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The Role of the International Monetary and Financial Committee in IMF Governance

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This paper reviews the way the International Monetary and Finance Committee (IMFC) operates and its relationship to the rest of the IMF governance system. The IMFC is an integral part of the IMF governance system. It is a bridge between the Board of Governors—representing the 185 IMF member nations—and the 24-member resident Executive Board. The Committee does not usually initiate actions or propose policies, but rather provides a ministerial stamp of approval on conclusions reached elsewhere. As currently constituted, the Committee is not charged with and does not exercise oversight of the Executive Board or of senior Management. The paper suggests a number of steps that could be taken to strengthen the Committee's effectiveness.

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History of the IMFC

Origins. The IMFC's origins can be traced back to the formation of the Committee of Twenty (C-XX) in July 1972.[1] This *ad hoc* group of ministers, representing each of the 20 constituencies then seated on the IMF Board, was convened to address the turmoil in the international monetary system that ensued from the severing of the dollar/gold link in 1971. In October 1974, the C-XX submitted its Outline of Reform to the IMF's Board of Governors and, inter alia, recommended that a permanent and representative Council be established to carry on the unfinished work of the C-XX and to strengthen the IMF—in part, by allowing direct political representation of the membership.[2] Until the decision-making Council could be created, it was agreed to create an Interim Committee (IC) with an advisory role.

As Boorman (2007a: 90) describes it, the "immediate steps taken to deal with the new world of floating exchange rates led to the adoption of the second amendment of the Articles of Agreement" in April 1976. Put into effect two years later, the Second Amendment essentially legalized floating exchange rates and called on the IMF to exercise "firm surveillance" over these rates. The Interim Committee guided the IMF in fulfilling its new responsibilities under the Second Amendment. Boorman reports that "most observers" considered the IC had "performed a useful function" and he lists a variety of issues it addressed successfully from the 1970s through the 1990s.

By the 1990s, however, a strong belief had emerged that the Interim Committee itself needed to be strengthened, and that either through a revamped IC or by some other means there should be a heightened degree of political oversight of the Fund. While there was not enough support to create a Council, there was a widespread desire in capitals to strengthen the IC by transforming this 25-year-old "temporary" body into the permanent International Monetary and Financial Committee (IMFC).[3]

[1]The Committee of Twenty was formally the Ad Hoc Committee of the Board of Governors on Reform of the International Monetary System and Related Matters. This paragraph relies heavily upon Boorman, 2007a: 88.

[2]See Abrams (Chapter 3) in this volume for further discussion regarding the Council of Governors.

[3]See Resolution No. 54-9, "Transformation of the Interim Committee of the Board of Governors on the International Monetary System into the International Monetary and Financial Committee of the Board of Governors," adopted September 30, 1999 (in Selected Decisions and Selected Documents of the IMF, annual). The IMF Executive Board discussed this matter on several occasions in 1999. For example, see "Strengthening and/or Transforming the Interim Committee—Further Considerations," EBD/99/86, July 13, 1999.

Mandate of the IMFC. As set out in the Resolution that created it, the IMFC's formal Terms of Reference were exactly the same as those given to the Interim Committee 25 years earlier (except for the additional words in bold below):

> The Committee shall advise and report to the Board of Governors with respect to the functions of the Board of Governors in:
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> (i) supervising the management and adaptation of the international monetary *and financial*[4] system, including the continuing operation of the adjustment process, and in this connection reviewing developments in global liquidity and the transfer of real resources to developing countries;
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> (ii) considering proposals by the executive directors to amend the Articles of Agreement; and
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> (iii) dealing with sudden disturbances that might threaten the system.
>
> In addition, the Committee shall advise and report to the Board of Governors on any other matters on which the Board of Governors may seek the advice of the Committee. In performing its duties, the Committee shall take account of the work of other bodies having specialized responsibilities in related fields.[5]

Most important, the newly named Committee remained advisory to the Board of Governors; it was not authorized to make decisions. Beyond the name change, which in practice ended the temporary nature of the Committee, the new resolution provided for only two other substantive changes: meetings were ordinarily to occur "twice a year" rather than "three or four times a year," and, most significantly, "Normally, the Chairman, in consultation with members of the Committee, will call a preparatory meeting of their representatives ("deputies").

In these relatively modest ways the governors' resolution fulfilled the desire to "strengthen and transform" the Committee. Board members, in their deliberations on the draft resolution, sought to minimize the number of changes from the original IC resolution. For example, after some discussion a proposed reference to the possible "establishment of subcommittees and working groups" was deleted. There was also some debate over whether to exclude reference to the specific role for deputies and to how

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[4]According to Board sources, the addition of "financial" to the mandate reflected Managing Director Camdessus' strong view, in the wake of the Asian crisis, that the Fund had a legitimate role in this area.

[5]Resolution No. 54-9, "Transformation of the Interim Committee of the Board of Governors on the International Monetary System into the International Monetary and Financial Committee of the Board of Governors," para 3.

deputies' meetings would be called (given the concerns of Board members about the potential dilution of their own responsibilities), but in the end the agreed text was included—in part because the Interim Committee had already experimented at two meetings with deputies and there was some desire to regularize their role within the system.[6]

Main features of the IMFC. In addition to the twice-a-year meeting schedule and the deputies' meeting noted above, the main characteristics of the Committee's arrangements as set out in the 1999 Resolution are as follows:[7]

a. Membership of the Committee: Governors of the Fund, ministers or others of comparable rank [about one-third are central bank governors and two-thirds are ministers of finance]; one for each constituency with an executive director; each may have not more than seven associates;
b. Meetings will be open to all, except that more restricted sessions may be held if the Committee so decides;
c. Selection of the Chairman shall be by the Committee; the Chairman will serve for such a period as the Committee determines;[8]
d. The Managing Director is entitled to participate in all meetings of the Committee;
e. The Secretary of the Fund serves as the Secretary of the Committee;
f. In reporting any recommendations or views of the Committee, the Chairman shall seek to establish a sense of the meeting; in the event of failure to reach a unanimous view, all views shall be reported and the members holding such views identified; and
g. Observers may be invited to attend during the discussion of an item on the agenda.

While formally the differences with the Interim Committee have not been great, participants note that several substantial changes have been made:

- Ministers and capitals, at least of the larger countries and constituencies, now seem to be more involved in the process. This is in part due to the active leadership of a longtime Chairman, the greater use of more relaxed and informal meetings at both breakfast and lunch, the

[6]See Minutes of Executive Board Meeting of September 23, 1999, EBM/99/108, 9/23/99, p. 55.

[7]Resolution 54-9, "Transformation of the Interim Committee of the Board of Governors on the International Monetary System into the International Monetary and Financial Committee of the Board of Governors."

[8]The Board also discussed setting specific time limits on the Chairman's tenure, such as three years, but in the end it did not make any recommendations. See Minutes of Executive Board Meeting of September 23, 1999, EBM/99/108, 9/23/99.

regular meetings of deputies to help prepare meetings, and the use of the Internet to facilitate communications with and between capitals.
- Agendas and follow-through seem more systematic than during the IC period, and the link with the Board work program is more apparent.
- While Committee meetings are still seen as too ritualistic, there seem to be fewer set speeches by ministers in the IMFC than in the IC, thereby making the meetings more interesting to at least some members.
- In practice, the IMFC is perceived (by both critics and supporters) to be a decision-making body—thereby exceeding its formal mandate—despite the failure of the Council proposal.
- As part of a Fund-wide move toward greater transparency, the IMFC documents have become more accessible.

IMFC Role in IMF Governance in Practice

This section describes how the IMFC operates. The first part documents the processes followed in preparing for IMFC meetings, the meetings themselves, and the follow-up. The second part provides some short illustrative case studies, and the third part assesses the Committee's impact on the Fund and public perceptions of the Fund.

Processes Followed by the Committee

It should first be noted that until the October 20, 2007, meeting, all 15 IMFC sessions had been chaired by one person, then U.K. Chancellor of the Exchequer Gordon Brown. His influence, and that of his U.K. colleagues, has significantly shaped the operation of the Committee throughout its life.

Setting the agenda. IMF Management proposes the draft provisional agenda to the Executive Board, normally after informal staff-level discussions with the Chairman's office. After the Board's review, and before sending the agenda to the Committee, the Chairman's agreement is obtained. Chancellor Brown always sought to have a low-income country item on the agenda. During his tenure a series of issues relevant to these countries—such as the Heavily Indebted Poor Countries (HIPC) Initiative, the Multilateral Debt Relief Initiative (MDRI), and new instruments—received needed ministerial attention, but this blurred the distinction between the work of the IMFC and that of the Development Committee.

IMFC agendas are kept quite general and usually have two main parts. The first is a standard item in all meetings and addresses the Global Economy and Financial Markets—Outlook, Risks, and Policy Responses. The second usually concerns specific aspects of IMF activity. In recent years most attention has been focused on the Fund's Medium-Term Strategy—at first its formulation, then its implementation and its component parts—particularly the quota and voice issue, the MDRI, multilateral surveillance, and adaptation of the IMF surveillance framework. In addition, the agenda usually lists a number of progress reports, but as background material not intended for ministers' discussion at the meeting.

Committee documentation. The standard document for each meeting is the Managing Director's Report to the IMFC on the IMF's Policy Agenda. This 25–40 page background report for the Committee members covers a wide range of issues relevant to Fund policy and operations, and provides in one place a six-monthly overview of the Fund as seen by Management and incorporating the results of Board deliberations.[9] It is not structured as an issues note or as a guide for discussion, but rather provides the Committee members with information on, *inter alia*, the state of play on outstanding issues. In addition, documents are provided on particular topical subjects.[10] The Independent Evaluation Office (IEO) provides a progress report on its activities to each IMFC meeting as well.

Deputies' meetings. The formal introduction of a meeting of deputies to prepare for IMFC meetings has been controversial from its inception. During the Gordon Brown years the deputies' meeting was seen as an important step in the process by the Chairman and his team, as well as by a significant number of other G-7 and, increasingly, emerging market country members of the Committee. The intention was to engage capitals more systematically in developing the Committee's work program, and to help ensure that ministers were well prepared by well informed senior officials. It was hoped that in this way the sought-after political-level oversight of the Fund might more effectively be achieved.

[9]An argument can be made that as a matter of good governance, given that the MD reports to the Board and not the IMFC, this report should be presented as from the Chairman of the Board on behalf of the Board, and not as a management document. According to Boorman, this was the approach followed during much of the life of the Interim Committee.

[10]In recent meetings these included, for example, a progress report on the quota and voice issue, an implementation status report on the HIPC Initiative, the report of the External Review Committee on IMF-World Bank Collaboration (the "Malan Report") and the Report to the Managing Director by the Committee of Eminent Persons on the Sustainable Long-Term Financing of the Fund.

After the deputies have met, the Chairman of the Deputies—a senior official from the Chairman's government—circulates to the Committee members a short summary of the deputies' conclusions and key messages. He does so on his personal responsibility, which means that the summary does not go through a clearance process. These summaries have tended to convey a sense of what the Chairman would like to see in the communiqué.

Chairman's message to the Committee. The Chairman's letter to Committee members is sent just before the meeting and provides guidance on the day's schedule, including some suggestions for general areas on which the discussion might focus.

Communiqué drafting process. As one experienced official described it, "the communiqué process is like democracy—it has lots of weaknesses but it is better than anything else." Since the draft communiqué is presented to the Committee by the Chairman, he (and his colleagues) can have a considerable influence over what the document says. During the long tenure of Gordon Brown, the Chair did play a prominent role, and the new Chairman has indicated he intends to do the same. Initially, the drafting process was started several weeks before the meeting by IMF staff (usually a partnership of the Secretary's Department and the Policy Development and Review Department, drawing on other parts of the Fund as needed), who would then incorporate comments from the Chairman's staff. Subsequently, the Chairman's staff began doing initial drafts themselves, seeking to reflect substantive matters more likely to interest the media and use more accessible language. The process evolved as the Fund and the Chairman's staff became more accustomed to working with one another—ultimately arriving at an agreed version acceptable to both the Chairman and the MD for consideration by the Committee's drafting group.

The draft communiqué is circulated to delegations (via their EDs' offices) the afternoon before the Committee meeting takes place, thus providing only about 18 hours for review and consultation before the drafting committee meets on the morning of the IMFC meeting. This session, chaired by the Committee Chairman's Deputy's deputy, begins early in the morning (usually at 8:00 am) and must be completed in time for the members to review and approve the communiqué. A first section of the draft on the global economy is usually presented to the ministers in their plenary session, while the remainder of the text is made available at the ministers' luncheon. This time pressure obviously puts a premium on strong and forceful leadership. Some chairs in the drafting committee—particularly those representing G-10 and emerging market country-led constituencies—are filled by senior officials from capitals, while developing countries are often represented by staff from EDs' offices.

Reports on significant matters that are likely to affect communiqué wording are conveyed to the drafting committee from the concurrent ministerial deliberations.[11] Occasionally, language on very controversial and divisive issues is not tabled for review by the drafting group but is reserved for the ministers—as happened in the case of the quota and voice issue at the April 2006 meeting. On rare occasions, ministers are presented with alternative language for consideration.

Informal meetings at breakfast and lunch. These two occasions provide the best opportunity for ministers to speak to one another informally about current issues without others present except for the MD and First Deputy MD. These sessions, and particularly the 8:30 to 9:45 breakfast (introduced around 2005), are considered particularly valuable by those ministers who come well prepared. But some EDs are troubled by these closed meetings, as they worry about decisions being made in their absence and without minutes being made available. The item(s) for discussion at the informal meetings are usually set out in the provisional agenda and/or the Chairman's message to members before the meeting.[12] It is also at the lunch (from about 2:00 to 3:30) that the press communiqué is approved formally by the ministers (or whoever attends that portion of the lunch meeting on their behalf—often a deputy or an ED).

IMFC plenary session. These sessions, which are attended by the 24 members and their delegations, as well as about a dozen observers from related international organizations,[13] last from about 10:00 am until 2:00 pm. After the traditional opening presentation by the Chairman of the Group of 24 developing countries, which reports on the G-24 meeting the previous day, the first part of the IMFC plenary focuses on the global economy, and the second on the particular IMF issues on the agenda. While there is no obligatory schedule, usually the first discussion is opened

[11]On April 22, 2006, "remit" language on surveillance was conveyed to the drafting group based on Chairman Brown's summary of a discussion that began at breakfast and was agreed during the plenary session. This language caused considerable controversy and confusion in the Board for the next year or so until a workable system could be agreed upon.

[12]For example, at the October 20, 2007, meeting, the agenda noted that "the breakfast will focus on the lessons emerging from recent financial market turbulence, including on the role of multilateral cooperation." At the previous meeting, the agenda noted that "Members will be updated on progress with the multilateral consultation on global imbalances at the breakfast" and that the Eminent Persons' Report on Financing the Fund would be discussed at the luncheon.

[13]The observers represented at the IMFC include the BIS, Development Committee, Financial Stability Forum, ECB, European Commission, ILO, OECD, OPEC, UN, UNCTAD, World Bank, and WTO.

with presentations by the Fund's economic and financial counselors. The Managing Director may make a brief comment at this time, or wait for one or two other speakers. Certain lead speakers are arranged in advance. These now usually include the Chairman of the U.S. Federal Reserve Bank and the President of the European Central Bank, and a small number of others representing a broad spectrum of the Fund's membership. The head of the Financial Stability Forum—an observer—is now a regular speaker early in the session as well. As ministers' prepared statements have been circulated in advance,[14] their comments at the session are often made without reading from prepared texts. The Chairman then moves the discussion forward by focusing on the IMF issues.

Press conference. After the lunch, the Chairman and Managing Director hold a press conference at which they go over the communiqué and indicate what they believe to be the major accomplishments of the meeting.

Annual report to the governors. At each annual meeting, the Chairman of the IMFC gives a brief report to the governors indicating what the Committee accomplished at its recent meeting. In a formal sense this meets the requirement that the IMFC "shall advise and report to the Board of Governors."

Follow-up on the Committee's communiqué. After the IMFC meeting, the staff prepare a work program for the Board to operationalize the priorities and timetables set out by the IMFC in its communiqué. These semi-annual work program documents are replete with references to the IMFC.[15] The Fund's Secretary has stated that "the IMFC communiqué has turned out to be a key vehicle for providing fairly specific guidance on the Fund's policy directions going forwards and, in that context, provides the key framework for the biannual statement by the Managing Director on the work program of the executive directors."[16] There is, however, room for interpretation at the Board of some of the communiqué language, evident in the debate on the surveillance "remit" (see Bossone, Chapter 12 in this volume) as well as on the quota and voice issue.[17]

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[14]Until the mid-1990s, the ministerial statements were read out to the plenary session. Moving to circulation of the texts in advance permitted more time for discussion and ultimately helped to reduce the overall meeting time. Many ministers make their statements available to the public directly, and all statements are published on the IMF external website.

[15]In the most recent (December 14, 2007) Work Program document there are eleven references to the IMFC; in the May 30, 2007 version there are ten references.

[16]Mr. Anjaria's speaking notes, "Decision-Making in the Fund," January 11, 2007, talk at Executive Directors' Workshop.

[17]In the most recent meeting, the new IMFC Chairman considered it essential to bring his own communiqué language on this subject to the ministers, because the drafting process before the meeting had not advanced the discussion and, in the Chairman's view,

Impact of the IMFC

Views on the impact of the IMFC vary widely, partly because it is hard to separate the influences of each of the different governance bodies.

Impact on the Executive Board. Directors value the semi-annual IMFC meetings as a means to gain political-level endorsement of their work at the Fund Board. They recognize that the members of the IMFC are their bosses, and that particularly for those from large, single country constituencies, the important decisions are made in consultation with—and under the direction of—their capitals. Directors from multi-country constituencies have somewhat greater freedom as they are less likely to receive specific instructions on issues at the Board. Modern technology allows capitals to communicate instructions in real time on issues that are due to be discussed by the IMFC. Few ministers follow the details of IMF work with great care; and most rely upon their EDs or officials to handle the day-to-day work, and are briefed late in the day on the issues arising at the IMFC.

Directors consider the deputies meeting unnecessary, perhaps an intrusion into the responsibilities of the Board.[18] Many constituencies—particularly those from the poorer countries—do not send high-level officials at the "deputy" level to these meetings. This erodes the legitimacy of the meeting as a means to prepare for the ministerial discussion, and strengthens the influence of those countries that are able to engage at a senior level.

Impact on IMF staff and senior management. The Managing Director must attend to the IMFC and its Chairman's concerns and interests. Most Fund staff, however, are not involved with preparations for meetings. Most of those who are involved are the staff of the Secretariat and the Policy Development and Review Department. Senior managers are aware of the communiqué drafting process, but unless it addresses their specific area they are unlikely to pay close attention—despite its impact on the Board's work program.[19]

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had moved it backwards. Thus, in October 2007 the IMFC repeated the August 2006 call of the Board of Governors, for a "more than doubling of basic votes."

[18]A survey of Board members conducted in connection with the IEO Evaluation on IMF Governance revealed that most Board members believed these meetings "add little value," while a similar survey of authorities revealed that a majority of the authorities considered them helpful.

[19]Ambivalence about the communiqué is evident from an IEO survey of IMF staff conducted for the governance evaluation. Well over half the respondents thought that only "sometimes" does the communiqué provide clear guidance on policy and strategy issues; more than 20 percent thought it rarely did so. To some degree this may represent the lack of clarity on, for example, the Fund's role in low-income countries.

Impact on public perceptions of the IMF. The IMFC is known to only a small number of people outside the official community. Twice a year there is a report by the Managing Director to the IMFC, public statements by IMFC members, an IMFC communiqué, and a press conference. Together, these provide a high-profile opportunity to reach an external audience, but judging from the scant media attention the IMFC gains it appears that the issues it deals with are often (incorrectly) perceived as simply too obscure and specialized to be of general interest (Boorman, 2007b: 88). In addition, the IMFC session is held on the weekend following the release of the *World Economic Outlook* and after the G-7 meeting—the two events that do attract the media's attention. A further factor that discourages media coverage is that the IMFC communiqué rarely contains "hard" news and tends to be written in bureaucratese. (An interesting question is whether a document that is described as a press communiqué, and yet seems to be more of a message to the institution, can adequately serve both purposes.)

IMFC Relationships with Other Bodies

The resolution establishing the IMFC states that it should "take account of the work of other bodies having specialized responsibilities in similar fields." While this statement was probably intended to refer primarily to institutions such as the WTO and OECD, in a literal sense the IMFC is also the place where all the "Gs" come together—the G-7/8, G-10, G-20, and G-24. One way this contact is accomplished is by including a dozen observer delegations in the plenary sessions of the Committee's meetings. Several of these delegations are invited to speak—as in the discussions of the global economy. But the more important question is how the IMFC's deliberations—and its pronouncements—reflect the positions taken by these other bodies, and vice versa.

Group of 7. The group of nations with by far the most influence on the IMF and the IMFC is the G-7.[20] G-7 ministers hold a meeting just before the Spring and Fall IMF/World Bank Meetings. Once the G-7 ministers have agreed on a position, they seek a broader endorsement for it through

[20]For example, see Van Houtven (2002), Boorman (2007a), and Passacantando (2007). Interestingly, a review comparing G-7 communiqués with those of the IMFC meetings immediately following found that with a few modest exceptions, G-7 communiqués became less prescriptive over time and there appeared to be a diminished tendency to simply adopt IMFC communiqué language from the G-7—as contrasted with the April 2000 communiqué, for example, with its strong proposals for IMF reform.

the IMFC. In recent years, they have not been as unified, but their influence is still pervasive. While many complain about the G-7's dominant role in the IMFC, they also consider it useful to have the major powers engaged in the work of the IMF.

Group of 20. The G-20 was created at about the same time the Interim Committee was transformed into the IMFC. The obvious question is why the United States and Canada—the main initiators of the G-20—believed that a new entity was required to address the Asian crisis and other international financial crises of the late 1990s. Clearly the G-7 needed a way to engage the big players among the emerging market countries if its members were to be able to address the Asian crisis and other systemic architecture issues such as transparency or accounting standards. Thus, they sought to extend the G-7 organizational approach to include other key nations throughout the world, maintaining as much control as possible of the process, its informal and largely unbureaucratic procedures, its ability to invite the countries it wished to, and to have membership by countries, not constituencies. In all respects these were criteria that the IC/IMFC failed to meet: the IC/IMFC constituency system did not ensure that the "right" countries—i.e., the big countries with large populations and/or resources—would be represented around the table; moreover, countries speaking for larger constituencies in a formal way would be constrained in their openness; the IMF itself was considered too bureaucratic, adding an overlay that the G-7 simply did not wish to bother with as it sought early agreement on key actions.[21]

In practice the G-20 has been viewed as a reasonably effective body in which participants are able to address difficult issues openly and candidly, without being required to span the full range of views of the 185 IMF members. The rotation of the chairmanship each year (as agreed a couple of years after the Group's establishment) together with greater involvement in agenda setting, has helped to build ownership among its membership, as has the interaction among its deputies and sub-committees, which meet frequently and communicate by Internet and phone throughout the year. Its troika system (whereby the past, current, and future year's chairmen operate as a kind of steering committee) facilitates efforts to use smaller groups to reach agreement on contentious issues. Based on these contacts and associations, the G-20 made a major attempt in 2007 to break the bottleneck in the Fund quota and voice debate. It came close, but it failed to overcome the difficulties.

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[21]These views reflect comments in personal conversations with participants in these deliberations.

In general, however, the G-20 looks at the big economic issues, leaving to the Fund Board and IMFC the more technical matters and the implementation of important decisions. There is some overlap, but it does appear that the discussions among the G-20, at various levels, contribute to a better understanding of differing points of view among these important players and that they complement the judgments and positions taken at the IMF and IMFC.

Group of 24. The G-24 was set up in 1971 and sought to establish itself as the voice of developing countries in international monetary affairs—paralleling the G-77 role at the United Nations on political affairs. Its meeting takes place before those of the IMFC and Development Committee, and issues a communiqué that reflects its members' views. But its cohesion has been weakened by the diverging interests of its members, and its communiqués lack prioritization (Van Houtven, 2002: 37). In general, the G-24 communiqué has had little direct impact on the IMFC communiqué language.[22] In part this reflects, of course, the relative weakness of this group of nations, but underneath that lies the inherent weaknesses of a body whose member nations are so disparate. If it were able to agree on a small set of high priority items, and argue its case with cogency, the G-24 could become more influential than it is today, as has been the case with its work on quota reform.

Development Committee. This formally named Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries was created in October 1974. While it is a joint World Bank/IMF committee, in practice it has focused particularly on World Bank issues, inasmuch as the Fund has the IMFC to discuss its concerns. Joint papers are prepared by the staffs on items that come before both committees—for example, the Global Monitoring Report, Bank/Fund collaboration and, particularly, debt reduction issues. The two committees have occasionally held joint meetings to deal with joint ventures of the two institutions—in particular the HIPC Initiative. These sessions were largely an attempt to show that the two institutions and their member governments were committed to dealing jointly, creatively, and forcefully with the debt problems of the poorest nations. On a number of occasions in earlier years the wording on issues found in both communiqués was taken directly from the IMFC text agreed upon the day before the Development Committee meeting.

There have been occasional suggestions that the Development Committee should become a Bank-only committee, more clearly paral-

[22]IEO analysis of G-24 and IMFC communiqués.

leling the IMFC for the Fund. This would have the effect of improving the governance structures of both the Bank and the Fund. This idea has never gained broad support, in part because IMF managing directors have thought it important to retain a forum through which to stress the Fund's interest in development issues, and in part because officials in capitals worried that a Bank-only committee would attract aid agency heads and not finance ministers, thereby weakening its impact. Such a proposal might arise again, in part because of IMF budget constraints (the IMF pays half the costs of the Development Committee) and because most Fund executive directors rely entirely on their Bank counterparts for Development Committee issues. There is no indication that the IMF or its Board look to the Development Committee for guidance. There is overlap in the agendas. This suggests a governance problem that needs fixing.

Other institutions and groups. The Bank for International Settlements—which is represented at the IMFC—holds a monthly meeting of central bank governors, thereby promoting greater informal exchange between those governors who are also members of the IMFC. The Fund is represented on the Financial Stability Forum (created by the G-7 at about the same time that the G-20 was formed) which meets semi-annually; the FSF is an observer at the IMFC. The Chairman of the FSF makes regular presentations at IMFC meetings as part of the global economy discussions. In addition, in Europe the ECOFIN group—many of whose ministers are present at IMFC meetings—holds regular meetings at several different levels, which again helps build alliances and makes decision making easier, including on issues that may arise at IMFC sessions.

Assessment of the IMFC as Currently Constituted

Assessments of Committee Functions

Is the IMFC a source of political legitimacy for the Fund? To a limited degree, the answer is "yes." The Fund's 185 members are represented around the table at a political level, with the involvement of capitals, and they pronounce on behalf of the membership. This is a forum for different voices and an alternative to the G-7 view alone. The IMFC contribution to legitimacy, however, is diminished by the discomfort of developing countries and some others with the current balance of Board chairs and quota allocations.

How effective is the IMFC as advisor, decision maker, and agenda setter for the Board and Management? The Committee does make decisions, even if these are couched in communiqué language such as "looks forward to" or "agrees the IMF needs to" and so forth. Ministers believe they are there to make decisions, not just to talk, and so they see the conclusions reflected in their communiqués as "decisions." While decision making certainly exceeds the IMFC's formal mandate, this belief is the reality and it is unlikely to change. The Committee is considered by many to do a reasonable job in reflecting shareholders' views and in giving directions, even though some developing-country Board members believe the consultation process at the Board is far more representative, given the ample time available in Board deliberations to arrive at conclusions. The implementation of Committee "decisions" are sometimes subject to further interpretation by the Board. The IMFC conclusions are then reflected in the EDs' work program, which is revised semi-annually following IMFC meetings. Lack of agreement on the appropriate role for the Fund on an issue is reflected in the communiqués, and limits the IMFC's effectiveness as an advisor—as seen in the debate in recent years over the Fund's role in low-income countries.

Does the Committee provide oversight over Board and Management, ensuring accountability and discipline? The Resolution establishing the IMFC gives the Committee no formal authority to exercise oversight of the Board or Management.[23] The IMFC does not exercise the oversight over Management that might be found in the corporate sector, nor does it evaluate the Board's collective performance. Some individual govern-

[23]Eichengreen (1999) wrote that "ultimately, a specific body must have the power to hold the Executive Board accountable. The obvious candidate is the Interim Committee…." Boorman (2007b: 15) has described the contrast between the IMF governance structure and the private sector very clearly: "Thus, the Fund executive board is not simply an oversight body as are most corporate boards; it is the main player in most of the specific decisions taken in the Fund. From a governance perspective, this reality makes the Fund board's oversight role more complex as it is a direct actor in what it is supposed to oversee. At minimum, this complicates the assigning of responsibility and accountability in the Fund—two key elements in any system of governance. Compounding this problem is the fact that there has been no formal process for assessing the performance of the executive board. Some attempts are made at self-assessment, through periodic reviews of board procedures, board retreats, and other means. However, it is clear that these are not sufficient. At minimum, there should be a formal process of self-assessment by the executive board—a process seen elsewhere as a developmental tool for improving the performance of corporate and other boards. Consideration should also be given to mandating an independent assessment of the board's performance, with the outcome reported to the IMFC or to the board of governors."

ments exercise oversight in their own fashion; for example, both the U.S. Treasury and the U.S. Congress do this in numerous ways, but these are unilateral rather than multilateral.

Does the Committee add value? The IMFC plays an important role in instilling discipline in the Fund's work program and in reviewing Fund progress towards agreed objectives. Perhaps most importantly, the fact that the meetings are held every six months means that they are action-forcing events. While a Board meeting can be postponed, the IMFC meeting cannot. Thus, staff, management, and Board must follow a schedule with real deadlines to prepare important issues destined for the IMFC. In those cases where action is delayed, the IMFC can help move the process along—as with the Medium-Term Strategy in 2007. While the Committee does not have time to give thorough consideration to any issue, its comments can serve as an important reminder to the Board, management, and staff. It comes back to issues of note—such as progress on implementing new approaches to multilateral surveillance or the debt initiative—as a way of pressing action.

Does the IMFC play the role of steering committee for the international financial system—in effect, facilitating the Fund's ability to be the anchor institution for the global public good of international financial stability? The answer is "no" under current circumstances. According to Portugal (2005: 26–28), "Like its predecessor, at best the IMFC has had a mixed record in promoting international cooperation in economic, monetary and financial issues. . . . It does not seem effective either in promoting a sufficiently high level of international cooperation that would lead to faster fiscal consolidation in the United States, greater exchange rate flexibility in Asia, and the adoption of bolder structural reforms in Europe and Japan so as to increase its potential rate of growth." Eloquent arguments have been made for why the Fund and the IMFC are best suited to play this leadership role (Portugal, 2005; Camdessus, 2005: 16), but so far this has not occurred.[24]

What is the quality of the meetings themselves? It is very hard to generalize, given the varying nature of the meetings. Moreover, my sample of interviews is too small to be definitive. One relatively objective measure, however, is that for the 16 IMFC meetings held since the Committee's inception in 2000, on average about 20 (of 24) governors attended each meeting in person (from a low of 16 to a high of 22 at individual sessions). Having more than 80 percent of the chairs occupied at these meetings

[24]The G-7 believes it has a global mandate given the members' role as shareholders, whereas the IMFC has only the IMF mandate. For a summary of the case for a new form of global governance based on a "global system of reformed institutions and new governance mechanism," see Boughton and Bradford (2007).

by principals, on average, is not a bad record given the pressures on governors' schedules. But anecdotal evidence suggests that members from many developing countries still feel very little sense of ownership of the Committee's work, complaining that the meetings are not based on their agenda of issues and remain too ritualistic.

The breakfast sessions, limited to members only, are considered quite valuable, both for the quality of the discussion and for the opportunities they present to meet peers informally. In the plenary sessions, the global economy discussion has been generally well received given the participation of the world's major economic and financial policymakers, although Bank of England head Mervyn King (2006) has noted that "despite strenuous efforts by its Chairman . . . to promote discussion, there is little genuine interaction between members of the IMFC . . . about the international monetary system." Ministers'/governors' participation in Committee discussions has been mixed. The discussion of the Fund-related issues—the second part of the plenary—is apparently of less interest to many members. The luncheon discussions were often not attended by most ministers, and the need to review the communiqué during the lunch further reduces ministers' interest in participating. Nevertheless, important decisions have been taken at these lunch meetings, including adding new communiqué text on the quota issue in October 2007 at the behest of the new Chairman.

Value of the Deputies' Meeting

As noted above, many EDs tend to be negative about deputies' meetings. On the other hand, the view from G-7 capitals, as well as some others, is that these meetings play a useful role in helping engage their ministers' key officials at an earlier stage, thereby directing more political-level attention to the IMF issues than would otherwise be the case. These officials suggest that most EDs are often not well informed about their policymakers' current views. Engaging officials at this stage also makes briefing the minister more effective and timely, and the contacts made at these meetings help form useful networks for other purposes.

But even supporters acknowledge that the deputies' meetings have not worked out as well as had been hoped. There are differences of view as to whether the deputies' meeting is best scheduled three weeks before the ministerial meeting, thereby permitting the deputies to play a large role in the original drafting of the communiqué (rather than in a rushed process on the day of the meeting itself)—or on the day before the meeting, to save on travel and administrative costs. Others have argued that deputies should meet three months before IMFC meetings to permit more focus on oversight issues. There are also some who think deputies need not meet every six months, gathering instead only on an annual basis—but others believe this would miss out on important issues. Thus there are many differences of view about both the value and nature of the deputies' meeting.

Impact of the Chairman

It is clear that the personality and style of the IMFC Chairman can make a big difference. Gordon Brown chaired the first 15 meetings of the IMFC; to date, Italy's Tommaso Padoa-Schioppa has chaired one. Thus, nearly all the comments in this paper apply to the period of Chancellor Brown. There is no doubt that the conduct of the Committee reflected Brown's very strong personality and effective staff. The fact that he held this position for so long meant that he and his colleagues had a very good understanding of the IMF and the issues it faced—in most cases far better than any other IMFC member—and were able to pull together support for key issues high on *his* agenda. This experience meant that Brown was also able to play a very important role in building consensus on Rodrigo de Rato's candidacy for Managing Director. Brown set a very high standard for activism—which was not always appreciated by some members and IMF staff who saw him as playing an excessively domineering role. Moreover, because of Brown's international stature, the Committee gained substantial attention from governors and the financial community that it might not have received otherwise—and was seen by many as a serious forum.

The new Chairman has already made clear that he thinks the position should rotate among geographical areas and should have a time limit—say three years—although this could weaken the role of the Chairman vis-à-vis the IMF Management and Board. He has also asked the members to "reflect on the way the IMFC operates," so it is likely that part of the April 2008 meeting will be devoted to this subject.[25]

Overall Assessment

Given the circumstances, the IMFC has done a reasonably good job of fulfilling a few limited but useful roles. It has provided a regularly scheduled action-forcing event and a valuable forum for exchange of views among a diverse set of participants, and it has given the seal of political approval to

[25]Remarks by the Chairman on "The Role of the Fund and of the IMFC," IMFC Lunch, October 20, 2007.

many policies and programs developed inside the Fund and agreed upon by the Fund Executive Board. It is the political-level forum that most clearly reflects the views of the Fund's membership, and it has pushed though actions that might not otherwise have been approved—such as the MDRI.

At the same time, given the structure within which it must operate, the Committee has done little to resolve other major issues (e.g., quota and voice) by breaking logjams. It is not a source of strategic initiatives, does not articulate the Fund's initiatives independently of Board and Management's advice,[26] and has not sought to exercise real oversight of the Board or Management.

The new IMFC Chairman challenged his colleagues to examine their role in an April 2008 brainstorming session:

> Because of its composition and size, our Committee bears a special responsibility for the IMF. We are those who collectively share a duty to look farther into the future, to ignore the sirens of short-term interests, to move beyond our individual countries' advantage, bearing in mind that the interdependence of our economies and societies will continue to tighten.
>
> The need for leadership is pressing at this juncture, when we are faced with the issue of quota and voice—an issue that is vital for the legitimacy of the Fund and potentially divisive. That must be our first priority.
>
> However, our leadership is needed for a much broader range of issues. Such issues concern primarily the mission and instruments of the Fund. The implementation of the Medium-Term Strategy should be the focus. The change in this Chair, the coming of a new Managing Director and the fact that more than half of the persons around this table were not there when the Strategy was adopted, indicate that an opportunity for reflecting on it should be created. . . .[27]

Options for the Future

Depending on how they are resolved, certain fundamental issues concerning the governance of the IMF may significantly affect the future role and place of the IMFC. Among the major options are to: (1) leave the

[26]This was also true of the Interim Committee, which was "only rarely…able to do much more than ratify or discourage initiatives that had been carefully worked out in advance, most often in the Executive Board" (Boughton, 2001: 1029).

[27]Remarks by the Chairman on "The Role of the Fund and of the IMFC," IMFC Lunch, October 20, 2007.

structure essentially as it is; and (2) convert the IMFC into a decision-making Council. Though it is beyond the scope of this paper to assess the likelihood of these (or other) options, it is relevant to consider how under each the IMFC might become a more effective instrument to strengthen the IMF and the search for consensus in the international community on important issues.

Under any circumstances, satisfactory resolution of the outstanding quota and voice issues, including representation at the Board table and in the IMFC, is essential if the Fund's governance structure is to gain enhanced credibility across the globe. But, as noted above, that alone will not ensure that the Fund and the IMFC are able to act as the anchor for the global public good of international financial stability. For this to happen, a real change in the current political dynamics is required. The willingness of the U.S. and Europe to look to the IMF and the IMFC in this way will occur only if genuine multilateral solutions come to be recognized as crucial to resolving growing world problems—and if the Fund appears to be up to this task.

Again, it is beyond the scope of this paper to address the major steps needed to ensure that the Fund as an institution is well equipped to address the changing future needs of the global economy.[28] But even without radical changes, a number of possible actions would enhance the IMFC's ability to make a greater contribution. While the big powers are unlikely to cede authority to the IMF as an institution, they are much more likely to agree to find multilateral solutions in the IMFC, using the IMF as an instrument. The following ideas come from a variety of sources, both inside and outside the Fund. Some of them have been mentioned above, some have not.

If the current situation prevails for some time to come, any changes to the way the IMFC operates will necessarily be marginal, and will certainly not permit the IMFC to become the forum for debate and resolution of key international issues. The Committee will essentially remain a convenient place to bring ministers and governors together twice a year to address IMF concerns and share their current views of the global economy.

The following changes might be considered, bearing in mind that any changes made to enhance the effectiveness of the IMFC can not be seen in isolation from their impact on the Board and other parts of the system:

(1) The IMFC should encourage greater accountability by the Board, including the introduction of a periodic collective assessment of its

[28]For this purpose a very good starting point is Boorman (2007b).

performance—with participation by outside independent parties—and a discussion by the IMFC of this assessment. (And, at some point, this process should be broadened to include a self-assessment of the IMFC.)[29]

(2) Strengthen the ability of the Fund Secretariat to serve as a true staff for the IMFC Chairman (particularly if the Chairmanship rotates to members with weaker national capacity for administrative support), so that the Secretariat is increasingly perceived as representing the Committee members and less as the agent of Fund management.

(3) Agree, as suggested by the new Chairman, to rotate the Chairman's position by region, and adhere to a two- or three-year term limit, bearing in mind that the selection—and the transparency of the selection process[30]—will be extremely important both to public perceptions and to the harmonious functioning of the Committee.

(4) Alternatively, consider the advantages and disadvantages of selecting a Chairman from among eminent personalities outside the Committee—both to raise the profile of the Committee and to ensure more time and attention to its business.

(5) Given the unwieldy size of the IMFC, experiment with the formation of smaller sub-groups of members to develop specific issues and ideas for consideration by the full Committee. This approach is used successfully by the G-20, ECOFIN, and other bodies (and was nearly included in the original resolution setting up the IMFC).

(6) More ambitiously, create an executive committee representing all regions and including the Chairman and three deputies. This would facilitate greater interaction between meetings, help to resolve difficult issues, and acknowledge more overtly the Committee's role in carrying out the governors' responsibilities.

(7) Consider creating standing committees (e.g., program and finance committees) to exercise oversight and promote greater accountability by both Board and management.

(8) Be prepared to hold extraordinary meetings to address urgently a current crisis, and also consider not meeting every six months unless the circumstances call for it.

[29]Boorman (2007b: 15) has proposed that "consideration be given to mandating an independent assessment of the Board's performance, with the outcome reported to the IMFC or to the Board of Governors."

[30]For example, at present there are no written rules as to how this process is to take place.

(9) Consider meeting once every two years or so at the head of state or government level.[31]

(10) Experiment with various alternatives to the current deputies' role. For example, be clear that the deputies' meeting, which could be held several weeks before the IMFC meeting, would be able to design the communiqué at an early stage so as to focus the ministers' discussion on the two or three issues most in need of their attention. By ensuring a more substantive role for the deputies, the Chairman should strongly encourage all capitals to send senior officials—recognizing that in a few cases the poorest countries' representatives may need help in this area—so that this meeting so is not largely a repeat of the Board meeting.[32]

(11) Shorten the communiqué by focusing on key conclusions only, and consider as well the alternative of a Chairman's statement that would be issued on his authority—after consultation but without the current rushed communiqué process.

(12) Constituencies should be encouraged to set comparable high standards in choosing their IMFC representatives, and in spelling out their duties and responsibilities, thereby helping to create a body that well represents the diversity of interests seated at the table.

(13) To broaden representation by developing countries, provide observer status to the G 24 at the IMFC (in addition to the opportunity now given to report on the G-24 meeting), as is the case for the OECD and the FSF.

(14) Eliminate potentially conflicting or duplicative roles in IMF governance by making the Development Committee a Bank-only Committee.[33]

If a decision is made to end the ambiguity that now prevails, and to turn the IMFC into a decision-making body called the Council, all of the suggestions above would still be appropriate to consider. Some observers believe the argument for a Council is now much stronger than it was nine years ago, because the primary focus of the Fund and the Committee is now on broad systemic issues and less—at least for now—on the country issues that were so prominent at the time of the Asian crisis. Moreover, the Council structure would present an opportunity for split voting that would require more consultation within constituencies than is necessary in the

[31]As proposed by Mr. Camdessus. See Van Houtven 2002: 36.

[32]Boorman (2007b: 17) reflects on the deputies' role and calls for "a clear assessment . . . about the impact . . . on the governance of the Fund."

[33]The recent "Malan Committee" Report on Bank/Fund Collaboration (IMF and World Bank, 2007, p. 34) recommends a quite different approach—in effect making the two committees work closely together to demonstrate the importance of Bank/Fund collaboration.

IMFC. Others express concern, however, that without a serious quota and voice reform, any move to a Council would be premature, given the inequitable distribution of votes and seats in the Board and IMFC. If these reforms were to occur, and the Council to come into being, it would make many of the possible steps listed above much more viable and realistic.

Conclusion

The IMFC serves a valuable purpose, as spelled out in this paper, but its role is limited by weaknesses in the overall governance system of the IMF. Solving some of the critical outstanding issues that are fundamental to the Fund's future—including the quota and voice issue and resolution of what the Fund's mission is in today's world—is essential. How these are resolved will determine whether or not there will be a major and growing role for the IMFC or some comparable body. But whatever the case, there are steps that members could take to strengthen the Committee's performance—and that of the Fund. This paper has suggested some ways this might be done.

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