

ANNEX 2

Abstracts of Working Papers Prepared for the IEO Evaluation of IMF Corporate Governance

IMF Governance Structures and Practices

Chelsky, Jeff, "Summarizing the Views of the IMF Executive Board" (BP/08/05)

This note describes and assesses the process for summarizing the views of the Board. Accurate summaries of the Board's views are a key element of sound IMF governance. For these summaries to provide effective and legitimate guidance to the institution, they must be clear and reflect a sufficiently broad range of views from across the membership. Based on an analysis of a sample of Summings Up, the paper assesses the adequacy of current practice from the standpoint of ensuring continuity, clarity, and accountability of Board deliberations. It concludes that while the process seems to be working well on the whole, minority views are inconsistently reported, and consensus views and decisions are not clearly distinguished from those of groups of Directors.

Chelsky, Jeff, "The Role and Evolution of Executive Board Standing Committees in IMF Corporate Governance" (BP/08/04)

Numerous attempts have been made to improve the effectiveness of standing committees of the Board, but considerable dissatisfaction remains with their performance, particularly among members of the Board itself. Drawing on interviews, survey data, previous reviews of the Fund's Board committee structure, principles of good corporate governance, and experience in other multilateral institutions, the paper concludes that Board committees hold unrealized potential to improve the Fund's internal governance. The paper analyzes the factors affecting the effectiveness of Board committees and provides recommendations for improvement. These include measures to encourage Directors to take stronger ownership of Board committees, changes to the overall committee structure and improvements in committee work practices.

Clark, C. Scott, and Jeff Chelsky, "Financial Oversight of the International Monetary Fund" (BP/08/06)

This paper evaluates the IMF's accountability framework for financial audit and control and risk management. It describes the evolution of the Fund's system for financial audit, focusing on the External Audit Committee. It also compares the framework at the Fund to those in other international organizations. The paper concludes that the current structure of financial oversight is not robust because the owners of the institution are not represented in the audit process. It recommends ways to strengthen the current framework to enhance accountability and ensure more effective oversight by the shareholders of the Fund including by strengthening the role and capacity of the Board in oversight of financial audit and control.

Mountford, Alexander, "The Formal Governance Structure of the International Monetary Fund" (BP/08/01)

This paper provides a description of the Fund's current governance structure and practices, including the main decision-making organs as established by the Fund's Articles of Agreement. It reviews the composition and membership, powers, and activities of the Board of Governors and its advisory committees, as well as the size, composition, and main features of the Board. The roles and functions of the Managing Director and staff are also described.

Mountford, Alexander, "The Historical Development of IMF Governance" (BP/08/02)

This paper traces the evolution of the Fund's main decision-making organs and related bodies, such as the International Monetary and Financial Committee. It begins with the Fund's foundation, paying particular attention at critical junctures when the Fund's governance was modified in response to changes in the global economy.

Shakow, Alexander, "The Role of the International Monetary and Financial Committee in IMF Governance" (BP/08/03)

This paper examines the history and assesses the workings of the International Monetary and Financial Committee (IMFC). It concludes that IMFC meetings serve important governance functions, primarily as an event-forcing occasion, but that its role is limited by weaknesses in its structure and working practices. The IMFC's communiqués fall in a gray zone between directives and advice, which reduces accountability. Committee communiqués often provide unclear guidance on Fund priorities and strategy. Also, the Committee has done little to resolve major logjams and has not been source of strategic initiatives, which have more frequently come from informal groupings outside the IMFC. The paper outlines steps that could be taken to strengthen the Committee's effectiveness in these areas.

Benchmarking and Comparisons

Dalberg Global Development Advisors, "Lessons from Private Sector Governance Practices" (BP/08/07)

On the basis of an extensive review of codes of good corporate governance from around the world, this study identifies 14 principles and practices that are relevant to the IMF, taking into account the differences between the Fund and a private corporation or state-owned enterprise. The paper describes each principle, explains its logic, provides examples of their application, and identifies the questions that each principle raises for the IMF's governance. The paper also describes private sector processes and indicators for evaluating governance systems and those that may be appropriate for assessing IMF governance.

Martinez-Diaz, Leonardo, "Executive Boards in International Organizations: Lessons for Strengthening IMF Governance" (BP/08/08)

This paper compares and contrasts the Fund's Board with the boards of eleven other intergovernmental organizations. It identifies four key roles that executive boards are expected to play in these organizations—those of political counterweight, performance policeman, democratic forum, and strategic thinker—and assesses how well the boards are equipped to play these roles. The exercise generates three "models" of governance, each with a different set of comparative advantages. The paper concludes that the twin crises of effectiveness and legitimacy that the IMF is currently facing are related to the Fund's adherence to a particular model of governance. The paper offers

recommendations on how to strengthen the Board's capacity to play other key roles.

Fund Governance in Action

Bossone, Biagio, "IMF Surveillance: A Case Study on IMF Governance" (BP/08/10)

This study examines the role that the Fund's governing bodies have played in the conduct of surveillance and in the adaptation of surveillance frameworks over time. It examines not only formal governance structures, but also the key role played by informal country groupings in Fund surveillance. The paper concludes that while the current model of IMF governance has helped to build consensus on adapting surveillance policy to changes in the world economy, it has weakened the role of the IMF in delivering effective surveillance. Bossone identifies specific aspects of Fund governance that may be responsible for these shortcomings.

Bossone, Biagio, "Integrating Macroeconomic and Financial-Sector Analyses Within IMF Surveillance" (BP/08/11)

This study examines how the Fund undertook the integration of financial-sector issues into traditional surveillance of members' macro-economy, paying special attention to how the IMF's governing bodies performed during the process. This integration became imperative after emerging-market crises in the 1990s illustrated the importance of macroeconomic and financial-sector linkages. The paper concludes that the Board was an implementer and task-master, but it was not a source of strategic initiatives, which came from outside the Fund, primarily from informal country groupings. The Board's performance in this process was hindered by a lack of financial-sector expertise in the Board.

Bossone, Biagio, "The Design of the IMF's Medium-Term Strategy: A Case Study on IMF Governance" (BP/08/09)

This study analyzes the process through which the IMF's Medium-Term Strategy (MTS) was formulated, paying special attention to how the Fund's governance arrangements performed during this key episode of strategy formulation. The MTS, published in September 2005, provides a framework to enable the Fund to respond better to the needs of its members. The study portrays the MTS-formulation process as complex, internally driven, and difficult at the start due to initial managerial problems. These difficulties were eventually resolved through the decisive intervention of the Managing Director. While recognizing the strengths of the process, the study concludes that

a better organized, more open, and inclusive process, handled by the Managing Director from the outset, and benefiting from a more proactive Board, would have led to a broader and deeper review of Fund strategic issues, thus presenting members with a wider range of options for discussion.

Campbell, Katrina, "Managing Conflicts of Interest and Other Ethics Issues at the IMF" (BP/08/12)

This study assesses the IMF's structures, policies, and practices at the Board and management levels that are meant to prevent and managing misconduct and conflicts of interest. The paper compares IMF practices and policies with those of other international organizations, as well as industry best-practice guidelines. It finds that the Fund's governance system is not well designed to identify actual and potential conflicts of interest and ethical problems among Executive Directors and the Managing Director. In particular, whistle-blower protections are not in place, codes of conduct lack clarity, and the procedures for investigating and dealing with misconduct by an Executive Director or the Managing Director are not clearly delineated. The Board Ethics Committee does not appear to be active.

Cortés, Mariano, "The Governance of IMF Technical Assistance" (BP/08/13)

This paper examines the performance of the Fund's governance in the strategic management of the Fund's technical assistance (TA). It examines how corporate practices governing the Fund's TA have changed significantly over the last two decades. The paper concludes that while the Board has adopted stronger transparency and accountability practices, its strategic oversight over TA has not been effective. In particular, systematic stock-takings of TA activities and policies had long lags between them, and reporting

and evaluation at the project and country level were scant at best. The process of developing the criteria for allocating TA resources provides an example of the difficulty of defining exactly the purview of IMF Management as distinct from that of the Board.

Peretz, David, "The Process for Selecting and Appointing the Managing Director and First Deputy Managing Director of the IMF" (BP/07/01)

This paper reviews the formal and informal processes for selection and appointment of the Managing Director and First Deputy Managing Director. It examines the historical evolution of the processes and compares them to those in other international organizations and in the private sector. The study concludes that the processes are insufficiently transparent, encourage "deal-making" among top shareholders, and exclude qualified candidates on the grounds of nationality. Peretz reviews proposals made for improving the IMF process, notably by the working parties of the boards of the Fund and Bank, which produced a joint draft report in 2001 and identifies promising approaches to improving the process in future.

Stone, Randall W., "IMF Governance and Financial Crises with Systemic Importance, Summary" (BP/08/14)

This paper examines the performance of the Fund's governance during times of systemic crisis. Crises in systemically important countries pose acute governance problems because of the stakes involved, the amount of resources that must be mobilized, and the need for rapid decision making. The paper examines six cases of crisis in systemically-significant countries and illustrates how informal decision-making procedures take on prominence during these episodes. Because most shareholder input into decision making is confidential, however, there is an absence of effective *ex post* accountability.