Foreword

This evaluation report calls for major changes in the governance of the Fund to strengthen its relevance and accountability and allow it to continue to play a central role in global financial and monetary matters into the future. It is an unusual evaluation for the IEO in many ways. It examines the quality of the Fund's overall governance arrangements, rather than the quality of its outputs or of specific processes within the organization as is the case in other evaluations. The main focus of this evaluation is the IMFC, the Board and Management, and not Management and Staff as is usually the case. As a consequence, follow up for this evaluation requires a different process, in particular it requires the active involvement of the Fund's political masters. While the Board and Management can undertake some changes, the main decisions and the bulk of the effort would fall on Ministers and Governors, as direct representatives of the membership.

Improving its governance is widely recognized as a critical element in enhancing the Fund's relevance, legitimacy, and effectiveness. The Fund started some 60 years ago as the guardian of the par value system, with 44 member countries and 12 Executive Directors. Today, the par value system is long gone, and the Fund has 185 member countries and 24 Executive Directors. While roles have evolved over time, in many ways the formal structure and many practices remain largely untouched; and the evaluation found that reforms have not kept pace with changes in the membership and in the environment in which it operates.

This report has four main recommendations and includes a series of detailed measures specific to each of the main governance bodies. First, it found that greater clarity is needed in the respective roles of the main governance bodies to minimize overlaps and to address possible gaps. Second, it identified the need for more systematic ministerial involvement and calls for the activation of the Council of Ministers, provided for in the Articles of Agreement, as the ultimate decision-making body for the institution. Third, it recommends reorienting the Executive Board's activities away from executive day-to-day operational activities towards a supervisory role—thereby enabling the Board to play a more effective role in formulating strategy, monitoring policy implementation to ensure timely corrective action, and exercising effective oversight of Management. Finally, a framework needs to be in place to hold management accountable for its performance. Many of these issues are complex, interrelated, and need to be discussed holistically.

It is a sign of institutional strength and of the Fund's willingness to learn and improve that it has been open to an independent evaluation of its own governance. The Executive Board and Management have welcomed the IEO report as an important contribution to efforts to enhance the Fund's relevance and legitimacy. It is now important that the IMFC and other Governors engage fully in setting the path for significant governance reform. This will not be an easy task, and we hope this volume will help inform those efforts.

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