO RECOMMENDATIONS AND BOARD REACTIONS

3. **This section summarizes Executive Directors' reactions to the four recommendations and specific suggestions** (Box 1).
4. **Directors agreed that the Board and Management should enhance the decision-making process for considering the Fund's engagement in new policy areas (Recommendation 1).** Directors took note of the IEO's finding that there was a perception that the engagement with the Board in the decision-making process that led to the strategies in new policy areas was not fully inclusive. Directors noted that strengthening the linkages between scope, resources, and comprehensive risk assessment in new policy areas would support the goal of enhanced decision-making. A few Directors noted that the upcoming Comprehensive Surveillance Review (CSR) could be the appropriate vehicle to provide strategic guidance on the Fund's surveillance priorities and activities.
5. **Directors concurred with Recommendation 2 for Management and staff to address operational challenges by producing budget data in a manner that allows tracking by policy area, across all Fund activities and operations.** Directors agreed that the Board should continue to advise the Office of Budget and Planning (OBP) on the policy areas to be tracked and the level of granularity required while balancing the costs and benefits of alternative solutions against available resources and the administrative burden on staff. They welcomed the indications from Management that work to strengthen the granularity of budget data in key policy areas is underway, with increasing information being provided in budget and work program reports, and in policy documents.

¹ In this MIP, the term "new policy areas" refer to work in topical areas that expand the scope of *traditional* policies that are subject of the Fund's bilateral surveillance per the [Integrated Surveillance Decision \(ISD\), IMF 2012](#), such as exchange rate, monetary, fiscal, and financial sector policies (both their macroeconomic aspects and macroeconomically relevant structural aspects). The five specified topical areas in the IEO report (climate, digital, governance, gender, and social spending) are considered under "new policy areas" in this paper.

6. Directors supported Recommendation 3 for Management and staff to enhance the clarity of key elements regarding its surveillance in new policy areas by updating the 2022 Guidance Note for Surveillance under Article IV Consultations. Doing so would ensure clearer and more consistent guidance and communication about the IMF's surveillance activities, including in new policy areas, while being mindful of the tradeoff between greater specificity and maintaining flexibility when engaging with members. Directors noted Management's plan to comprehensively update the Staff Guidance Note upon completion of the ongoing 2026 CSR.

7. Most Directors supported or were open to the recommendation for the IMF to adopt an Executive Board-approved high-level Statement of Principles for Engagement with Partners (Recommendation 4). They generally recognized the rationale for establishing a coherent best practice framework that would provide an institutional anchor for engagement with external partners, while retaining flexibility for its application across individual strategies and partnerships. At the same time, many Directors raised questions as to whether a set of high-level principles could effectively address the operational challenges arising from the diverse nature and depth of Fund engagement across external partners and activities.

Box 1. IEO Recommendations

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

The proposed inclusive Fund-wide institutional strategy should include the following elements:

- An assessment of the alternative options in terms of which policy areas to engage in and which not, and the desired level of engagement, which can range from just signaling a policy area's macrocriticality, leaving more in-depth engagement to other institutions, to engagement on par with the traditional core policies in terms of policy advice, depth, and frequency of engagement.
- An assessment of what the above-mentioned choices related to Fund engagement mean for the budget, overall size, and risk profile of the Fund, including their impact on staff in terms of work pressures and overall well-being, and how this positions the Fund in the international financial system.
- An assessment of the desired balance between retaining flexibility and ensuring consistency when implementing surveillance in new policy areas, which can be developed through principles of engagement that answer the above questions as well as the extent to which the Fund should adopt a narrow or broad interpretation of "similar circumstances" when assessing evenhandedness.

Endorsing individual strategies for new policy areas in a more holistic way would enhance their transparency and coherence. Such a holistic approach can still be iterative, but the formal endorsement and publication of a strategy or policy for Fund engagement in a new policy area should include the following elements:

- An assessment of the perimeter, depth, frequency, and required Fund expertise of the new policy area.
- An assessment of the adequacy of the allocated resources, as well as where they will come from, to avoid unintentionally impacting other Fund activities or workstreams and placing unsustainable demands on staff.
- A comprehensive risk assessment covering the risks related to engaging, as well as not engaging, in a new policy area across all six Level-1 risks of the ERM Framework.

Box 1. IEO Recommendations (Continued)

- How the Fund intends to engage with other partners on the new policy area.

2. 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 area needs 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.

- Collecting, tracking, and reporting budget data in a multidimensional way, not just by output area, country grouping, and department, but also by policy area, across all Fund activities and operations, would allow the Fund to estimate more precisely the costs and resource needs. This would help the Board better understand how resources are allocated and what the impact of tradeoffs is, not just on new activities or workstreams, but also on existing ones, so it can set priorities accordingly. However, collecting more comprehensive, granular budget data for all policy areas across all Fund activities may have significant resource implications, both in terms of dollars and staff time. It would require adapting the current time registration system or investing in a more modern, multidimensional system, and additional inputs at the individual staff level to register what policy areas they are working on in a regular and systematic way. Transitioning from the current system to a more comprehensive one would also involve process planning, change management, and managing risks related to compliance and data quality. To better balance these costs, the Board should review what policy areas need to be tracked and the level of granularity required.

3. Enhance clarity of key elements regarding its surveillance in new policy area by updating the 2022 Guidance Note for Surveillance under Article IV Consultations.

The updated Guidance note could include greater detail to answer the following questions related to Fund engagement in new policy areas:

- *On the perimeter:* (i) how should staff determine if a structural issue is macrocritical; (ii) to what extent is coverage of macrocritical structural issues required; and (iii) what time horizon(s) should staff consider when making their assessments of macrocriticality.
- *On the provision of policy advice:* (i) how should staff determine if the Fund has expertise on a particular structural issue; (ii) to what extent should staff provide policy advice when Fund expertise exists but supply is lacking; and (iii) should the IMF expertise filter be applied at all.
- *On the depth:* (i) how should staff determine the relevance, severity, and urgency of a macrocritical structural issue, both independently and relative to others; and (ii) what are the different depths of engagement.
- *On the frequency:* how should staff determine when and how often to engage on a macrocritical structural issue.
- *On the uniformity of treatment:* (i) how should staff determine which similar circumstances are relevant when assessing evenhandedness; and (ii) should the Fund adopt an output-based approach to evenhandedness.

4. Adopt an Executive Board-approved high-level Statement of Principles for Engagement with Partners to establish a coherent best practice framework.

- An Executive Board-approved high-level Statement of Principles would provide the Fund with an institutional anchor for engagement with partners.
- The principles approach would guide the motivating rationale, objectives, policies, monitoring, and evaluation criteria and modalities, and, at the same time, it should provide flexibility on the type of framework arrangement with a respective partner, be it formal, informal, or ad hoc.

Box 1. IEO Recommendations (Concluded)

- The establishment of principles would help mitigate risks related to time lags arising from the Fund's current model of "learning by doing" pilot projects that it relies upon before it adopts strategies in new areas and inform decision making in relation to the expected engagement with partners when approving a new policy area.

MANAGEMENT IMPLEMENTATION PLAN

8. Staff carefully considered how to best implement the Board-endorsed recommendations while ensuring synergies with existing workstreams and being mindful of resource constraints. The MIP proposes several "SMART" (specific, measurable, attainable, relevant, and timebound) actions that leverage the ongoing Comprehensive Surveillance Review (CSR), existing strategies, budget, and risk processes. This approach aims to better integrate Fund policy priorities with available resources and risk assessments in a cost-effective way.

A. Recommendation 1: Enhance the Decision-Making Process for Engagement in New Policy Areas

9. There was broad support at the Board for the IEO's recommendation to enhance the Fund's decision-making process and to take a holistic approach to considering engagement in new policy areas. Management proposed to leverage the upcoming 2026 CSR and existing decision-making processes to guide the prioritization of surveillance activities. Key elements of the IEO recommendation include: (i) an assessment of which policy areas to engage in, and the desired level and pace of engagement; and (ii) an assessment of the expertise required for the new areas and implications for the budget and risk profile of the Fund, including their impact on work pressures.

10. The Fund is already taking steps to better integrate budgetary and risk considerations into strategic decisions guiding the Fund's work program. The ongoing strategic engagement with the Board provides an opportunity to review priorities on an annual basis in a holistic manner, taking account of budget and risk considerations identified both in individual strategy reports and in the budget and the enterprise risk assessment processes.² Further work is underway in the following areas:

Budget (see also Recommendation 2 related to budget data and reporting)

- **Continue with Board work program costing, as reintroduced last year, which highlights the cost of all non-recurrent items going to the Board.**

² The Fund's strategic planning cycle integrates global developments and members' guidance to create achievable goals and results across surveillance, lending, and capacity development, impacting the work of all departments of the Fund.

- **Ensure more consistent, standardized upfront costing of gross and net resource requirements for new initiatives and policy reviews, which sets expectations about what level of engagement will be feasible within the constrained budget environment versus what would be feasible with additional net resourcing.** As further detailed below, this work requires iteration between issue-specific strategy development and a more holistic consideration of resourcing tradeoffs. At the same time, strong estimation requires that engagement on the work has sufficiently advanced to support initial, high-level resource planning and budgetary estimates. This would require a concrete sense of both objectives and deliverables, as well as the sequencing and organization of work. More detailed planning will occur as these arrangements are solidified.
- **Integrate these more consistent resourcing estimation inputs into the holistic presentation of overall resourcing needs in the medium-term budget, where broader budget constraints and resourcing tradeoffs can be addressed in a comprehensive manner.** The current practice of including an annex setting out resource implications for all policy/strategy discussions throughout the year will be strengthened through greater standardization of this information.
- **Recognizing the need for ongoing review of resource planning as new initiatives are adopted, monitor and report on actual resourcing (relative to estimates) as part of regular strategy updates and budgets, particularly in the early stages of implementation (see also Recommendation 2).**

Risk Assessment

- **To help further integrate risk considerations into Fund operations and policy decisions, introduce more consistent documentation of risks, risk ratings, and related action plans in department policy proposals and strategy papers through the Document Risk Self Assessments (DRSAs).** Report aggregate risk considerations of Fund operations in the context of bi-annual Enterprise Risk Reports.

11. Building on this ongoing work, staff propose to address Recommendation 1 in three steps. This approach leverages and reinforces existing processes to ensure a more consistent identification of and reporting on objectives, budgets, and risks related to the Fund's priorities.

12. In the first step, in the context of the ongoing 2026 CSR, the Executive Board would set the forward-looking surveillance priorities and the desired level of engagement in the relevant policy areas over the medium term. Prior CSRs set surveillance priorities without explicitly linking them to the expected scope of engagement, resources, and risks, which contributed to the expansion in designated new policy areas beyond the limits to resources and expertise, leading to rising work pressures under a constrained budget.³ To attempt to remedy some of these

³ The evaluation report notes that work pressures have been elevated since the Covid-19 pandemic. The sources of increased work pressures are complex and linked to both new and traditional areas of the Fund's work, including support activities.

problems, the ongoing 2026 CSR is now envisaged to proceed in two phases as part of a broader strategic planning framework:

- **Phase 1:** The 2026 CSR will develop at a high level the forward-looking surveillance priorities for the next 5-10 years building on ongoing work on assessing the evolving surveillance landscape as well as lessons from the implementation of the 2021 CSR priorities, the ongoing Fund for the Future workstream, and strategies in the new policy areas.
- **Phase 2:** The CSR will outline the high-level principles for determining the desired level (depth, breadth, and frequency) of engagement in the new policy areas consistent with the forward-looking surveillance priorities (phase 1), and consideration of tradeoffs grounded in enterprise risk assessment and available expertise.

14. The CSR will discuss budgetary implications at a directional level, but more precise costing will need to come at the next stage (see “Calibration and Costing” below). This recognizes that effective costing requires more detailed implementation planning and that resourcing would need to consider the full range of activities to be proposed in each of the new policy areas across surveillance, lending, and CD activities, as well as related support activities.⁴

15. The CSR will clarify that the desired level of engagement is a “medium-term” concept. In other words, engagement in new policy areas could advance gradually towards the desired level, linked to appropriate resourcing (see below). Similarly, recalibrating engagement in the current policy areas, where needed, would also proceed gradually to manage operational disruptions and preserve institutional expertise. Notably, scaling down might involve re-training specialized staff, reshaping relevant outputs to meet stakeholders’ expectations following reprioritization, and a careful communication of this recalibration to the public.⁵

16. In the second step, the Fund’s core deliverables—consistent with its surveillance priorities—will be calibrated and costed. The Fund’s core deliverables include surveillance, lending, and capacity development, though only surveillance is covered in the CSR. Therefore, a holistic consideration of strategy, resourcing, and enterprise risks across all activities would take place through an iterative process across the strategies of the new policy areas, the periodic workplans, and the available budget. Specifically:

- **Individual strategies for each new policy area and their periodic reviews until they are mainstreamed, as well as regular policy reviews, will serve to translate the surveillance priorities into concrete deliverables and timelines across activities.** The strategies will

⁴ It is often not feasible to provide comprehensive resource estimates for policies at the outset. Full costing requires implementation plans and timelines and needs to consider tradeoffs across all activities, within the available resource envelope.

⁵ The implementation of the Board-approved strategies for the new policy areas required an upfront investment as well as recurrent resource allocation to support the development/acquisition and scaling-up of institutional expertise to get the work going. Organizational and workforce planning also needs to take account of how specialists in new areas are deployed, recognizing inherent rigidities relative to more fungible roles.

include detailed cost assessments, clarifying the desired output levels and what is realistically achievable within the current budget constraints, and will clarify any tradeoffs involved. Where applicable, these strategies will include external funding considerations. Additionally, these strategies will consider the overlaps between lending and surveillance in certain new areas. Outside periodic strategy reviews, staff may provide the Board with targeted briefings should there be significant changes in circumstances. Such reviews would also be expected to make proposals to address any gaps between needs and available resources identified in budget reporting and propose plans for how these gaps can be managed or addressed.

- **The outcome of these discussions will feed into the annual budget formulation process, with the medium-term budget and outturn reporting providing a holistic presentation of how new initiatives have been accommodated within the budget envelope.** This report will consolidate information on gross and net costs from strategy/policy updates and highlight both sources of savings, taking into consideration work pressures. It will also report actual spending against expectations in key areas, highlighting major deviations (which may arise as circumstances change and experience is gained). As with current practice, the Board and management will retain the flexibility to add additional sessions to discuss the alignment of demands on the Fund and overall resourcing levels (as was done during the pandemic and in the planning for the FY23-25 budget augmentation).
- **A holistic enterprise risk coverage will be achieved by conducting Risk Control Self-Assessments (RCSAs) on critical business processes, Document Risk Self-Assessments (DRSAs) on critical strategy and policy decisions, as well as analytical coverage of risk aggregation in the Office of Risk Management's (ORM) Risk Reports.**
- **The Board Work Program (BWP) will continue to include the costing of items coming to the Board for consideration.**

17. In the third step, the planning and implementation of Fund priorities will be strengthened. Following agreement on updated implementation priorities and budget envelopes in new policy areas (across surveillance, lending, and CD), the respective strategy teams for each new policy area will update their implementation plan to reflect any material changes. Currently, such updates are regularly included in budget reporting but will be more explicitly incorporated in periodic updates of strategy documents shared with the Board. Such updates of the strategy documents would incorporate the material impact of annual resourcing decisions on deliverables and timelines, where relevant, and reflect on budget implications including spending versus expectations, highlighting major deviations and associated tradeoffs, while also continuing to assess the ongoing coverage and relevance of the defined areas. As activities are mainstreamed, updates would be integrated into regular policy and strategy reviews.

18. This iterative process fits with and reinforces the strategic cycle. The cycle kicks off in May/June with the Annual Strategic Dialogue with the Board (and in 2026, the approval of the CSR), which provides an additional platform to consider strategy, resourcing, and risk in the holistic manner envisaged by the IEO, incorporating insights from the previous year's cycle while signaling

the priorities for the upcoming year. It leads into the budget process – which kicks off in September, includes dialogue between departments and management and negotiation of envelopes in the winter, moves to a preliminary discussion with the Board in early March, and culminates with the approval of the budget in late April. Strategy updates in individual areas during this cycle would also inform the budget formulation process.

B. Recommendation 2: Address Operational Challenges by Producing Budget Data in a Manner that Allows Tracking by Policy Area, Across all Fund Activities and Operations

19. Management and staff agree on the IEO's emphasis on the importance of high-quality data to support understanding and strategic decision-making on the use of Fund resources. As the IEO analysis rightly highlights, such data are essential to confirm that Fund resources are used prudently and that strategic priorities are well-resourced, taking account of the required tradeoffs in a constrained budget context. They are integral to the holistic prioritization process outlined in response to Recommendation 1. Data are needed on:

- **Costing.** The projected scale of needs in new areas (or changes in needs in areas under review), based on operational plans/deliverables, linked to agreed objectives, and setting out relevant funding considerations. In this context, such costing work needs to consider the need for a sequential and iterative process that allows for strategy ideation and refinement through issue-specific deep dives, on the one hand, and for consideration within a more holistic prioritization and resourcing framework, on the other.
- **Approved budget which may differ from the original projected requirements, reflecting tradeoffs within the overall budget constraint following such holistic consideration of priorities.** In cases where the approved budget differs from the original recommendation, it would be expected that the scale of deliverables and/or their sequencing would also differ.
- **Actual spending and spending versus budget, which helps to identify any pressure point or opportunities for reprioritization within the available resource base.** Such ongoing monitoring and review are important to reflect the experience and any changes in circumstances since the original budget was approved. It provides input for management and the Board as they assess tradeoffs across the full budget and, potentially, reassess the scale of needs in any given strategy/policy area within this context.

20. Drawing on IEO's findings, staff is building on a strong existing budget data framework (Box 2), as well as significant recent efforts, to provide additional strategic information. The IEO's advice has reinforced and clarified the importance of work in these areas. Recent and ongoing efforts have focused on:

- **Ensuring strong end-to-end business processes and systems for budgeting, with several initiatives underway to:** i) address sizable legacy issues with existing processes, systems and

related tools and documentation; ii) support budget aspects of projects related to HR, CD, and Fund-wide corporate data storage; iii) join planning for work on the Fund's end-to-end Enterprise Resource Planning; iv) update workflows and related accountabilities for specific budgets/receipts between the center and lead departments; and v) invest in solutions to address more complex reporting needs linked to temporary crisis and augmentation-related data needs.

- **Improving reporting.** Expanding the clarity, timeliness, and granularity of reporting using existing data, drawing on Board feedback. This ongoing work has also included advancing some annual data gathering and projection processes to allow earlier reporting on details of budget plans for the next year.
- **Costing non-recurrent Board Work Program items.** The process introduced in FY24 will be continued in future Work Program reports to support understanding of the resource implications of non-recurring items in the Board work program.
- **Costing of Strategy/Policy reviews.** Staff-level guidance will be updated to support more consistent provision of costing information as part of strategy and policy discussions with the Board. This information will be summarized in consolidated budget reporting and integration into holistic proposals for the Fund's overall administrative budget.
- **Tracking spending in key policy areas.** Recent work has focused on significantly expanding information on selected strategic topical areas identified by the Board. Drawing on these efforts, information on both budgets and spending in key areas was presented in the FY24 outturn paper. This ongoing work will also allow for the development of longer time series, assuming the use of consistent definitions over time. In this context, current tracking focuses on work on debt, climate, governance, digital money, gender/inclusion, macro-financial surveillance, and Fragile and Conflict-Affected States, covering both budgets and spending. Information on economic work on AI and Trade/Fragmentation will be introduced in FY26.

21. The budget data framework benefited from the extensive work done during and following the [augmentation exercise](#) linking budgets and deliverables for the five areas covered by the augmentation. Delivery has been monitored relative to expectations and has helped to identify pressure points in early implementation of related strategies (see Section III of the [FY24 outturn paper](#)).

Box 2. The Fund's Budget Data

The Fund's budget processes and systems provide a wealth of strategic information on budgets and outturns used for budget formulation, monitoring, and reporting. Specifically:

Outputs: Understanding resource allocation and links to strategic priorities requires a strong understanding of how staff spend their time in terms of key "outputs." The Fund, following best practice, structures data collection and reporting around strategic output categories (Bilateral Surveillance; Lending; CD; Multilateral Surveillance; Global Cooperation and Standards; Fund policy; Analytical work; Fund Governance and Membership; Fund Finances; and Corporate Functions), with 49 sub-codes used across budget and strategy reporting at the department and Fund-wide level (the Fund Thematic Framework). For direct country delivery, this can be further broken down by recipient country grouping (e.g., engagement status; income; vulnerability). More granular data is also collected on CD activities through CDMAP at the project/portfolio level, providing additional information on these activities by workstream; funding source; delivery department, and recipient country and department.

Topics: Current work on expanding information on budgets/spending by an additional topic/policy area dimension is underway, as noted in the main text.

Inputs: The Fund maintains strong data on budgets/spending by traditional "inputs" – staff, and non-staff spending (e.g., travel; subscriptions) at the aggregate and departmental level and by funding source. Recognizing the Fund is a knowledge-based institution, some 78 percent of Fund administrative spending relates to personnel. As such, data reporting on personnel structures (e.g., staff vs. non-staff personnel numbers, locations, levels; skills) and utilization (e.g., vacancy rates) receive strong monitoring and reporting coverage, including through workforce planning tools linked to position data in Workday.

Outturns: Annual budget/spending reports also lay out both changes in expected and actual spending and sources of savings within the overall available resource base.

Metrics: Significant data on budget circumstances/risks are reported to help assess resource allocation efficiency and identify pressure points. This includes, but is not limited to, detailed data on utilization, tracking of overtime, and drill-down information on both average costs and volume/price changes for key expenditures (e.g., personnel; travel). Currently, these data point to the very constrained current budget context, with high utilization, limited buffers, and high overtime. In the zero-flat budget context, this requires a focus on reprioritization as the source of space for new activities.

Costing: Budget reports summarize costing in strategy/policy documents for the given year and recognize the need for these needs to be integrated into the broader budget formulation and tradeoffs. As noted, work is underway to ensure consistency in reporting and robust consideration of tradeoffs within a holistic context.

Engagement: The budget proposals presented to the Board are informed by broader Board engagements on strategy, policy, and corporate needs. They represent the product of an extensive interdepartmental engagement and consultation with management under the Accountability Framework processes, linking overall Fund-wide priorities, departmental objectives, and resourcing, within the available resource base. Existing regular and ad hoc engagement with the Board during the budget cycle carries the objective that final budget allocations/prioritization reflect the demand of the membership in terms of resource allocation and policy priorities. These include several Board briefings at the different stages of the budget cycle to inform the Board of the budget utilization, budget space assessment, department demands, and proposals for re-allocation.

22. Staff will continue to use a variety of tools to support the collection and tracking of budget data, ensuring the efficient collection of high-quality information consistently over time and across departments. OBP will also work with ITD and TRM to ensure any related IT-intensive process and systems changes are set in the context of broader modernization needs and are consistent with related staff capacity constraints and change management needs.

- **A key aspect of the work on budget modernization noted above is to simplify, harmonize, and where possible automate end-to-end business processes, with strong supporting systems and documentation.** A central goal of this work is to strengthen the ease of use of these systems for budget teams across the Fund and to expand the availability of user-friendly dashboards to support core work by these teams (e.g., workforce planning; budget data access; ensuring strong mapping between budget system and CDMAP data).
- **Also integral to modernization is a careful assessment of the best mechanisms to collect and report key budget data, drawing on best practices, expert advice, input from end-users, and robust cost-benefit analysis.** Such assessment will continue to consider the need to avoid excessive ongoing reporting burdens on staff and to protect strong data quality.

23. Staff will continue to engage closely with the Board, building on the IEO advice, to identify ways to target high-quality information of greatest relevance to strategic decision-making.

- **Staff will continue to use both formal and informal sessions to seek input from the Board on how budget data collection and reporting can be strengthened to support strategic decision-making and resource allocation in setting new policy areas and rebalancing existing ones.**
- **The new strategic planning cycle with a medium-term focus will give the Board additional opportunities to provide guidance on the new policy areas and related data needs.**

C. Recommendation 3: Enhance Clarity of Key Elements Regarding its Surveillance in New Policy Areas by Updating the 2022 Guidance Note for Surveillance Under Article IV Consultations

24. Staff have sought to clarify guidance to support high-quality and evenhanded engagement in new policy areas. Specific actions include: (i) the publication of the 2022 Surveillance Guidance Note (SGN); (ii) post-Institutional Safeguards Review (ISR) management guidance on evenhanded treatment of new policy areas in surveillance; and (iii) Board-approved strategies in the new policy areas that have been phased in over time.

25. There is an ongoing process to ensure that operational guidance to staff reflects recent experiences garnered from the implementation of the Fund's strategies in new policy areas. Specifically:

- **Climate.** The 2025 climate strategy update is envisaged to take stock of the implementation of the Fund's climate strategy and outline potential ways forward. The update builds on the 2021 climate strategy, the 2021 CSR and its Background paper on Climate Change, and the 2022 Staff Guidance Note on surveillance.
- **Digital Money (DM).** The 2025 note on Coverage of Crypto Assets in Article IV Surveillance is expected to provide guidance on the conditions under which the country teams should consider the coverage of crypto assets, specify which aspects to cover, and offer options for tailored policy recommendations. Further, the 2024 Note on Digital Money, Cross-Border Payments, International Reserves, and the Global Financial Safety Net explores possible implications of DM for the International Monetary System (IMS).
- **Gender.** The 2024 Interim Guidance Note on Mainstreaming Gender at the IMF provides guidance to staff on how to integrate macrocritical gender issues into the IMF's surveillance, lending, and capacity development, including the i) identification and assessment of macrocritical gender gaps in member countries; ii) the "light touch" vs "deep dive" coverage approach; iii) early insights on integrating gender into IMF-supported programs; iv) capacity development with a gender lens; v) synergies with other workstreams, and vi) the importance of collaboration with partners.
- **Governance.** The 2023 Review of Implementation of the 2018 Framework for Enhanced Fund Engagement on Governance provides a comprehensive stocktaking of the Fund's work on governance and corruption since 2018 and makes specific proposals to further improve the implementation of the Framework.
- **Social spending.** The 2024 Operational Guidance Note for IMF Engagement on Social Spending Issues provides operational guidance on when and how to engage on social spending issues, in the context of surveillance, IMF-supported programs, and capacity development.

26. Upon the conclusion of the 2026 CSR, the IMF will publish a revised Staff Guidance Note for Surveillance in Article IV Consultations. As part of the ongoing CSR exercise, staff will assess the implementation of the CSR 2021 surveillance priorities and publish an updated guidance note in 2027. The updated guidance note will integrate, in one document, relevant guidance for the implementation of IMF surveillance including in new policy areas. This integration will seek to clarify key principles of engagement specified by the IEO such as macro criticality, expertise, depth, frequency of engagement, and uniformity of treatment in newer policy areas (Box 1) and ensure that there is comprehensive operational guidance for surveillance activities.

D. Recommendation 4: Adopt an Executive Board-Approved High-Level Statement of Principles for Engagement with Partners to Establish a Coherent Best Practice

27. The Executive Board and Management supported the adoption of an Executive Board-approved high-level Statement of Principles for Engagement with external partners. The principles aim to establish a coherent best-practice framework to anchor engagement with external partners which can be tailored flexibly to country-specific needs. This approach is in line with calls from Executive Directors to retain flexibility to address the operational challenges posed by the diverse nature and depth of Fund engagement across external partners and activities.

28. While existing modalities for collaboration with external partners have served the Fund well, a strategic and forward-looking definition of principles for engagement can address the increasing need for collaboration in the areas of surveillance, lending, and capacity development.⁶

- **Existing modalities for collaboration take different forms, reflecting the diverse nature of external partners and evolving needs.** This approach allows for collaboration to deepen where necessary, mindful of the cost of resources and avoiding unnecessary bureaucracy. For example, given the shared history as Bretton Woods institutions and the shared universal membership, the Fund's collaboration with the World Bank is formalized through the Concordat, subsequent agreements, and Guidance Notes, including on information sharing. Collaboration with other IFIs is less formal and far-reaching, taking the form of high-level collaboration agreements (e.g., with the WTO), staff-level agreements (e.g., with the IDB), or established practices. Several Fund policies, including the distribution of Executive Board Documents to IFIs and the provision of Assessment Letters further support this multifaceted collaboration.
- **More recently, the application of the Fund's mandate to cover areas that are increasingly recognized as macrocritical—and thus central to the Fund's activities in surveillance, lending, and CD—means that there is an increasing need to collaborate with a broader range of organizations, including specialized organizations and NGOs.** The need for enhancing collaboration has been explicitly recognized and called for in Board-approved strategies for climate and gender, among others. Even after building expertise in new areas through the implementation of the Fund's Budget Augmentation, enhanced collaboration is expected to continue.

29. Against this background, staff will prepare a high-level Statement of Principles as follows:

⁶ Reflecting the IEO's evaluation topic "Evolving Application of the Fund's mandate", the scope of external collaboration is understood to be limited to the Fund's core activities: surveillance, lending, and capacity development. Collaboration on administrative and other support functions (e.g., HR, IT) were not the focus of the evaluation and would therefore not be covered in the proposed high-level statement of principles.

- **Stock take.** Staff will take stock of existing agreements and other formalized modalities of collaboration in the areas of surveillance, lending, and capacity development. This stocktaking will serve to inform the new principles, ensuring they are rooted in the Fund's current practices and reflect lessons learned.
- **Drafting of Principles.** Informed by the Board-approved strategies for engagement, lessons from existing arrangements, and other considerations for best practices going forward, staff will draft a set of high-level principles. The following points are envisaged to be covered: (i) rationale for the collaboration (e.g., results-oriented objectives that add value); (ii) definition of the scope of collaboration, roles, and responsibilities; (iii) need for consistency with Fund policies, existing arrangements with other institutions and general Fund Law; (iv) mindfulness of resource implications; (v) modalities for monitoring and review; and (vi) principles for communication and transparency. The high-level principles could be accompanied by a set of guidelines for staff that provide more information regarding their implementation, for example outlining consultation, review, and approval guidelines.

ENTERPRISE RISK ASSESSMENT

30. This section reviews the risks that the Fund seeks to mitigate through this MIP. Staff conducted the risk identification and impact assessment described below which also aligns with key enterprise risks identified in the IEO's evaluation report.

31. The findings in the IEO evaluation entail reputational risk for the Fund if unaddressed. Specifically, the findings that led to the IEO's recommendation for a more holistic approach (integrating policy, budget, and risk) when endorsing new policy areas could undermine the Fund's credibility and overall effectiveness. Further, addressing concerns flagged in the report about the clarity and consistency of Fund surveillance in new policy areas will support evenhanded surveillance.

- **Current controls and proposed mitigants.** The Fund's review process mitigates risks to credibility and supports evenhandedness in surveillance. Further, enhancing the decision-making process for the Fund's engagement in new policy areas (Recommendation 1) will help align future work with available resources and hence, reduce operational and reputational risks. Relatedly, updating and publishing the surveillance guidance note, following the completion of the 2026 CSR, will further strengthen staff's ability to deliver high-quality policy advice.

32. Misalignment between the ambition of the Fund's strategies and their implementation is contributing to operational and business risks. Relatedly, the lack of adequate expertise could impact the quality of advice in new policy areas (analytical accuracy).

- **Current controls and proposed mitigants.** The Fund has taken steps to manage these risks through improved internal communication, a streamlined Board Work Program, and encouraging the reprioritization of activities to address work pressures. Integrating budgetary and risk considerations will further enhance strategic decision-making and oversight, while an

Executive Board-approved Statement of Principles for Engagement with Partners will provide operational guidance for engagement.

33. Overall, enterprise risks for the Fund associated with implementing the proposed actions in this MIP are limited and lower than those from inaction. Inaction—i.e., no implementation of the proposed actions in the MIP—could undermine the Fund's credibility (reputational risk) and increase operational risks, with resource constraints and allocation affecting policy traction with members and staff's ability to achieve the Fund's mandate. Implementing the MIP actions would help reduce these risks. At the same time, potential reputational risks may arise from recalibrating commitments approved by the Board and communicated to the public, and potential business risk could emerge if the Fund does not adapt its products and offerings to the evolving and changing needs of the members in a shock-prone world due to resource constraints and a more focused mandate. These risks can be mitigated through clear and consistent communication of Fund priorities through the Board Work Program and the Global Policy Agenda, and ongoing efforts to collaborate more effectively with partners to ensure a continued focus on issues that are macro-critical but beyond the Fund's expertise and resources. Further, the 80th anniversary of the Bretton Woods institutions and the Fund for the Future workstream may offer further opportunities for strategic communication regarding the Fund's future direction and priorities.

RESOURCE IMPLICATIONS

34. This MIP sets out a plan that both leverages and strengthens existing workstreams to address the IEO recommendations. As a result, the policy-related activities—such as outlining the guiding principles for prioritization of the Fund's surveillance activities in the context of the CSR—would be costed within the Board Work Program. Key steps will be to ensure that the sequential, integrated approach to addressing Recommendation 1 brings together strategic, budget, and enterprise risk assessments, supported by periodic strategic reviews in key areas and ongoing annual strategic dialogues, and benefiting also from the work to strengthen budget data, as outlined under Recommendation 2. Similarly, the update of the 2022 Surveillance Guidance Note is part of an ongoing workstream. As such, these activities should not therefore give rise to net new resource needs if they proceed as planned. Therefore, staff will carefully assess how activities within the relevant workstreams can be rebalanced to accommodate this work.

35. Nonetheless, strategy development and work in any additional policy area would likely require additional resources. Translating guidance from the CSR on the medium-term scope of Fund engagement in new policy areas into operational strategies will imply the need for related resourcing. Likewise, the development of high-level principles on engagement with partners is expected to require modest gross resources which will be absorbed within the existing resource envelope. However, potential additional engagement stemming from these principles will likely require additional resources, recognizing that any coordination is in and of itself resource intensive.

Annex I. The Evolving Application of the IMF's Mandate— Management Implementation Plan

IEO Recommendations	Summing Up Guidance	Follow Up Plan (Actions)	Accountability and Timeline
Recommendation 1. The Board and management should enhance the decision-making process by: (i) developing an inclusive Fund-wide institutional strategy for Fund engagement in new policy areas; and (ii) taking a more holistic approach when endorsing individual strategies for new policy areas by better linking the decisions related to their scope, required resources, and risk management implications.	Broad and qualified support Most Directors noted the report's finding that there was a perception that the engagement with the Board in the decision-making process that led to the strategies in new policy areas was not fully inclusive and saw merit in developing an inclusive Fund-wide institutional strategy as a long-term anchor for Fund engagement in new policy areas. A few Directors felt that the proposed exercise could be challenging and preferred to leverage other workstreams. They noted that the upcoming Comprehensive Surveillance Review (CSR) could be the pragmatic vehicle to provide strategic guidance on the Fund's surveillance activities.	Drawing on key elements of the IEO's recommendation, management outlines a holistic and consultative decision-making approach (aligned with the Fund's legal framework) for considering engagement in new policy areas that strengthens the links between scope, resources, and enterprise risk assessment. In line with the approved prioritization framework, management will leverage a sequenced approach to the 2026 CSR by: First, laying out high-level principles to determine the depth and breadth of engagement in new policy areas based on the forward-looking surveillance priorities, consideration of tradeoffs grounded in enterprise risk assessments and available expertise.	Management completed by virtue of issuing the MIP the commitment to a holistic and consultative decision-making approach—hereafter prioritization framework—to be further developed in the 2026 CSR with elements applied in the FY26 budget cycle and full implementation in FY27. SPR in consultation with OBP and ORM. Informal Board by December 2025.

IEO Recommendations	Summing Up Guidance	Follow Up Plan (Actions)	Accountability and Timeline
	In responding to Directors' views, the Managing Director proposed an intermediate approach that could be incorporated into the Management Implementation Plan and which would draw on key elements of the IEO's recommendation, to leverage a sequenced approach to the upcoming CSR that would give the Board the opportunity to consider tradeoffs when providing strategic guidance on Fund surveillance, with Management and staff consulting widely with Executive Directors at each step. Directors also agreed that a holistic and consultative decision-making approach aligned with the Fund's legal framework for considering new policy areas would be appropriate. They noted that strengthening the linkages between scope, resources, and comprehensive risk assessment in new policy areas would support the goal of enhanced decision-making.	Second, using these high-level principles, the 2026 CSR will propose the desired level of engagement in new policy areas consistent with the forward-looking surveillance priorities, and indicate possible budget implications. Thus, the Board will have an opportunity to consider tradeoffs when providing strategic guidance on Fund surveillance at the 2026 CSR formal Board meeting. These surveillance priorities will inform strategy development (covering all areas of engagement) as part of an iterative process, building on and strengthening existing strategy, budget, and risk mechanisms.	

IEO Recommendations	Summing Up Guidance	Follow Up Plan (Actions)	Accountability and Timeline
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 area needs 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.	Broad support. Directors agreed that the Board should continue to advise the OBP on the policy areas to be tracked and the level of granularity required. Directors welcome plan to further engage with the Board to identify ways to target high-quality information of greatest relevance to strategic decision-making while balancing the costs and benefits of alternative solution against available resources and the administrative burden on staff.	Staff will continue to expand strategic information, as part of a broader process of ongoing improvement in budget reporting and drawing on close engagement with the Board to identify ways to provide high-quality information of greatest relevance to strategic decision-making consistent with efficient collection of consistent, high-quality data.	OBP will continue to use budget engagements with the Board (informally in March 2025) to report on and get Board feedback on data gathering plans. OBP will report on progress against the specific initiatives to strengthen budget data as part of the FY27-29 medium-term budget (by end-FY26).
Recommendation 3. Management and staff should enhance clarity of key elements regarding its surveillance in new policy area by updating the 2022 Guidance Note for Surveillance under Article IV Consultations.	Broad support. Directors supported Recommendation 3 for Management and staff to enhance the clarity of key elements regarding its surveillance in new policy areas by updating the 2022 Guidance Note for Surveillance under Article IV Consultations. They agreed that greater guidance on principles of engagement such as macrocriticality, expertise, depth, frequency of	Actions to implement this recommendation would proceed in two phases. First, internal operational guidance to staff will be updated to consolidate and clarify the elements highlighted in the IEO report—assessment of macrocriticality, expertise, depth, frequency, and evenhandedness—across new policy areas where guidance already exists in the individual strategies.	SPR with inputs from other departments by end-June 2025.

IEO Recommendations	Summing Up Guidance	Follow Up Plan (Actions)	Accountability and Timeline
	engagement, and uniformity of treatment in new policy areas would be important, while being mindful of the tradeoff between greater specificity and maintaining flexibility when engaging with members. Directors noted Management's plan to comprehensively update the staff guidance note upon completion of the ongoing CSR.	Second , upon the conclusion of the CSR in 2026, the IMF will publish a revised Staff Guidance Note for Surveillance in Article IV Consultations.	SPR with inputs from other departments by December 2027.
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.	Qualified support. Most Directors supported or were open to this recommendation. They generally recognized the rationale for establishing a coherent best practice framework that would provide an institutional anchor for engagement with external partners while retaining flexibility for its application across individual strategies and partnerships.	Staff will prepare a set of high-level principles of engagement for Board approval that draws on a stock-take of existing agreements and modalities of collaboration.	SPR in consultation with LEG and other departments • Submission of the high-level Statement of Principles for Engagement with Partners to the Executive Board for approval (September 2025)