

Introduction

1. This evaluation assesses the governance arrangements of the International Monetary Fund and identifies areas where they can be strengthened to help the Fund better fulfill its mandate. It defines governance as the institutional structure and the formal and informal relationships that govern the organization's decision-making processes and activities. Good governance can contribute to the IMF's legitimacy by ensuring appropriate representation for the membership and by facilitating transparency that allows scrutiny by relevant stakeholders. It allows the Fund to fulfill its mandates effectively and efficiently, it renders the Fund and its main organs accountable to the membership, and provides voice to relevant stakeholders. These four dimensions—effectiveness, efficiency, accountability, and voice—constitute the conceptual framework of this evaluation. The overarching evaluation questions are the following: To what degree do the Fund's governance arrangements allow the institution to operate effectively and efficiently? To what degree do these arrangements render the IMF accountable, and do they provide the membership with voice in decision making?¹

2. This evaluation focuses on the three central entities of governance in the Fund: the International Monetary and Financial Committee (IMFC), the Executive Board (Board), and Management. Above these is the Board of Governors, composed of ministers or central bank governors from each of the 185 member states, which has delegated most of its powers to the Board. The Board is responsible for conducting the business of the Fund in accordance with the powers delegated to it by the Governors. It is composed of 24 Executive Directors (Directors), 5 of whom are appointed by the IMF members having the largest quotas, and 19 of whom are elected by the

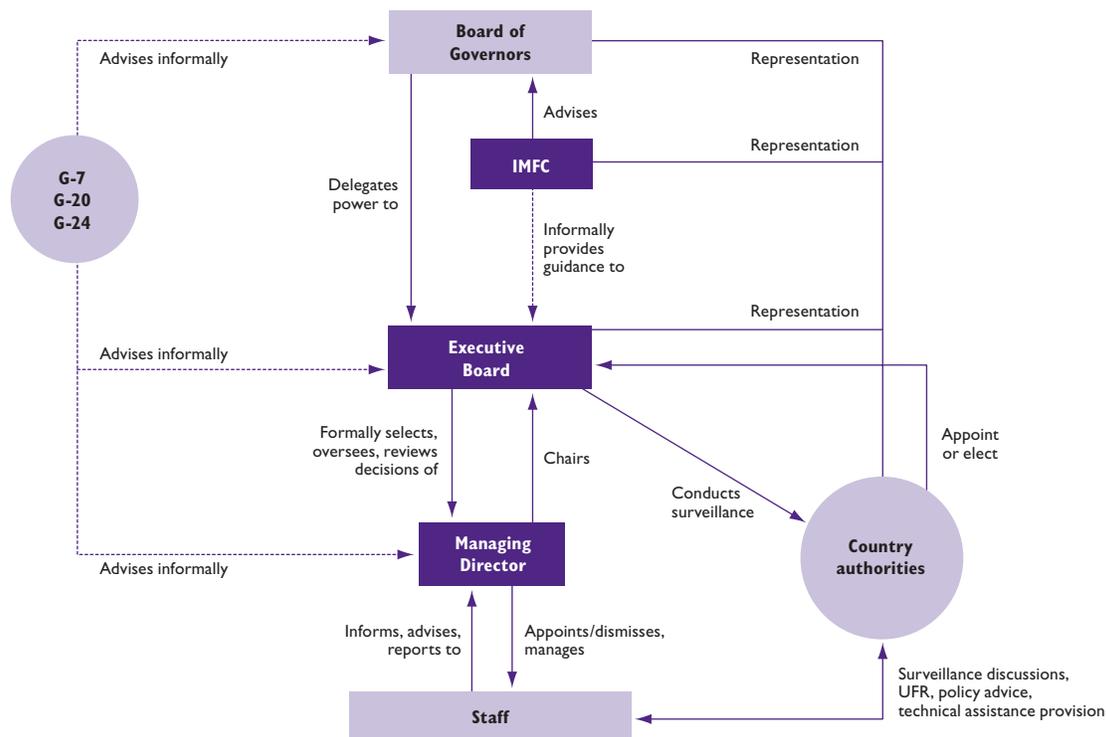
other members and organized in constituencies. Voting power on the Board is determined by members' quotas. The IMFC is composed of 24 Governors, reflecting the constituencies in the Board. The IMFC meets twice a year and it is charged with advising the Board of Governors on matters related to the management of the international monetary and financial system. Management is composed of the Managing Director (MD) and three deputies. The MD is both the non-voting chair of the Board and the "chief of the operating staff of the Fund." The MD is charged with conducting "the ordinary business of the Fund" under the "general control" of the Board. Figure 1 shows the Fund's main governance structures as well as their relationships. Annex 1 contains a detailed description of the Fund's governance structure and practices.

3. Over its 60-year life, the Fund's mandate and governance have evolved along with changes in the global economy, allowing the organization to retain a central role within the international financial architecture. The Fund has served as "fire fighter" in systemic crises and as lender of last resort for countries facing balance of payments difficulties; its surveillance mechanisms have served as the platform for dialogue on important policy issues; and it has provided member countries with standards and tools to improve their policies and institutions. These roles and the Fund's achievements have been made possible, in part, by the strengths of its governance arrangements relative to those of other intergovernmental organizations.

4. Equally, though, some of the difficulties the Fund now faces are due to weaknesses in governance. Concerns about legitimacy and relevance go beyond quota issues, which are outside the scope of this evaluation. They include unease about the process for selecting the MD and his deputies and about unclear or inadequate lines of accountability, as well as perceptions that the Fund has been slow to identify emerging problems and risks and failed to devise and agree on strategies to address them. Part of the explanation for these difficulties may be a lack of clarity on the respective roles of the IMFC and

¹Governance has also been put on the agenda in other intergovernmental organizations, several of which have undertaken studies with a view to improving their governance arrangements. For example, governance assessments have been prepared for the World Trade Organization, the United Nations, and the Bank for International Settlements. See Sutherland et al. (2004), United Nations (2006), and Bank for International Settlements (2004).

Figure I. Stylized View of IMF Governance



Source: Martinez-Diaz, 2008.

the Board, and on how these bodies should interact with Management.²

²In recent years, numerous proposals for IMF governance reform have been put forward by former Fund officials, officials from member governments, academics, and nongovernmental organizations (NGOs). Background Document IV provides the highlights of some of these reform plans.

5. The remainder of this report is organized as follows. Chapter 2 introduces the analytical framework, methods, and data used in the evaluation. Chapter 3 briefly analyzes the main strengths and weaknesses of the overall IMF governance structure. Chapter 4 presents the main evaluation findings in regard to the IMFC, the Board, and Management, and Chapter 5 concludes with recommendations.