

# IMF Governance: Outline of Current Structures and Practices

This annex provides a description of the IMF's governance arrangements. The institution's formal governance structure and practices are set out in its Articles of Agreement and in its By-Laws, Rules and Regulations.<sup>30</sup> This annex also makes reference to informal bodies that do not appear in the Articles, but which nevertheless play an important role in the Fund's governance.

**Board of Governors.** The Board of Governors is the Fund's highest governing body, which is composed of one Governor and one Alternate for each of the Fund's 185 member states. The Governors, who are typically finance ministers or central bank governors appointed by their governments, meet annually and select a chairman from within their ranks. The Board of Governors has delegated most of its powers to the Board.<sup>31</sup> However, this delegation does not imply that Governors have abdicated their overall responsibility for stewardship of the organization.

**International Monetary and Financial Committee.** The IMFC is composed of 24 Governors; its structure mirrors the constituencies of the Board. Like the Interim Committee, which it replaced in 1999, the IMFC is charged with advising the Board of Governors on matters related to the management of the international monetary and financial system.<sup>32</sup> The IMFC meets twice a year and issues a communiqué at the end of its meetings. There is no formal voting at the IMFC, as the Committee is only an advisory

forum and operates by consensus. The **Development Committee** was established by resolution of the Board of Governors to advise the Governors of both the World Bank and the IMF on critical development issues and on the financial resources required to promote economic development in developing countries.<sup>33</sup> In practice, however, Governors and the IMF Board, Management, and staff view the Development Committee as primarily occupied with the work of the Bank.

**Executive Board.** The Board is responsible for "conducting the business of the Fund" in accordance with the powers delegated to it by the Board of Governors.<sup>34</sup> It is composed of 24 Directors, 5 of whom are appointed by the IMF members having the largest quotas, and 19 of whom are elected by the other members organized in constituencies.<sup>35</sup> Appointed Directors serve at the discretion of their governments, while elected Directors serve renewable two-year terms. In addition to the Directors, the Board has a staff of over 240, which includes Alternate Directors, senior advisors, advisors, and administrative staff, many of whom informally represent their countries. The Board meets "in continuous session," which in practice means about three times a week. Its responsibilities include setting strategy and monitoring strategy implementation, conducting bilateral surveillance (i.e., Article IV consultations) and surveillance of the international monetary system as a whole, approving the use of Fund resources by members, appointing the MD, providing institutional oversight, and setting administrative policy.

Voting power in the Board is determined by members' quotas, which range from almost 17 percent for the United States to less than 1.5 percent collectively

<sup>30</sup>In particular, Article XII. A more detailed description of the Fund's governance arrangements can be found in Mountford (2008a). Mountford (2008b) discusses the historical evolution of the Fund's governance. Abstracts of these and the other background papers prepared for this evaluation are in Annex 2; the papers themselves are posted on the IEO website at [www.ieo-imf.org](http://www.ieo-imf.org).

<sup>31</sup>Governors have retained the power to approve quota increases, special drawing right (SDR) allocations, the admittance of new members, compulsory withdrawal of members, and amendments to the Articles of Agreement and By-Laws. Their voting generally takes place by mail-in ballot. The Board of Governors also elects or appoints executive directors and is the ultimate arbiter on issues related to the interpretation of the Articles.

<sup>32</sup>The IC/IMFC was intended as a provisional body, to be replaced eventually by a decision-making ministerial-level Council.

<sup>33</sup>IMF (1974).

<sup>34</sup>Articles of Agreement, Article XII, Section 3.

<sup>35</sup>The United States, Japan, Germany, France, and the United Kingdom appoint their own EDs. China, Russia, and Saudi Arabia have each chosen to elect a Director that represents only their country.

for 23 (largely Francophone) countries in Africa.<sup>36</sup> The Chair of the Board is charged with steering discussions towards achieving as wide a consensus as possible, and very seldom is a formal vote taken. At the conclusion of a meeting, the Chair ascertains the “sense of the meeting,” and a “summing up” is prepared which reflects the views of the (quota-weighted) majority, as well as minority views.

Countries are free to choose the constituency to which they belong, taking into account regional and other considerations (and in agreement with the other members in the constituency). Each constituency has the freedom to decide how and from which countries to select its Director, as well as which rotation scheme to use when filling other positions. In general, these schemes reflect the relative quota of each member country in the constituency, and practices vary widely. Countries are not allowed to split their vote—Directors must cast the votes of their countries as a single unit. Therefore, Directors representing multiple countries must weigh the interests of all the countries they represent when deciding what position to take. Each constituency also has its own arrangements regarding Director consultations with the country authorities.

**Management.** While the Articles only make explicit reference to the Managing Director, in this evaluation we refer to “Management,” which comprises the

<sup>36</sup>Given the current distribution of voting power, it is possible for a fifth of the member countries to muster a majority of the voting power, which is enough to make many important decisions, including in regard to lending. Special majorities of 70 and 85 percent of the vote are needed for some decisions, including those involving significant institutional change.

Managing Director (MD), a First Deputy Managing Director (FDMD), and two Deputy Managing Directors (DMDs), and their staff. Under the Articles, the MD is both the non-voting Chair of the Board and the chief of the operating staff of the Fund. He is charged with conducting “the ordinary business of the Fund” under the “general control” of the Board.<sup>37</sup> Like the staff, but unlike the Executive Directors, the MD owes his duty “entirely to the Fund and to no other authority.”<sup>38</sup> Through an informal convention dating to the Fund’s establishment, the MD has always been European, and the FDMD has been a U.S. national since the creation of this post. Management is responsible for preparing policy and operational papers distributed to the Board, for the administration of technical assistance, for appointing and dismissing staff, and for the management of the organization. (The IMF **staff** numbers some 2,600 people and is known for its hierarchical, disciplined, and generally cohesive institutional culture. Key staff responsibilities include preparing policy papers, conducting the preparatory work for bilateral and multilateral surveillance, negotiating Fund arrangements on an *ad referendum* basis, and providing technical assistance to member countries.)

While not the focus of this evaluation, informal country groupings play an important role in the governance of the Fund. A number of informal **country groupings**, including the G-7, the G-20, and the G-24, meet regularly to coordinate positions and issue communiqués. They often bring issues to the attention of the Board and/or the IMFC.

<sup>37</sup>Articles of Agreement, Article XII, Section 4.

<sup>38</sup>Articles of Agreement, Article XII, Section 4(c).