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Legal Reform or Implementation? The Traction of Governance-Related Structural Conditionality in IMF Programs after the 2018 Framework

Fatma Satyani[1*] and Danso Solomon Danquah[2]

1 School of Business, Nanjing University of Information Science and Technology, Nanjing, China
2 School of Computer Science, Nanjing University of Information Science and Technology, Nanjing, China.
Email: FS: 202551730005@nuist.edu.cn

Abstract

The International Monetary Fund's 2018 Framework for Enhanced Fund Engagement on Governance committed the institution to systematic engagement with governance vulnerabilities. Whether the resulting conditions are delivered, and whether delivery depends on what a condition asks a government to do, has not been independently established. Using the Fund's Monitoring of Fund Arrangements database, this paper analyses 6,227 structural benchmarks attached to 89 arrangements in 59 countries approved after May 2018. Conditions are classified as governance-related by mapping the Fund's own economic descriptors onto the six state functions named in the Framework, and as legal-adoption or operational by coded analysis of condition text. The Framework-based mapping identifies 2,775 governance conditions where the database's anti-corruption descriptor alone identifies 382, confirming that descriptor-based identification substantially understates governance conditionality. Governance conditions are less likely to be implemented than others (odds ratio 0.74 on time, 0.70 including delay). Legal-adoption conditions are met on time in 47.1 per cent of cases against 66.9 per cent for operational conditions, but the gap closes once delayed completion is counted, and the governance-by-type interaction is null. Contrary to the capability-trap expectation, legislative conditions are not more readily delivered than administrative ones; they are delivered late.

Keywords: IMF conditionality; economic governance; anti-corruption; state capability; structural benchmarks; program implementation

1 Introduction

In 2018 the International Monetary Fund adopted a Framework for Enhanced Fund Engagement on Governance, committing the institution to more systematic, effective, candid and even-handed engagement with governance vulnerabilities, including corruption, where these are judged macroeconomically critical [1]. The Framework directs attention to the state functions most closely connected to economic activity: fiscal governance, financial sector oversight, central bank governance and operations, market regulation, rule of law, and anti-money-laundering and combating the financing of terrorism [1]. Its practical expression in lending arrangements is structural conditionality — discrete measures a borrowing government undertakes to complete by a specified date.

The Fund's five-year review reports that after 2018 implementation-oriented measures remained prominent but became more balanced against measures directed at strengthening legal frameworks [2]. The review treats this as evidence of maturing engagement. It leaves open a question that bears on whether the Framework achieves

what it was designed to achieve, because conditions of different kinds are not equally deliverable.

A condition requiring a legislature to adopt an anti-corruption statute is a discrete legislative act, verifiable by the existence of a published law. A condition requiring a revenue authority to operate an asset-declaration verification system, or a procurement agency to publish beneficial-ownership data, requires sustained administrative capacity that cannot be legislated into existence. The state-capability literature describes this asymmetry: externally sponsored reform tends to produce the visible forms of institutions rather than their functions, because form is what external actors observe and reward [10], [11]. On that account, governance conditionality should succeed disproportionately at producing statutes.

This paper tests that proposition on the post-2018 record. It asks whether governance-related structural conditions are implemented at different rates from other conditions, and whether any difference is attributable to what the condition requires rather than to its governance content. Section 2 reviews the literature and states three hypotheses. Section 3 describes the data, the classification and the estimation. Section 4 reports results. Section 5 discusses them. Section 6 concludes.

2 Literature Review

Research on IMF conditionality has established several relevant regularities. The scope and composition of conditionality have been systematically measured through coding of program documents, permitting conditionality to be tracked across arrangements and over time [6]. Reviews of the empirical record find that compliance is partial and uneven, varies with domestic political conditions and with the depth of reform demanded, and depends heavily on borrower ownership [7], [8], [15]. Work on the institutional politics of lending examines how conditionality is negotiated and how borrower characteristics shape what is asked [14]. A related literature argues that adjustment programs can themselves degrade the bureaucratic capacity on which implementation depends [9].

Governance and anti-corruption engagement is more recent as a distinct object of study. The 2018 Framework consolidated previously ad hoc practice into explicit policy [1], and the Fund's review provides a stocktaking of the first five years [2], [5]. Independent assessment of that record remains thin.

A measurement problem contributes to this thinness. MONA assigns each condition an economic descriptor, but the descriptor available for anti-corruption content captures anti-corruption legislation and policy only, rather than the broader set of state functions the Framework identifies [3], [4]. Studies relying on descriptors alone therefore under-identify governance conditionality. Section 3 sets out a mapping from the Fund's

descriptors onto the Framework's own functional categories, and Section 4 quantifies the difference this makes.

Three hypotheses follow. H1: governance-related conditions are less likely to be implemented than non-governance conditions. H2: within governance conditions, those requiring adoption of a legal instrument are more likely to be implemented than those requiring operational action — the isomorphic-mimicry expectation [10], [11], [13]. H3: the difference in H2 is larger for governance conditions than for others, because governance reform is where external legitimacy attaches most strongly to visible legal form.

3 Methodology

3.1 Data and sample

The unit of analysis is the individual structural condition attached to an IMF arrangement. Conditions, economic descriptors, arrangement characteristics and implementation status are drawn from the MONA full dataset [3]. The sample comprises conditions attached to arrangements approved on or after 1 May 2018, following adoption of the Framework, for which a determinate implementation status is recorded — met, met with delay, or not met. Conditions recorded as modified, cancelled or not yet assessed are excluded.

Prior actions are excluded. Prior actions must be completed before the Executive Board approves an arrangement or completes a review, and are consequently met in 97.0 per cent of the 1,778 post-2018 cases: they carry almost no outcome variation and their inclusion induces separation in estimation. The analysis therefore covers structural benchmarks only, giving 6,227 conditions across 89 arrangements in 59 countries.

3.2 Classifying governance content

A condition is coded as governance-related where its economic descriptor falls within one of the state functions named in the 2018 Framework: expenditure auditing, accounting and financial controls; fiscal transparency; central bank operations, auditing and transparency; financial sector legal reform, regulation and supervision; private sector legal and regulatory environment; and anti-corruption legislation and policy [1], [4]. Conditions whose text refers to anti-money-laundering, terrorist financing or beneficial ownership are additionally captured irrespective of descriptor, since the database provides no descriptor for that function.

3.3 Classifying what the condition requires

Condition text is classified into three types. A condition is legal adoption where it requires the submission, adoption, enactment, amendment or promulgation of a legal instrument — a law, act, bill, decree, statute, ordinance, code or regulation. It is budget where it

requires submission or approval of an annual or supplementary budget or finance act; these are recurrent fiscal-cycle instruments rather than institutional reforms, and are separated so that they do not dominate the legal category. All remaining conditions are operational: publication, establishment, completion, audit, system implementation and similar administrative actions.

Classification rules were validated against condition text read by the authors. An initial specification was checked on 40 randomly drawn conditions stratified across categories, which revealed systematic misclassification of non-legislative submissions to parliament and of noun-form legal constructions. The revised specification was checked on a fresh random sample of 40, yielding 38 exact matches, with residual disagreement confined to secondary regulation, where the boundary between legal instrument and administrative rule-making is genuinely indeterminate. The budget category was introduced in response to that second round, so the reported agreement is best read as in-sample; independent recoding is recommended before publication.

3.4 Estimation

The outcome is binary and is specified two ways: met on time, and met including with delay. Estimation is by logistic regression of implementation on the governance flag, condition type, and the governance-by-legal interaction, with standard errors clustered by country [17]. Because governance conditions are not randomly assigned, estimates are conditional associations, not causal effects; the within-type comparison is less exposed to this concern than the between-category comparison, since it holds the borrower and arrangement constant while varying what the condition requires.

4 Results

The Framework-based mapping identifies 2,775 governance-related structural benchmarks, 44.6 per cent of the sample. The database's anti-corruption descriptor alone identifies 382. Descriptor-based identification therefore captures roughly one seventh of the governance conditionality the Framework's own functional definition implies, confirming the measurement concern set out in Section 2.

Table 1. Implementation of structural benchmarks by governance content and condition type, arrangements approved from May 2018.

Category	n	Met on time	Met, incl. delay	Not met
Governance — legal adoption	535	44.1%	76.1%	23.9%
Governance — operational	2,184	63.1%	78.1%	21.9%
Governance — budget	56	58.9%	80.4%	19.6%
Non-governance — legal adoption	324	52.2%	80.9%	19.1%

Category	n	Met on time	Met, incl. delay	Not met
Non-governance — operational	2,940	69.7%	83.5%	16.5%
Non-governance — budget	188	73.4%	87.8%	12.2%
All governance	2,775	59.4%	77.8%	22.2%
All non-governance	3,452	68.3%	83.5%	16.5%
Total	6,227	64.3%	80.9%	19.1%

Note: structural benchmarks only; prior actions excluded. Source: Author, from MONA [3].

Governance conditions are implemented less often than others on both definitions: 59.4 against 68.3 per cent on time, and 77.8 against 83.5 per cent including delay. H1 is supported.

H2 is not. Within governance conditions, legal-adoption benchmarks are met on time in 44.1 per cent of cases against 63.1 per cent for operational ones — a gap of nineteen percentage points in the direction opposite to the hypothesis. The same ordering holds outside governance. Figure 1 shows why this matters: the deficit is concentrated in timeliness. Once delayed completion is counted, legal-adoption conditions largely catch up, closing to two percentage points within governance and to under three outside it.

Figure 1. Implementation of structural benchmarks by governance content and condition type. Source: Author.

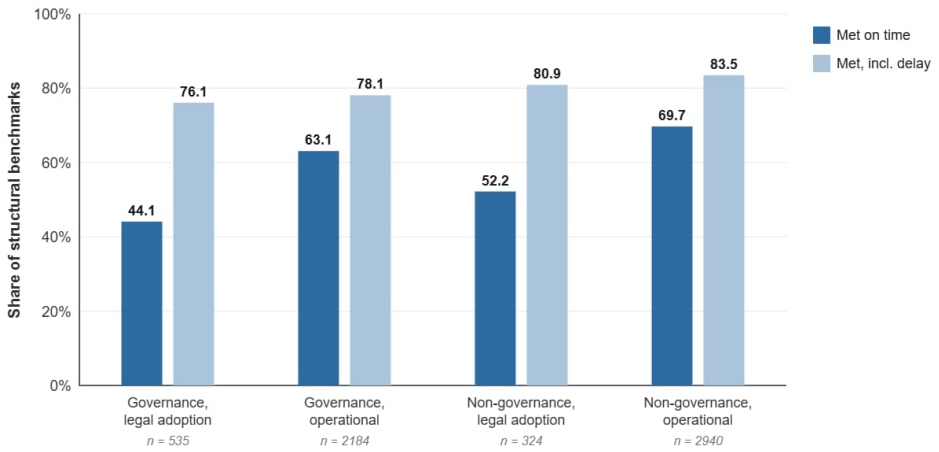


Table 2. Logistic regression of structural benchmark implementation.

	Met on time		Met, incl. delay	
Variable	Coefficient	Odds ratio	Coefficient	Odds ratio
Governance	-0.308 (0.155)*	0.735	-0.356 (0.146)*	0.701
Legal adoption	-0.753 (0.303)*	0.471	-0.184 (0.287)	0.832
Budget	0.085 (0.349)	1.089	0.286 (0.387)	1.331
Governance × legal	-0.015 (0.306)	0.985	0.071 (0.337)	1.074

	Met on time		Met, incl. delay	
Constant	0.840 (0.150)	—	1.625 (0.152)	—
Observations	6,227		6,227	
Country clusters	59		59	

*Note: standard errors clustered by country in parentheses. * denotes |z| > 1.96. Reference category is non-governance operational conditions. Source: Author.*

The regression confirms the descriptive pattern. Governance conditions carry lower odds of implementation on both definitions (0.74 on time, 0.70 including delay), significant at conventional levels with country-clustered errors. Legal-adoption conditions carry substantially lower odds of on-time completion (0.47), but the coefficient is small and statistically indistinguishable from zero once delay is permitted — the legal penalty is a timing effect, not a completion effect. The governance-by-legal interaction is null on both specifications, so H3 is rejected: the timing penalty attaching to legislation is a general feature of conditionality rather than something specific to the governance agenda.

5 Discussion

Two of the three hypotheses fail, and the pattern of failure is informative.

The isomorphic-mimicry expectation predicted that governance conditionality would succeed at producing legal form while failing at administrative function. The data show the reverse ordering. Legislative conditions are the ones that slip: they are met on time less than half the time within the governance category, and they recover only when the deadline is relaxed. Operational conditions — publishing procurement data, completing audits, standing up reporting systems — are met on time far more often. A plausible reading is institutional rather than motivational. Legislation moves on parliamentary time, which is not program-review time: it requires drafting, committee stages, coalition management and a legislative calendar the executive does not fully control. Administrative action requires only the executive, which is the Fund's counterparty. On this reading the legal deficit reflects the number of veto players between agreement and delivery, not a preference for form over function.

The governance deficit is nevertheless real and is separate from the legal one. Governance conditions are implemented less often whether they are legislative or administrative, and the interaction is null. Whatever depresses delivery of governance measures operates across the whole category rather than through the legislative channel — consistent with the argument that these measures touch entrenched distributive interests in a way that revenue or expenditure measures typically do not [10], [14].

For conditionality design the implication is specific. If legislative conditions fail predominantly on timing, the appropriate response is calendar realism — aligning test

dates with legislative sessions, or specifying submission rather than enactment where the executive controls only the former — rather than reducing the number of legal conditions. If governance conditions fail on completion across types, that is a different problem, and one that additional conditions are unlikely to solve.

Four limitations bound these claims. Selection into governance conditionality is non-random and uncorrected, so estimates are conditional associations. Implementation status reflects the judgement of the institution whose practice is under examination. Classification of condition text is interpretive; validation is reported in Section 3.3, but the final specification has not been independently recoded. And the sample excludes prior actions by construction, so the results describe structural benchmarks rather than conditionality as a whole.

6 Conclusion

The 2018 Framework committed the Fund to systematic engagement with governance vulnerabilities, and its own review documents a rebalancing between legal and implementation-oriented measures. This paper has asked whether those measures are delivered, using a classification built from the Framework's own functional categories rather than from the database's narrower anti-corruption descriptor — a distinction that changes the identified population of governance conditions by a factor of seven.

Governance conditions are implemented less often than other conditions. Legal-adoption conditions are met late rather than not at all, and that timing penalty applies equally inside and outside the governance agenda. The expectation that externally sponsored reform delivers legal form more readily than administrative function is not supported for this population and period. Extending the analysis to condition-level timing data, and recoding independently, are the natural next steps.

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Conflict of Interest

The authors declare no conflict of interest.

Conflict of Interest

FS: conceptualization of idea, writing the original draft. DSD: Data visualization and analysis

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