



Independent Evaluation Office
of the International Monetary Fund

DRAFT ISSUES PAPER

**THE EVOLVING
APPLICATION OF
THE IMF'S MANDATE**

JUNE 8, 2023

I. INTRODUCTION

1. This issues paper discusses the objectives and scope of an IEO evaluation of how the IMF has managed the evolving application of its mandate to a broader scope of topics and policies since 2012. The Fund's legal mandate is laid out in the Articles of Agreement and has not changed since the Second Amendment of the Articles of Agreement in 1978. However, in the last 45 years the activities of the Fund have expanded significantly, as the Articles allow for considerable discretion in determining how the Fund's legal mandate should be operationalized. This evolution has been particularly marked since the Integrated Surveillance Decision (ISD) in 2012.
2. The changing role of the Fund has mostly been supported by both the membership and stakeholders, as responding to both the evolution of the global economy—such as the rapid growth and integration of international financial markets—and a better understanding of how issues, such as inequality, climate change, and gender, have important longer-term consequences for balance of payments (BOP) and economic stability. However, a number of concerns have been raised about the evolving application of the Fund's mandate, including: the decision-making process involved, the degree of common understanding of key decisions, the inclusivity and evenhandedness in operationalizing the mandate, the implications for existing activities, the adequacy of budgetary resources and staff expertise, and how the Fund's engagement on an activity is integrated with that of partner organizations, like the World Bank.
3. Against this background, this evaluation will focus on two overarching themes. The first theme covers the decision-making process involved in determining how the Fund's mandate should be applied and operationalized, including the allocation of resources. The second covers the differing views and possible pathways for a common understanding across the Fund's membership and stakeholders on the key elements in the evolving application of the Fund's mandate. These key elements include criteria, like macro-criticality and IMF expertise, priorities, such as economic sustainability, and other concepts used to manage the expanding scope of the Fund's activities.
4. This evaluation will follow the shorter evaluation format, focusing primarily on the shifting application of the Fund's mandate in the context of surveillance, and in particular of the 2012 ISD.¹ In approving the ISD, the Executive Board clarified what policies it considered central to the Fund's mandate (often referred to as the "core" of the Fund's mandate), and when other topics or policies (often referred to as "emerging" topics or policies) can be considered by the Fund.
5. The term "mandate" is not specifically mentioned in the Articles of Agreement, and different stakeholders may interpret the term differently. A paper on the Fund's legal framework prepared by the Fund's Legal Department (IMF, 2010), essentially defines the Fund's mandate as the Fund's powers and purposes as set out in the Articles of Agreement and subsequently

¹ The "shorter evaluation" format was laid out in "Selection of IEO Evaluation Topics and IEO Product Mix" (IEO, 2019a). To date, one such shorter evaluation has been completed, on *IMF Collaboration with the World Bank on Macro-Structural Issues* (IEO, 2020b).

operationalized by successive Executive Board decisions. Consequently, in this paper, the term “mandate” refers to the Fund’s powers and purposes as set out in the Articles of Agreement. The evolving application of the Fund’s mandate refers to how, over time, the Fund has operationalized its mandate into concrete policies and actions. “Core” topics or policies refer to the four policies defined as such in the ISD: exchange rate, monetary, fiscal, and financial sector policies. “Other” topics or policies refer to newer areas of Fund engagement, like climate change, inequality, and gender. The use of “core” and “other” in this paper does not imply any judgement about whether different topics or policies are more or less important than others. Its use is solely to ensure consistency with the terminology used in the ISD and other staff documents.

6. Less attention will be paid to Fund lending and capacity development. Lending conditionality is more narrowly focused than surveillance on those specific areas that are critical to achieve program objectives and is anchored on attaining macroeconomic stability within a short time frame. Capacity development activities are anchored on areas where the Fund has well-established expertise. In both cases, the Fund engages largely in the same topics and policies covered by the ISD.

7. The next section of this paper provides broader context and historical background about the Fund’s mandate and how it has been applied. Section III and IV outline, respectively, the decision-making practices and differing views of key elements in applying the Fund’s mandate. Section V concludes by laying out the objectives, scope, and work plan for the evaluation.

II. BACKGROUND

The Fund’s Mandate

8. The Fund’s mandate is laid out in the Articles of Agreement and has not changed since the Second Amendment of the Articles of Agreement in 1978. Article I states the purposes of the Fund, while Article IV defines Fund members’ obligations regarding exchange arrangements. Article IV, Section 3, defines the Fund’s role in surveillance over exchange arrangements by overseeing the international monetary system in order to ensure its effective operation, and by overseeing the compliance of each member with its obligations under Section 1 of Article IV. Article V, Section 2 (b), further states that the Fund may decide to perform financial and technical services, including the administration of resources contributed by members, that are consistent with the purposes of the Fund.

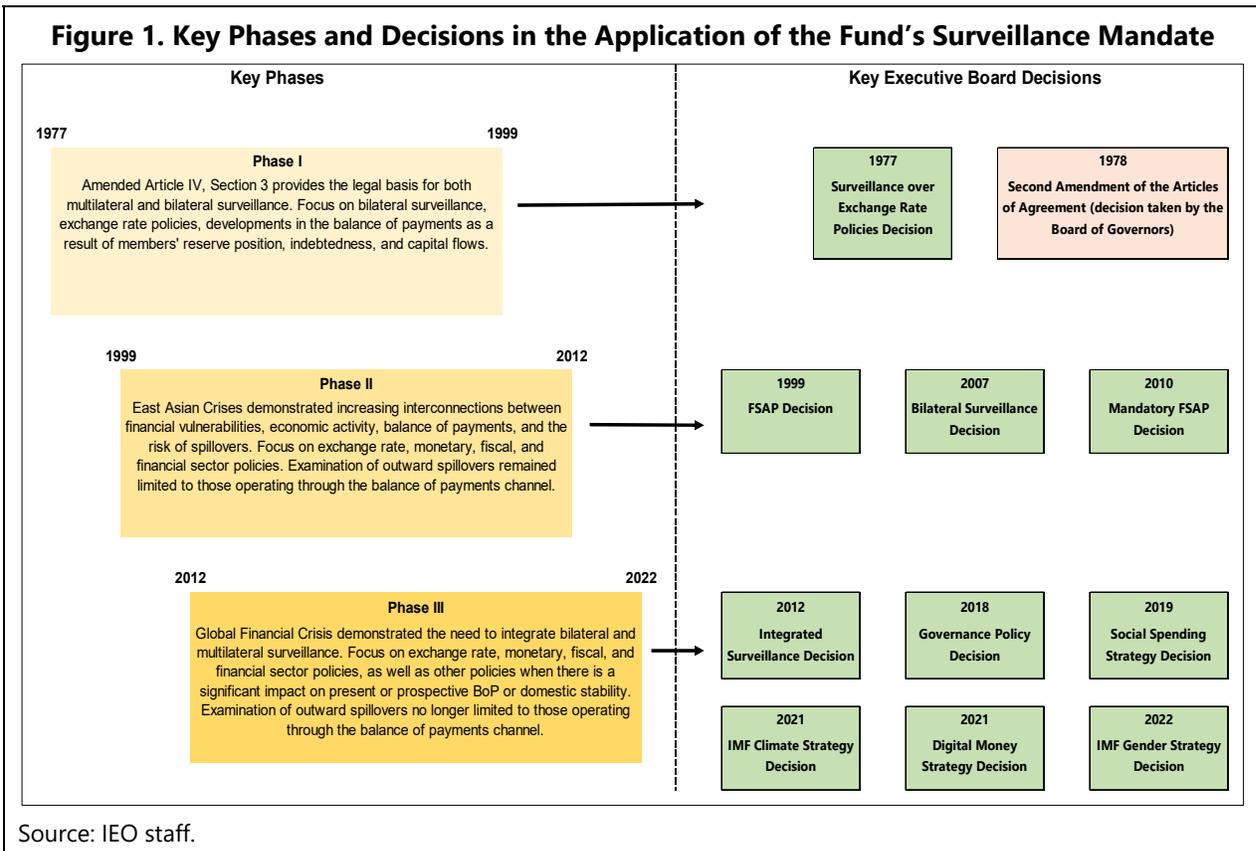
9. Before the Second Amendment of the Articles of Agreement in 1978, the central feature of the international monetary system was the Bretton Woods system.² As a result, the Fund’s surveillance role largely was limited to evaluating member countries’ observance of the exchange

² Under the Bretton Woods system, the United States had agreed to fix the value of the U.S. dollar against gold, while other Fund members guaranteed the convertibility of their currencies into U.S. dollars within a narrow band around fixed parity rates and maintained the par values of their currencies by intervening in the exchange markets with U.S. dollars or with other currencies convertible into U.S. dollars.

rate rules under the Bretton Woods system. The Second Amendment, however, represented a substantial departure from the original Articles of Agreement by legalizing the freedom for Fund members to choose their exchange arrangements, including floating exchange rate arrangements, and by introducing surveillance over member countries' policies (as opposed to exchange rate rules) as one of the core tasks of the Fund.

Applying the Fund's Mandate

10. While the Fund's mandate has not changed since the Second Amendment, its application has changed substantially over time (Figure 1), as the Fund adapted the composition and scope of its policies and operations in response to developments in the global economy and a shifting understanding of issues relevant to economic and financial stability. This adaptability to changing circumstances in the global economy, while remaining true to the Fund's mandate, stemmed from the Second Amendment, which allowed for the exercise of further discretion, in particular by the Fund's Executive Board.



11. According to Article XII, Section 3 of the Articles of Agreement, the Executive Board is responsible for conducting the business of the Fund, and for this purpose it exercises all powers delegated to it by the Board of Governors. Most important in the current context, the Executive Board has made a series of decisions that use the discretion allowed under the Articles of

Agreement to determine how the Fund's mandate should be operationalized. These decisions resulted in an expansion of the scope of surveillance to include, e.g., financial sector surveillance and topics like inequality, climate change, and gender.

The Integrated Surveillance Decision

12. One of the most consequential decisions taken by the Executive Board in applying the Fund's mandate was the 2012 ISD, which stated that *"in its bilateral surveillance, the Fund will focus on those policies of members that can significantly influence present or prospective balance of payments and domestic stability"* (IMF, 2012). The Executive Board also specified which policies it considered central to the Fund's mandate: *"exchange rate policies will always be the subject of the Fund's bilateral surveillance with respect to each member, as will monetary, fiscal, and financial sector policies (both their macroeconomic aspects and macroeconomically relevant structural aspects)"* (IMF, 2012).

13. In the ISD, the Executive Board also provided guidance on other policies than the four mentioned above: *"other policies will be examined in the context of surveillance only to the extent that they significantly influence present or prospective balance of payments or domestic stability"* (IMF, 2012). At the time of the Executive Board discussion, there was no consensus on a specific list of "other policies," nor whether all or some of these policies impact the membership to the same degree. The agreed principle that other policies could be examined if they were to significantly influence present or prospective BOP or domestic stability, allowed for an important degree of discretion, both in terms of topics, and the time frame used.

14. The ISD also extended the role of multilateral surveillance, including coverage of spillovers. It clarified that *"in its multilateral surveillance, the Fund will focus on issues that may affect the effective operation of the international monetary system, including (a) global economic and financial developments and the outlook for the global economy, including risks to global economic and financial stability, and (b) the spillovers arising from policies of individual members that may significantly influence the effective operation of the international monetary system, for example by undermining global economic and financial stability. The policies of members that may be relevant for this purpose include exchange rate, monetary, fiscal, and financial sector policies and policies respecting capital flows"* (IMF, 2012).

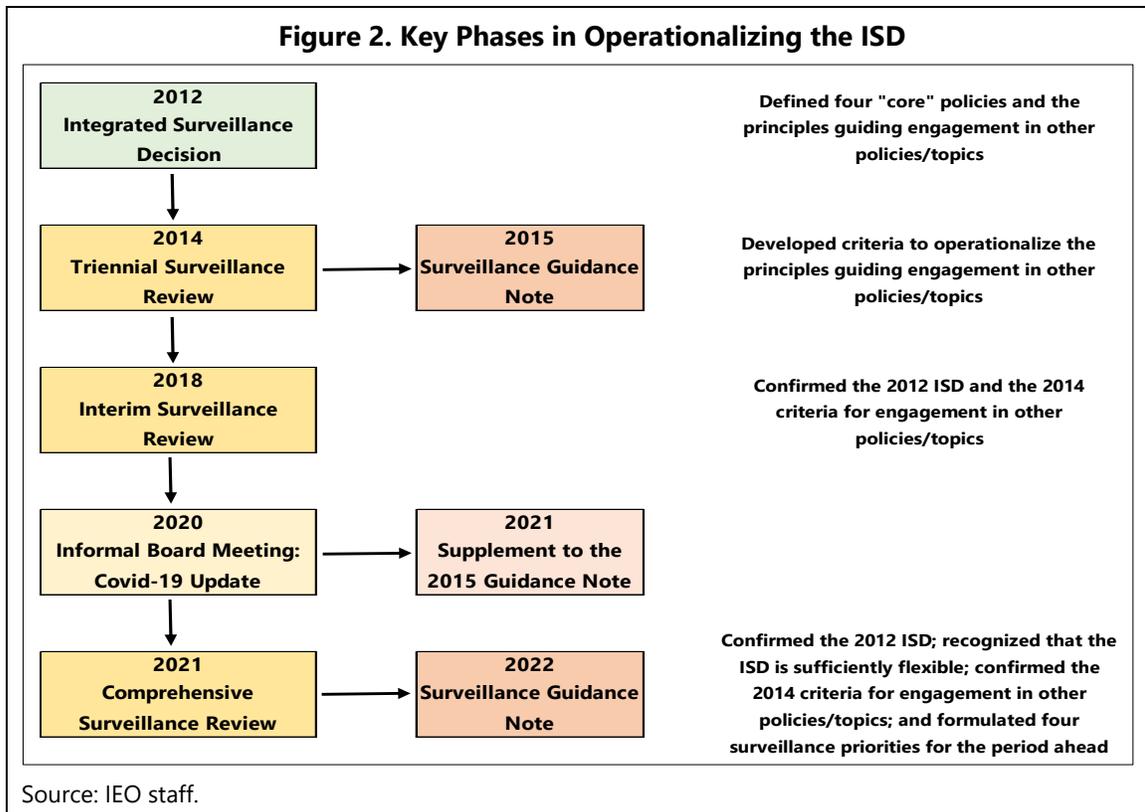
15. The ISD therefore broadened the application of the Fund's mandate considerably. It integrated bilateral and multilateral surveillance and specified that the examination of outward spillovers was no longer limited to those operating through the BOP channel, as was implied by the 2007 Bilateral Surveillance Decision (IMF, 2007). Further, other policies, besides exchange rate, monetary, fiscal, and financial sector policies, could now be examined if they were to significantly influence not just present, but also prospective BOP or domestic stability. It was understood, as a result of a better understanding of the global economy and evolving challenges facing the membership, that many other policies or topics, such as governance and corruption, inequality, climate change, and gender, could have a significant impact on BOP or domestic

stability over the longer term, though not necessarily within the typical Fund surveillance or program engagement time frame of one to five years.

16. At the same time, throughout almost the entire period under discussion, the Fund’s administrative budget was guided by a zero real growth rule.³ However, despite the Executive Board’s commitment to this budget rule, there was no substantive discussion on how the expansion of activities into new areas could be implemented within the existing budget envelope (e.g., through reallocation of resources and/or efficiency gains).

Operationalizing the ISD in the Application of the Fund’s Mandate

17. The principle that other policies could be examined in the context of surveillance, only to the extent that they significantly influence present or prospective BOP or domestic stability, could potentially cover a wide array of policies or topics. As a result, the successive surveillance reviews following the ISD, as well as the subsequent staff guidance notes and specific policy strategies, further clarified surveillance priorities and proposed criteria to operationalize the principles guiding Fund engagement on other policies or topics (Figure 2).



³ Between 2012–22, the Executive Board agreed to zero real budget growth on nine occasions (2012, 2013, 2014, 2015, 2017, 2018, 2019, 2020 and 2021). On two occasions, the Executive Board approved a structural increase in the budget: in 2016, to allow for a small increase for cyber and physical security expenses; and in 2022 to provide a targeted budget augmentation framework for the Fund’s work on longer-term global challenges. In both instances, the Executive Board stated its intention to return to a flat real budget trajectory thereafter.

18. In the context of the 2014 Triennial Surveillance Review (TSR), management, staff, and the Executive Board discussed what criteria could be used to determine whether or not to engage in a specific area. Most Executive Directors supported developing clearer criteria for Fund engagement *"based on macro-criticality and the Fund's expertise or interest in a 'critical mass' of the membership, leveraging the expertise of other international organizations and local experts where possible"* (IMF, 2014c). These criteria, as well as when and how to engage, were further clarified in the 2015 Guidance Note for Surveillance under Article IV Consultations (IMF, 2015) (Figure 3).

Figure 3. Criteria for Fund Engagement in Other Policies Post-2014 TSR

	IMF Expertise	Lack of IMF Expertise
Potentially Macro-Critical	Required: Analysis & Policy Advice Rely on: In-House Resources	Required: Analysis Rely on: External Resources
Not Macro-Critical	On Request: Analysis & Policy Advice Rely on: In-House Resources	Leave to Others

Source: IMF (2015).

- Macro-criticality.** Macro-criticality is derived directly from the ISD. A policy or issue is macro-critical if it significantly affects a country's present or prospective BOP or domestic stability. To decide whether an issue is macro-critical, *"staff should exercise judgement and take into account country circumstances"* (IMF, 2015). While macro-criticality is the key criteria to determine Fund engagement, macro-criticality by itself could still imply a widespread expansion in new areas. As a result, macro-criticality is not a sufficient condition for Fund engagement.
- In-house expertise.** When a new area is deemed macro-critical and the Fund has in-house expertise, it should leverage that expertise when engaging in this new area. However, if it does not have in-house expertise, the Fund needs to determine whether to build in-house expertise, which could potentially be costly, or draw on expertise from other international organizations that may already have expertise in this new area (IMF, 2015).
- Other international organizations.** In situations where a new area is deemed macro-critical, but the Fund has no in-house expertise, while such expertise is available in other international organizations, the Fund should consider building partnerships and collaborating with these other organizations (IMF, 2014c and 2015). The fact that specific

new areas are already covered by other organizations does not automatically imply, however, that the Fund should not engage in this area. The Fund and other organizations may be looking at different aspects of specific policies. The idea is to avoid duplication of work and aim for complementarity.

- **Global membership.** A final criterion to consider is the Fund's global membership. When a new area is deemed macro-critical for a "critical mass" of the membership, there is a case for the Fund to build expertise (IMF, 2015), even if the area is already covered by other international organizations, when the membership of those organizations is more limited than that of the Fund. In such situations the Fund could still leverage expertise of other organizations through partnerships and collaboration, while also serving its global membership.

19. The 2018 Interim Surveillance Review (ISR) took stock of progress made in surveillance since the 2014 TSR and found that Fund surveillance had become better adapted to the global conjuncture, more integrated, and more risk based. It also took stock of work done in new areas, including inequality, gender, and climate, and confirmed that the criteria developed in 2014 for engagement in other policies identified in the ISD, remain relevant (IMF, 2018a). The 2021 Supplement to the 2015 Guidance Note on Surveillance under Article IV Consultations only aimed at increasing the focus of surveillance on the impact of the Covid-19 pandemic and expanded flexibility in terms of presentation of staff reports (IMF, 2021a). Neither the 2018 ISR nor the 2021 Supplement therefore had a significant impact on the application of the Fund's mandate.

20. The 2021 Comprehensive Surveillance Review (CSR) confirmed that exchange rate, monetary, fiscal, and financial sector policies remained at the core of Fund surveillance and the Fund's mandate, while other policies or topics can be examined if they significantly affect present or prospective BOP or domestic stability and if they meet the criteria developed in 2014 (IMF, 2021c). The 2021 CSR also identified five trends or issues that could adversely impact economic sustainability and therefore warrant attention in the period ahead: demographics, technological change, inequality, socio-political and geopolitical developments, and climate change (IMF, 2021c).

21. Staying within the framework of the ISD and the criteria developed for engagement in other policies and topics defined by the ISD, the 2021 CSR proposed four surveillance priorities to better help the membership confront the challenges it faced in the period ahead: (i) confronting risks and uncertainties, particularly those of major underlying trends; (ii) preempting and mitigating adverse spillovers, particularly those coming from new and less well understood channels for contagion; (iii) fostering economic sustainability; and (iv) adopting a more unified approach to policy advice to foster greater coherence of policy advice while still taking country-specific circumstances into account (IMF, 2021c).

22. The concept of economic sustainability is particularly important for the application of the Fund’s mandate. The 2021 CSR defines economic sustainability as *“a set of conditions that, under realistic assumptions, will support sustained, balanced, and inclusive growth, without requiring large or disruptive adjustments to the balance of payments or domestic stability”* (IMF, 2021c). Sustainability thus supports stability, but short- to medium-term stability does not necessarily ensure longer-term sustainability. Longer-term sustainability requires the Fund to look at a broad range of policies or topics with a longer time horizon in mind. This further reaffirms two of the key elements of the 2012 ISD, namely, that the Fund, in the application of its mandate, cannot ignore the effects of other policies than the four core policies on BOP or domestic stability and that it also has to analyze the longer-term impact of policies to cover prospective, and not just present, adverse impacts on BOP or domestic stability.

23. In parallel to these surveillance reviews (TSR, ISR, CSR) and surveillance guidance notes, the Fund has approved a number of specific policy strategies. Initially, much of this work was organized in pilot strategies over the period 2015–18 (IEO, 2020b), but eventually the work was institutionalized in specific, formal strategies approved by the Executive Board, including: the Fund’s Governance Policy (IMF, 2018b), Social Spending Strategy (IMF, 2019), Climate Strategy (IMF, 2021d), Digital Money Strategy (IMF, 2021b), and Gender Strategy (IMF, 2022b). Each of these Executive Board decisions further clarified how these other policies were to be operationalized and integrated in the Fund’s operations.

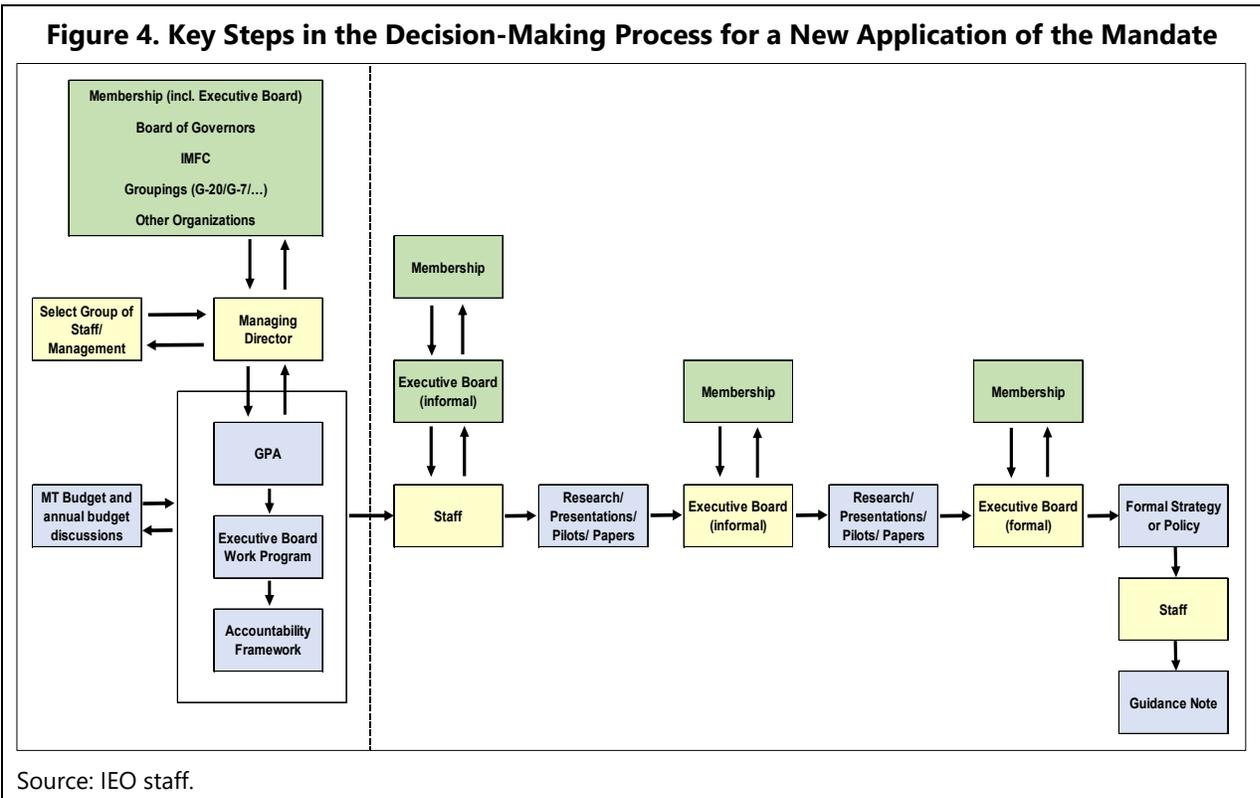
III. DECISION-MAKING PRACTICES IN APPLYING THE FUND’S MANDATE

Current Decision-Making Practices

24. In practice, new initiatives and the allocation of resources that determine the application of the Fund’s mandate are considered in the context of discussions of the current work agenda and budget. In these discussions, the Fund’s governing and advisory bodies—the International Monetary and Financial Committee (IMFC), the Executive Board, and management, currently comprising of the Managing Director (MD), the First Deputy Managing Director (FDMD) and three Deputy Managing Directors (DMDs)—all play an important role.

25. In the initial stages of exploring new areas for Fund engagement, the role of the MD has been particularly relevant in driving changes in the application of the Fund’s mandate (Figure 4). Through their frequent formal and informal interactions with the Executive Board and the broader membership, the MD is well-positioned to gather different views about changes in the global economy, how they affect the membership, and to launch initiatives to address challenges facing the membership. The Executive Board plays a key role in overseeing and providing guidance to management and staff, first informally, in the initial phases when management and staff explore new areas and develop a way forward, and later formally, once a policy or strategy is defined and sent to the Executive Board for approval. Staff also plays an influential role, as some early research and initiatives have been originated internally by select groups of staff.

26. While formal decisions are taken by the Executive Board, acting for the Fund's member countries, specific groups of IMF members, as well as other institutions and stakeholders, such as the IMFC, G24, G20, and G7, also contribute to influencing the evolving content and directions taken in applying the Fund's mandate by calling on the MD and Fund to engage in new activities. Moreover, Fund activities must also take account of other international financial institutions, including the World Bank and Regional Development Banks.



27. In practice, four internal Fund processes drive decisions on initiatives and resources relevant to the application of the Fund's mandate. These comprise:

- **Global Policy Agenda.** The MD's semi-annual Global Policy Agenda (GPA) identifies the policy challenges faced by the membership, outlines policy responses that are needed at the global and country levels to address these challenges and lays out what the Fund can do to provide support for the coming year. The GPA is discussed with the Executive Board and generally reflects Executive Board input, but ultimately is the responsibility of the MD. The GPA is presented by the MD to the IMFC.
- **IMFC Communique/Chair's Statement.** The biannual deliberations of the IMFC discuss the GPA, and issue an IMFC Communique or Chair's Statement, which summarizes the guidance provided by IMFC members for the Fund's work program.

- **Work Program.** The Work Program (WP) of the Executive Board, set out in a semi-annual statement issued by the MD, usually in June and December, translates the strategic directions laid out in the GPA and the guidance set out in the IMFC Communique into an Executive Board work agenda.
- **Medium-Term Budget.** The Fund's annual budget discussions in the period March to May, presented as a rolling three-year medium-term budget (MTB), are subject to Executive Board approval and allocate the budgetary resources to deliver the WP.

28. These four mechanisms—the MD's GPA, the IMFC Communique, the Executive Board's WP, and the Fund's MTB—have been used by the IMFC, the Executive Board, and management regularly over the past decade as context for decision-making on the evolving application of the Fund's mandate. Note that the GPA was itself introduced in 2012, to provide the MD an opportunity to lay out and engage with the IMFC and the Executive Board on the key policy priorities to be taken up in the work agenda.

29. Once a specific topic or policy is included in the MD's GPA and/or the Executive Board's WP, it is incorporated into the Accountability Frameworks (AF), which sets goals and objectives for individual departments that are reviewed annually by management. Staff will commence work on new initiatives and Executive Board reviews following the WP and AF. Typically, staff prepares presentations, pilots, and/or papers based on their research and analysis, for informal and formal Executive Board discussions. Often, staff also consults informally with Executive Board members during this process to gauge their views and better understand possible concerns related to potential changes in the application of the Fund's mandate. Based on feedback from Executive Board members during such outreach meetings, as well as any informal Executive Board meetings, staff will do further work and finalize any proposals for Executive Board approval during a formal meeting.

30. Once a policy is approved by the Executive Board, it can be formally applied across the Fund's membership. Guidance Notes prepared by staff play an important role in the operationalization of Executive Board decisions. Such Guidance Notes are not subject to Executive Board approval and thus should not go beyond the scope of the policy paper approved by the Executive Board, although staff has a margin of discretion in working out the operational details.

Longer-Term Approach to Decision Making

31. At present, the MD's GPA, the IMFC Communique, and the Executive Board's WP typically focus on short-term policy priorities and an allocation of resources for the year ahead, while the MTB extends the budgetary horizon to three years. While there have been some initiatives aimed at developing longer-term approaches to policy decision-making and to finding budgetary space for new initiatives, these have not been sustained.

32. For example, the MD initiated a Medium-Term Strategy (MTS) exercise in 2004 that sought to develop a strategic approach to making decisions on the medium-term priorities for the Fund, while integrating consideration of the available human and budget resources. Initially steered by the FDMD and later driven directly by the MD, the initiative led to an IMFC endorsed report in 2006 that laid out several medium-term priorities for the Fund including establishing a multilateral consultation process to address global imbalances, reviewing the 1977 Surveillance Decision, strengthening support for emerging markets, including deepening financial and capital market surveillance, and focusing Fund policy advice to low-income countries on sustainable growth and on macro-critical areas that would support achievement of the Millennium Development Goals (IMFC, 2006). However, with the onset of the Global Financial Crisis, interest in the initial MTS exercise waned and there has been no similar initiative since.

33. Similarly, in the context of a mostly flat real budget, the Fund's Office of Budget and Planning (OBP) conducted two pilot initiatives, consulting widely with departments to find additional budgetary space for new initiatives. While the first exercise achieved the goal of reducing spending on some activities, the second was less successful, and these exercises lapsed after completion of the second initiative.

34. Consequently, it will be important for the evaluation to explore the key policy, resource, and other issues that were debated, contested, and on which there may have been fundamental disagreement, prior to decisions being taken; and to carefully assess the extent to which the Fund took sufficient steps to ensure buy-in and consensus on decisions taken. Similarly, it will be important to understand if and why some proposals to extend the application of the Funds' mandate to new areas of work were eventually not pursued.

IV. DIFFERING VIEWS OF KEY ELEMENTS IN APPLYING THE FUND'S MANDATE

35. The previous sections show the process by which decisions were taken to adapt the application of the Fund's mandate to changing circumstances in the global economy and an evolving field of economics. The 2012 ISD expanded bilateral surveillance as well as integrated bilateral and multilateral surveillance (IMF, 2012). The 2014 TSR (IMF, 2014b) and 2015 Guidance Note (IMF, 2015) developed criteria for Fund engagement on "other" policies and topics. Most recently, the 2021 CSR proposed surveillance priorities (IMF, 2021c). In each of these cases, the way differing views were dealt with, including through the terminology used to describe key elements, could potentially lead to an alternative understanding on how the Fund's mandate would be effectively operationalized. To the extent these differing views exist and persist, they ultimately could affect the ability of the decisions to achieve their objectives.

36. A main objective of Fund surveillance is to enhance traction of the Fund's policy advice in support of its mandate. The 2021 CSR defines traction as "the relevance and value-added of the Fund's analysis and advice in support of domestic and balance of payments stability" (IMF, 2021c). Additionally, the 2021 CSR notes that "traction derives from different sources and can take place on multiple levels of engagement. Fund advice must be grounded first in high-quality

analysis to identify key issues, trends, and risks facing the membership, paired with robust policy options. While sound analysis is necessary, it is not sufficient. Traction also requires the perception of evenhandedness in the application of the Fund's advice, tailored to country circumstances" (IMF, 2021c).

37. Differing views of key elements in applying the Fund's mandate could affect the traction of its surveillance in numerous ways. For example, the 2014 TSR developed criteria for Fund engagement in "other" policies "based on macro-criticality and the Fund's expertise or interest in a 'critical mass' of the membership, leveraging the expertise of other international organizations and local experts where possible" (IMF, 2014b). Some stakeholders believe that certain "other" policies are macro-critical for a "critical mass" of the membership and therefore urged the Fund to be bolder in devoting increased financial and human resources to new activities or risk falling "behind the curve." Other stakeholders, meanwhile, have expressed concerns that the Fund lacks sufficient expertise in newer areas of work to provide high-quality analysis or robust policy options, even if a policy or topic is deemed macro-critical.

38. For another example, the 2021 CSR proposed four surveillance priorities, one of which is fostering economic sustainability (IMF, 2021c). The 2021 CSR notes that "for the purposes of Fund surveillance, economic sustainability can be defined as a set of conditions that, under realistic assumptions, will support sustained, balanced and inclusive economic growth without requiring large or disruptive adjustments to domestic or balance of payments stability" (IMF, 2021c). Some stakeholders think this focus on economic sustainability will enhance the traction of Fund surveillance on core policies. In contrast, other stakeholders are worried this focus will cause the Fund to pay insufficient attention to issues at the center of the Fund's mandate.

39. Beyond these examples, there likely are differing views about other key elements such as whether a policy or topic is macro-critical, country-specificity, and the time horizon that is relevant for policymakers. These differences could, in turn, affect the perception of evenhandedness in Fund surveillance and thus its traction.

40. Separately, there appear to be differing views about the compatibility of the Fund's newer activities with those of other international financial institutions. Some stakeholders are troubled that the Fund appears to have assumed other partners would provide certain tools and resources without a firm commitment or common understanding by the partner. Other stakeholders are apprehensive about apparently increasing overlaps between the IMF and its partners, like the World Bank. Both cases, nevertheless, pose risks to the relevance and value-added of Fund surveillance.

41. Accordingly, it will be important for this evaluation to explore the differing views on key elements including how they came to be, why they persist, and how they impact the evolving application of the Fund's mandate. Further, the evaluation will aim to illuminate possible pathways for a common understanding of key elements across the Fund's membership and

stakeholders to make the operationalization of the Fund’s mandate more effective in enhancing traction of the Fund’s policy advice.

V. OBJECTIVES, SCOPE, AND WORK PLAN

Objectives and Scope

42. This evaluation aims to assess how the Fund has managed the evolving application of its mandate to promote global macroeconomic and financial stability and provide policy advice to help member countries build and maintain strong economies. It will focus on two overarching themes. The first theme covers the decision-making process involved in determining how the Fund’s mandate should be applied and operationalized, including the allocation of resources. The second covers the differing views and possible pathways for a common understanding across the IMF’s membership and stakeholders on the key elements in the evolving application of its mandate. These key elements include criteria, like macro-criticality and IMF expertise, priorities, such as economic sustainability, and other concepts used to manage the expanding scope of the Fund’s activities. The evaluation will cover the period since the 2012 ISD through 2022. It will also consider earlier information and experience as needed.

- **The Decision-Making Process.** The evaluation will consider the decision-making process that resulted in the extension of Fund surveillance activities into new areas: how applications of the Fund’s mandate were decided, what drove the expansion in activities, and how the consultation process was conducted; whether there was sufficient buy-in across the Fund’s membership; how budget, HR, and risk management decisions supported expansions into new areas; and whether expansion into new areas was the result of a broader strategic reflection.
- **Common Understanding of Key Elements.** The evaluation will consider the differing views of stakeholders on key elements when operationalizing the Executive Board’s decisions to expand the Fund’s surveillance activities into new areas: what differing views exist on the issues to include, the key criteria (for example, macro-criticality), priorities (for example, economic sustainability), and other concepts and where did they stem from; what efforts have been made to bridge gaps in a common understanding; what impact do the differing views have on the application of the Fund’s mandate; and what are possible pathways for a common understanding.

43. With the short evaluation format for this evaluation, it is not possible to cover all aspects of the evolving and expanding application of the Fund’s mandate. Consequently, the evaluation will not examine issues related to the effectiveness, appropriateness, or impact of Fund activities, the adequacy of the human and budgetary resources, or the impact of Fund collaboration with partners. Further, the evaluation will focus minimally on the Fund’s lending and capacity development activities, as explained in paragraphs four and five.

Evaluation Questions

44. The evaluation will assess how the Fund has managed the evolving application of its mandate against four main evaluation criteria, namely, relevance, effectiveness, efficiency, and coherence:

- **Relevance.** To what extent did the application and its scope fit in the legal framework of the Fund's mandate and respond to the Fund's membership's needs and priorities, in a context of changing circumstances in the global economy and shifting understanding of issues relevant to economic and financial stability? What other outcomes would a different decision-making process have yielded?
- **Effectiveness.** To what extent did the enlarged scope of how the Fund operationalized its mandate have traction? Is it broadly understood and considered legitimate, timely, and implementable by the Fund's heterogeneous membership and stakeholders?
- **Efficiency.** To what extent have decisions related to the Fund's budget, human resources, and risk management impacted the expansion of the application of the Fund's mandate into new areas?
- **Coherence.** How was the expanding role of the Fund integrated with that of other international organizations, and how effectively did the Fund coordinate and collaborate with other international organizations?

45. To address these broad questions, the main evaluation questions to be considered are organized according to the two key themes, recognizing there are interconnections among these two themes (Box 1).

Box 1. Evaluation Questions

The Decision-Making Process in Applying the Fund's Mandate

- What drivers of change resulted in the Fund considering engaging in new activities?
- How well did decisions reflect a medium-term or long-term perspective on the Fund's role in meeting members' needs consistent with the Fund's mandate? Or were decisions taken in reaction to transitory events or the issues of the day?
- How coherent and transparent was the decision-making process for altering the Fund's work program and increasing attention to new activities or cutting back existing activities? What lessons could be gleaned from this experience?
- Did Fund management, Fund staff, the Executive Board, and other stakeholders have an appropriate and clearly articulated role in initiating change and in the decision-making process?
- Did the Fund consult with its membership in an evenhanded manner when making changes in the application of its mandate?

- Did changes in the application of the mandate reflect the different needs and priorities of its heterogeneous membership or did they mostly reflect the views of a subgroup of the membership?
- How effectively were substantive differences among members addressed?
- Were decisions on the application of the Fund's mandate appropriately justified? What criteria were used?
- Were the budgetary, human resources, and risk implications of decisions on the application of the mandate clearly spelled out and considered ex ante? Were the risks of not expanding clearly spelled out and considered ex ante?
- What mechanisms did the Fund use to follow decisions on the application of the mandate with coherent decisions on resource allocation? How carefully did discussions consider trade-offs between existing and new activities?
- Were budgetary, human resources, and risk decisions taken explicitly, or rather implicitly as part of broader Fund decisions on overall budgetary, human resources, and risk assessments?
- Were the budgetary and strategic prioritization processes aligned? Did the budgeting process support the strategic objectives of the Fund?
- Was there adequate consideration of the risks associated with decisions on the application of the Funds' activities, including legal, reputational, and budgetary risks?

Differing Views of Key Elements in Applying the Fund's Mandate

- How does the membership evaluate the integration of newer issues in operationalizing the Fund's mandate?
- Was there a common and clear understanding of the Fund's surveillance mandate?
- Was there a common understanding of the implications of the 2012 ISD for the application of the Fund's mandate? Was there a common understanding of whether it enhanced Fund engagement on core policies and/or expanded Fund engagement into new areas?
- To what extent were the key criteria (e.g., macro-criticality and IMF expertise), priorities (e.g., economic sustainability), and other concepts clearly defined and understood by all stakeholders?
- If differences in understanding of key criteria, priorities, and other concepts existed, what were the reasons for these differences and how were they addressed?
- To what extent were the key criteria, priorities, and other concepts communicated consistently across all Fund channels?
- Was there sufficient buy-in and consensus building, resulting in a wider scope of how the Fund operationalized its mandate that was broadly understood and considered legitimate, timely, and implementable by the Fund's heterogeneous membership?
- Did the Fund clearly define the limits of its reach as it expanded into new areas?
- Did the membership provide appropriate guidance on how the Fund's role should be articulated with that of other key organizations with different but complementary expertise? Was clear and specific guidance provided to staff?
- Were the envisaged supportive actions by partner institutions clearly articulated and was there a solid basis (e.g., through explicit understandings reached with these institutions) for believing that these supportive actions would materialize as envisaged?

Methodologies, Outputs, and Workplan

46. Sources of evidence for the evaluation will include interviews with internal and external stakeholders, Fund documents and data, empirical analysis, targeted surveys, and a review of other relevant literature. A key focus of the evaluation will be on gathering the views of critical stakeholders, both internal and external, in order to reflect their perspectives and experiences throughout the evaluation period. The evaluation will also take into account the findings and conclusions relevant to the application of the Fund's mandate in other IEO evaluations, for instance, on *Governance of the IMF: An Evaluation* (IEO, 2008) and the *Governance of the IMF – Evaluation Update* (IEO, 2018b), *The IMF and Social Protection* (IEO, 2017), *The IMF and Fragile States* (IEO, 2018a), *IMF Financial Surveillance* (IEO, 2019b), *IMF Advice on Capital Flows* (IEO, 2020a), *IMF Collaboration with the World Bank on Macro-Structural Issues* (IEO, 2020b), *IMF Engagement with Small Developing States* (IEO, 2022a), *The IMF and Capacity Development* (IEO, 2022b), and *The IMF's Emergency Response to the COVID-19 Pandemic* (IEO, 2023).

47. The evaluation will include thematic background papers which will provide in-depth assessment of key issues, including the following:

- **Applying the Fund's Mandate—the Decision-Making Process.** This paper will assess the decision-making process that resulted in the extension of Fund activities into new areas; what the role of key stakeholders was, both internal and external; what the drivers of change were; what consideration was given to trade-offs with existing activities; and whether consultation with the Fund's membership was evenhanded. It will explore whether sufficient attention was paid to potential risks associated with extending Fund activities into new areas, including potential strategic and legal risks if the Fund proceeded to quickly in new areas, risks related to the adequacy of the Fund's budget, as well as strategic and reputational risks.
- **Operationalizing the Fund's Mandate—Common Understanding of Key Elements.** This paper will consider the differing views of stakeholders on key elements of operationalizing the Executive Board's decisions to expand the Fund's surveillance activities into new areas. It will focus on the ISD as well as subsequent surveillance reviews and guidance notes used to operationalize the Fund's mandate. It will explore what differing views exist on the key criteria, priorities, and other concepts and where they stem from; what efforts have been made to bridge gaps in a common understanding; what impact the differing views have on the application of the Fund's mandate; and what possible pathways exist for a common understanding.
- **Historical Evolution of the Fund's Mandate (1944–2011).** This paper will provide a historical overview of the evolution in the application of the Fund's mandate, from the establishment of the IMF in 1944 to 2011. This paper provides further background to the above paper on Applying the Fund's Mandate—the Decision-Making Process.

- **Working with Partners.** This paper will examine the Fund's coordination and collaboration with other international organizations and the guidance of the membership in deciding how to apply the Fund's mandate, including how potential overlaps with other international organizations were addressed when deciding to engage in new activities. This paper provides further background to the above paper on Common Understanding of the Scope of How the Fund Operationalized its Mandate (2012–22).

48. The evaluation also will include five shorter case studies, covering the history, background, and evolution of:

- The Integrated Surveillance Decision;
- The Focus on Economic Sustainability;
- The Fund's Financial Surveillance;
- The Fund's Climate Strategy.
- The Fund's Governance and Corruption Policy; and

These papers will provide deeper insights into decision-making and governance issues in five key areas useful for the thematic background papers.

49. The evaluation is targeted for completion and discussion by the Executive Board around June 2024.

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