Chapter 4

Findings on Individual Governing Bodies

31. This chapter presents evaluation findings specific to the IMFC, the Board, and Management. For each of these governing bodies, it identifies strengths and weaknesses by answering, inter alia, the following questions: Are the statutory roles of each body clear? Are there overlaps with the roles of other bodies? Are there gaps? Could structures or processes be modified to allow these roles to be discharged more effectively? Are governing bodies and individuals held accountable for their behavior and performance, and for the results of their actions? What are the costs of the governance structure? Do the governing bodies provide stakeholders with sufficient access to express their views?

A. The International Monetary and Financial Committee

32. **Ambiguous status.** Because the IMFC, like its predecessor the Interim Committee, is an advisory body to the Board of Governors, IMFC communiqués carry no legal weight and only constitute advice to the Governors and, indirectly, to the Board. In practice, however, Directors, Management, and staff take the communiqués as guidelines for the Fund's work program for the following months. This is natural, because the IMFC is composed of the same Governors that appoint or elect the Directors and Management. The ambiguous status of IMFC declarations limits the degree to which the Board and Management can be held accountable for implementing (or not) the IMFC's initiatives. The incongruence between the IMFC's formal and actual roles and responsibilities, and the gray zone that its communiqués inhabit, detract from the legitimacy of the Committee and undermine accountability. Similarly, the Development Committee was established to advise the Governors of both the World Bank and the IMF on critical development issues, but in practice it is seen as primarily occupied with the work of the World Bank, and receives scant attention from the Board, Management, and staff of the IMF.

Box 1. The Council: A Ministerial Governance Body

The Second Amendment of the IMF Articles of Agreement provides for the possibility of establishing a decision-making and political body at the minister/governor level, between the Board of Governors and the Board, and with the same number of constituent members as the Board. The Chair of the Council would be selected by its members. In addition to "supervising the management and adaptation of the international monetary system, including the continuing operation of the adjustment process and developments in global liquidity," the proposed Council would "review developments in the transfer of real resources to developing countries." The establishment of the Council was made subject to an 85 percent majority of votes of the Board of Governors, which has not been mustered and therefore the Council has not yet been activated. The provisions provide for votes of each chair to be split, unlike at the Board.

33. **Strengths.** Despite the lack of clarity regarding its role, the IMFC plays a significant part in IMF governance. Its semiannual meetings serve as event-forcing occasions that can bring about compromise and closure on policy issues. The communiqué issued at the end of a Committee meeting is a consensus document, which confers greater legitimacy on initiatives previously developed in country groupings such as the G-7, the G-20, or the G-24, and promotes political ownership of policies developed within the Fund. IEO surveys of key stakeholders suggest general satisfaction with the quality of IMFC communiqués; a large majority of member country authorities and Board members were at least "somewhat satisfied" with the degree to which communiqués reflect the views of IMFC Governors and with the clarity of the guidance they provide.[17]

[17] Also among staff, a large majority responded that the communiqués at least sometimes provide clear guidance, but about one-quarter said that this was rarely the case, possibly reflecting those issues on which the IMFC could not reach agreement.

34. **Weaknesses and limitations.** The evaluation also found important weaknesses that reduce the value of the IMFC's contribution to the Fund's governance. First, the IMFC does not exercise oversight over the Board or Management, a task for which as an advisory body it has no legal standing. This is an important gap in overall governance. Second, IMFC meetings have played a very limited role as a forum for substantive negotiations—natural given its status as an advisory committee that meets for a few hours every six months and to which many Governors come unprepared for negotiations. Third, most observers believe that the link between the IMFC and the meetings of the G-7 and other country groupings adds to the Committee's effectiveness, but many stakeholders believe that it deters from ownership and accountability. They indicated that a greater sense of ownership and accountability and greater evidence that G-7 countries consider the IMFC pivotal would lead delegations to prepare better for the meetings, thereby enhancing the effectiveness of the IMFC and of the Fund.

35. **Procedural issues.** Interviews with IMFC participants identified a number of procedural shortcomings. First, there is concern that the Committee Chair can disproportionately influence the content of communiqués, and that obstacles (especially, limited command of English) limit the participation of some IMFC Governors (or their representatives) in the drafting. Second, the IMFC lacks an open and transparent process for selecting its Chair. Third, the format of meetings affects their value; IMFC Governors interviewed found the breakfast meetings, which are open only to principals, to provide a valuable platform for high-level, frank, and open exchange of views and, occasionally for substantive negotiations. The luncheon sessions are less well attended by ministers, while plenary sessions are seen by some Governors as often ritualistic and unproductive. In regard to the IMFC deputies' meetings, views are divided. About half of the authorities value these meetings, but more than 70 percent of current and former Board members see them as adding little value.

36. **Size and costs.** More than half of the authorities surveyed indicated that the current number of Governors on the IMFC adequately balances effectiveness with the need for representation and legitimacy—a view also held by Board members and senior staff. Also, authorities do not see the costs of the IMFC meetings as out of line, particularly because these meetings are organized to coincide with complementary gatherings.

B. Executive Board

37. This section compares the main strengths and weaknesses of the Board. It argues that there is tension between the Board's executive and supervisory functions—between partnering with Management in discharging the day-to-day business of the Fund on one hand, and playing an oversight role on behalf of the owners of the institution on the other. It then analyzes the structure and workings of the Board, reviews the skills and experience of Board members and concludes with a discussion of accountability issues.

38. **Strengths and weaknesses.** The Board is an important source of legitimacy for the Fund. Its constituency system provides a degree of representation to all 185 members without the paralysis seen in some international organizations that have universal representation in their boards. The Board reviews and approves virtually all strategies and policies, and plays a limited role in their development. It often serves as a forum to discuss and foster ownership of recommendations endorsed by the IMFC. But the role played by the Board in governance also has a number of weaknesses. First, the Board has provided limited oversight over Management and the Fund overall. Second, while most Directors have clear reporting lines to their authorities, there is no mechanism for the Board as a whole to assess its own performance or receive feedback from the Board of Governors on its performance as a governing body. Third, the share of the administrative budget devoted to the Board appears high compared with that in other international organizations.

39. **An executive or supervisory Board?** From the start, the Board's mandate for "conducting the business of the Fund" and exercising "general control over Management" has been interpreted as giving the Board an executive role, with significant involvement in the Fund's day-to-day business. This interpretation is consistent with the term "Executive Board" used by the Articles, and with the requirement that the Board "function in continuous session." An executive board was probably necessary in the Fund's early days, when the institution had formal authority over the par value system of exchange rate arrangements and communications between Directors and the authorities in their home countries were limited. This required that Directors enjoy the trust of their authorities and possess a high level of experience and proficiency in macroeconomic analysis. The executive role was also feasible because there were only a dozen Directors.

40. Though formally the Board continues to play the same executive role as in the early days, changes in its mandate and operations, and in the size of the Fund's membership and staff,[18] now make this very

[18]The Fund's membership has more than quadrupled, from 44 to 185, and the size of the staff has grown more than sevenfold, from 355 people to some 2,600.

difficult. The size of the Board itself has doubled from 12 to 24. By the standards of modern corporate governance, a 24-member board is too large to play an effective executive role.[19] In the private sector, for example, executive boards rarely exceed a dozen directors, and even in the non-profit sector, the trend is toward smaller executive boards.[20] Compared with other international organizations of similar size, the IMF has a relatively compact board, but in these organizations, boards perform largely a representational and supervisory role rather than an executive one.[21] Advances in communications over the last 60 years have also made it less necessary for the Board to play an executive role; authorities in capitals can now provide Directors (and Management directly) with instructions almost in real time, diminishing the need for a Board whose members can act independently of their instructions and allowing the authorities to send less senior representatives.

41. Today's reality calls for the Board to play an effective supervisory role. The Board has only limited involvement in many of the functions that are commonly associated with a supervisory board, notably fiduciary oversight (including financial management, risk management, and preventing misconduct and conflicts of interest), and oversight of human resource and administrative policies. At the same time, previous IEO evaluations and studies prepared for this evaluation suggest that the Board has played only a reactive role in strategy formulation and that it has not been effective in monitoring policy implementation. The Board's involvement in day-to-day operations has deflected its attention from these needed oversight functions and constrained its ability to perform them in an independent manner.

[19]Academic work on decision making and group behavior indicates that executive boards, to be effective, should have no more than 10 members, with 12 as the absolute maximum. Once boards get larger than 12, the quality of participation declines, decision making begins to atrophy, and free-rider problems increase. See Carter and Lorsch (2003).

[20]The Spencer Stuart Board Index, 2006, Spencer Stuart 2006 UK Board Index, and Spencer Stuart Board Index: Italia 2006 note, respectively, that among major U.S. companies (S&P500), the average board size is 10.7; among the U.K.'s top 150 companies, it is 10.8, and among Italian blue chip companies, the average is 10.7 directors. IEO calculated that the average board size of the top 50 Japanese corporations of 2007 was 13. According to BoardSource, the median board size among the nearly 400 U.S. non-profits participating in a recent survey declined from 17 members in 1994 to 15 in 2004.

[21]Martinez-Diaz (2008) compared the governance of the IMF with 11 other international organizations, including 5 with a large membership. Among these, the IMF, along with the World Bank, has the smallest board in absolute numbers, as well as the lowest ratio of board size to membership size.

Structure and workings of the Board

42. **Board size and composition.** Changes in Board size give rise to trade-offs between executive effectiveness, on the one hand, and representation and legitimacy on the other. The dilemmas posed by this trade-off are not easily resolved, and there is no consensus among Board members on the appropriate size. Half thought that the Board was too large, while the other half thought it was either the right size or too small. Among senior staff, a large majority thinks the Board is too large. More than 60 percent of the authorities surveyed think that the current Board size adequately balances effectiveness and representation, but about one-quarter think it should be larger.

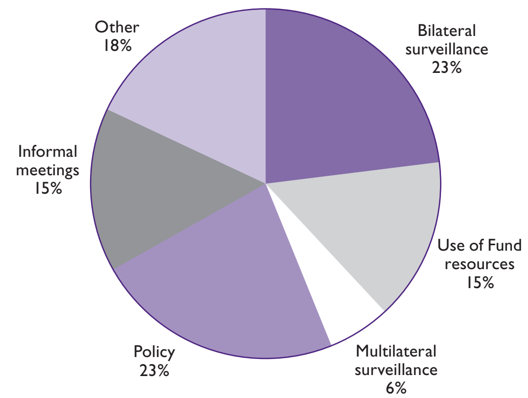
43. **Board committees.** In most private and public corporations, as well as in other intergovernmental organizations, boards establish a system of committees that allow them to operate more effectively and efficiently. Committees provide a forum for Directors to brainstorm over policy issues independently of Management, to discuss technical issues in greater detail than would be possible at the full Board, and to provide regular oversight over new initiatives and agreed policies. Currently, there are nine Board standing committees at the IMF.[22] These committees encourage less formal discussions among members than do meetings of the full Board, but several of them are insufficiently independent of Management to provide a forum for open discussion among Board members. There is also a reluctance to use committees to streamline Board discussions by identifying areas of consensus and finding compromises in areas of disagreement (even though decision-making authority would still remain with the full Board, as specified in the Fund's Rules and Regulations). As a result, committee discussions are often duplicated at the Board level; thus they do not contribute to Board effectiveness and may even be detrimental to efficiency.

44. **Time allocation and value added.** Board members were not fully satisfied with how the Board allocates its time. About half of the nearly 400 hours of annual boardroom time are dedicated to country items (more on Article IV consultations than on pro-

[22]The Budget Committee and the Pension Committee are chaired by Management. The seven other standing committees (Agenda and Procedures, Annual Report, Evaluation, Executive Board Administrative Matters, Interpretation, Liaison with the World Bank and Other International Organizations, and Ethics) are chaired by Directors who are selected by Management in consultation with the Dean of the Board. Some of these committees meet only infrequently. The Committee on Interpretation has not met since 1958. There are currently no Board committees with responsibility for financial management oversight, administrative policies, or human resource policies—areas covered by board committees in other international organizations.

gram discussions, especially in recent years). Another 20–25 percent is devoted to policy items, and the rest is spread over multilateral surveillance, informal meetings, and discussions at Board committees (Figure 2). More than three-quarters of Board members believe the Board is insufficiently involved in assessing the performance of Management and in holding Management accountable for its performance. About half of Board members believe that the Board is insufficiently involved in multilateral surveillance and in setting technical assistance priorities—issues to which the Board dedicates very little time. While 70 percent of Board members think that the Board is adequately involved in Article IV consultations, only 20 percent of Board members (and 15 percent of staff) think that the Board contributes "significant value added" to these consultations—a proportion similar to those who think that the Board contributes "no or negative value added" (a view held by 40 percent of staff). Perhaps this lies behind the finding in Table 1 that, on average, only four Directors attend Article IV Consultation meetings (only three when combined with use of Fund resources (UFR)). These numbers suggest that a reconsideration of the Article IV surveillance process might be in order, or at least that the Board should explore alternative ways to provide its input.

Figure 2. Use of IMF Boardroom Time, 2007



Source: Based on data from the Secretary's Department.

45. Board members reported that they have only limited control over the allocation of time, and many complained about the uneven distribution of the workload over the year. While Section C of the Rules and Regulations of the Fund specifies that the Chair shall call a meeting at the request of any Director and that in preparing the agenda of each meeting the MD shall include any item requested by a Director, many Board members indicated that this is not easy to implement and that the agenda is set by Management and administered by the Secretary's Department. A number of Directors were generally concerned that the Secretary, like the Legal Counsel, who is appointed by the MD and acts as a department director, is not sufficiently independent in his advice to the Board.

46. **Grays, Board attendance, and quality of discussions.** The total amount of Board meeting time has fallen since 1999, from about 600 hours to about 400 hours a year, reflecting a reduction, on average, from 2.6 hours to 1.6 hours spent on each item (on country items the reduction was from 1.7 to one hour). A key factor behind this fall is the proliferation of "grays" (written statements that are submitted by Directors in advance of meetings and often used in place of oral statements). During this period, the number of grays has grown by 400 percent to more than 4,000 a year. Most chairs issue a gray for most country discussions. Board members see some benefits as well as shortcomings to the issuance of grays. Grays allow authorities to provide more direct input and make it easier for Management to reflect Directors' views in the Concluding Statement or Summing Up, especially when grays are issued sufficiently far in advance of the Board meeting. On the other hand, many Directors complained during interviews that grays are too long, that they often reproduce the views expressed in the corresponding staff report or in the grays of other chairs, and that they tend to discuss technical issues that are better handled by the staff, rather than issues of compliance with Fund policy and consistency across countries. Still, most Board members believed that the increase in the number of grays has not diminished the quality of decisions.

47. Grays were originally introduced to stimulate livelier Board meetings, but in fact they have had the opposite effect. Grays may also have led to poorer attendance at Board meetings by Directors, who are now more likely to send junior staff to attend because fewer discussions are expected on top of the submitted statements. Typically, only four Directors and four Alternates attended discussions of country items in 2006 (Article IV and UFR), while the other 16 chairs were filled by advisors and senior advisors (Table 1). Attendance of Directors and Alternates was much higher for meetings on policy issues, administrative matters, and multilateral surveillance. These statistics do not necessarily mean that Directors consider Board meetings unimportant. In fact, sometimes the advisors and senior advisors attending may come from countries with greater interest in the issues being considered, or their skills or experience may be more relevant for the issue at hand than those of the Director.

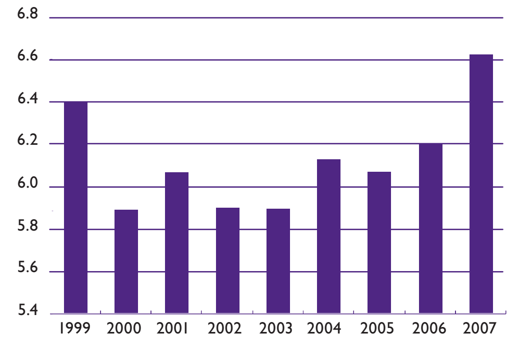
Table 1. Average Attendance at Board Meetings, 2006

	Rank of Officials in Attendance		
Type of Issue Discussed	Executive Directors	Alternates	Other Staff from ED Office
Admin/finance issues	9	7	8
Policy issues	9	6	9
Multilateral surveillance	7	7	10
Bilateral surveillance (Article IV)	4	5	15
Use of Fund resources/ HIPC	4	3	17
Combined UFR and Article IV	3	4	17

Source: Based on Executive Board Minutes for 2006.

Figure 3. Budget of Executive Directors' Offices as Percent of IMF Net Administrative Budget, 1999–2007

(In percent)



Source: Office of Budget and Planning and IEO staff calculations.

48. **Summings Up.** "Summings Up" (SUs) summarize the views and decisions of the Board, in particular for Article IV and most policy discussions. These summaries—which are prepared by the Chair of the Board with assistance from the Secretary—communicate guidance and directives from the Board to Management and staff. SUs also provide the basis for public information notices—a major vehicle through which the Fund communicates its views to the public. More than four-fifths of Board members and almost three-quarters of senior staff consider that SUs are "sometimes" or "often" vague and/or contradictory. A review of a number of SUs from Article IV and policy discussions found that it is sometimes difficult to distinguish between decisions and consensus views, and that minority views are not covered consistently. There is also a lack of clarity with respect to the code words used to describe the degree of support for a position (e.g., "several," "many," "most").

49. **Board costs.** In 2007, the total Board budget was $59 million ($73 million when including the budget for the Secretary's Department). Between 1998 and 2006, the costs of running the Board oscillated between 5.9 and 6.4 percent of the IMF net administrative budget (Figure 3). During this period there was an increase in the staffing of Directors' offices. Though comparisons across institutions are difficult due to the differences in the scope of operations, these figures are somewhat high compared to those in other international organizations with resident boards, though not significantly out of line.[23] At the World Bank the equivalent statistic was 3 percent; at the IADB, 4 percent; at the EBRD, about 5 percent; and at the AsDB, 6.5 percent.

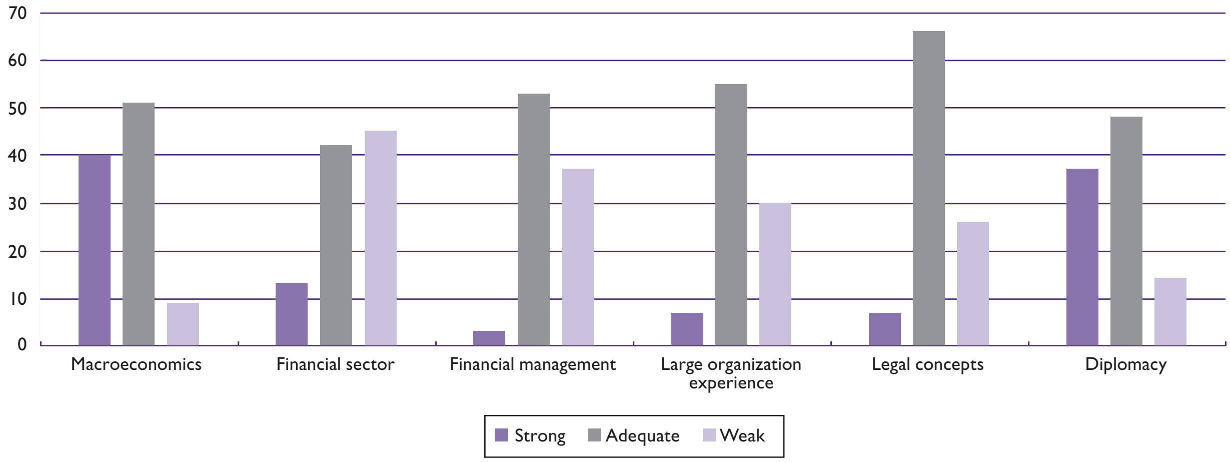
[23]Every third year, the Annual Meetings of the Fund and World Bank are held outside the United States, which accounts for the higher costs in 1998, 2001, 2004, and 2007.

50. **Board members' capacity and accountability.** The Board's capacity to be effective depends in part on the skills and experience of Directors and their staff, and the incentives they face. The following paragraphs look at Directors' skills, experience, the degree of turnover at the Board, and the accountability framework within which Directors work.

51. **Board member qualifications and skills.** There are no terms of reference for the Board as a whole, nor standard job descriptions for Directors, Alternates, or their professional staff. Standardized job descriptions would provide authorities with guidance for selecting candidates. Some 90 percent of the authorities who were surveyed ranked knowledge of macroeconomics and of financial sector issues as characteristics they consider "essential" in a Director, and another 75 percent considered negotiation and diplomatic skills to be "essential." Board members see themselves as having these skills—a view shared by the staff (Figures 4 and 5). However, the evaluation found that both Board members and staff consider knowledge of financial sector issues as one of the Board's weakest skills, even though authorities consider this an essential skill Directors should possess. These perceptions are confirmed by a case study of the Board's performance in integrating financial-sector and macroeconomic surveillance (Bossone, 2008c) which found that partly because of insufficient financial-sector expertise, the Board found it hard to integrate financial-sector issues adequately into discussions of macroeconomic conditions.

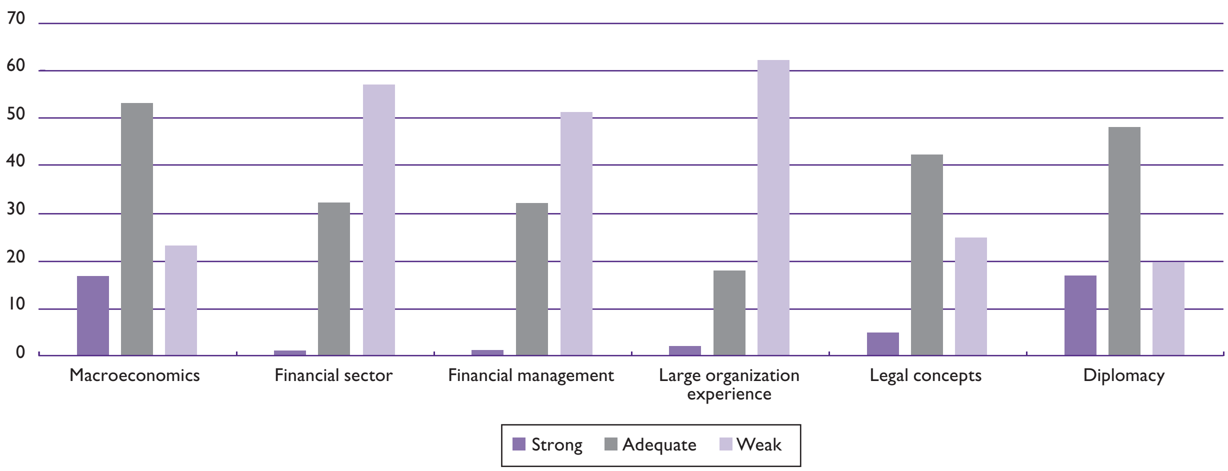
52. Similar problems exist below the Director level. Most Board constituencies do not have clear, agreed-upon job descriptions or transparent merit-based processes for selecting Alternates and other staff members. Jobs in Directors' offices are sometimes seen as a reward for prior services, rather than as an important and demanding challenge. In fact,

Figure 4. Executive Directors' Perceptions of Executive Board Skills
(In percent)



Source: IEO Survey of Executive Board, Question 2, Background Document I.

Figure 5. IMF Staff Perceptions of Executive Board Skills
(In percent)



Source: IEO Survey of Senior IMF Staff, Question 2, Background Document I.

most Directors play little or no role in selecting their own staff, and only 15 percent responded that they have "wide latitude" in selecting their senior advisors and advisors. In interviews, some Directors expressed frustration that some of their staff were not sufficiently qualified. To deal with this problem, some constituencies have adopted job descriptions and more transparent processes to select Board members, as well as rules on the operations of the Directors' office (see Annex 5).

53. **Seniority and background.** The level of seniority and institutional backgrounds of Executive Directors seems to have changed little in the past decade. The average years of experience have remained constant and in line with the figure in other international organizations.[24] The background of

[24]Experience was proxied by the average age of directors, which stands at 53 years. The average age of executive directors at the World Bank is 53, at the AsDB it is 54, and at the EBRD it is 55 years.

Directors has also not changed appreciably; about 70 percent of Directors come from central banks, finance ministries, and treasuries (Table 2).

Table 2. Backgrounds of IMF Executive Directors, Selected Years

Occupation of Executive Directors Immediately Prior to IMF Service	1996	2001	2006
Ministry of finance/treasury	6	11	7
Central bank	8	6	8
Other government	5	2	4
IMF staff	3	3	2
Academia	0	1	1
Private sector	0	0	1
World Bank and other international organizations	2	1	1

Source: Based on data from Secretary's Department.

54. **Turnover.** Elected Directors are appointed for two-year renewable terms, while appointed directors serve until recalled by their capitals. During the 1990–2007 period, the median term in office of Directors (elected and appointed) was 23 months, rising to 40 months if prior experience as Alternates is included. In interviews, Board members reported that it takes six months to a year for an incoming Director to become fully effective in his or her position. Up to a point, longer tenures allow Directors to perform their jobs with greater independence from Management, but some Board members observed that very long tenures can lead Directors to identify too closely with the views of staff and Management. Compared to its peer international organizations, the IMF has some of the shortest terms of office for Directors.[25] The Fund's median also appears short compared to the private sector where experts recommend two terms of three years each for board directors.[26] Both current and previous Board members are split on whether there should be more or less turnover—46 percent think the degree of turnover on the Board is "about right" while 43 percent think it is excessive. Among staff, two-thirds believe that the turnover is "about right" or "too little."

55. **Accountability of Directors.** Individual Directors are accountable for their interventions and votes to the authorities in their constituencies. Appointed Directors can be recalled at will by their capitals. Directors who are elected by a single-country constituency face similar scrutiny from their authorities, even though, at least in theory, they cannot be removed between elections. Directors elected by multi-country constituencies face different scrutiny and incentives. Most constituencies have rotation agreements that set out whether their Directors can be reelected or whether they can only serve a single two-year term—which eliminates reelection as an incentive. In both cases, Directors need to maneuver within the sometimes-conflicting interests of their authorities. In any case, for most Directors, the impact on their future careers in their home countries provide an incentive to listen to their authorities' guidance. Board members are subject to their own Code of Conduct, which is more ambiguous than the Code for staff—referring to what members "should" do, when the staff Code asserts what staff "must" do. Currently, there is no specified mechanism for the Board Ethics Committee to apply this Code.

56. More than half of Board members reported that they occasionally face a conflict between their role as representatives of their authorities and their role in upholding the Fund's institutional interests. Directors explained in follow-up interviews that this conflict arises mostly with regard to administrative or minor policy issues. Nonetheless, the conflict raises the question of whether and how individual Directors can be held accountable as officers of the Fund. Creating a mechanism to serve this purpose would not be simple. First, while in practice all Directors clearly understand their representational role, their status as officers of the Fund is less clear.[27] Second, Directors could not be held equally accountable for the consequences of their voting, because votes are weighted by the quotas of the corresponding countries—putting different degrees of responsibility on different Directors.

C. Management: Office of the Managing Director

57. A centralized management structure with strong connections to senior policy makers in the major economies has always been one of the strongest aspects of Fund governance. Managing Directors and most of their deputies have joined the Fund from senior positions in their respective countries,

[25]Directors are elected for two years in the World Bank and the Asian Development Bank, for three-year terms at the AfDB, IADB, EBRD, WHO, GEF, BIS, and UNDP; at the EIB, they serve five-year terms. The average actual term of service of an OECD ambassador is 3.5 years.

[26]Higgs (2003, p. 5); *Spencer Stuart 2006 UK Board Index* found that in top U.K. firms the average length of service for non-executive directors was 3.8 years.

[27]It has been argued that this status derives from aspects of their working relationship (e.g., they draw their salary from the IMF, which is also the source of their immunities).

bringing useful experience and high-level connections that have been a source of strength for the organization, and have generally provided strong leadership to the Fund's disciplined and skilled staff. Overall, Management has played a key role in ensuring the Fund's effectiveness. Yet there are no formal mechanisms to hold Management accountable for its performance nor that of the Fund. The lack of a clear accountability framework for Management may have contributed to the sense that the Fund overall is not being held accountable and to the corresponding erosion in support and legitimacy.

58. **Management selection.** The first issue commonly raised when looking at Fund Management is the lack of transparency in the selection of the MD. This position continues to be reserved for a European, even though there has been greater openness and competition in the past few selections. The formal selection process by the Board is detached from the substantive decision making processes, which take place elsewhere in direct discussions among European and other G-7 country governments. The convention that candidates are proposed by the governments of their countries of origin has contributed to "deal making"—trading off one international appointment against another. This has politicized the selection process thus undermining legitimacy, even if the person eventually selected is actually the best candidate.[28] In fact, the Fund lags behind other international organizations in the transparency of management selection.

59. The FDMD position has traditionally been reserved for a U.S. citizen, and at least one DMD position is believed to be reserved for a certain region or nationality. Again, this has detracted from the legitimacy of these appointments. The current system limits the ability of the MD to select his deputies to ensure a cohesive Management team and a good fit with the tasks that he would like to delegate.

60. **Management workflow.** The MD has two roles—as Chair of the Board and chief of the operating staff. Because no reporting mechanisms are in place, each MD has been left to decide how to allocate his time among each of these functions and what to delegate to his deputies. Some MDs have spent significantly more time chairing and consulting with the Board; others have devoted much energy to managing the organization; while others have chosen to travel to capitals to serve actively as the public face of the Fund. This has led from time to time to complaints from Directors about neglecting the Board's work. At the same time, in several interviews, authorities in capitals indicated that they would appreciate more direct interaction with Management, and particular with the MD—which may conflict with greater Board attendance.

61. The allocation of country and functional responsibilities among DMDs appears arbitrary from an institutional standpoint. This has led to confusion among senior staff about Management's views affecting countries that face similar issues globally or in the same region, and sometimes to a lack of consistency in the Fund's position. It also affects accountability, as there is no DMD who takes responsibility for the overall views of the Fund on a particular region. Perhaps more important, because at times there was poor coordination within the OMD, interviews revealed that Departments would wait till a particular deputy would be out of the office to send documents for clearance. Also, documents would sit for long periods of time without response or decision.

62. **Management accountability.** The framework for holding Management accountable is inadequate. In principle, the Articles' provision that the Managing Director acts under the "general control" of the Board provides a clear line of accountability. In practice, however, the Board does not hold Management accountable, for several reasons. There is no formal process through which the Board reviews the performance of the MD. Even if such a process were in place, there are no standards or benchmarks to assess performance, and the Board has no way of rewarding or sanctioning the MD. As mentioned above, the Board only formally validates the MD selection, and the circumstances that would call for his removal and the mechanism to effect it are not specified. These features stand in contrast to best practice in the private and non-profit sectors, where CEO evaluation is an important responsibility of boards.[29] Board members agree strongly with this diagnosis: an overwhelming 80 percent of Board members surveyed think the Board is "insufficiently involved" in assessing Management's performance, and three-quarters think the Board is insufficiently involved in holding Management accountable for its performance.

63. **Handling misconduct and conflicts of interest.** The current MD is subject to the staff Code of Conduct under the terms of his letter of appointment,

[28]Within the United Nations system, the Secretary-General has put in place new, more transparent, procedures for selecting heads of agencies such as the United Nations Development Program. The Organization for Economic Cooperation and Development and the World Trade Organization have also adopted new, more transparent, procedures. See Peretz (2007).

[29]According to the Spencer Stuart Board Index (2006), among S&P500 companies, for example, 96 percent have a formal process to evaluate the CEO's performance and do so on an annual basis. CEO performance evaluation is no longer just the responsibility of a specialized committee—it is fast becoming a responsibility involving the full board. The comparable number for non-profit executive boards in the United States is 80 percent (BoardSource, 2004, p. 9).

but this is not specified in the staff Code. Moreover, it is not clear who would be in a position to apply this Code to the MD, given that those responsible for its application report to the MD. As members of staff, the FDMD and DMDs, on the other hand, are subject to the staff Code of Conduct. The Fund's governance framework is not well designed to identify actual and potential conflicts of interest or ethical problems of the MD. There is no "whistleblower" protection for persons who report misconduct, and, in particular, there is no mechanism for complaints and concerns about Executive Directors, the MD, and other senior officers that guarantees the confidentiality of the source. While the Board is, at least implicitly, responsible for addressing alleged misconduct by the MD, there are no procedures that explain how to carry out this responsibility. Also, there are no restrictions on post-Fund employment for the MD, a practice common for high-level officials in governments, central banks and financial sector companies.