IV. External Recommendations for IMF Governance Reform

In recent years, numerous proposals for IMF governance reform have been put forward by former Fund officials, officials from member governments, academics, and NGOs. For background, this document provides the highlights of some of these reform plans, with a special focus on the issues covered by this evaluation (and excluding quota reform). This is by no means a comprehensive catalogue, but a diverse selection of proposals by authors from a range of backgrounds.[5] They are presented by author in chronological order.

Murilo Portugal (2005)[6]

Previously IMF Executive Director and currently Deputy Managing Director at the Fund, this Brazilian official has argued that a central problem of Fund governance is that it gives developing countries too little influence in decision-making relative to their growing importance in the world economy and to the impact Fund programs have on the people of those countries. Portugal has called for replacing the IMFC with the Council, which in his view would increase members' political oversight of the Executive Board.

With the Council exercising oversight of the Executive Board, the Board could become more independent of national authorities. According to Portugal, all Executive Directors should serve fixed, non-renewable, six-year terms, during which they could be removed only by a majority vote of the Council. Capitals should send more senior people to serve on the Board. At the same time, the Board itself should become more accountable. Portugal recommends that Executive Directors submit themselves to a process of anonymous and confidential evaluation by fellow Executive Directors and that external, third-party evaluations of the Board be conducted every five years. The Code of Conduct would be expanded on issues regarding the conduct of Executive Directors.

In terms of representation and voice, Portugal calls for amalgamating the current Western European chairs to open space for an additional African chair and one for European transition economies. If a policy issue is decided on the Board by majority voting rather than by consensus, Portugal recommends that meeting minutes and voting records be made public soon after the decision. Summings Up should avoid language referring to majorities and should simply indicate the number of Directors supporting a particular position.

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[5] Other noteworthy reform proposals can be found in De Gregorio, Jose, et al., 1999, *An Independent and Accountable IMF* (Geneva: International Center for Monetary and Banking Studies); Truman, Edwin M., 2006, *A Strategy for IMF Reform*, (Washington, DC: Institute for International Economics); Buira, Ariel, 2005, *Reforming the Governance of the IMF and the World Bank*, (London: Anthem Press); and Ngaire Woods, 2006, *The Globalizers: the IMF, the World Bank, and Their Borrowers*, (Ithaca: Cornell University Press).

[6] Portugal, Murilo, 2005, "Improving IMF Governance and Increasing the Influence of Developing Countries in IMF Decision-Making," (Manila: G24 Technical Group Meeting).

Michel Camdessus (2006)[7]

In a lecture delivered a few years after leaving the Fund, the former IMF Managing Director outlined an ambitious reform agenda for IMF governance. He identified three values that, in his view, the IMF and other international financial institutions must embrace if they are to tackle successfully global economic challenges: (1) good governance, including transparency, openness, and accountability; (2) public ownership of policies, and (3) partnership between developing and developed countries.

Camdessus recommended replacing the IMFC with the Council, a formal decision-making body. Major strategic decisions would be transferred from the Executive Board to the Council. Working on the basis of staff analysis and Board deliberation, the Council, argued Camdessus, would be the ideal place for a global membership to discuss policies to address systemic issues.

Camdessus proposed reducing to one the number of European EDs on the Board and adding Alternates to that chair. He also called for strengthening surveillance by submitting preliminary conclusions of staff missions to broader public debate before transmission to the Executive Board. On Management, the main recommendation was to change the rules and practices that govern the selection of the Managing Director. Europe and the US should renounce the nomination "privilege", and the process should be open to all candidates.

Bretton Woods Project and Other European Civil Society Organizations (2006)[8]

In a joint public statement, nearly 60 civil society organizations (CSOs) from across Europe proposed a series of measures to improve IMF governance. For them, the main objectives of governance reform are (1) to end inequality in decision-making, (2) to open leadership selection, and (3) to make the Fund's governing bodies transparent.

These CSOs proposed reducing the number of European seats on the Board, instituting double-majority voting, strengthening the Board's oversight role, introducing democratic accountability for Executive Directors, publishing transcripts of Board meetings, instituting formal voting at the Board (the results of which would be made public), and moving to a presumption of disclosure for all Fund information.

The CSOs also called for "an open and legitimate process" for Management selection. The position should be open to all nationalities, geographical diversity in top positions should be actively encouraged, and all member governments should participate in the process.

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[7] Camdessus, Michel, 2005, "International Financial Institutions: Dealing with New Global Challenges," (Washington, DC: Per Jacobsen Foundation).

[8] European CSO Open Statement on Governance Reform of the IMF (Bretton Woods Project), July 17, 2006.

Mervyn King (2006)[9]

Bank of England Governor Mervyn King's chief concern has been to strengthen the Fund's capacity for effective surveillance. For this, he argues, the Fund needs greater focus, independence, and legitimacy.

According to King, effective international cooperation on financial and monetary issues requires meetings with a small numbers of participants to encourage frank and open discussion. He recommends the creation of flexible groupings of directors within the Board that can discuss particular topics on an as-needed basis, allowing for more effective discussions without reducing the size of Board.

To increase the Fund's independence from political pressure and to avoid what he calls "expensive micro-management", King calls for a shift to a non-resident Board. The Board would no longer discuss Article IV staff reports and instead hold management accountable for the Fund's mandate. More responsibility would be transferred to management and staff, which would also provide an opportunity to clarify the division of responsibilities between Management, the Executive Board, and capitals.

Jack Boorman (2007)[10]

A former director of the Fund's Policy Development and Review Department (PDR), Boorman has identified five key principles to be considered when thinking about IMF governance reform: (1) universality (every country should have some voice), (2) legitimacy (fairness in representation), (3) subsidiarity (leaving specific policies and decisions to those most affected), (4) efficiency, and (5) accountability.

Boorman recommends replacing the IMFC with the Council while shrinking the size of the Board by reducing the number of European chairs. He has also called on capitals to send more senior people to the Board and recommended moving to a non-resident Board focused on oversight. Staff in all directors' offices should be properly qualified, and staff in the offices of large multi-country constituencies should be increased.

[9] King, Mervyn, 2006, "Reform of the International Monetary Fund," (New Delhi: Indian Council for Research on International Economic Relations).

[10] Boorman, Jack, 2007, "IMF Reform: Congruence with Global Governance Reform," Chapter 1, *Global Governance Reform*: *Breaking the Stalemate*, Colin I. Bradford and Johannes Linn, eds. (Washington, DC: Brookings Institution Press).

One World Trust (2007)[11]

This UK-based NGO has formulated recommendations based on four pillars of accountability: (1) participation (involvement of internal and external stakeholders in organizational decision-making), (2) transparency (provision of information to stakeholders), (3) evaluation (assessing the organization's outputs, outcomes, and impacts, and (4) complaint and response (providing vehicles for raising questions about an organization's performance and for sanctioning failures).

To improve transparency, the Trust recommends making Board minutes available after one year and publishing Operational Guidance Notes. Information-disclosure policy should be revised to narrow conditions for non-disclosure, with clear justification for non-disclosure. The Trust calls for creating an advisory body of civil-society representatives that would meet periodically with the Executive Board. In terms of complaint and response, the Trust recommends, among other things, strengthening whistle-blowing mechanisms at the Fund.

New Rules for Global Finance Coalition (2007)[12]

This coalition of development, human rights, labor, environmental, and religious organizations recently released a report based on the deliberations of a panel of experts and senior officials focusing on Executive Board accountability. The panel recommended that the Board of Governors establish a committee responsible exclusively for overseeing a periodic review of the Board's performance. In addition, an Executive Board committee should be created to arrange for self-evaluation and periodic reviews of the Board by independent external evaluators.

The panel also proposed that Board minutes be made public after six months, with an eye to their eventual immediate release. Following the example of the UN Security Council, Board meetings should eventually be televised. Exemptions to disclosure should be strictly defined and an independent mechanism should be available to appeal any exemptions.

The panel called for an open, merit-based process for the selection of the MD, one not based on geographical considerations but that considers management experience and skills. The Executive Board should have sole responsibility for the MD's selection and should design a formal, periodic process for assessment of the MD's performance. The MD should also solicit Board input into periodic evaluations of the DMDs.

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[11] "Addressing the International Monetary Fund's need to improve accountability in the short-term," One World Trust, May 2007.

[12] New Rules for Global Finance, 2007, "High-Level Panel on IMF Accountability: Key Findings & Recommendations."

Peter Kenen (2007)[13]

In a recent paper for the Council on Foreign Relations, this Princeton academic has called for strengthening the Fund's legitimacy and effectiveness, primarily with respect to surveillance. He calls for overhauling the selection process for the MD and recommends that his or her appointment require a double majority of the Fund's members.

Kenen recommends longer and staggered terms for directors to provide more continuity on the Board. He also calls for greater Management openness, including a willingness to inform the Board when disagreements among the staff emerge on particular issues.

South Centre (2007)[14]

The South Centre, a Geneva-based think tank, has prepared recommendations for reforming the World Bank's governance, some of which may also applicable to the IMF. For example, in addition to recommending reforms to the leadership-selection process, the Centre recommends imposing a cap on the size of Executive Board constituencies. This would force a more even distribution of countries across constituencies and would result in more resources for Directors representing some of the world's poorest countries, which are currently in overcrowded constituencies.

[13] Kenen, Peter B., 2007, "Reform of the International Monetary Fund," Council on Foreign Relations, CSR Special Report No.29.

[14] South Centre, 2007, "Reform of World Bank Governance Structures", Analytical Note, SC/GGDP/AN/GEG/4.