

V.1. IMF CORPORATE GOVERNANCE FINDINGS FOR THE IMFC

GOVERNANCE DIMENSION	GOVERNING BODY IMFC
<p>Accountability</p>	<p>Issue: Transparency of IMFC communiqué-drafting process</p> <p>Finding: <i>The nature of the communiqué-drafting process gives the Chairman disproportionate influence over its contents, and this influence can sometimes be abused.</i></p> <ul style="list-style-type: none"> Personalities and command of English language can be a barrier to participation by all governors (Shakow, 2008; interviews with authorities). <p>The introduction of a surveillance “remit” at the 13th IMFC meeting in 2006 is widely seen as an example of abuse of the Chairman’s influence over IMFC communiqué contents (interviews with authorities).</p> <p>Issue: Selection of IMFC chairman</p> <p>Finding: <i>IMFC lacks an open and transparent process to select its chair.</i></p> <ul style="list-style-type: none"> There are no written rules as to how this process is to take place (Shakow, 2008).
<p>Effectiveness</p>	<p>Issue: Overall value added by the IMFC</p> <p>Finding: <i>Since its creation in 1999, the IMFC has played a constructive but quite limited role in IMF governance.</i></p> <ul style="list-style-type: none"> IMFC meetings have provided a regular, action-forcing event, a valuable forum for the exchange of views among the membership, and a seal of political approval to policies and programs (Shakow, 2008). The IMFC has done little to resolve major issues by breaking impasses, is generally not a source of strategic initiatives, does not articulate the Fund’s initiatives independently of the advice of the Board and Management, and does not exercise real oversight of the Board or Management (Shakow, 2008). <p>Issue: Value of IMFC and IMFC Deputies’ meetings</p> <p>Finding: <i>The perceived value of IMFC meetings to the membership depends on their form.</i></p> <ul style="list-style-type: none"> Members-only breakfast sessions are perceived to be the most valuable. They are well attended by ministers and offer the best environment for high-level, frank, and open discussion (Shakow, 2008 and interviews with authorities). The IMFC’s luncheon sessions are less well attended and are generally seen as less useful (Shakow, 2008 and interviews with authorities). With rare exceptions, IMFC plenary sessions are perceived to be the least effective IMFC format (Shakow, 2008 and interviews with authorities) Some 71 percent of current and former Executive Board members perceive IMFC Deputies’ meetings to “add little value” (Survey of Executive Board, Q23). Almost half of all authorities find IMFC Deputies’ meetings useful in helping them prepare for IMFC meetings; a third do not know or have no opinion about them (Survey of Member Country Authorities, Q28). Many members send EDs or lower-level staff, undermining the purpose of the IMFC Deputies’ meetings; poorer countries are the least able to send senior officials to these meetings (Shakow, 2008).

V.1. IMF CORPORATE GOVERNANCE FINDINGS FOR THE IMFC (CONCLUDED)

GOVERNANCE DIMENSION	GOVERNING BODY
	IMFC
	<p>Issue: Clarity of IMFC communiqués</p> <p>Finding: There is concern, particularly among staff, about the clarity of guidance on policy and strategic issues in IMFC communiqués.</p> <ul style="list-style-type: none"> • A fifth of staff members believe communiqués “rarely” provide clear guidance (Survey of senior IMF staff, Q14). • Large majorities of Board members, staff, and authorities believe that IMFC communiqués “sometimes” provide clear guidance (Survey of Member Country Authorities, Q26; Survey of Executive Board, Q21; and Survey of senior IMF staff, Q14).
Voice	<p>Issue: Size of the IMFC</p> <p>Finding: The IMFC is generally perceived be the right size.</p> <ul style="list-style-type: none"> • Just over half of the authorities surveyed and half of Board members believe the current number of governors on the IMFC appropriately balances effectiveness and representation (Survey of Member Country Authorities, Q25 and Survey of Executive Board, Q20). • A quarter of authorities believe that the IMFC should be larger (Survey of Member Country Authorities, Q25 and Survey of Executive Board, Q20). <p>Issue: Rotation of Chairmanship of the IMFC</p> <p>Finding: The selection process for the Chair of the IC/IMFC has so far resulted in Chairs from very limited regions.</p> <ul style="list-style-type: none"> • All IMFC chairmen (and all chairmen of the Interim Committee, going back to that body’s creation in 1974) have been from Western Europe or Canada (Shakow, 2008)

V.2. IMF CORPORATE GOVERNANCE FINDINGS FOR THE EXECUTIVE BOARD

GOVERNANCE DIMENSION	GOVERNING BODY Executive Board
<p>Accountability</p>	<p>Issue: Accountability of individual EDs</p> <p>Finding: <i>Mechanisms are in place for holding individual EDs accountable by the governments that appointed or elected them, but these mechanisms are less robust for elected EDs.</i></p> <ul style="list-style-type: none"> • Appointed Directors can be recalled at will by their capitals (Articles of Agreement). • Directors elected by a single-country constituency face similar scrutiny from their authorities, even though replacing them is somewhat more difficult than is for appointed Directors (interviews with EDs and authorities). • Directors elected by multi-country constituencies can be voted out of office after their two-year terms expire; it can be very difficult in practice to remove them during their terms (interviews with EDs). • The dual role of EDs raises the question of whether and how individual directors can be held accountable as officers of the Fund. Most Board members think that these two responsibilities occasionally conflict under some circumstances; follow-up interviews with EDs suggest that this conflict arises mostly on administrative or minor policy issues (Survey of Executive Board, Q15 and interviews with EDs). <p>Issue: Accountability of the Board as whole</p> <p>Finding: <i>No mechanisms are in place to hold the Board accountable as a governing body, or even to help the Board assess its own performance as a governing organ.</i></p> <ul style="list-style-type: none"> • The IMFC is not formally charged with oversight of the Executive Board, and in practice, it does not perform this function. • The only formal assessment mechanism is the requirement for the Board to report annually to the Board of Governors on the state of the Fund and the international financial system (By-Laws) • But it would be difficult to pass judgment on institutional performance on this annual report (Mountford, 2008a). • There is no institutionalized process board self-evaluation, as in increasingly done in many private, public and intergovernmental organizations (Board Source, Non-Profit Governance Index). • The Board itself strongly agrees with this diagnosis—just over half of the current and former Board members surveyed believe that existing mechanisms to hold the Board as a whole accountable are “inadequate or non-existent”, and another quarter of them think adequate mechanisms are in place, but they are not used sufficiently (Survey of Executive Board, Q19). • This view is also held by staff—nearly half of the senior staff surveyed thought mechanisms are inadequate or non-existent; 15 percent believes they exist but are not used sufficiently (Survey of senior IMF staff, Q12). <p>Issue: Ethics and conflicts of interest</p> <p>Finding: <i>This evaluation found significant concerns about the application of the codes of conduct and the clarity of the process through which they are enforced at the Board level. The Fund is at considerable risk of potentially damaging ethics scandals.</i></p> <ul style="list-style-type: none"> • The IMF has adopted codes of conduct for staff (1998) and for Executive Directors (2000). An Ethics Committee of the Board was created in 1998 to hear cases of unethical behavior by members of the Board. • However, the language of the Board code of conduct is vague (Campbell, 2008). • There is no clear process for dealing with ethics violations at the Board level (Campbell, 2008). • Financial reporting systems are outdated (paper prevails where most organizations have gone electronic). There are no penalties for reporting late (Campbell, 2008). • Governance arrangements do not encourage (and in fact discourage) whistle-blowing (Campbell, 2008). • The IMF is also falling behind other international organizations in terms of its ethics mechanisms—the World Bank and EBRD have more comprehensive codes of conduct (Campbell, 2008).

V.2. IMF CORPORATE GOVERNANCE FINDINGS FOR THE EXECUTIVE BOARD (CONTINUED)

GOVERNANCE DIMENSION	GOVERNING BODY Executive Board
	<p>Issue: ED reporting to governments and civil society Finding: Nearly all Board members report regularly to their capitals through confidential, written reports, but reporting or consulting with other stakeholders remains the exception rather than the rule; reporting practices remain inconsistent.</p> <ul style="list-style-type: none"> • Only 18 percent of Board members consult with or meet with members of civil society on a regular basis, though nearly half do so on an ad hoc basis (Survey of Executive Board, Q18). • A quarter of Board members regularly publish public reports on their activities, but more than half do so rarely or never. Least common is for Board members to appear before their legislature(s)—less than a quarter do so on a regular or <i>ad hoc</i> basis (Survey of Executive Board, Q19). <p>Issue: Transparency and disclosure Finding: The IMF has taken important steps to enhance transparency in the past decade, but the IMF lags behind other international institutions in the area of transparency, and the disclosure process in place can still be strengthened.</p> <ul style="list-style-type: none"> • Compared to other international organizations, the IMF is not a leader in transparency. The IMF ranked eighth among 20 international organizations in terms of transparency, behind the AsDB and the UNDP (One World Trust, Accountability Reports 2006 and 2007). • During systemic crises, the informal governance processes that dominate decision-making reduces transparency and make ex-post accountability more difficult (Stone, 2008). • Views on transparency are split: 43 percent of staff surveyed and 39 percent of Board members surveyed think the length of time before IMF documents are made public is excessive. However, some 40 percent of staff and nearly half of Board members believe current levels of access are adequate (Survey of senior IMF staff, Q11; Survey of Executive Board, Q13). <p>Issue: Fiduciary oversight Finding: The current system of fiduciary oversight, which relies heavily on the EAC and involves the Board only marginally, is not sufficiently robust.</p> <ul style="list-style-type: none"> • The three-year terms of EAC members are generally not renewed, weakening the Committee's institutional knowledge (Clark-Cheisky, 2008). • At three members, the EAC is too small for the magnitude of its responsibilities (Clark-Cheisky, 2008). • The EAC spends little time at the Fund (Clark-Cheisky, 2008). • There is not representation from the owners of the Fund in the current system of fiduciary oversight. • There is no audit committee at the Board to perform this function (Clark-Cheisky, 2008).
<p>Effectiveness</p>	<p>Issue: Size of the Board Finding: The size of the Board, which has grown from 12 to 24 members, is too large to work effectively as a proper "executive" board, but it is relatively small by the standards of international organizations, which must make concessions to representing the membership.</p> <ul style="list-style-type: none"> • By the standards of private-sector corporate governance, the Board is too large to be an effective executive board. Private-sector boards usually have a maximum of 12-13 directors (Martinez-Diaz, 2008). • The analysis of the MTS development shows that without the MD's active efforts, it is the MTS would not have materialized. A factor that weakened the Board's role in the process was its large size (Bosson, 2008c). • Compared with other international organizations of similar size, the IMF's Board is relatively compact, but in these organizations, boards perform largely a representational and supervisory role. Of five organizations with large memberships (over 177 members), the IMF (along with the World Bank) has the smallest executive board in absolute numbers. The Bretton Woods institutions also have the lowest ratio of executive board size to membership size of 11 organizations studied (Martinez-Diaz, 2008). • A majority of those who are most familiar with the Board's operations (Board members and staff) believes the Board should be smaller (Survey of Executive Board Q1, Survey of senior IMF staff, Q1). • A majority of the authorities surveyed thinks the current Board size adequately balances effectiveness and representation and about a quarter thinks that it should be larger, a much larger figure than within either the Board or staff (Survey of Member Country Authorities, Q10).

V.2. IMF CORPORATE GOVERNANCE FINDINGS FOR THE EXECUTIVE BOARD (CONTINUED)

GOVERNANCE DIMENSION	GOVERNING BODY Executive Board
	<p>Issue: EDs' length of service Finding: By several standards, the EDs' length of service appears to be too short.</p> <ul style="list-style-type: none"> • During 1990-2007, the median term of office for a Director (elected or appointed) was 25 months. If we include the Alternate experience of Directors, the median amount of Board experience rises to 39 months, or a little over three years (CVs of EDs provided by the Secretary's Department, IMF annual reports, IEO staff estimates). • Comparisons with other organizations suggest that EDs' terms of office may be too short. Along with the World Bank and the Asian Development Bank, the Fund's Board has the shortest terms of office of all the international organizations examined (Martinez-Diaz, 2008; IEO staff estimates). • Length of service at the Fund appears to be too short when compared with the private sector, where experts believe that board directors should serve at least six years in two, three-year terms. In top UK firms, for example, the average length of service for non-executive directors was 3.8 years (Martinez-Diaz, 2008). • The Board is divided on this issue: 47 percent think turnover on the Board "is about right", while 43 percent think it is excessive. Ten percent think that it is too little. Among staff, two thirds believe that turnover is about right (Survey of Executive Board, Q6; Survey of senior IMF staff, Q5). • It takes between three and six months for an incoming ED to acquire good working knowledge of the institution and his/her job (interviews with EDs and Alternates). <p>Issue: Board skills Finding: The Board's financial-sector skills are most in need of strengthening.</p> <ul style="list-style-type: none"> • Board members see knowledge of financial sector issues as the single weakest of Board skills; staff also sees this area as a major Board weakness, even though authorities considered this an essential skill for directors (Survey of Executive Board, Q2; Survey of senior IMF staff, Q2; Survey of Member Country Authorities, Q11). • These perceptions are confirmed by the case study on the Board's performance in integrating financial-sector issue and macroeconomic surveillance (Bossone, 2008b). • The homogeneity of EDs' backgrounds makes it less likely that the Board will acquire skills it does not currently possess—between 60 and 70 percent of directors come from central banks, finance ministries, and treasuries. The number of Directors coming from staff and from other government ministries has remained roughly constant between 1996–2006. The only significant change in that period was that one Director was drawn from academia and another from the private sector (CVs of EDs provided by the Secretary's Department; IEO staff estimates). <p>Issue: Board skills Finding: The Board's strongest skills are macroeconomic analysis and negotiation.</p> <ul style="list-style-type: none"> • Board members and the Fund's senior staff, agree that the Board's strong points are macroeconomic analysis; and diplomatic and negotiation skills (Survey of Executive Board, Q2; Survey of senior IMF staff, Q2). • Some 91 percent and 87 percent of the authorities surveyed ranked knowledge of macroeconomics and of financial sector issues, respectively, as characteristics they consider "essential" in a Director. Another 75 percent considered negotiation and diplomatic skills essential (Survey of Member Country Authorities, Q11). <p>Issue: Executive Directors and Board-member qualifications Finding: The lack of clear ED qualifications and inability of EDs to select their staff potentially undermines the quality of staff in EDs' offices.</p> <ul style="list-style-type: none"> • The qualifications of an Executive Director are not explicitly set out in the Articles (Articles of Agreement) • This increases the scope for the election or appointment of EDs who may not be qualified for the position. • Most Board constituencies do not have clear, agreed-upon job descriptions or transparent merit-based processes for selecting Alternates and other Board members (interviews with EDs). • Most directors play little role in choosing their staff—over half of EDs and 67 percent of Alternates say they play "little or no role" in choosing their staff (Survey of Executive Board, Q5 and Q26).

V.2. IMF CORPORATE GOVERNANCE FINDINGS FOR THE EXECUTIVE BOARD (CONTINUED)

GOVERNANCE DIMENSION	GOVERNING BODY Executive Board
	<p>Issue: Selection/appointment of General Counsel and Secretary Finding: The current selection process for the GC and the SEC creates a risk of potentially divided loyalties, undermines their capacity to provide the Board and Management with independent advice, and reduces Board's effectiveness.</p> <ul style="list-style-type: none"> • The Secretary serves the Board but is "under the direction" of the MD, and the General Counsel is expected to serve both Management and the Executive Board. • Yet, under certain circumstances, the Board and Management may have conflicting interests on a legal question or on the drafting of a Summing up. • Under the current system, the GC and SEC are selected and appointed (and can be dismissed) by the Managing Director, just like any other member of senior staff. • The existing selection process undermines the capacity of these two officials to exercise independent judgment because they can face situations in which they advise management or the Board about issues in which there may be conflicting interests. Yet, they are only accountable to Management (Interviews with EDs). • In other international institutions, such as the World Bank, this problem is partly mitigated by ensuring that both Management and the Board play a role in the selection of the Secretary and Legal Counsel (Interviews with World Bank staff). <p>Issue: Board's level of involvement Finding: The Board is too involved in certain areas and insufficiently involved in others, according to the Board.</p> <ul style="list-style-type: none"> • A majority of Board members believe that the Board is insufficiently involved in three areas: assessing the performance of Management, holding Management accountable for its performance and setting technical assistance priorities (Survey of Executive Board, Q3). • A majority of Board members (48 percent) also believes the Board is insufficiently involved in multilateral surveillance, an issue to which the Board dedicates very little time (Survey of Executive Board, Q3; Secretary's Department, Operations Division). • Most Board and staff members believe that the Board is adequately involved in this type of surveillance (Survey of Executive Board, Q3; Survey of senior IMF staff, Q3). • Board members believe the body is excessively involved in this type of surveillance (Survey of Executive Board, Q3; Survey of senior IMF staff, Q3). • Another way of measuring whether the Board's involvement and use of time is optimal is to look at whether Executive Directors attend meetings or choose to send lower-level officials. Attendance by EDs (and to a lesser degree, by Alternates) was found to be generally poor (IEO staff estimates), an explanation could be the proliferation of grays (fewer discussions are expected beyond the submitted statements). • In 2006, only four Directors and five Alternates were present, on average, during the 93 meetings that year for discussing Article IV consultations (IEO staff estimates). • At meetings involving the use of Fund resources, attendance was worse—only three Directors and three Alternates were present, on average, over the same year (IEO staff estimates). • Attendance was better on administrative matters: nine Directors and six Alternates were present, on average (IEO staff estimates). <p>Issue: Summing-up writing process Finding: Board members are generally satisfied with the accuracy of SUs, but the Board and staff perceive a lack of clarity in the SUs, at least occasionally.</p> <ul style="list-style-type: none"> • Over 60 percent of Board members found themselves "very satisfied" or "somewhat satisfied" with the accuracy of SUs on policy discussions and over 70 percent with the accuracy of SUs for country discussions (Survey of Executive Board, Q9). • However, nearly three-quarters of staff and 82 percent of Board members thought that SUs are "often" or "sometimes" vague and/or contradictory (Survey of senior IMF staff, Q7; Survey of Executive Board, Q10).

V.2. IMF CORPORATE GOVERNANCE FINDINGS FOR THE EXECUTIVE BOARD (CONTINUED)

GOVERNANCE DIMENSION	GOVERNING BODY Executive Board
	<p>Issue: Board value added Finding: The Board is perceived by its members and staff to add most value in matters of policy and strategy; it is perceived to add least value in setting technical assistance priorities.</p> <ul style="list-style-type: none"> • Board members are not satisfied with how the Board allocates its time. There are disparities between this allocation and the views of perceived value added by the Board (Survey of Executive Board, Q3 and Q4). • A majority of the Board and over a quarter of the staff believe the Board adds "significant" value in policy and strategy matters (Survey of Executive Board Q4). • A distant second is bilateral (Article IV) surveillance, where only 21 percent of the Board members and 14 percent of staff thought that the Board brought "significant value added" to these consultations, a proportion similar to those that thought that the Board brought "no or negative value added" (a view held by 38 percent of staff) (Survey of Executive Board, Q4; Survey of senior IMF staff, Q4). • The Board is weakest at setting technical assistance priorities—a majority of the staff and nearly half the Board members think the Board adds no or negative value (Survey of Executive Board, Q4; Survey of senior IMF staff, Q4).
	<p>Issue: Financial costs of the Board Finding: The annual cost of running the Board is relatively high compared to other international organizations with resident boards, though not significantly out of line.</p> <ul style="list-style-type: none"> • Between 1998 and 2006, the costs of running the Board have oscillated between 5.9 and 6.4 percent of the net administrative budget (Office of Budget and Planning, IEO staff estimates). • The total Executive Board budget was \$59 million in 2007. If the budget for the Secretary's Department is added, the cost rises to \$73 million (Office of Budget and Planning). • Although comparisons across institutions are difficult due to differences in the scope of operations, at the World Bank (IBRD), the equivalent statistic was 3 percent; at the IADB, it was 4 percent, at the EBRD, it was about 5 percent, and at the AsDB, it was 6.5 percent (Martinez-Diaz, 2008).
Efficiency	<p>Issue: Use of committees Finding: Board committees are currently underutilized.</p> <ul style="list-style-type: none"> • Board committees are not contributing to Board efficiency for several reasons—committee discussions tend to be duplicated at the Board level, the selection of committee members and chairs lacks transparency, the skills Directors need to perform well on committees are not specified, and mistrust prevents Directors from delegating responsibility to a subset of EDs (Chelsky, 2008b). • A number of committees are insufficiently independent of management to provide a forum for open discussion among Board members (Chelsky, 2008b). • Sixty five percent of Board members surveyed believe that committees could be effective, but this would require significant change in their structure and operations (Survey of Executive Board, Q14).
	<p>Issue: Board operations during systemic crisis-management Finding: During systemic crises, the Fund has been unusually efficient in its decision-making despite the size of the Board.</p> <ul style="list-style-type: none"> • During times of systemic crises, a system of informal governance eclipses formal governance practices—decision-making shifts out of the Board and into an informal network that typically connects the finance ministers of G7 countries and their deputies, the G7 Executive Directors, and the Managing Director (Stone, 2008). • This system has a strong track record of producing rapid and concerted action, thanks to its informality, confidentiality, and small number of like-minded participants (creditors) (Stone, 2008). • However, the effectiveness of this system carries a significant cost in terms of diminished transparency, accountability and voice (Stone, 2008).

V.2. IMF CORPORATE GOVERNANCE FINDINGS FOR THE EXECUTIVE BOARD (CONTINUED)

GOVERNANCE DIMENSION	GOVERNING BODY Executive Board
	<p>Issue: Use of Boardroom time Finding: The Board has become more efficient in its use of boardroom time.</p> <ul style="list-style-type: none"> • Total Board meeting time has fallen from about 600 hours per year four years ago to just under 370 in 2006 (Secretary's Department, Operations Division; IEO staff estimates). • The average time spent in the boardroom on each policy item has fallen, on average, from 2.6 hours to 1.6 hours in 1999-2005 (Secretary's Department, Operations Division; IEO staff estimates). • For country items, it has fallen from 1.7 hours to one hour over the same period (Secretary's Department, Operations Division; IEO staff estimates). • The main factor behind this fall was the proliferation of grays. During this period the number of grays issued grew by 400 percent to over 4,000 per year. Most Board members believe that the increase in the number of grays has had no impact on the quality of decisions, though Board members with more than five years of Board experience are far more likely to see grays as contributing to the deterioration of decisions (Secretary's Department, Operations Division; IEO staff estimates; Survey of Executive Board, Q8) • However, this measure does not incorporate work done outside the boardroom.
	<p>Issue: Board staffing Finding: The size of EDs' staff has grown slowly but steadily in the past decade, mostly out of the need to staff offices that have large constituencies.</p> <ul style="list-style-type: none"> • The amount of staff employed by the offices of Executive Directors has increased by 12 percent since 1998 to a total of 242 (Human Resources Department). • All of this growth has come from the addition of new advisor and senior advisor positions; support staff has actually declined. Most of the new positions were added to strengthen the capacity of large multi-country constituencies (Secretary's Department).
	<p>Issue: Paper flow at the Board Finding: The volume of documents sent to the Board each year has grown steadily over time.</p> <ul style="list-style-type: none"> • The number of documents sent to the Board each year has increased from less than 500 in 1997 to approximately 4,500 in 2007. The vast majority of these documents pertain to country issues (Secretary's Department). • The number of pages in the documents sent to the Board has increased from some 1,000 in 1997 to just over 40,000 in 2007 (Secretary's Department).
Voice	<p>Issue: Constituency size Finding: The IMF has the largest constituencies of any international organization with near-universal membership, aside from the World Bank.</p> <ul style="list-style-type: none"> • The Fund's constituency system provides a degree of representation to all members without the paralysis seen in some international organizations with universal representation on the boards (Martinez-Diaz, 2008). • The Fund's relatively compact board means that most members are grouped in relatively large constituencies (10.9 in average size, compared with 5.3, 5.6, and 7.6 at the UNDP, WHO, and GEF, respectively) (Martinez-Diaz, 2008). • Because of single-country chairs and the leadership selection arrangements in most constituencies, members get comparatively little time on the board as compared with organizations with formal and more equitable rotation mechanisms (Martinez-Diaz, 2008). <p>Issue: Summing Up writing process Finding: This evaluation found that, on the whole, the summing-up process appears to work well from the standpoint of voice, albeit inconsistently.</p> <ul style="list-style-type: none"> • The balance between reflecting dissent on one hand and retaining a degree of coherence and brevity on the other seems to be adequate, at least for Article IV issues (Chelsky, 2008a). • However, the reporting of minority views is inconsistent (Survey of Executive Board, Q11). • These results are confirmed by survey data. Over 70 percent of Board members declared themselves either "very satisfied" or "somewhat satisfied" that SUs accurately reflect the views expressed by Directors in their grays and during Board meetings, both in policy discussions or in discussions of country matters (Survey of Executive Board, Q9)

V.2. IMF CORPORATE GOVERNANCE FINDINGS FOR THE EXECUTIVE BOARD (CONCLUDED)

GOVERNANCE DIMENSION	GOVERNING BODY Executive Board
	<p>Issue: Speaking out at the Board</p> <p>Finding: There is evidence of a “chilling effect” among a significant minority of Board members— particularly among low-income countries—who do not feel they can criticize staff/management at the Board without fear of repercussions.</p> <ul style="list-style-type: none"> • Around a third of authorities and 36 percent of Board members feel they can criticize staff and management “rarely” or “only on some issues” without fear of repercussions (Survey of Member Country Authorities, Q23; Survey of Executive Board Q17). • This phenomenon is most pronounced among low-income countries—67 percent of them feel they can freely criticize staff only on some issues or rarely without fear of repercussion (Survey of Executive Board Q17 and Q28).

V.3. IMF CORPORATE GOVERNANCE FINDINGS FOR MANAGEMENT

GOVERNANCE DIMENSION	GOVERNING BODY Management (OMD)
<p>Accountability</p>	<p>Issue: Selection of the MD and DMDs</p> <p>Finding: The process for the selection of the Managing Director and the three Deputy Managing Directors is opaque, exclusionary, and of questionable legitimacy.</p> <ul style="list-style-type: none"> • The qualities, expertise, and experience that candidates should have are not defined (Peretz, 2007). • There is no formal process for searching for candidates (Peretz, 2007). • The formal selection processes—by the Executive Board for the MD, and by the MD for the FDMD—lack transparency and are to a degree detached from the substantive decision-making processes, which to a large extent take place elsewhere in direct discussions between G7 and other capitals (Peretz, 2007). • The convention that candidates are proposed by the governments of their countries of origin has contributed to a degree of “deal making” between national governments; this has politicized the selection process and introduced selection criteria that have little to do with merit and much to do with narrow national interest (Peretz, 2007) • The Fund lags behind other international organizations in terms of management selection (compare with procedures adopted by OECD, WTO, UNDP) (Peretz, 2007).
	<p>Issue: Accountability of the MD</p> <p>Finding: Key mechanisms for holding the MD accountable for his performance are not in place, and those in place are insufficiently used.</p> <ul style="list-style-type: none"> • The MD acts under “the general control” of the Executive Board (Articles of Agreement) • The Articles do not provide a mechanism for the removal of the MD, though the current MD’s letter of appointment states “the Executive Board shall be free to terminate your connection to the Fund at any time.” (Terms of Appointment of Dominique Strauss-Kahn as Managing Director of the International Monetary Fund). • In practical terms, however, the opaque selection (and removal) process of the MD undermines accountability. • Currently, there is no formal review process through which the Board can assess the performance of the MD and no standards or benchmarks for MD performance, although we understand that a working group of the Board is working on developing such standards. • Eighty one percent of Board members think that the Executive Board is “insufficiently involved” in assessing management’s performance; more than three-quarters of those believe that the Board is also insufficiently involved in holding management accountable for its performance (Survey of Executive Board, Q3). • This stands in contrast to best practice in the private and non-profit sectors, where the CEO can be removed or sanctioned by the Board for underperformance and where CEO evaluation is an important and routine activity of the board (Dalberg, 2008; Spencer Stuart Board Index, <i>The Changing Profile of Directors</i>, 2006; Board Source, <i>Non-Profit Governance Index</i>).
	<p>Issue: Accountability of DMDs</p> <p>Finding: Adequate mechanisms for holding the DMDs accountable for their performance are not in place.</p> <ul style="list-style-type: none"> • DMDs are formally accountable to the MD, but as in the case of the MD, their selection (and dismissal) process is in practice opaque. The practice of informally reserving the FDMD for a US national and suggests that this officer is accountable only to one government (interviews). • Currently, there are no standards or benchmarks for DMD performance. <p>Issue: Ethics and conflicts of interest</p> <p>Finding: This evaluation found significant concerns about the application of the codes of conduct and the clarity of the process through which they are enforced at the level of Management. The Fund is at considerable risk of potentially damaging ethics scandals. (see same section for the Board).</p> <ul style="list-style-type: none"> • Policies, structures and practices suggest that the Fund relies heavily on informal measures to enforce its expectations for ethical behavior among its leadership (Campbell, 2008; IMF Staff Bulletin, No. 06/4, May 10, 2006; Legal Department). • Under the current MD’s Terms of Appointment, the MD is subject to the staff code of conduct, but this is not specified in the code itself (Campbell, 2008). • There is no mechanism for complaints and concerns about the MD that guarantee confidentiality for the source (Campbell, 2008).

V.3. IMF CORPORATE GOVERNANCE FINDINGS FOR MANAGEMENT (CONCLUDED)

GOVERNANCE DIMENSION	GOVERNING BODY Management (OMD)
Effectiveness	<p>Issue: Management (OMD) structure and operations Finding: <i>Management has strong connections to senior policy makers in capitals, which enhances effectiveness.</i> (Stone, 2008)</p>
Efficiency	<p>Issue: Financial costs of Management (MD, FDMD, and DMDs) Finding: <i>The OMD consists of 8 staff in addition to the MD, a number that represents over 2 percent of the professional staff of the Fund. Its budget at about US\$7 million represents about 0.7 percent of the total net administrative budget of the Institution.</i> (Office of Budget and Planning)</p>
Voice	<p>Issue: Selection of MD and DMDs Finding: <i>The selection process of the MD, the FDMD, and DMDs in practice excludes most of the IMF's membership. (see above)</i></p> <ul style="list-style-type: none"> • The FDMD position has been informally reserved for a U.S. citizen (Peretz, 2007)