IEO

Independent Evaluation Office
of the International Monetary Fund

GOVERNANCE OF THE IMF

EVALUATION UPDATE **2018**

ABOUT THE IEO

Established in 2001, the Independent Evaluation Office (IEO) of the IMF conducts independent and objective evaluations of the IMF's policies, activities, and products. In accordance with its terms of reference, it pursues three interrelated objectives:

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- To enhance the learning culture within the Fund by increasing the ability to draw lessons and integrate improvements
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This report is the ninth in an IEO series that revisits past evaluations. Reports in this series aim to determine whether the main findings and conclusions of the original IEO evaluation remain relevant, and to identify any outstanding or new issues related to the evaluation topic that merit continued attention. These assessments do not provide recommendations and are typically based on desk reviews of IMF documents and interviews of IMF staff and members of the Executive Board. This report reviews the 2008 IEO evaluation of IMF governance.

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The following conventions are used in this publication:

- An en dash (–) between years or months (for example, 2016–17 or January–June) indicates the years or months covered, including the beginning and ending years or months; a slash or virgule (/) between years or months (for example, 2016/17) indicates a fiscal or financial year, as does the abbreviation FY (for example, FY 2017).
- "Billion" means a thousand million; "trillion" means a thousand billion.

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FOREWORD

Strong governance is essential for an institution like the IMF to meet its mandate and fulfill the needs of its members. This report provides a stocktaking of IMF governance ten years after the comprehensive 2008 IEO evaluation of *Governance of the IMF*. It recognizes concrete progress across a number of fronts to improve the IMF's governance structure—but also brings attention to some continuing issues and some new challenges.

The most notable development in IMF governance over the past decade was the 2008 and 2010 "share and chair" reforms, which led to a meaningful increase in the voice of emerging market and developing countries in IMF governance. Efforts have also been made to strengthen the Executive Board's capacity to play its strategic role, to make the process of MD selection more open, and to enhance the role of the IMFC.

Despite these efforts, the update finds that, as was the case at the time of the original evaluation, the balance of the IMF's governance structure remains weighed in favor of effectiveness and efficiency, while accountability and representation continue to raise concerns.

The Fund was able to respond quickly and effectively in the face of the global financial crisis and subsequent shocks, sustaining the IMF's long-time reputation as an institution that delivers. However, the update also finds that the task of ensuring adequate member country representation in the governance structure remains a work in progress, that the Executive Board continues to feel constrained relative to Management in IMF decision-making, and that the selection process for Management continues to deliver outcomes dominated by nationality considerations. The rise of the less representative G20 with its Leaders' track since 2008 has helped to achieve collective global action when needed but also at times threatened to overshadow the IMFC's provision of strategic direction to the IMF.

There is a lingering concern that representation and accountability issues if not adequately addressed will erode the IMF's legitimacy and eventually its effectiveness. However, difficult trade-offs are involved: the challenge of strengthening the role of the Executive Board while preserving Management's operational latitude; the pressure to consider the management selection process in the IMF together with other international financial institutions; and the need to balance effectiveness and representation in any refinements to the relationship between the Fund and the G20. It will take more than internal processes to address these challenges: it will also require collective commitment and goodwill across the membership.

It is my hope that this report will help to inform stakeholders about the current state of IMF governance and continuing challenges, particularly in the context of the 15th General Review of Quotas. I also welcome the Managing Director's statement that the update provides a good basis for dialogue on a stronger, more representative, more accountable, effective, and efficient Fund.

Charles Collyns
Director, Independent Evaluation Office

CONTRIBUTORS

This report was prepared by a team led by Jun Il Kim, including Miguel de Las Casas and Alisa Abrams, in consultation with Ruben Lamdany, the author of the 2008 evaluation report. The report also benefited from discussions with external experts. Joshua Wojnilower provided research assistance; Arun Bhatnagar and Annette Canizares provided administrative assistance; and Roxana Pedraglio and Esha Ray provided editorial and production management assistance. The report was approved by Charles Collyns.

ABBREVIATIONS

AE	advanced economy
BRICS	Brazil, Russia, India, China, and South Africa
CAO	chief administrative officer
CEO	chief executive officer
DMD	Deputy Managing Director
ECB	European Central Bank
ED	Executive Director
EMDC	emerging market and developing country
FDMD	First Deputy Managing Director
G7	Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, and United States)
G20	Group of Twenty (G7 plus Argentina, Australia, Brazil, China, India, Indonesia, Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, and European Union)
GDP	gross domestic product
GPA	Global Policy Agenda
HRD	Human Resources Department
IFI	international financial institution
IMFB	International Monetary and Financial Board
IMFC	International Monetary and Financial Committee
LEG	Legal Department
LIC	low-income country
LIDC	low-income developing country
LOT	Lapse of Time
MD	Managing Director
MIP	Management Implementation Plan
OED	Offices of Executive Directors
OMD	Office of the Managing Director
ORM	Office of Risk Management
PMR	Periodic Monitoring Report
PPP	purchasing power parity
SEC	Secretary's Department
SUs	Summings Up
WEO	*World Economic Outlook*

EXECUTIVE SUMMARY

In 2008, the IEO undertook an evaluation of IMF governance with regards to effectiveness, efficiency, accountability, and voice. Based on findings on each of the Fund's main governance bodies—the Executive Board, Management, and the International Monetary and Financial Committee (IMFC)—it concluded that effectiveness had been the strongest aspect of IMF governance, while accountability and voice had been the weakest.

Since then, a series of reforms have strengthened IMF governance in a number of ways. The 2008 and 2010 quota and voice reforms achieved a sizable reduction in misalignments of member country voting power with the evolving global economy. Other governance reforms, mainly related to the Executive Board's practices and procedures, have improved efficiency and the Board's scope for providing strategic input. The introduction of Board self-evaluation, a more open archives policy, modifications to the Managing Director's accountability framework, and the creation of the Office of Risk Management are steps towards greater accountability and learning.

Notwithstanding these considerable advances, this report finds that the balance of the IMF's governance structure remains weighed in favor of effectiveness and efficiency, while accountability and voice have continued to raise concerns which if unaddressed could affect IMF legitimacy and, ultimately, effectiveness. IMF governance has proven effective in supporting the Fund's capacity to fulfill its mandate, particularly in responding to the global financial crisis and subsequent shocks. However, the quota and voice reforms are not considered sufficient by much of the membership and the alignment of "shares and chairs" remains a work in progress as discussions now proceed with the 15th General Review of Quotas. Many Executive Directors (EDs) feel that the Executive Board's capacity for strategic oversight is still constrained, that Management continues to play a dominant role in the decision-making process, and that the modified management accountability framework has limited practical impact. Notwithstanding steps to open the nominations process for the Managing Director (MD), the selection process for both the MD and Deputy Managing Director positions is still viewed by many stakeholders as insufficiently transparent and merit-based as well as too limited by nationality considerations. The IMFC's provision of strategic direction to the IMF is seen by some members as at times overshadowed by the less-representative G20.

These findings suggest continuing challenges for IMF governance. These challenges cannot be fully addressed by internal processes alone but will depend on collective commitment and goodwill across the membership. Meeting them will require facing multiple, difficult trade-offs among governance objectives. Three in particular merit emphasis. First, achieving a stronger and more representative Executive Board would need to be balanced against the need to preserve Management's operational latitude to run the institution. Second, addressing the concerns posed by the management selection process at the IMF could ultimately depend on political commitment for broader reform of the selection of heads across international financial institutions. Finally, any refinements to the relationship between the IMF and the G20 would need to balance effectiveness and representation in the context of changing global economic conditions and the evolving focus of the G20.

1

INTRODUCTION

The IEO completed an evaluation of the governance of the IMF in 2008 when the stability of the international monetary system was under threat and the relevance and legitimacy of the IMF was in question. The 2008 evaluation assessed the extent to which IMF governance was effective and efficient, and whether it provided sufficient accountability and channels for stakeholder voices to be heard. It concluded that effectiveness had been the strongest aspect of the Fund's governance while accountability and voice had been the weakest, with the potential to undermine legitimacy and effectiveness if not addressed.

Since the 2008 evaluation, the Fund has been faced with an unprecedented challenge of responding to the global financial crisis and a series of subsequent shocks. While assisting a number of member countries with tackling balance of payments difficulties, the Fund also played a key role in facilitating policy cooperation among major countries to support global economic recovery and buttress financial stability, although the overall direction was provided by the G20, whose leverage was enhanced by the addition of the Leaders' (i.e., heads of state) track in September 2008. In parallel, various reforms of the Fund's governance arrangements and practices, including quota and voice reforms, were implemented, in part following the recommendations of the 2008 evaluation.

Against this backdrop, this update revisits the findings of the 2008 evaluation to determine their continued relevance and to highlight governance issues that may merit further consideration. The report is informed by a review of IMF documents; data analysis; interviews and surveys of Executive Directors (EDs) and their staff, country authorities, and senior IMF staff; and discussions with outside experts. In keeping with the scope of the 2008 evaluation, the update does not address issues related to the financial structure of the Fund such as the quota formula or borrowed resources. Like other evaluation updates, it also does not make any recommendations.

This report is organized as follows. Chapter 2 summarizes key findings and recommendations of the 2008 evaluation and the immediate follow up. Chapter 3 describes governance developments since the 2008 evaluation. Chapter 4 discusses the current state of the governance arrangements and practices of the Fund's main governance bodies. Chapter 5 concludes with observations on challenges going forward. Appendix 1 provides a list of the 2008 evaluation recommendations and implementation status. Appendix 2 summarizes the follow-up process for the 2008 evaluation. Appendix 3 provides further information on Executive Board operations and activity since 2008.

2

THE 2008 IEO EVALUATION

The 2008 evaluation assessed the degree to which Fund governance was effective and efficient, and whether it provided sufficient accountability and channels for stakeholders to have their views heard. It focused on institutional structures as well as on the formal and informal relationships among the Fund's main governance bodies: the Executive Board ("Board"), Management (the Managing Director and Deputy Managing Directors), and the International Monetary and Financial Committee (IMFC). Overall, it found that effectiveness had been the strongest aspect of Fund governance, which allowed for quick and consistent action particularly in times of systemic crisis. On the other hand, accountability and voice had been the weakest aspects, which the evaluation considered would likely undermine legitimacy and effectiveness over the medium term if left unaddressed.

The evaluation offered four broad conclusions and recommendations[1]:

- First, there was a lack of clarity on the respective roles of the IMF's governance bodies, particularly between the Board and Management. To strengthen the IMF's effectiveness and to facilitate accountability, the evaluation recommended that the roles and responsibilities of each of its governance bodies needed to be clarified with a view to minimizing overlaps and addressing gaps.
- Second, Fund governance would be enhanced by more systematic ministerial-level involvement. It noted that the IMFC, as an advisory body, lacked a mandate for setting strategic direction and providing high-level oversight of the institution. To strengthen the IMFC's legitimacy and allow it more effectively to modify its role and mandate as new challenges arose, the evaluation called for the activation of the Council, as contemplated in the Articles of Agreement.
- Third, Board effectiveness was hindered by excessive focus on executive, rather than supervisory, functions. It recommended that the Board reorient its activities towards a supervisory role, where it would play a more active part in formulating strategy, monitoring policy implementation to ensure timely corrective actions, and exercising effective oversight of Management. To this end, the evaluation suggested that the Board would need to change many of its working practices by shifting away from executive, day-to-day operational activities and delegating more to committees and possibly to Management.
- Fourth, a framework needed to be put in place to hold Management—the Managing Director (MD) and Deputy Managing Directors (DMDs)—accountable for performance.

When the IEO evaluation report was discussed at the Board in late May 2008, the global economy was on the cusp of crisis, while the Fund itself had just gone through an internal

[1] The evaluation also proposed a series of detailed measures for enhancing IMF governance specific to each of the main governance bodies. See Appendix 1 for a complete list of recommendations and implementation status.

BOX 1. THE COMMITTEE ON IMF GOVERNANCE REFORM REPORT AND THE FOURTH PILLAR REPORT

Like the 2008 IEO evaluation, the Committee on IMF Governance Reform report pointed to the need to clarify the respective roles of IMF governance bodies; address the need for ministerial-level involvement in the strategic decision-making of the IMF; recompose the Executive Board to better reflect the membership; move to an all-elected Board; reorient Board activities; and provide for effective accountability and oversight of Management as well as the open, merit-based selection of the MD and DMDs. Both reports called for a lower threshold on critical decisions and possibly instituting double majority voting.

At the same time, the report called for the modification of the IMF's mandate to extend its jurisdiction over capital flows and to pay more attention to the financial sector and macro-prudential issues in surveillance. It recommended, inter alia, that the IMFC be replaced by the Council which should rely on a troika leadership model and appoint the MD. The Board should advise the Council on emerging issues and strategic matters, as well as carry out its legislative, financial, and oversight roles; and the size of the Board should be consolidated, most likely to 20 chairs. Management should be given greater responsibility and authority over Article IV surveillance.

The Fourth Pillar report focused on the transparency and accountability of the IMF, particularly civil society's right to know. Beyond recommendations similar to those in the IEO evaluation report, it called for the disclosure of Board documents prior to meetings and the appointment of an ombudsman with the scope to investigate complaints from non-state stakeholders regarding the failure of the IMF to act in compliance with its policies or practices or the laws of member states.

reorganization and downsizing of staff. It was in this context, where IMF governance was not a top priority, that the initial follow-up on the 2008 evaluation got underway. Nevertheless, the evaluation received support from a number of IMF Governors and the IMFC welcomed the ongoing reassessment of the Fund's governance (IMF, 2008a).

The follow-up process for the governance evaluation was different than for other IEO evaluation reports (see Appendix 2). Given the distinct nature and content of the evaluation, the Board decided that it was not appropriate for Management to prepare a Management Implementation Plan (MIP). Rather, the Board and the MD issued a joint statement acknowledging the importance of the recommendations for further strengthening the institution's governance, and subsequently the Dean of the Board established an EDs' Working Group to develop a work plan in response to the evaluation recommendations.

The EDs' Working Group report on implementation of the recommendations was discussed and approved by the Board in September 2008 (see Appendix 1). In parallel, the MD announced the formation of the Committee on IMF Governance Reform, to be chaired by Trevor Manuel, to report by March 2009 (Manuel and others, 2009) (see Box 1), as well as a civil society consultation track also known as the Fourth Pillar.[2] The MD initiated the Fourth Pillar Consultation to engage civil society organizations on IMF governance reform in April 2009. Subsequently, the New Rules for Global Finance civil society coalition was invited to prepare a report as part of the package of reform proposals together with the 2008 IEO evaluation, the EDs' Working Group report, and the Committee on IMF Governance Reform report to be presented at the IMF Annual Meeting. The Fourth Pillar Report was issued in September 2009 (New Rules for Global Finance Coalition, 2009) (see Box 1).

[2] On the heels of the first G20 Leaders' Summit in November 2008, the G20 announced the formation of Working Group 3: Reforming the IMF, which was tasked with advancing the actions covered in the November 2008 Leaders' Declaration on the reform of the IMF. The agenda included numerous issues beyond supporting quota and voice reform. See the G20 Working Group 3: Reforming the IMF, Final Report, March 4, 2009.

3 POST-EVALUATION DEVELOPMENTS

Significant progress has been made over the past decade towards reforming IMF governance, notably towards realigning quota and voice with member country positions in the global economy. There have also been numerous developments relative to the Board, Management, and the IMFC since the IEO evaluation. This chapter summarizes these developments as well as highlights areas where there has not been much change since 2008.

QUOTA AND VOICE REFORMS

The 2008 Quota and Voice reforms ("the 2008 Reforms") were approved by the Board in March 2008, as the IEO evaluation was being finalized. While the Board of Governors adopted the 2008 Reforms the following month, the provisions entered into force three years later in March 2011 following ratification by member countries holding more than 85 percent of the Fund's total voting power.

The 2008 Reforms reflected the need to adapt representation at the IMF to the evolution of the global economy. Specific measures included an updated quota formula; an ad hoc increase in quotas for 54 member countries; a tripling of the basic votes;[3] and an entitlement for multi-country constituencies exceeding 19 members (i.e., the two Sub-Saharan African constituencies) to appoint a second Alternate ED. Overall, the 2008 Reforms resulted in a significant shift in representation to under-represented and dynamic emerging market economies and an increase in the voting share of most emerging market and low-income countries.

In September 2009, as part of a broad strategy to respond to the aftermath of the global financial crisis, the Pittsburgh Summit G20 Leaders committed to further reforms to modernize IMF governance. After lengthy discussions, the 2010 Quota and Governance reforms ("the 2010 Reforms") were approved by the Board in November 2010 and were adopted by the Board of Governors the following month (Resolution 66-2). The 2010 Reforms entered into effect in January 2016, following ratification by the U.S. Congress. The reforms were hailed by the MD at the time as "the most fundamental governance overhaul in the Fund´s 65-year history" (IMF, 2010a). Intended to enhance the Fund's legitimacy and effectiveness and preserve the quota-based character of the institution, the package encompassed:

- The completion of the 14th General Review of Quotas, which provided for an overall doubling of quotas and the realignment of quota shares. Over 6 percent of quota was to shift from over-represented to under-represented members, and more than 6 percent of quota was to shift to dynamic emerging market and developing countries (EMDCs). With this shift, Brazil, China, India, and Russia were included

[3] Member country voting power at IMF is calculated by aggregating quota-based votes and basic votes. The total number of basic votes are divided equally among all members. Thus, the allocation of basic votes ensures a minimum voting power for all members.

among the Fund's 10 largest shareholders. Building on the 2008 Reforms, the voting share of EMDCs grew by 5.3 percent. At the same time, the quota shares and voting power of low-income members were protected.

- A commitment to reduce the number of EDs representing advanced European countries by two, in favor of EMDC chairs. Board size and the principle of voluntary constituency formation were unchanged.[4] It was also agreed to review the composition of the Board every eight years after the Reform resolution went into effect.
- The elimination of the practice by which the largest shareholders appointed EDs and moving instead to an all-elected Board.
- A further reduction in the threshold entitling multi-country constituencies to appoint a second Alternate ED from 19 to 7 members.

Work on the 15th General Review of Quotas is now underway. Following the guidance provided by the IMFC, the goal is to agree on a new quota formula and conclude the 15th Review with an increase in the quota share of dynamic economies in line with their relative positions in the global economy, and hence likely in the share of EMDCs as a whole, while protecting the voice and representation of the poorest members.

EXECUTIVE BOARD

Board composition. Progress has been made towards fulfilling the commitment made in the context of the 2010 Reforms to transfer two ED positions from advanced European to EMDC chairs, but it has not yet been fully achieved. Based on current rotation agreements in multi-country constituencies, ED positions have effectively been transferred from Belgium, the Netherlands, the Nordic countries, and Switzerland to the three Baltic countries, the Czech Republic, Hungary, Poland, and Turkey.[5] Depending on the country classification used, the effective transfer to EMDCs would be between 1.33 and 1.64 ED positions.[6]

Offices of Executive Directors (OED) budget framework. There have been significant changes to OED budget policies and practices since 2008.[7] The 2008 revised OED budget framework included a major redesign intended to bring it in line with institutional best practices and to create incentives for prudent budget management and savings. It also included modifications to provide supplemental financing for temporary, exceptional workload pressures to introduce greater responsiveness to differential workloads, which can vary significantly across OEDs. The framework underwent a further comprehensive revision in 2011. Significant amendments were also made in 2014, including inter alia the reallocation of the budget to make additional resources available for offices representing a number of countries above OED staffing norms.[8] The smoothing adjustment sought to strike a balance between ensuring uniformity of treatment of similar-sized offices while recognizing that some offices may face unique pressures including a high program-related workload which occasionally may

[4] During their 2009–10 discussions on quota and governance reforms, EDs believed that consolidating the Board to 20 chairs was unlikely to lead to efficiency gains and that any larger reductions could compromise representation. A majority also believed that there should be an amendment to the Articles of Agreement to enshrine the size of the Board at 24. In their view, this number struck the right balance between efficiency and representation while the need to vote every two years to dispense with the default size of 20 chairs as laid out in the Articles of Agreement was unhealthy for the institution. Ultimately, EDs did not recommend amending the Articles; however, Resolution 66-2 included a commitment by the membership to maintain the size of the Board at 24.

[5] ED positions have been calculated taking into account rotation agreements for the position of ED within multi-country constituencies. For instance, if a member country which previously had held an ED position permanently now shares the ED position equally with another member country on a rotating basis, it is counted as having given up 0.5 ED positions.

[6] The WEO currently classifies the Czech Republic, Estonia, Latvia, and Lithuania as advanced economies (in 2010, the Czech Republic was also classified as advanced, while the Baltic countries were classified as emerging market economies). Using this classification would yield a transfer of 1.33 ED positions. However, the country groupings used in quota reform discussions since the 1999 11th Review still classify the Czech Republic and the Baltic countries as EMDCs, which would yield a transfer of 1.64 ED positions.

[7] The Board approves an OED budget envelope each year and allocates resources within this envelope to individual offices.

[8] At a maximum, the adjustment could support the equivalent of one additional Senior Advisor and one Advisor.

require additional budgetary resources. Directors agreed to further revisions in 2017 to ensure that the framework is transparent, credible, and durable.

Board tenure, qualifications, and skills. Many EDs spend only a limited time in their positions. The median ED tenure has decreased from around 25 months over 2009–13 to around 21 months in recent years, in part reflecting increased turnover in multi-country constituencies (see Appendix 3). Most EDs, Alternate EDs, Senior Advisors, and Advisors are seconded from national ministries and central banks. There has been little change to the employment framework for EDs' offices. Notwithstanding the recommendations of a 2010 Committee on Executive Board Administrative Matters Working Group, generic job descriptions, recruitment standards, and performance assessments for EDs, Alternate EDs, Senior Advisors, and Advisors have not been established.[9]

Efforts have been made to strengthen on-boarding and training. Prior to 2008, the Secretary's Department (SEC) organized one-day ED workshops twice a year, covering Board procedures and general Fund policies. The workshops were suspended during the global financial crisis until 2012 when SEC resumed a mini-workshop focusing on Board procedures. Based on feedback from OEDs, this was expanded. In 2014, SEC introduced and standardized a three half-day induction-type program on Fund policies and practices and has made other relevant materials available on an internal Fund website, which is also accessible by authorities. SEC also provides short courses, such as Board statement drafting, aimed primarily at Senior Advisors and Advisors. OED staff may also attend IMF staff training and seminars.

Board meetings. There have been extensive changes to Board practices and procedures over the past decade aimed at enhancing efficiency and effectiveness, with increased opportunities for the Board to play a strategic role. These include, inter alia: simplifying multiple meeting formats to Formal and Informal (to Brief or to Engage); lengthening circulation periods for Board papers for formal consideration; moving up the deadline for preliminary statements; reducing the indicative time limit on ED interventions to four minutes; and reducing the number of policy items per work program[10] and per Board day, as well as attempting to reduce the bunching of items, particularly in the summer months. Preparation for Board meetings has also been enhanced by the circulation of Main Themes in Grays and Staff Responses to Technical Questions ahead of Board meetings. Board work program planning has also been given greater structure since the introduction in October 2012 of the Managing Director's Global Policy Agenda (GPA) which sets forth the IMF's agenda on behalf of the membership. While the Board comments on the GPA, it is understood to be the agenda of the MD.

Summings Up (SUs). Since the 2008 evaluation, there have been a number of process improvements in SUs, which provide an important channel for Board guidance by reflecting EDs' views. The Rule of Silence was clarified[11] and qualifier code words used to characterize the measure of support among EDs were updated and published. A 2013 EDs' Working Group on Summings Up report[12] concluded that it was appropriate to emphasize consensus views in country item SUs (i.e., Article IV consultations and use of Fund resources) but that there was scope to pay more attention to divergent views on non-country items. The Working Group also recommended that the Board consider earlier disclosure and simpler access to Board meeting minutes to address the perception that dissenting voices were not adequately represented in the record.

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[9] Recommendations relative to EDs and Alternate EDs received little to no support from the Board. As for recommendations relative to Senior Advisors and Advisors, the adoption of uniform standards was viewed as difficult to implement, and there was little support for introducing a simple evaluation system that would focus on development and broad assessment. While voluntary guidelines listing the duties and responsibilities of Senior Advisors and Advisors existed at the time, the Working Group report noted that they were not well known and were rarely used.

[10] The Work Program is published twice a year and sets out the Fund's policy and administrative work to be delivered in the next 6–12 months.

[11] According to the Rule of Silence, silence of an ED on an issue at a Board meeting (in a Gray or oral intervention) is normally interpreted as agreement with the thrust of the staff report appraisal or staff recommendations.

[12] The 2008 evaluation noted the need to better reflect minority views in SUs. An EDs' Working Group on SUs was established in March 2012 as part of the MIP in response to the 2011 IEO evaluation report on the *IMF's Performance in the Run-Up to the Financial and Economic Crisis* (IEO, 2011), which reiterated that the issue still warranted attention.

Board committees. Despite extensive discussions on the role, structure, and function of Board committees, there has been little substantial change in the delegation of Board work to committees. Committee attendance remains open to all OEDs. Efforts by some EDs to establish a Board Risk Committee and a Board Human Resources Committee arising from a 2016 Board Retreat discussion on effective Board oversight, strategic input, and Board best practices were not supported by the majority of EDs or the MD, who pointed to readiness to provide more regular opportunities for engagement with the Board on risk and human resource issues.

Transparency and archives. Substantial changes have been made to increase Fund transparency and the timeliness and ease of public access to IMF documents. The 2009 Transparency Policy review provided an impetus to efforts to publish more Board documents and a related staff guidance note was issued. In December 2009, the IMF also amended the Archives Policy.[13] The amendments shortened the time period for public access to the Board documents series from five years for most of the series and ten years for Board meeting minutes to three and five years, respectively.[14] The Open Archives Policy also enabled the Fund to provide electronic access to all documents permitted to be disclosed. During the 2013 Transparency Policy review, EDs welcomed progress in implementing the Open Archives Policy; however, most also saw scope for further reducing the public access lag for Board meeting minutes. In 2014, the Board agreed to reduce the lag for most Board meeting minutes from five to three years, while retaining the five-year lag for discussions related to the use of Fund resources or the Policy Support Instrument.

Board self-evaluation. Since 2016, EDs have participated in a Board self-evaluation exercise as part of a broader mutual performance accountability framework.[15,16] In this exercise, EDs' individual views have been treated anonymously and on a strictly confidential basis, as well as summarized to facilitate continuous learning and improvement of the Board. Summary results have been discussed informally with the entire Board and follow-up considered in various fora, including a Board retreat, an informal workshop, and relevant Board committees.

Independent evaluation. The IEO has continued to serve as a key component of the governance structure of the Fund over the last ten years, inter alia, by supporting the Board in its strategic and oversight functions. The process of following up on implementation of Board-endorsed recommendations has been elaborated with a view to increasing the impact of IEO evaluations. Nonetheless, a recent external panel highlighted the need for renewed commitment to effective independent evaluation by the Board, Management, and the IEO itself, and for further strengthening of institutional processes to increase the IEO's traction (see Box 2).

MANAGEMENT

Selection of the MD. Some changes have been made to the nominations process with the aim of achieving greater openness and closer engagement with the membership, although outcomes have continued to conform with the

[13] Decision No. 14498-(09/126), adopted December 17, 2009; effective March 17, 2010.

[14] The policy related to Fund documents classified as "Secret" or "Strictly Confidential" as of the date of the Decision was not changed. In publishing the Decision, the Fund noted that this consent would be granted in all instances except where it was determined that the material remained highly confidential or sensitive (IMF, 2009), although the classification criteria have not been made public as called for by the 2008 evaluation.

[15] As noted in IEO (2015), EDs expressed skepticism at the time about formal Board self-assessment. Many EDs believed that any such assessment should be narrowly constructed and carried out by the Agenda and Procedures Committee. Some questioned the need for self-evaluation by the Board—and whether it is appropriate—given that Directors are accountable to country authorities. Nonetheless, they expressed interest in practices at other IFIs (IEO, 2015). Following discussion of the IEO Self-Evaluation report, in 2015, a Working Group for the Performance Feedback Exercise between the Executive Board and the Managing Director recommended that the Board carry out a self-evaluation on a pilot basis starting in 2016.

[16] Since 2016, the performance feedback exercise between the Board and the MD has included four elements: an assessment of the MD by the Board, the MD's views regarding the performance of the Board, a self-assessment by the MD of her performance as chief of the operating staff, and a self-evaluation by the Board.

BOX 2. THE INDEPENDENT EVALUATION OFFICE AND IMF GOVERNANCE

The Independent Evaluation Office (IEO) was established in 2001 with a mandate to support the Board's institutional governance and oversight responsibilities, enhance institutional learning, and strengthen the Fund's external credibility.[1] The IEO is independent from Management, and has an arm's length relationship with the Board. The Director is appointed by the Board for a six-year non-renewable term. The IEO prepares two to three evaluations of Fund activities and policies each year. Since its inception, the IEO has received a high degree of support from the Board, which has endorsed around 85 percent of its evaluation report recommendations.

The IEO itself is evaluated approximately every five years by an external panel. The latest external evaluation of the IEO (Kaberuka and others, 2018) reaffirmed the conclusion of two previous external evaluations (Ocampo and others, 2013; Lissakers and others, 2006) that the IEO has cemented its independence and reputation in producing high-quality reports. The Kaberuka report also noted, however, that there is room to strengthen the traction of the IEO´s work and to increase its usefulness to the Board as a learning, oversight, and governance tool. The report recommended that the Board, Management, and the IEO itself send a strong signal of commitment to effective independent evaluation to fully contribute to the success of the IMF and suggested further development of institutional processes to strengthen the follow-up for IEO reports (IMF, 2018).

[1] For the IEO's terms of reference, see IEO-IMF.org.

long-established pattern of selecting the MD from an advanced European country.[17,18] During the selection process that followed the resignation of Mr. Strauss-Kahn in May 2011, the list of those eligible to nominate candidates was widened beyond then current EDs and Governors to include former EDs and country authorities, and the names of nominees were not announced until the nominations period had closed.[19] As in previous selection processes, the Board held a number of informal sessions; adopted a selection decision, including a clear timeline; provided information on the IMF's external website; and conducted interviews of short-listed candidates. Ultimately, the Board selected Christine Lagarde of France for a five-year term from a group of three nominees.[20] In 2016, Mme. Lagarde was the sole nominee and was reappointed to a second five-year term as MD.

Selection of Deputy Managing Directors. Since July 2011, there have been four DMD positions. In early 2015, in consultation with the Board, the MD modified one of these slots to establish the position of DMD and chief administrative officer (CAO). DMDs serve as staff of the Fund; as such it is the MD's prerogative as head of staff to appoint these positions. In selecting a DMD, the MD formally consults in advance with the Board on requisite qualifications. The Board must also sign off on the contract. However, other than for the DMD/CAO position, there has been a tendency for DMDs to be

[17] Since the founding of the Bretton Woods institutions in 1944, the MD of the IMF has always been from an advanced European country, while the President of the World Bank has always been a U.S. national.

[18] In September 2009, Directors reaffirmed their view that the selection should be open, transparent, and without regard to nationality. They also recognized that changing the prevailing arrangement at the IMF might necessarily involve reform of the selection of the heads of all international financial institutions (IFIs). At a September 2009 summit, the G20 Leaders also called for an open, transparent, and merit-based process for selecting heads and senior leadership of all IFIs. In October 2009, the IMFC announced its intention to adopt such a process at its next meeting.

[19] The selection of the MD is overseen by the Board. The process and terms of selection followed since 2011 have been incorporated in the Compendium of Executive Board Work Procedures.

[20] For comparison, Mr. Strauss-Kahn was selected in 2007 from a list of two nominees, one from an EMDC; Mr. de Rato in 2004 from five nominees, including three non-Europeans; and Mr. Kohler in 2000 from three nominees, including two non-Europeans (see Peretz, 2009, for more detail).

selected from specific nationalities with input from the respective country authorities.[21]

Office of Risk Management. Management is supported by a relatively small group of advisors and budgetary and audit staff. A significant addition was the creation of a Risk Management Unit in 2014, now the Office of Risk Management (ORM). It reports to Management and the Board on the Fund's risk profile, across all operations and working with all departments, and proposes mitigation measures as needed. The Board is involved in the process by periodically setting risk acceptance levels and providing oversight over risk mitigation measures.

Accountability framework for Management. Steps have been taken to strengthen the accountability framework for the MD since 2008. The 2011 hiring contract for Mme. Lagarde was enhanced with a provision regarding ethics and personal conduct. It also included a new provision that the MD would participate on an annual basis in a confidential and informal performance feedback process between herself and EDs.[22] In December 2012, the terms of reference for the Board Ethics Committee were also revised to note that the Committee is responsible for advising on issues that may arise in connection with the application of the standards of ethical conduct to the MD pursuant to the MD's contract.

INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Status of the IMFC. The IMFC remains an advisory-only body and the Council has not been activated. In 2009, the Board viewed that activation of the Council was premature as it would dilute the powers delegated to EDs by the Board of Governors. A number of EDs welcomed a subsequent proposal designed by IMF staff to replace the IMFC with the International Monetary and Financial Board (IMFB) which, inter alia, called for the decision-making authority over surveillance policy to be transferred from the Board to the IMFB. They noted that the proposal struck a balance between securing deeper ministerial engagement in decisions of strategic importance and preserving the role of the Board. Some EDs, however, characterized this as an alternative Council, for which there was no support (IMF, 2010b).

Selection of the IMFC Chair. There have been changes in the way the IMFC Chair is selected that have increased diversity. An informal understanding on geographic rotation of the chair was reached among IMFC members in late 2007. Since 2008, four successive IMFC Chairs have been chosen from a different region for a term of up to three years.[23] Three have come from an EMDC, and one from a small advanced economy.

Ministerial-level involvement. Efforts have been made aimed at improving IMFC meetings to make them more engaging. The agenda continues to feature an informal Breakfast session restricted to IMFC members and a few special invitees, which is reported to be highly interactive. Changes include the addition of a restricted session on the joint IMF–Financial Stability Board Early Warning Exercise; discussion of the macroeconomic and financial outlook in a separate open introductory session; and consideration of the MD's GPA in a shortened open plenary session. In addition, there has been earlier preparation and dissemination of the draft communiqué.

Role of the G20. The challenge of ensuring substantial ministerial-level engagement in IMFC meetings has been heightened by the enhanced role of the G20 as the preeminent group for international economic cooperation since the introduction of the Leaders' track in 2008. As was the case with the G7 prior to the 2008 evaluation, the G20 Finance Ministers and Central Bank Governors typically meet two to three times a year, including shortly before the two IMFC meetings, and the Leaders meet once a year. These meetings conclude with a communiqué providing, inter alia, guidance for the IMF and other IFIs including policy direction and requests for follow-up work, analytical support, or technical assistance to the G20. The G20 does not have a formal role in IMF governance, but its membership accounts for nearly 80 percent of IMF voting power.

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[21] The First DMD (the sole DMD position before 1994) has always come from the United States; there have been four successive DMDs from Japan since 1994 and two successive DMDs from China since 2011. Other DMDs have come from a broader range of EMDCs (including Brazil, Chile, Côte d'Ivoire, India, and Mexico).

[22] The Dean of the Board, in consultation with EDs, has established a small Working Group to conduct the performance feedback exercise. As discussed above, in keeping with the changes made in 2015, the accountability framework for the MD was modified in 2016 to include the Board self-evaluation component.

[23] The first two IMFC Chairs were advanced economy finance ministers whose terms could continue to the end of their national term of office.

4

CURRENT STATE OF IMF GOVERNANCE

As laid out in Chapter 3, Fund governance has evolved since the 2008 evaluation, aided by various reform initiatives. This chapter analyzes the current state of Fund governance, considering each of the Fund's main governance bodies—the Board, Management, and the IMFC—in turn. The assessment in this chapter is informed by a desk review of internal documents; data analysis; the views of EDs, country authorities, Management, and senior Fund staff obtained through interviews; and discussions with external experts. Survey responses are presented as supplementary information but are not used as the primary source for findings given low response rates.[24]

EXECUTIVE BOARD

Representation and voice. Given the Fund's universal membership and complex representation system, the current size of the Board was generally considered by EDs and authorities as a good compromise that preserves efficiency while enabling members to have their voices heard. That said, some EDs continued to advocate for the creation of an additional chair to increase the representation of African countries,[25] as has been done at the World Bank.

The 2008 and 2010 quota and voice reforms are broadly viewed as substantial steps forward in representation at the IMF. Many advanced economy chairs in particular emphasized that quota and governance reforms had come a long way in addressing the representation issue, except in the case of China, which all EDs agreed remained significantly underrepresented.[26] In contrast, many other EDs, especially those representing EMDCs, acknowledged that progress had been made but still believed that much remained to be done on the representation front. They argued that emerging market countries are still underrepresented, while European countries remain overrepresented.[27] Underlying the issue of representation is the realignment of members' voting power with their economic weight in the global economy. As shown in Figure 1, which compares voting weight to GDP share (calculated by market exchange rate and in purchasing-power-parity (PPP) terms) and trade share, the degree of apparent over-representation or under-representation relative to economic weight varies significantly across metrics, contributing to the difficulty in reaching consensus.

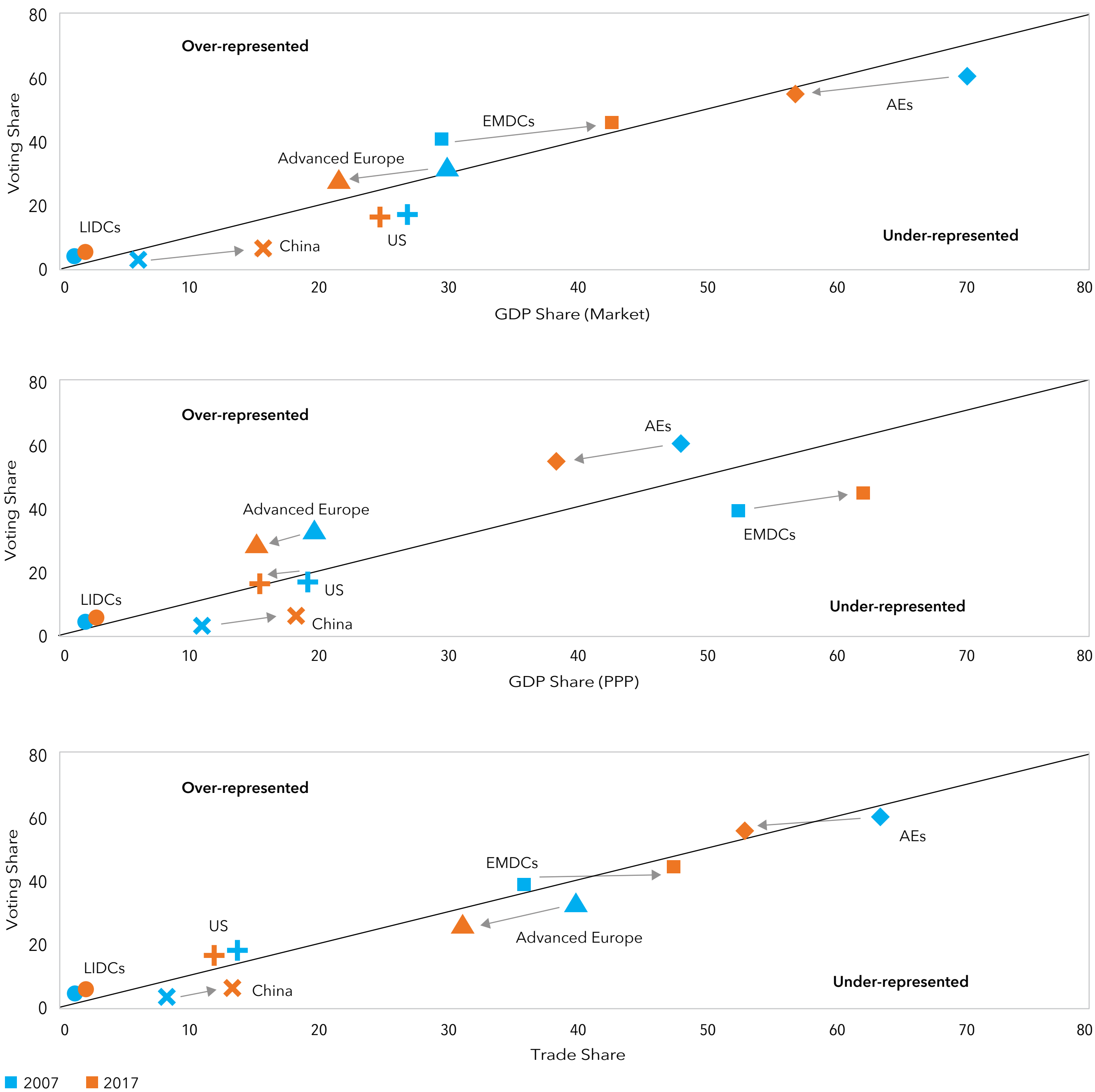
[24] Response rates were: 29 percent (59 responses) for OEDs (henceforth "Board survey respondents," that is, EDs, Alternate EDs, Senior Advisors, and Advisors); 39 percent (137 responses) for senior staff (B1–B5 levels); and 17 percent (77 responses) for country authorities. The complete set of survey results can be found at IEO-IMF.org.

[25] Currently, the two African chairs at the IMF Board represent 46 countries.

[26] The spectrum of authorities' views about representation seems to be broad. Some authorities believed the legitimacy of the Fund would be strengthened if a representation system closer to that of the United Nations (i.e., based on the principle of one country, one vote) were to replace the current quota-based system, while others believed that it is appropriate for creditor countries, who provide most of the financing for the IMF, to have a greater say.

[27] Some EDs pointed to the European Central Bank representative's observer status in Board meetings as an example of preferential treatment.

FIGURE 1. VOTING SHARE RELATIVE TO ECONOMIC WEIGHT, 2007 VERSUS 2017
(In percent)



Sources: IEO estimates based on IMF, *World Economic Outlook* and internal IMF data.
Note: The metrics used for GDP and trade shares in the figure do not precisely mirror the definitions used in the Fund's quota calculations and discussions. GDP shares (market exchange rates and PPP) are calculated as three-year averages (2005–07 for 2007 and 2015–17 for 2017). Trade is measured as the sum of total exports and imports, and trade shares are calculated as five-year averages (2003–07 for 2007 and 2013–17 for 2017). Points above (below) the 45-degree line mean over-representation (under-representation) relative to GDP or trade shares. Country groupings for both 2017 and 2007 are based on the classification used in the Fund's quota calculations: advanced economies (AEs) 26 countries; advanced Europe 20 countries; emerging market and developing countries (EMDCs) 163 countries; low-income developing countries (LIDCs) 70 countries.

A number of authorities and EDs expressed disappointment that the intended reduction in advanced European chairs has not yet been fully accomplished and that the shift to an all-elected Board has so far not led to single-member constituencies opening up to other members. Nevertheless, there was general agreement among EDs that in recent years the voice of EMDCs has grown louder and clearer at the Board, enhancing their ability to influence decision-making, although many believed that this reflected the efforts of the EDs themselves as much as the governance reforms.[28] For example, informal groups like the BRICS have played a role in this process by facilitating improved coordination among a group of emerging market EDs with significant voting weight. At the same time, many EDs emphasized the heterogeneity of views among EMDCs, which sometimes contrasts with a more articulated position among advanced chairs, particularly those representing Europe. Others stressed that alliances among EDs often shifted across issues and did not always coincide within income groups, which provided opportunities for middle-sized countries to sometimes play a crucial role by providing swing votes.

Going beyond voting shares and income groups, some EDs emphasized that a constituency's influence at the Board also depends on careful preparation of topics and effective persuasion skills, particularly since Board decisions are normally made by consensus rather than by vote. This underlines the importance of adequate staffing (see discussion below on OED resources). Nevertheless, a clear majority of Board survey respondents believed that the capacity to influence decision-making is broadly aligned with voting power.

Management and some EDs highlighted the significant scope that remains for increasing gender diversity at the Board. Diversity has improved somewhat recently, as the number of female EDs has increased to three, up from only one on average over 2008–16, reflective of recent efforts by the IMFC, MD, and Board (see IMF, 2016 for further discussion). However, gender diversity remains low and is dependent on individual country choices.

Effectiveness. In most EDs' view, the Board provides value added by offering guidance, shaping the Fund's views, monitoring the work of Management and staff, and providing legitimacy to the Fund's decisions.[29] In all of these dimensions, EDs emphasized the importance of three contributing factors: (i) early and frequent bilateral consultations between EDs and Management/staff; (ii) staff's openness to the Board's views and their feedback, which over time has the potential to shape future work; and (iii) work done by Board members outside the Boardroom. However, in interviews, several EDs did not seem to be fully satisfied with Management and staff receptiveness. Half of Board survey respondents believed their decisions and instructions were incorporated in subsequent work adequately but often with delays. In contrast, 90 percent of senior staff respondents reported that they consult with EDs early on and three-quarters reported that they incorporate the Board's feedback at least to some extent.

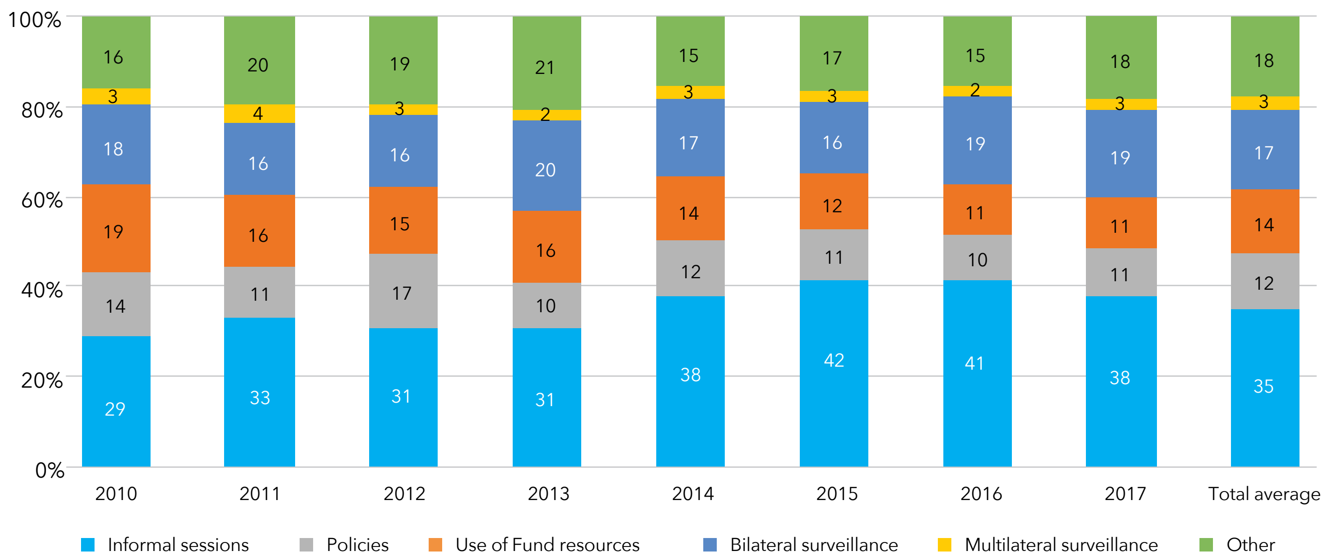
Overall, the Board was viewed by most EDs and authorities as generally effective, especially when compared to other international institutions. In this regard, EDs appreciated the adoption of steps to facilitate early engagement on issues of strategic importance, the efforts to make Board discussions more focused, and the greater attention being paid to risk management (particularly through the role of the ORM). They recognized that continued increase in the use of written statements (Grays) and guidance on speaking times has helped to provide an improved basis for more interactive Board discussions, despite some drawbacks (see Appendix 3), and to build consensus on Board decisions.

EDs particularly welcomed the increased use of informal meetings to seek Directors' views at an early stage. Time spent in informal sessions has more than doubled—increasing to 35 percent of the total Board hours during 2010–17, up from 15 percent over the period examined

[28] Specific examples cited by many EDs where EMDC chairs had played a significant role included Board discussions on the governance and anti-corruption framework and IMF debt limits policy.

[29] In the words of a former ED, the Board's approval or endorsement transforms staff's analytical work on policy, surveillance, and lending operations into an official position taken by the international community.

FIGURE 2. DISTRIBUTION OF BOARD TIME, 2010–17
(In percent)



Source: IEO estimates based on internal IMF data.

in the 2008 evaluation (see Figure 2 and Appendix 3).[30] Some EDs noted, however, that it was important to ensure the adequacy of record-keeping for these meetings.[31] Staff reported that transcripts of informal meetings are now available to EDs on the internal IMF Connect website, as well as that SEC now prepares a Selected Points memo for EDs for these sessions.

Despite an overall positive perception, EDs identified a number of factors that still hamper the Board's effectiveness. First, they pointed to a heavy workload, packed with both operational and strategic issues and the expanding coverage of emerging macro-critical issues. While IEO analysis of Board activity indicators reveals a slight moderation in Board meeting activity (see Appendix 3), EDs highlighted that the length and complexity of policy papers and flagship reports presented to the Board have increased. While strict limits on length of country documents have helped to contain the sheer volume of paper, several EDs suggested that at times treatment of core issues is cursory as the range of policies discussed has extended.[32]

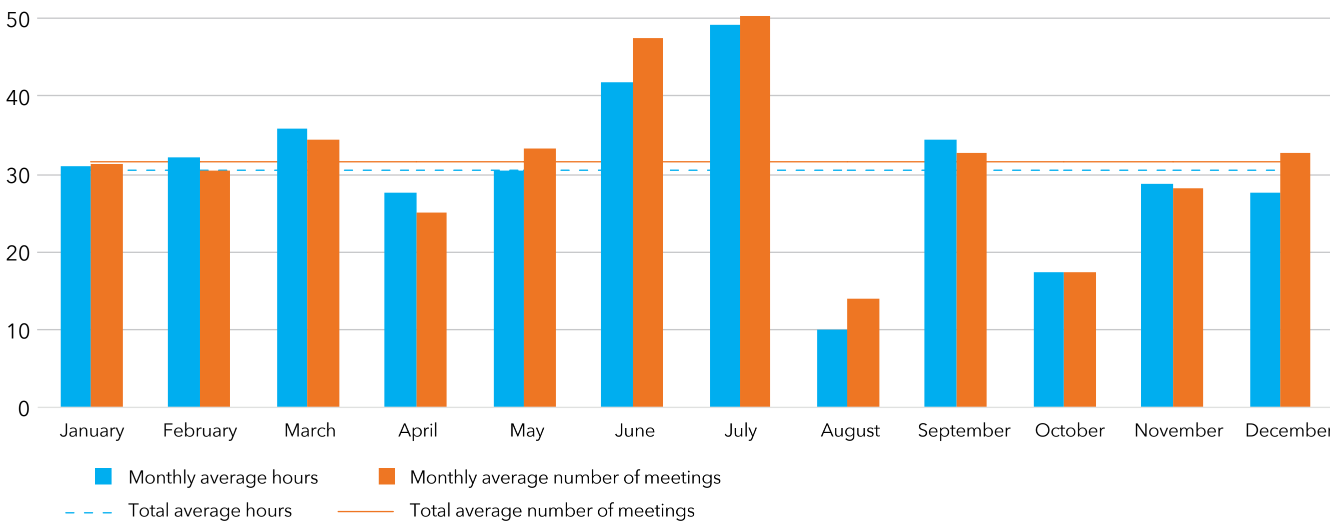
EDs argued for greater prioritization and streamlining of Board items as a means to alleviate the workload but, at the same time, they did not want to see a reduction of the Board's involvement in day-to-day operations. They unanimously agreed that the Board must remain engaged with day-to-day operational decisions (mainly bilateral surveillance and Fund-supported program decisions) as well as with strategic guidance and oversight. They viewed these two functions as inextricably linked, since the implementation of strategic guidance can only

[30] Since the 2008 evaluation, the reductions in time devoted to formal discussions on policy (from 23 percent to 12 percent) and bilateral surveillance (from 23 percent to 17 percent) was also marked, again reflecting the shift to informal sessions and, in the case of country items, the increase in the use of Lapse of Time (LOT) procedures.

[31] As a result of complaints that arose in the context of the approval of the IMF-supported program for Greece, the Board approved the proposal in the MIP in response to Board-endorsed recommendations for the IEO's 2016 evaluation *The IMF and the Crises in Greece, Ireland, and Portugal* that transcripts of informal meetings would be made available to EDs and retained indefinitely. This change has recently been incorporated in the Compendium of Executive Board Work Procedures, which also notes that pursuant to the Fund's Archives Policy, unless classified as Strictly Confidential, transcripts are permitted to be disclosed after 20 years.

[32] In its evaluation update on structural conditionality, IEO also found that strict limits on the length of reports have at times led to EDs not being provided with essential information that they need to make decisions (see IEO, 2018).

FIGURE 3. MONTHLY BOARD MEETINGS, 2010–17



Source: IEO estimates based on internal IMF data.

be monitored and made effective by participating in day-to-day operational decision making. They also argued that detaching the Board from Article IV and program discussions would be a disservice to those members for which Board meetings provide the only opportunity to have their economic issues discussed in an international forum.

A second set of issues that has hampered the Board's effectiveness relates to the Board agenda. In interviews, EDs expressed concern about the uneven distribution of the Board's workload over the year (bunching) and a lack of prioritization (e.g., they believed that more technical issues should be dealt with outside the Board). IEO analysis of data on monthly activity confirms that bunching, already a concern of many EDs at the time of the 2008 evaluation, continues to be a problem, especially in the months of June and July (see Figure 3 and Appendix 3). In interviews, senior staff explained that a number of measures have been taken in an effort to reduce bunching, but there are structural constraints that hinder further progress in achieving a more even distribution of items throughout the year, including the limitations imposed by the Spring and Annual Meetings, the Board recess (lengthened from two to three weeks in 2013), Management travel, authorities' preference for the scheduling of Article IV consultations, and the desire to group the major bilateral surveillance meetings with multilateral products.

Further exacerbating agenda and workload issues, some EDs viewed the capacity and resources of their offices as spread too thin.[33] While the revised budget framework provides for greater responsiveness to work pressures, a number of offices are particularly stretched by the need to support multiple members with ongoing programs or program negotiations.[34] Moreover, while advanced economy constituencies typically receive considerable support from capitals, other constituencies must be self-reliant in preparing for Board meetings and, at times, in determining policy positions. This forced them to be selective in taking up items for discussion and/or to consider some items

[33] A desk review of internal documents shows that most OEDs have consistently underspent their allocated budget over the past years. However, this does not necessarily mean all OEDs have sufficient capacity and resources to deliver on the work program needs of their office.

[34] There was a great disparity in the distribution of programs across constituencies between 2008 and 2017. Nine out of 24 constituencies did not include any member country with an IMF-supported program. Among the remaining 15, the intensity of their engagement varied between 2 programs (or a total of 22 program months) to 53 programs (or 1,309 program months). See Appendix 3 for further details.

only superficially. It was also noted that the capacity of multi-country constituencies may be affected by EDs being practically constrained in choosing staff assigned from constituent countries, making it hard to apply consistent quality standards.

A factor that can influence OED capacity is the length of EDs' tenure, which has declined in recent years and is believed by ED and authority interviewees to be too short (see Appendix 3).[35] EDs generally stressed that, given the Fund's institutional complexities, experience in the office can be crucial in determining EDs' role and influence. Hence, they agreed that longer tenure of EDs would improve the effectiveness of the Board and its ability to provide a healthy counterweight to Management and staff. Over 80 percent of Board survey respondents believed there should be a minimum tenure for EDs, with a three-year term being the preferred option.

Another significant consideration regarding OED capacity is Board induction and training. As discussed in Chapter 3, the voluntary Board induction program on key Fund policies and practices has recently been augmented. However, SEC data shows that while highly attended by Senior Advisors and Advisors, ED attendance since 2014 has been low. Additionally, EDs who come on-board outside the biennial cycle of the general election of EDs have more limited opportunities for formal training.[36]

A final factor impacting the Board's effectiveness is the uneven contribution of Board committees. EDs considered many committees to be generally ineffective, although there were notable exceptions, while some ad hoc committees and working groups were viewed more positively. Attendance at committees by all OEDs, which some EDs attributed to a hesitance to delegate the work to a smaller group, has led to committee meetings remaining in effect full Board meetings. Nevertheless, EDs were divided on the possibility of restricting attendance to committee members. Over 70 percent of Board survey respondents were of the view that significant changes in the structure and operation would be needed for committees to be effective.

Board influence vis-à-vis Management. Many EDs felt that Management continues to play a dominant role vis-à-vis the Board in Fund decision-making. During interviews, while some EDs were of the view that the distribution of power was balanced, others believed that Management had a firm grip and dominated decision-making through control over agenda setting and access to staff resources and information. EDs shared with the IEO specific cases in which they had trouble getting items onto the Board agenda, despite their right to do so.[37] Some EDs also expressed concerns regarding the role played by SEC, which they perceived as serving primarily the interests of Management and not those of EDs, even while the department is, in their view, supposed to serve the Board.[38] While it was generally recognized that some tension between the Board and Management is natural and even healthy for the institution, many EDs still felt the need for further progress to bolster the Board's strategic influence on IMF decisions. Over half of Board survey respondents were not satisfied with the Board's influence over policy decisions and believed that Management's views generally prevailed.

Summings Up (SUs). Despite the process improvements discussed in the previous section, most ED interviewees felt that there remains considerable scope for further improvement, particularly on clarity of the process and to a lesser extent on reflecting minority viewpoints. The conclusion of a 2013 EDs' Working Group on Summings Up report that there could be greater clarity regarding how to reflect Board comments was echoed in interviews. Specifically, some EDs believed that the

35 The length of EDs' tenure is decided by the authorities of each constituency. This decision (particularly in the case of multi-country constituencies) may present a trade-off between the benefit for the membership and the Board as a whole of having experienced EDs who are well versed in the ways of the IMF and countries' interest in having their own nationals (or specific individuals) representing them at the Board.

36 Just over half of Board survey respondents reported having attended SEC induction, while nearly one-third only received information in writing. One-third reported using the online training resources provided by SEC, while 17 percent reported that online training resources had been their primary source of training.

37 According to the Fund's Rules and Regulations, the Board's agenda shall include any item requested by an ED. While the Chair is required to schedule a meeting at the request of any ED, the MD, as Chair of the Board, determines when to schedule such meetings.

38 In this respect, some EDs reiterated the findings of the 2008 evaluation that the Board should play a more active role in the selection of the Secretary and the Legal Counsel, given their role in serving the Board.

SU process is not ideal and that the post-Board SU process was still too much of a "black box;" in some cases, they reported not being informed by SEC as to why their requested changes were not accepted.[39] Around 52 percent of senior staff and 46 percent of Board survey respondents also believed that SUs are sometimes or often vague or contradictory. While two-thirds of senior staff respondents believed that minority views are given adequate attention in SUs, Board survey respondents were more evenly split.

Transparency and archives. The Fund's transparency and archives policies have greatly improved and, in the view of EDs, adequately balance the need for the public's right-to-know against the need for candor at the Board and for safeguarding the Fund and member country confidentiality. Following the 2008 evaluation, the Fund devoted significant resources to catalogue and digitize Board documents and has made available all Board documents permitted to be disclosed on a dedicated online archives website. Notwithstanding some initial implementation issues owing to budget and staffing constraints, a backlog on Board minutes permitted to be disclosed and on responding to requests for declassification of Strictly Confidential documents has been eliminated. Nevertheless, concerns were expressed to the IEO by external stakeholders regarding the user-friendliness of the online archives; they complained, for example, that documents can be hard to find even if one knows what one is looking for.

Self-evaluation. The recently initiated Board self-evaluation exercise was generally viewed by EDs as asking the right questions to enable a candid assessment of the Board's efficiency and effectiveness and how it could improve. However, EDs still question the efficacy of this instrument. In interviews, while many EDs believed that self-evaluation is worthwhile as a learning tool, many also were of the view that the usefulness of the exercise has been mitigated by Management's resistance to implementing possible improvements identified in the process. Survey results also suggest that there is not widespread awareness that the Board is now taking a systematic look at its performance.

Ethics. The ethics framework for the Board has been considerably enhanced since 2008 although there are gaps in awareness both within and outside the Fund. The Board Code of Conduct was amended in 2009 and again revised in 2012 to incorporate a special procedure for investigations of alleged misconduct. Although over 80 percent of Board survey respondents reported that they are familiar with the Board Code of Conduct, in interviews most EDs identified the ethics framework as being primarily related to financial disclosure practices at the Fund and not to the Board Code of Conduct. Likewise, no ED reported having attended a Board information session with the IMF Ethics Officer; information sessions, while initially held following the 2008 evaluation, have since been sporadic; and the 2009 revisions are not referenced, and 2012 investigation procedures are not incorporated in the Compendium of Executive Board Work Procedures.

Key takeaways. There have been considerable efforts over the past decade to strengthen the Board's representativeness and influence in the decision-making process. While these efforts are generally appreciated as leading to distinct improvements, EDs and senior country authorities expressed concerns in areas identified in the 2008 evaluation.

In particular, concerns remain about the balance of influence across the Board, which leads to questions about representativeness and voice. While there has been a significant shift in shares and chairs which are now arguably better aligned with members' economic weight in the global economy, this process remains a work in progress as discussions on the 15th General Review of Quotas proceed. EDs appreciated opportunities for frequent interactions with Management and staff as a means for exerting influence going beyond the distribution of voting shares. Nevertheless, most EDs recognized the reality that not all EDs have the same weight in the eyes of Management and staff because, while the Board makes decisions by consensus, this happens only in the shadow of voting power. As a result, the views of Management and staff presented to the Board are likely to be more closely aligned with the interests of the largest shareholders, given the need to ensure support from the majority. EDs from smaller constituencies can exert more

[39] According to the Compendium of Executive Board Work Procedures, comments and requests for changing a draft SU must be grounded in the record of the Board meeting (i.e., Grays or a meeting transcript available soon after the meeting). Requests for changes can be accommodated only to the extent that they are consistent with that record and regardless of the number of Directors supporting them. It also bears noting that the SU is the Chair's Summing Up and is prepared under the MD's authority.

influence than provided by their voting share through skillful argumentation, but in the end voting share matters.

There is also a widely held perception that the balance of influence over IMF decision-making has remained weighed in favor of Management over the Board, notwithstanding efforts to engage with the Board earlier in the decision-making process. This balance seems to stem from a combination of structural factors that hamper the effectiveness and traction of the Board, and Management's control over the decision-making process and information flows.[40] The Board's effectiveness continues to be affected by the heavy workload and bunching problems. Short ED tenures limit capacity to build institutional knowledge, develop constructive relationships for consensus building, and challenge Management when needed. Moreover, capacity and resource constraints, including qualified staff, are sometimes a hindrance, particularly for those EDs representing large multi-country constituencies, with a heavy load of program-related work, and receiving limited technical support from capitals.

MANAGEMENT

Management selection. The selection process for Fund Management has remained a cause for concern. Despite changes to the nomination process for the MD, the outcome has continued to be the selection of an MD from an advanced European country. There were different views on why this has remained the case. Many interviewees still perceived the selection process as not fully transparent and merit-based as well as too limited by geographic preference.[41] A number of EDs told the IEO that the continuing selection of a European as the MD shows that the so-called "gentlemen's agreement" still holds sway. At the same time, other EDs observed that advanced European countries coordinated very effectively during selections, and that large emerging market countries would need to do the same and jointly support their preferred candidate in order to get a different outcome. A number of interviewees also suggested that a departure from the long-standing nationality convention would need to be addressed in the context of a broader reform on the selection of heads across IFIs.

Many EDs expressed concerns about the selection process for DMDs. While EDs are consulted by the MD on requisite qualifications and must ultimately approve the appointment contract of DMDs, most EDs noted that they have little real say given the MD's prerogative to appoint. In the view of some EDs, this limited input constitutes a significant governance problem, particularly given DMDs' extensive responsibilities, including as Acting Chair of the Board and their oversight of staff's work. Moreover, there was a clear perception that nationality preferences have become entrenched, which could jeopardize merit-based selection and also means that there are very limited opportunities for possible candidates from most member countries in favor of a few very large countries. While understanding the institutional interest to ensure that major shareholders and financial contributors felt they were fully involved in steering the institution, the current situation was perceived by many EDs and authority interviewees as an anachronism that exposes the institution to performance and legitimacy risks.

Dual role of the MD. Several stakeholders suggested that the MD's dual role, by which the MD is the Fund's chief executive officer (CEO) and chair of the Board, is not in line with what is nowadays increasingly considered state-of-the-art governance practice and raises a number of issues.[42] They argued, for example, that this arrangement constrains the Board's role and tilts the balance of influence in favor of Management. Short of creating a new position of chair of the Board (which would require amending the Articles of Agreement), some interviewees considered the possibility of a stronger role for the Dean of the Board or establishing the role of "senior Board representative." They suggested a reinvention of the position of Dean with

[40] Instances of these problems have previously been analyzed by the IEO, for example, in the context of decisions made during the 2010 IMF-supported program for Greece (see De Las Casas, 2016).

[41] Four-fifths of Board survey respondents believed the process is not open or transparent or both, and only about one-third of authority survey respondents believed it to be open and transparent.

[42] In the corporate world, the roles of Board chair and CEO have increasingly been separated. While the governance needs of corporates and public institutions are somewhat different, it is worth noting that several central banks also now prevent their governors from playing this dual role. For example, the Governor and Deputy Governors of the Bank of England have been prohibited since 2012 from chairing the Court of Directors. Similarly, the Governor of the Reserve Bank of New Zealand no longer serves as the chair of the oversight board.

more resources and responsibilities, possibly elected by peer EDs rather than being appointed according to seniority. This could help address some of the issues presented by the current framework, such as by helping coordinate among EDs, chairing the Board in the absence of the MD, or strengthening communications of the Board with SEC or Management.

Accountability to the Board. Views are mixed on whether Management has been sufficiently accountable to the Board. While some EDs reported in interviews that the MD has, in general, been sufficiently accountable, others thought that the current framework does not offer real accountability.[43] The mutual performance accountability exercise was widely perceived as a formality, with few practical implications, and some EDs reported not participating in the exercise. Many believed that the mutual nature of the framework, while an interesting way to learn, is not sufficiently effective as an accountability tool. They also believed that the Secretary and others' participation in the discussion generated a conflict of interest. Many EDs believed the accountability framework should also be strengthened for DMDs to give the Board a more direct role in assessing their performance.

A recurring theme that emerged in interviews was the extent to which Management paid attention to different groups of countries. EDs from large economies generally reported receiving adequate and timely information, although at times they felt Management preferred to rely on direct contacts with principals in capitals. They also had no problem in challenging the views of Management and staff without fear of repercussions. EDs from other constituencies felt that they did not receive the same degree of attention from Management as their large country peers, while recognizing as a reality that the largest shareholders would naturally have greater clout. IEO analysis of data on Board chairing practices (see Appendix 3) suggests that the MD has focused on discussions aimed at facilitating consensus on issues of strategic importance to the Fund, while delegating her chairing authority to DMDs for non-systemic country matters. Such a practice may be conducive to the Fund's efficiency and effectiveness, but at the same time has raised evenhandedness concerns among some EDs.

Key takeaways. The selection process for Management has remained a cause for concern for IMF governance. Notwithstanding some improvements in the nomination process, the outcome that the MD has continued to be a European has not changed. Moreover, an informal nationality convention seems to have become entrenched for the selection of DMDs, which could undermine transparency and the principle of meritocratic selection and expose the Fund to performance and legitimacy risks. The accountability framework for Management, based on a mutual performance assessment between the Board and the MD, is perceived by many as having little practical impact.

INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Ministerial-level engagement. Board and authority interviewees expressed nearly unanimous skepticism about the need for, or practicality of, increasing ministerial-level engagement in the Fund's governance. There was a general view among interviewees that, given their demanding national responsibilities, ministers and central bank governors already do as much as they can and should in providing high-level strategic direction to the Fund, and that the Board is the appropriate body to provide specific guidance and exercise shareholder oversight of Fund operations and policies. There was virtually no support for activating the Council.

Relationship between the Fund and the G20. The relationship between the Fund and the G20 has been complementary in many respects. Interviewees considered that the G20, with its Leaders' track, had been effective when most needed in bringing high-level political support for the IMF's response to the global financial crisis and subsequent shocks. In return, and given the absence of a permanent G20 staff, the Fund provided the G20 with useful analytical and policy support. It was also acknowledged that the G20 was much more inclusive than the G7, whose role in international economic coordination was now substantially reduced on most issues compared to earlier periods, and that the Fund's relations with the G20 had been far more systematized than with the G7.

[43] Survey results also indicated concerns regarding the effectiveness of the accountability framework for Management. Only 17 percent of Board respondents believed that adequate mechanisms are in place and used to evaluate the performance of Management. Despite this low level, the Board's positive perception has improved since 2008, when only 2 percent of respondents thought adequate mechanisms were in place and used.

Despite its effectiveness, in the view of some EDs and authority interviewees (and one third of authority survey respondents), the G20's influence was excessive and risked overshadowing the IMFC. There was particular concern among interviewees from outside the G20 membership about the G20's lack of representation as compared to the universal membership of the IMFC. In some cases, there is consultation in advance of meetings and reporting back after meetings between the authorities of G20 members and those of non-G20 regional peers. However, such consultation is often informal rather than institutionalized and is not systematic. Concerns were also raised about the extensive overlap in the agenda and membership of the two bodies. In this respect, it was noted that language in the IMFC communiqué often follows language included in the G20 communiqué, approved a day or so previously.[44] Some interviewees noted that the G20's traction as a premier global economic forum has moderated in recent years as the agenda has become more diffuse and given that the areas in which there was consensus for action is limited; however, this was not associated with a resurgence of the IMFC.

IMFC meetings. According to many interviewees, IMFC meetings remain of limited value to many participants. While organizational improvements were recognized, there was a general perception among authorities and EDs that the meetings were too formal, too choreographed, and suffered from a lack of unscripted interaction among officials at the highest level. In the view of some participants, the informal breakfast and Early Warning Exercise session—where participation is restricted and discussion somewhat freer—were the most useful venues. In the view of other participants, greater reliance on restricted sessions had reduced the interest in the IMFC of those principals not invited and had created information flow issues for some multi-country constituencies. The organization of IMFC meetings is subject to a difficult trade-off between inclusiveness, which is valuable for representation and broad ownership, and limited attendance, which is more conducive to candid discussion and the effective provision of strategic guidance. Authority survey respondents widely considered the IMFC a useful forum for a high-level dialogue on economic developments (three-quarters of respondents), but less so for the provision of strategic guidance to the Fund (less than 30 percent of respondents).

Key takeaways. There seems to be little support for a further increase in ministerial-level engagement, as it is generally viewed as already sufficient. Views are mixed on the relationship between the IMFC (more broadly, the Fund) and the G20, reflecting in part the difficult trade-off between effectiveness and representation that underlies the relationship. Moreover, the trade-off may change as the G20's focus broadens and becomes less aligned with the Fund's core mandate.

[44] Note, however, that this is not always the case, even on highly controversial issues like exchange rate policies and trade policies where subtle but significant differences in wording have emerged from two distinct drafting processes although many individuals in the room may be the same.

5 CHALLENGES GOING FORWARD

Since 2008, a series of reforms have strengthened IMF governance in a number of ways. The 2008 and 2010 quota and voice reforms achieved a sizable reduction in misalignments of member country voting power with the evolving global economy while protecting representation of low-income members. Other reforms, mainly in the area of Board practices and procedures, have improved efficiency and raised the Board's capacity to deliver on its executive, strategic, and oversight roles. The recent introduction of Board self-evaluation, a more open archives policy, modifications to the MD's accountability framework, and the establishment of the Office of Risk Management are steps toward greater accountability and learning. These changes as well as the underlying efforts by IMF governance bodies to make them happen deserve full recognition.

Notwithstanding these significant advances, this report finds that the balance of the IMF's governance structure remains weighed in favor of effectiveness and efficiency, while accountability and voice have continued to raise concerns which if unaddressed could affect IMF legitimacy and, ultimately, effectiveness. IMF governance has proved effective in supporting the Fund's capacity to fulfill its core mandate under extraordinary circumstances and when the institution was most needed by the international community. However, the quota and voice reforms are not considered sufficient by much of the membership, and the alignment of "shares and chairs" remains a work in progress as discussions now proceed with the 15th General Review of Quotas. Many Executive Directors continue to feel that the Board's capacity for strategic oversight is still constrained, that Management continues to play a dominant role in the decision-making process, and that the modified management accountability framework has limited practical impact. While some steps have been introduced to improve the MD selection process, the selection processes for both MD and DMD positions are still seen by many stakeholders as insufficiently transparent and merit based, as well as too limited by nationality considerations, and hence a source of legitimacy and performance risks. Finally, the role of the IMFC in providing strategic direction has been seen by some members as at times overshadowed by the less representative G20, which has become the lead global forum for economic cooperation since addition of its Leaders' track in 2008.

These findings suggest continuing challenges for IMF governance. It should be recognized that these challenges cannot be fully addressed merely through internal processes but depend on collective commitment and goodwill across the membership. Meeting them will require addressing multiple and potentially difficult trade-offs that any reform efforts would face. Three in particular merit attention.

First, achieving a stronger and more representative Board would need to be balanced against the need to preserve Management's latitude to run the institution. Moreover, there is a concern that a reduction in the Board's involvement in day-to-day surveillance and lending operations to allow greater focus on strategic issues could be counterproductive unless carefully calibrated in pace and scope, given that operational and strategic decisions are in practice highly intertwined. Balancing this trade-off could be complicated by the capacity constraints faced by some Directors with very large constituencies, even after introduction of a new more flexible budgetary process for the Board, and the decline in the average tenure of Board members.

Second, addressing the concerns regarding the selection of IMF Management would require the political commitment of the membership to break long-standing nationality conventions, which may require a broader agreement to reform the selection of Management across IFIs. Nevertheless, the current selection process for the MD does provide in principle for open competition that could be used to achieve a change in outcome if non-European members were to more effectively coalesce behind a preferred candidate. For the selection of DMDs, the current approach has led to selections being in most cases tightly linked to certain nationalities—a more flexible approach would likely depend on agreement on a shift across all senior management positions.

Finally, any refinements to the relationship between the IMF and the G20 would need to balance the trade-off between effectiveness and representation. The right balance would avoid the risk of the less representative G20 overshadowing the IMFC as the primary source of strategic ministerial guidance to the Fund, while still taking advantage of the G20's capacity to mobilize high-level political support when needed. But striking and sustaining the right balance will be a moving target, as the trade-off will vary between crisis and noncrisis periods and along with the evolving focus of the G20.

APPENDIX 1

2008 IEO EVALUATION RECOMMENDATIONS: IMPLEMENTATION STATUS

IEO Recommendation	Board Response (May 2008–October 2010)	EDs' Workplan (Approved September 2008)	IMFC Response (May 2008–October 2010)	Status
A. International Monetary and Financial Committee				
Increase systematic ministerial-level involvement Establish a ministerial-level governing body…. This could be achieved by activating the ministerial-level Council … a formal decision-making authority.	(May 2008) **IEO Evaluation Report—Joint Statement by the Executive Board and the IMF Managing Director** The Executive Board and Management [noted that] the report has raised important questions [including] how to ensure effective ministerial and Board involvement in institutional decision-making processes. (October 2009) **Executive Board Report to the IMFC on Reform of Fund Governance** [W]hat to advise ministers on this issue has been controversial at the Board, with a few counseling activation, a number of others open to further deliberation (especially once quota reform progresses), and a somewhat larger group considering the proposal to be counterproductive. (October 2010) **Executive Board Report to the IMFC on Quota and Governance Reforms** Directors agree that engagement by ministers and governors is essential to the effective discharge of the institution's responsibilities, including to promote multilateral cooperation and coherence of policies. However, views on the best means of delivering such engagement—whether through reform of the advisory IMFC or a shift to a decision-making entity—continue to differ.[1]	*Proposed follow-up* Board to hold a meeting on this subset of IEO recommendations in order to provide input for the communication to Governors Managing Director in his function as Chairman of the Board to send a letter to the Chairman of the Board of Governors. The letter will have to be agreed by the Board. It could contain the following: (i) Brief background and relevant IEO recommendations for consideration by Governors, including the Board's view where applicable (ii) Reference to earlier agreements and understandings regarding these recommendations.	(April 2009) **IMFC Communiqué** [B]roader reforms to ensure International Monetary and Financial Committee active participation in the Fund's strategic decision-making process should be promptly considered. The Committee calls on the Executive Board to report on this issue … by the next Annual Meeting in October 2009. (April 2010) **IMFC Communiqué** [W]e call for an acceleration of the substantial work still needed on … other governance reforms, including … ministerial engagement. (October 2010) **IMFC Communiqué** [W]e are working actively to resolve outstanding issues. These issues relate to … enhanced ministerial engagement … and strategic oversight.	*High-level recommendation partially implemented.* *Ministerial-level decision-making body not supported.* Note: Board of Governors Resolution No. 66-2 amends (i.e., retains) Schedule D of the Articles of Agreement, which calls for a Council.

[1] A number of Directors welcomed the [International Monetary and Financial Board (IMFB)] proposal, noting that it strikes a balance between securing deeper ministerial engagement in decisions of strategic importance and preserving the role of the Executive Board in the operational work of the Fund. Most of these Directors preferred broadening further the scope of ministerial involvement to include, for instance, the accountability of the Managing Director and setting the guidelines for the Fund's lending framework. But others considered that a more limited number of key strategic decisions, including importantly some decisions currently reserved for the Board of Governors, would be more appropriate. Finally, a few Directors saw the IMFB proposal as addressing concerns raised previously with respect to the "Council" envisaged in the Articles of Agreement. However, they were not in a position to express any firm views ahead of consensus on the scope of responsibilities that would be transferred to such a body. The process of amending the Articles of Agreement was also seen as challenging. Against this background, many Directors called for further reforms of the IMFC, including its procedures…. Other Directors agreed on the need for continuing IMFC reforms, but did not see only procedural reforms as a substitute for a more fundamental shift to a decision-making body.

IEO Recommendation	Board Response (May 2008–October 2010)	EDs' Workplan (Approved September 2008)	IMFC Response (May 2008–October 2010)	Status
The ministerial body should be given an explicit mandate to exercise oversight over the IMF on behalf of the Board of Governors.	(March 2010) **IMF Governance Reform—Selected Issues** Many Directors saw benefit in considering giving the IMFC—as a body that plays a key role in setting the Fund's strategic priorities and directions—a mandate to hold the Executive Board accountable for progress toward these priorities. However, other Directors did not see any shortcomings in existing accountability mechanisms.	[See Proposed Follow-Up for high-level recommendation on ministerial-level involvement].	(October 2010) **IMFC Communiqué** [W]e are working actively to resolve outstanding issues. These issues relate to … strategic oversight.	Ministerial-level decision-making body not supported.
The process for selecting the Chair of the IMFC/Council should be transparent and inclusive of the full membership, giving both developed and developing countries an opportunity to lead.	(October 2009) **Executive Board Report to the IMFC on Reform of Fund Governance** Precise modalities of rotation, regional balance, venues etc. are best worked out by the IMFC or their deputies.	*Previous work/status* On October 23, 2007, the IMFC Chairman in a letter to the members of the IMFC confirmed the IMFC's informal understanding on a term limit of three years and geographic rotation of the Chairmanship.		*Implemented.*
A maximum term of five years should be set for the position of IMFC/Council Chair.	(October 2009) **Executive Board Report to the IMFC on Reform of Fund Governance** Consideration could be given to a troika model—of past, current, and future heads—to foster ownership, broaden participation, and avoid dominance. To encourage rotation, terms might be of 1-2 years, and Spring meeting venues could include troika capitals. (October 2010) **Executive Board Report to the IMFC on Quota and Governance Reforms** Directors called for … shorter term limits of the IMFC chair.	*Previous work/status* On October 23, 2007, the IMFC Chairman in a letter to the members of the IMFC confirmed the IMFC's informal understanding on a term limit of three years and geographic rotation of the Chairmanship.		*Implemented.* Note: Since 2008, the terms for IMFC Chair have been a maximum of three years.
Hold IMFC/Council meetings at least twice a year.		[Not addressed].		*Continued* (was prior practice)
More actively involve IMFC/ Council Governors in setting the IMFC [meeting] agenda.	(October 2009) **Executive Board Report to the IMFC on Reform of Fund Governance** The usefulness of [Deputies'] meetings has declined. The deputies should be asked to propose an overhaul (e.g., serving more as agenda setters …).	[See Proposed Follow-Up for high-level recommendation on ministerial-level involvement].		IEO unable to assess.

IEO Recommendation	Board Response (May 2008–October 2010)	EDs' Workplan (Approved September 2008)	IMFC Response (May 2008–October 2010)	Status
Significantly modify IMFC/Council plenary sessions to allow for more substantive discussion, perhaps by restricting participation in some sessions to governors.	(October 2009) **Executive Board Report to the IMFC on Reform of Fund Governance** Despite some progress in recent years, there is scope to increase the quality of engagement among ministers and governors. The focus should be on a few systemic or controversial issues, with lead speakers, a Q&A session, and time-limited interventions; and comprehensive set speeches should be eliminated. The following may help: [further modifications such as combining a shorter plenary with more restricted sessions; drastically cutting the number of Fund staff in the room and non-IMFC members at the table; considering holding meetings in only compelling circumstances; making IMFC communiqués concise, forward looking, strategic, and prepared ahead of the meeting (with early drafts circulated for electronic comment prior to the formal drafting session); bringing only unresolved issues to the IMFC; and avoiding the addition of new items to the communiqué at the last minute.] (October 2010) **Executive Board Report to the IMFC on Quota and Governance Reforms** Directors called for … more interactive plenary discussions, and earlier circulation of communiqué drafts.	[See Proposed Follow-up for high-level recommendation on ministerial-level involvement].		*Partially implemented.* Restricted Informal Breakfast continued. Early Warning Exercise restricted session introduced. Since 2012, IMFC ministers consider the Managing Director's GPA in an open plenary session. Plenary sessions have been revised to include lead speakers. Interventions are time-limited. Earlier circulation of communiqué drafts.

IEO Recommendation	Board Response (May 2008–October 2010)	EDs' Workplan (Approved September 2008)	IMFC Response (May 2008–October 2010)	Status
The IMFC/Council decision-making should strive for consensus, voting only in extraordinary circumstances and subject to special majorities for important issues.	(October 2010) **Executive Board Report to the IMFC on Quota and Governance Reforms** A few Directors favored lowering the threshold for special majorities, thereby removing the veto power of the largest shareholders and placing all chairs on an equal footing. Some Directors called for greater, albeit selective, use of double majorities.	[Not addressed].	(April 2010) **IMFC Communiqué** [W]e call for an acceleration of the substantial work still needed on the full range of quota and other governance reforms, including … voting majorities.	*Not applicable.* *IMFC is not a decision-making body.* *Activation of the Council not supported.*
Clarify the mandate and the responsibilities of the Development Committee and restrict jurisdiction to the work of World Bank.		To be taken up with the Chairman of the Board of Governors of the World Bank.		*Not implemented.*

IEO Recommendation	Board Response (May 2008–October 2010)	EDs' Workplan (Approved September 2008)	IMFC Response (May 2008–October 2010)	Status
B. Executive Board				
Clarify roles and responsibilities of IMF governance bodies Reduce overlaps and address gaps.	(May 2008) **IEO Evaluation Report—Joint Statement by the Executive Board and the IMF Managing Director** The Executive Board and Management [stated that] the report has raised important questions [including] how to increase clarity on roles of governance bodies.	[Not addressed].		*High-level recommendation not implemented.* *Reducing overlaps and addressing gaps not implemented.*
The Board should be reoriented towards a supervisory role Shift balance of activities towards more supervisory role, mainly by providing oversight over Management, and towards Board members' representational role in contributing to formulating strategy and affording a more equal voice to all Fund members. Amend By-Laws to clarify Board's role as supervisory and oversight body and to outline specific areas of Board responsibility, as well as update.		[REVISED] Clarify respective roles of Board and Management; shift balance of the Board's activities more towards a supervisory and representation role [sub-recommendation:] Amend and update By-Laws to include statement clarifying the Board's role as a supervisory and oversight body and outlining specific areas of Board responsibility]	(April 2010) **IMFC Communiqué** [W]e call for an acceleration of the substantial work still needed on the full range of quota and other governance reforms, including … Board composition and size. (October 2010) **IMFC Communiqué** [W]e are working actively to resolve outstanding issues. These issues relate to … enhanced voice and representation of emerging markets and developing countries at the IMF's Executive Board.	*High-level recommendation not implemented.* *Voice reforms in progress.* *Not supported.*
The Board should give greater emphasis and develop more effective processes to provide oversight of implementation of agreed policies and strategies, with particular focus on ensuring that corrective action is taken. Results should be part of feedback given to Management as part of its performance review.		Develop more effective processes to provide oversight of implementation of agreed policies and strategies. *Proposed follow-up*: Dean to propose the topic of effectiveness of the Board for the next Board retreat.		*Partially implemented.*

IEO Recommendation	Board Response (May 2008–October 2010)	EDs' Workplan (Approved September 2008)	IMFC Response (May 2008–October 2010)	Status
To be effective in these oversight tasks, the Board would need to reduce its direct involvement in day-to-day operations … focusing on systemic issues and delegating committees—and perhaps Management—decisions over issues that have little policy impact and that fall within precedent and practice.	(October 2009) **Executive Board Report to the IMFC on Reform of Fund Governance** [T]he Board's effectiveness could be enhanced by modernizing work practices, including through better use of Board committees.	[Recommendation reordered: Reduce the Board's direct involvement in day-to-day operations; [sub-bullet:] more active and systematic role for committee chairs]. *Proposed follow-up*: Dean to propose the topic of effectiveness of the Board for the next Board retreat.	(October 2010) **IMFC Communiqué** We call for progress [on] board effectiveness.	*Partially implemented.* There has been more active role for some committee chairs. Board has discussed possible effectiveness reforms. Day-to-day Board involvement has not been reduced. Delegation to committees has not been increased.
Reconsider the modalities for Board involvement in the Article IV surveillance process		[Recommendation reordered: Reduce the Board's direct involvement in day-to-day operations; [and this recommendation appears as sub-bullet.] *Proposed follow-up*: Dean to propose the topic of effectiveness of the Board for the next Board retreat.		*Partially implemented.* LOT procedures were reconsidered.
The Board should play a more active role in setting its agenda.		*Proposed follow-up*: Dean to propose the topic of effectiveness of the Board for the next Board retreat.		*Not implemented.*
Board should meet less frequently.		[Workplan cites recommendation as also including IEO's suggestion:] allowing more time to consult with authorities and to do background work to have greater impact during meetings. *Proposed follow-up*: Dean to propose the topic of effectiveness of the Board for the next Board retreat.		*Not supported.*

IEO Recommendation	Board Response (May 2008–October 2010)	EDs' Workplan (Approved September 2008)	IMFC Response (May 2008–October 2010)	Status
Reform the selection and terms of service of Executive Directors a. All Director positions should be elected.	(July 2010) **IMF Governance Reform** Many Directors viewed a move to an all-elected Board, together with steps to avoid further concentration in voting power, as useful to level the playing field among Executive Directors. However, a number of others argued against changing well-established rules, noting that the present system provides appropriate limits to the concentration of voting power, critical to an effective Board. A few Directors called for raising the upper limit on the voting power of elected chairs to facilitate greater consolidation, while a few others favored lowering it to ensure a more even distribution of voting power.	Acceptance of the recommendations would require a change in the Articles. *Proposed follow-up*: Board to give guidance on whether and how quickly it wants to put these items [including increasing terms of service] on its agenda. Our Working Groups should make proposals to the Board. Proposal: Schedule a Board meeting. *Timeframe*: August 2008. Item to be put on the agenda in September 2008.		*Reform of terms of service not implemented.* *All-elected Directors implemented.*
b. Board should develop and issue generic job descriptions for Directors, Alternate EDs, senior advisors, and advisors.		**Improve skill mix and effectiveness of Board members** *Proposed follow-up*: Committee on Executive Board Administrative Matters to examine these issues further *Timeframe*: During 2009		*Not supported.*
c. Directors should select advisors and senior advisors, possibly from a short-list provided by authorities.				*Not supported.*
d. Director should provide office staff an annual performance review to be shared with respective authorities.				*Not supported.*
e. Directors' terms of service should be increased from 2 to 3 years.		[See Proposed Follow-Up for high-level recommendation on ministerial-level involvement]		*Not implemented.*
f. Board should strengthen Board member induction and training programs.		[Not addressed]		*Partially implemented.*

IEO Recommendation	Board Response (May 2008–October 2010)	EDs' Workplan (Approved September 2008)	IMFC Response (May 2008–October 2010)	Status
Strengthen Board committee structure. a. Create a Human Resources Policy Committee and an Audit Committee.		*Previous work/status:* On October 2, 2007 a Working Group on Executive Board Committees was set up. A first set of recommendations was approved by the Board on January 24, 2008. It was decided to constitute an informal Working Group to review the committee structure every two or three years. *Proposed follow-up*: Board to give guidance on whether to set up a Working Group now that would review the earlier recommendations in light of the IEO report or to wait for a "regular" review in 2009 or 2010.		*Overarching recommendation not implemented.* *a. Not supported.*
b. All committees should be chaired by an Executive Director rather than by Management.				*Not implemented.*
c. Put clear guidelines in place for selecting members and chairs.				*Not implemented.*
d. Undertake annual performance assessment of committee and chairs.		Proposal: Immediate reactivation of former Working Group. This group would review the structure and functioning of Board committees. *Timeframe*: August 2008. Working Group to report to the Board by October 2008. [Adds "If established," at the beginning of the final recommendation in this section]. *Proposed follow-up*: New Working Group on Executive Board Committees to review the structure and functioning of Board Committees in light of the IEO Report. The sequence of procedures could be changed so as to provide the Board with a possibility to ask for clarifications *before* the External Audit Committee signs off on the Fund's financial statements.		*Partially implemented.* Annual overview of committee deliverables to be considered in the Agenda and Procedures Committee. Note: Since 2009, draft financial statements are circulated to the Board one week prior to sign-off by the external audit firm.

IEO Recommendation	Board Response (May 2008–October 2010)	EDs' Workplan (Approved September 2008)	IMFC Response (May 2008–October 2010)	Status
Enhance the Board's ability to receive independent advice on legal matters and Fund procedures. a. The Board should play a formal role in the selection, performance assessments, and dismissal of the Fund's General Counsel and the Secretary of the Board.		[Includes only "selection"] *Proposed follow-up:* Managing Director to propose and Board to adopt the practice of the World Bank when appointing the Legal Counsel and the Secretary of the Board. Envisage a follow-up by a new Board Working Group that will thoroughly assess this issue further, including the questions of performance assessment, and dismissal. *Proposed follow-up:* New Board Working Group to further examine Board involvement in the selection, performance assessment, and dismissal of the Legal Counsel and the Secretary of the Board. In order to enhance their independent standing, these officials could be appointed in that position for a fixed period of five years (like DMDs). *Timeframe:* Working Group to report to the Board during 2009.		*Not implemented.* *a. Not implemented.*
b. The Board and its committees should have resources available to hire outside independent expertise		Committee on Executive Board Administrative Matters to examine … further.		IEO unable to assess whether there has been any change since 2008.
c. Board Audit Committee should include outside experts with qualifications similar to existing External Audit Committee.				*Not applicable.* There is no Board Audit Committee.

IEO Recommendation	Board Response (May 2008–October 2010)	EDs' Workplan (Approved September 2008)	IMFC Response (May 2008–October 2010)	Status
Introduce regular process of Board self-evaluation, as part of which it would seek the feedback of authorities, Management and staff…. The self-assessment process should be facilitated by a specialized external consultant.		Extend the mandate of the Working Group [on the Framework of the Managing Director's Performance Evaluation] to include the task of considering possible modalities for Board self-evaluation.		*Partially implemented.* Board self-evaluation has been carried out for two years to date. Does not seek feedback of authorities or staff. Facilitated by IMF staff rather than by a specialized external consultant.
Improve clarity and transparency of Summings Up a. [SUs should] state more clearly what constitutes a formal decision or views of the Board as opposed to the views of groups of Directors.		*Previous work/status:* On May 17, 2007 the Agenda and Procedures Committee discussed aspects covered by the IEO recommendations. *Proposed follow-up:* Agenda and Procedures Committee to re-examine the issues in light of the IEO report and propose possible measures to improve Summings Up. *Timeframe:* Agenda and Procedures Committee to report to Board by December 2008.		*Broadly implemented.* *a. Implemented.*
b. Minority viewpoints should be reflected more consistently.				*Implemented.*
c. Code words used to describe the extent of support for a position among Directors should be clarified and made public.				*Implemented.*
d. Facilitate the preparation of effective SUs through more focused interventions at meetings and ensuring that Grays are circulated at least 48 hours in advance.				*Partially implemented.* Scope remains for greater clarity of SUs, reflecting diverse viewpoints, and greater clarity on how EDs' comments are reflected in SUs. The deadline for Grays was tightened but is not always met.

IEO Recommendation	Board Response (May 2008–October 2010)	EDs' Workplan (Approved September 2008)	IMFC Response (May 2008–October 2010)	Status
Enhance Fund transparency to meet best practices in international organizations. a. Standard length of time before Board documents are made publicly available should be set at two years, with an explicit decision required for longer periods.	See **Review of the Fund's Transparency Policy (EBM/09/120; /126) December 2009**	*Proposed follow-up*: Issues raised by the IEO Report to be addressed in the context of the next regular Review of Transparency Policy scheduled for 2009. This review would at the same time cover possible amendments to the archives policy and review criteria for classifying and declassifying documents, and their possible publication.		*High-level recommendation broadly implemented.* *a. Implemented* The standard length of time was shortened in 2009 and 2014 by formal Decision, in most cases to be as soon as three years.
b. Review and make public the current criteria to classify Board documents as "strictly confidential" and "secret".				*Not implemented.*
c. Make public the criteria for the declassification of "strictly confidential" and "secret" Board documents.				*Partially Implemented.*
d. Make greater use of the internet to facilitate access to archival material by external parties.				*Implemented.*

IEO Recommendation	Board Response (May 2008–October 2010)	EDs' Workplan (Approved September 2008)	IMFC Response (May 2008–October 2010)	Status
Strengthen ethics oversight of/by the Board a. Make language in the Code of Conduct binding.		**Strengthen system of ethical oversight** *Proposed follow-up*: A third-party integrity hotline for handling allegations of misconduct against staff (including DMDs) was launched in June 2008. The hotline is open to all, including for complaints from outside the Fund. All notices are received by an outside vendor and then conveyed to the Ethics Officer for resolution Based on a memorandum by the Chairman of the Ethics Committee (July 21, 2008), the Board agreed that the third-party integrity hotline will also be available for complaints against Board members.		*Broadly implemented.* a. *Implemented.*
b. Establish centralized mechanism and procedures for complaints about misconduct by Board members.				*Implemented.* Scope remains for greater clarity and transparency of procedures.
c. Put in place "whistleblower" protections.				*Implemented.*
d. Ethics Committee members should receive training on their responsibilities and on how to conduct effective investigations of alleged misconduct.				*Partially implemented.* Code Annex calls for training only in the event of investigation.

IEO Recommendation	Board Response (May 2008–October 2010)	EDs' Workplan (Approved September 2008)	IMFC Response (May 2008–October 2010)	Status
C. Management				
Establish accountability framework for Management Introduce an accountability framework for Management [and] provide clear proposals on performance criteria, on the processes to be used, and on how assessments are to be translated into incentives.	(May 2008) **IEO Evaluation Report—Joint Statement by the Executive Board and the IMF Managing Director** The Executive Board and Management [stated that] the report has raised important questions [including] how to strengthen the Management accountability framework, recognizing that work in that area is already underway.	*Previous work/status*: On January 15, 2008 a Working Group on the Framework of the Managing Director's Performance Evaluation was established, chaired by the Dean. *Proposed follow-up*: A Working Group on the Framework of the Managing Director's Performance Evaluation chaired by the Dean is currently developing performance objectives that will be used to assess the MD's performance. The framework also envisages that the MD assesses the performance of the Executive Board. *Timeframe*: Working Group to report to the Board by November 2008.	(October 2010) **IMFC Communiqué** We call for progress in … Management accountability.	*High-level recommendation partially implemented.* Performance criteria, processes, and how assessments are translated into incentives are unknown.
The selection process for the Managing Director should be reformed, taking into account … the 2001 Joint Working Group Report [and] should be open to … all nationalities.	(July 2010) **IMF Governance Reform (EBM 10/78)** Directors reiterated their commitment to an open and transparent process for selecting Management, and many agreed that a political commitment to end the unwritten understandings that govern the selection of Management would be necessary. A number of Directors stressed that any such commitment would need to apply to the selection of the heads of all the international financial institutions. Some Directors also reaffirmed their support for an opening up of the nomination process, although the question of how much to expand the circle of those who should be eligible to nominate a candidate remained unresolved.	The Working Group proposes that the Board establish a new working group to consider the recommendation that the selection process for the MD be reformed and that this working group also review the selection process for DMDs. The new working group should take into account the 2001 Draft Joint Report of the Bank and Fund Working Groups and the selection process that the Board established during the last selection in 2007. Given that in the past the Board requested strict parallelism with the World Bank, the new working group should consider coordination with the Executive Board of the World Bank.	(October 2009) **IMFC Communiqué** We intend to adopt an open, merit based and transparent process for the selection of IMF Management at our next meeting.	*Partially implemented.* The nominations process has become more open. There has been no change in the selection outcome. The IMFC has not adopted a new process.
There should be an open selection process for the FDMD and DMD positions [not to be reserved by nationality], based on clearly specified criteria … but the MD should have the final say.		*Proposed follow-up*: New Board Working Group to examine the MD and DMD selection process. The Working Group should coordinate with the World Bank. *Timeframe*: Working Group to report to the Board in 2009	(October 2009) **IMFC Communiqué** Governors announced their intention to adopt at the next meeting an open, merit-based transparent process for selection of IMF Management.	*Not implemented.*

IEO Recommendation	Board Response (May 2008–October 2010)	EDs' Workplan (Approved September 2008)	IMFC Response (May 2008–October 2010)	Status
Improve effectiveness and accountability through a more coherent assignment of DMD responsibilities.		Board to ask the Managing Director to consider		IEO unable to assess the coherence and effectiveness of assignment of DMD responsibilities.
Introduce a formal evaluation process for DMDs.		Board to ask the Managing Director to consider		IEO unable to assess.
The Staff Code of Conduct should be made explicitly binding on the MD, while specifying what mechanism would be used to apply this Code in an independent and credible manner.	(October 2008) **Statement by IMF Executive Board on Review of Managing Director's Conduct** (Press Release No. 08/257) The Executive Board took note of the concluding observations by the external counsel with respect to best practices, and will take them into account in the work underway in the Fund to review the standards of conduct applicable to the Managing Director, the staff, and the members of the Executive Board.	[Workplan omits "staff" in citing recommendation] Previous work/status: The working group agrees with the Legal Department's view (see BUFF/08/58) that the Staff Code of Conduct is not the appropriate legal instrument that binds the MD to ethical standards because (1) the MD is not a staff member, (2) the MD adopts and can amend the staff code, and (3) in some cases the standard applied to the MD would need to be more strict than that applicable to staff. The appropriate legal instrument is the MD's contract which is legally binding.[2] The working group reviewed the language in the MD's contract regarding misconduct or conflict of interest. This issue should be revisited by the Contract Working Group that will be drafting the next MD contract. The Executive Board has agreed that the recently established integrity hotline will also be available for complaints against the MD. This should be announced both inside and outside the Fund, together with the protocol for handling any such complaints. The Ethics Committee is currently considering a strengthening of the mechanism to apply the code of conduct to Executive Directors, including investigation procedures. Our Working Group proposes that the same procedures that are being designed for Executive Directors will also be applied to the MD.		*Partially implemented.* The current MD's contract states ad hoc that she is subject to the Staff Code of Conduct. The mechanism to be used to apply the Code in an independent manner has not been specified.

IEO Recommendation	Board Response (May 2008–October 2010)	EDs' Workplan (Approved September 2008)	IMFC Response (May 2008–October 2010)	Status
		Based on a memorandum by the Dean (July 23, 2008), the Board agreed that the third-party integrity hotline will also be available for complaints against the Managing Director. *Proposed follow-up*: The Managing Director's contract is the appropriate legal instrument and sufficiently binding to ensure ethical conduct. No further action is needed on this. The mechanism for the application of the Code of Conduct to the Managing Director should replicate the mechanism for Board members, based on proposals by the Ethics Committee. Dean to propose such an alignment.		
Upon leaving the IMF, the MD and DMDs should be subject to explicit "cooling-off" periods before they may take private sector jobs related to Fund activities.		*Previous work/status*: For DMDs, who are staff, Staff Bulletin 06/04 and Para. 34 of the Staff Code of Conduct regarding post-IMF employment apply. The Ethics Officer together with LEG and HRD has started internal consultations regarding a general revision of this code. *Proposed follow-up*: [Re: MD] The question of a cooling off period for the Managing Director is to be addressed by the next Contract Working Group (to be formed to draft the next MD contract). [Re: DMDs] The Working Group suggests that the revision [of Staff Code] also review this issue.... Managing Director to include the question of cooling off provisions in the envisaged revision of the Staff Code of Conduct.		*Not implemented for the MD.* *Implemented for DMDs.*

[2] The Staff Code is not viewed as legally binding; it is designed to provide general guidance and direction to staff on ethical conduct and workplace behavior. It does not have the same enforcement status as the N Rules, General Administrative Orders, Staff Bulletins, and other management directives.

APPENDIX 2

THE FOLLOW-UP PROCESS FOR THE 2008 IEO EVALUATION

The follow-up process for IEO evaluations is comprised of three stages. First, a Summing Up of EDs' views is issued by the MD, who serves as Chairman of the Board, after the Board discussion. Second, as of 2007, a Management Implementation Plan to undertake actions arising from the Board-endorsed evaluation recommendations is subsequently transmitted and discussed by the Evaluation Committee for approval by the Board. Third, the status of agreed actions is reviewed by Management in an annual Periodic Monitoring Report on the implementation of Board-endorsed IEO recommendations, which is assessed by the Board Evaluation Committee for approval by the Board.

At the time of the Board meeting, the MD did not favor issuing a Summing Up because he believed that the discussion should be viewed as only the first step in a longer process. In the event, EDs suggested that a concluding statement be issued jointly by EDs and the MD; the statement was general in nature and did not address any specific evaluation report recommendations. Further, it was agreed that it would not be appropriate to issue a Management Implementation Plan. Rather, there was a consensus among EDs that an ad hoc Working Group be established by the Dean of the Board to devise a framework for discussing the recommendations. In the view of many EDs, it was the Board that should take the lead on an implementation plan; the Working Group would focus the Board's time on those items that could be undertaken quickly while laying the groundwork for future work as warranted.

Led by the chairman of the Board Evaluation Committee, the EDs' Working Group met over the summer of 2008 and developed a detailed tiered work plan for consideration of nearly all the IEO evaluation report recommendations. Each recommendation was tasked to one of four simultaneous work streams and was accompanied by a comment on the status of the issue, the proposed follow-up, and the proposed time-frame for action. The EDs' Working Group transmitted its report in advance of a Board meeting to be held on September 29, 2008.

Two weeks prior to the Board discussion of the EDs' Working Group report, the MD announced the appointment of group of eminent persons "to assess the adequacy of the Fund's current framework for decision making and advise on any modifications that might enable the institution to fulfill its global mandate more effectively [and] provide yet another important input to our reform efforts" (IMF, 2008b) with recommendations anticipated by the 2009 IMF Spring Meetings.[1] He also announced his intention to engage civil society and other external stakeholders at a later stage.

In his statement prepared for the Board discussion of the EDs' Working Group report, the MD further proposed to establish a joint task force of Management and EDs to be co-chaired by an ED and Deputy Managing Director. He called for the task force to build from the road map set forth by the EDs' Working Group to put in motion issues that could be considered

[1] The Committee on IMF Governance Reform was chaired by Trevor Manuel and included Michel Camdessus, Kenneth Dam, Mohamed El-Erian, Sri Mulyani Indrawati, Guillermo Ortiz, Robert Rubin, Amartya Sen, and Zhou Xiaochuan.

quickly; but for matters requiring substantive consideration he suggested the task force wait until the issuance of the eminent persons group report and wider consultation, all with the aim of distilling concrete proposals by the 2009 IMF Annual Meetings. He also suggested that the task force could call for analysis from IMF staff as needed.

Directors supported the EDs' Working Group work plan laid out to respond to the evaluation recommendations at a September 29, 2008 Board meeting.[2] During the discussion, the EDs' Working Group highlighted the importance of monitoring the implementation of the work plan. In their view, the dedicated monitoring report should not only report on the status of implementation of recommendations endorsed by respective relevant bodies but should also put on record which recommendations were not endorsed and for what reasons. They believed doing so would inform future discussions on governance and help to avoid "reinventing the wheel;" and they proposed that the Working Group would present a monitoring report to the Board one year later.

During the Board discussion, some EDs sought clarity on the modalities of the ED-Management task force, henceforth known as the Joint Steering Committee, while others also were not convinced on the approach. In their view, reidentifying the sequencing of attention to issues and reopening the recommendations of the EDs' Working Group was an unnecessary duplication of efforts and could possibly create the impression that the Fund was reluctant to deal with some of the IEO evaluation recommendations. Nonetheless, the MD noted that the Joint Steering Committee would take on both the coordinating and monitoring role. Some Directors additionally reiterated that further work on quota and voice should be an integral part of the Fund's overall governance reform.

The second Periodic Monitoring Report (PMR) on implementation of Board-endorsed IEO recommendations did not discuss the governance evaluation. In its assessment of the PMR, the Board Evaluation Committee noted that the 2008 evaluation recommendations would be further discussed in the context of the Joint Steering Committee which was tasked with ensuring a collaborative process involving all the streams of the reform effort. The assessment was endorsed by the Board.

While the Joint Steering Committee met twice in early 2009 and circulated status reports at the time, it did not issue a one-year implementation report as originally envisioned. In its January 2010 assessment of the Third PMR, the Board Evaluation Committee noted that the Joint Steering Committee should produce a monitoring report. Some EDs continued well into 2010 to call for the issuance of a Joint Steering Committee report, but this did not transpire.

In early January 2011, the Dean of the Board dissolved the Joint Steering Committee, stating that it had completed its mission. He noted that while the quota and voice reform package was awaiting approval by the IMF Board of Governors, any follow-up and further issues on governance would be taken up by the whole Board. He also noted that the Working Group on the Performance Feedback Exercise Between the Executive Board and the MD had concluded its work in the Fall of 2010 and recommended that the Working Group be reconvened on an ad hoc basis.

[2] One item that did not gain the support of the MD and which the Chairman of the EDs' Working Group agreed to defer at the time was the Working Group recommendation to create a new EDs' working group on the selection, performance assessment and dismissal of the General Counsel and proposing that as an intermediate step the MD follow the World Bank procedure to invite the Board to participate in the search and selection for the General Counsel.

APPENDIX 3

EXECUTIVE BOARD INDICATORS

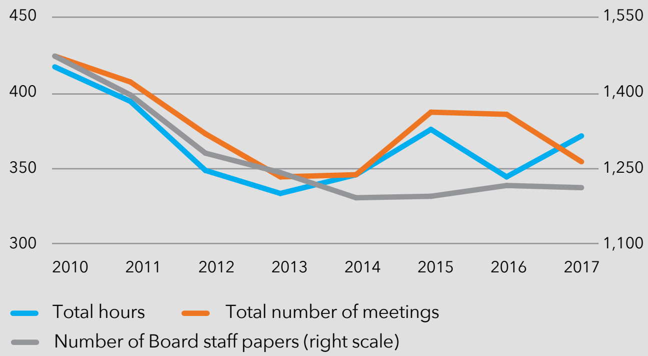
Board meeting activity. There has been some moderation in Board meeting activity in recent years (Figure A3.1, left panel).[1] Continuing the trend described in the 2008 evaluation, the annual number of hours of Board meetings has declined, albeit not monotonically, by 11 percent from 2010 to 2017. As the number of meetings followed a similar declining trend, the average duration of meetings has remained broadly constant at around 60 minutes.

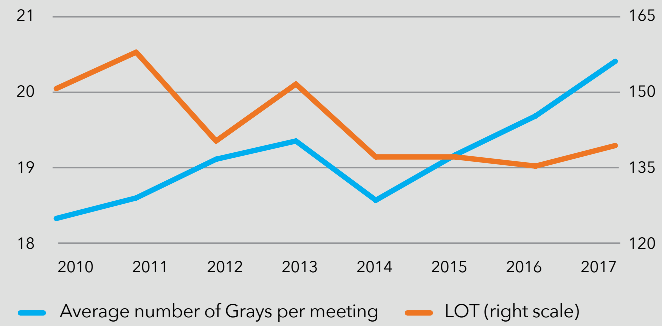
Board documents. The number of staff papers presented to the Board has also decreased by 19 percent during the period, reflecting to some extent a greater use of informal sessions where no Board documents are provided (see below). Country staff reports are subject to a 5,000- to 9,500-word limit. Policy documents are limited to 12,500 words, with exemptions for flagship reports, the Low-Income Developing Country report, Regional Economic Outlooks, Staff Working Papers, and Staff Discussion Notes. Policy papers exceeding the word limit may include one or more background papers which would also be limited in the aggregate to 12,500 words.

Use of Grays. EDs have increased the use of written statements ("Grays") in advance of Board meetings. Grays are intended to allow EDs to place country/constituency views on the record, while freeing up Board time for more focused discussion of issues. The use of Grays by Directors has increased by 11 percent over the 2010–17 period, to a record average of 20 Grays per meeting in 2017 (Figure A3.1, right panel). Given that Grays are normally not issued for informal or committee meetings, this would suggest that their issuance has

[1] The analysis of Board activity indicators is comprised of estimates, using SEC data. As a result of the Board efficiency reforms instituted in response to the 2008 evaluation, there were changes to the Board workload indicator data methodology. Therefore, the analysis covers 2010–17 to accurately reflect changes since the 2008 evaluation. Although the data for 2009 was compiled after the 2008 evaluation, it is based on the same methodology used for the period covered by the 2008 evaluation.

FIGURE A3.1. BOARD ACTIVITY INDICATORS





Source: IEO estimates based on internal IMF data.

become a standardized practice for all formal meetings. On the negative side, the perception that there is an expectation to issue a Gray for all formal meetings may place a burden on OEDs' time, especially in those offices that receive limited support from their capital. At the same time, a Gray written with input dictated from capitals may reduce EDs' autonomy and room for consensus building, eroding the Board's dynamism. This risk is aggravated by a perceived tendency of SEC, as mentioned by some EDs, to heavily rely on preliminary Grays for preparing Summings Up. In some cases, groups of constituencies issue joint Grays, an efficient practice that has picked up recently.

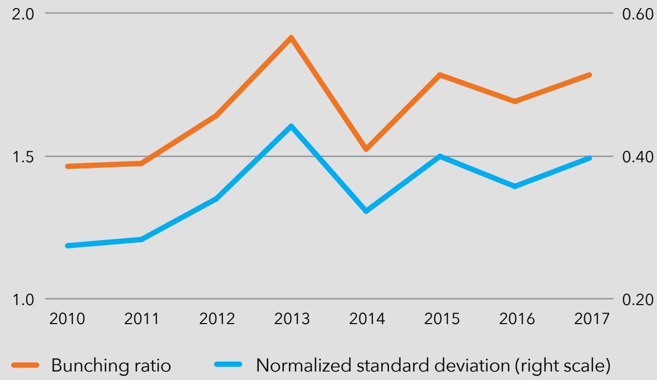
Bunching of workload. The bunching ratio (defined as the average of June and July over the year average excluding those two months) has risen slightly over the period examined (Figure A3.2).

LOT approvals. The use of Lapse of Time (LOT) procedures was reduced by over 7 percent overall over the period, although the number of LOT approvals increased for country items (Figure A3.3). The use of LOT procedures helps to reduce pressure on Board time but also reduces the opportunities for EDs to formally offer views, which has been a concern of chairs representing smaller member countries more often affected by LOT procedures.

Informal meetings. The most striking shift in the use of Board time has been the more than doubling of the amount of time spent in informal sessions, jumping to 35 percent of the total Board hours during 2010–17, from 15 percent over the period examined in the 2008 evaluation (see Figure 2 in the main text). On average, policy discussions[2] account for 70 percent of informal sessions (country items for 15 percent), which means that the combination of formal and informal policy meetings accounts for 36 percent of the total. At the same time, the Board time dedicated to multilateral surveillance has halved since the 2008 evaluations, most likely due not only to the reclassification of some of these meetings as informal sessions, but also to some consolidation and streamlining of multilateral surveillance products and discussions, such as the Spillover Report.

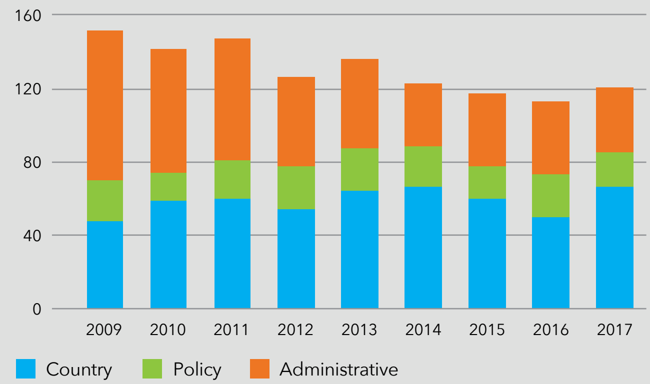
[2] Broadly defined to encompass meetings not on country items or administrative issues.

FIGURE A3.2. BUNCHING RATIO AND STANDARD DEVIATION



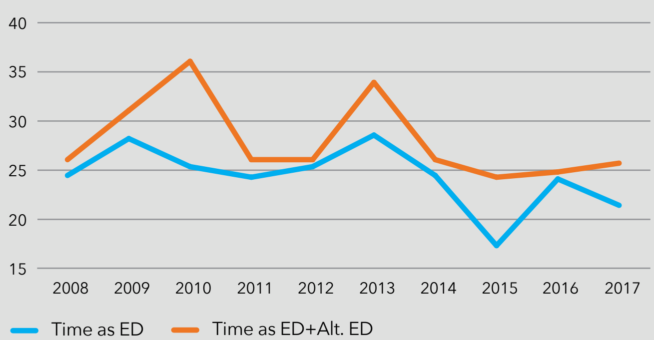
Source: IEO estimates based on internal IMF data.
Note: The bunching ratio is defined as the June and July average over the year average excluding June and July. The standard deviation is normalized to the mean.

FIGURE A3.3. BOARD ITEMS APPROVED ON A LAPSE OF TIME BASIS



Source: IEO estimates based on internal IMF data.

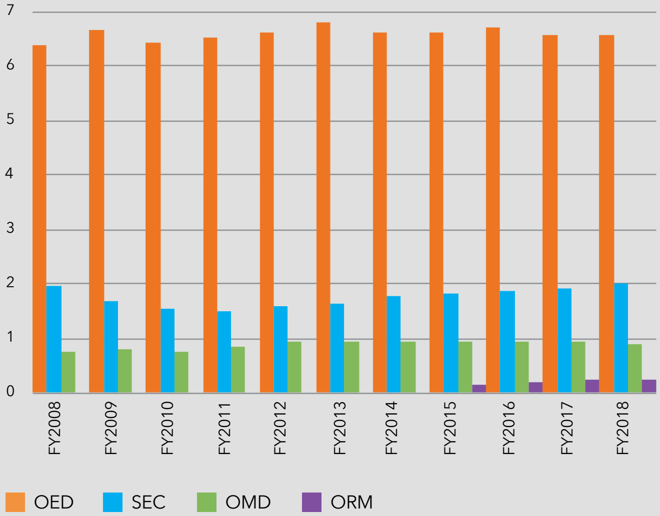
FIGURE A3.4. TENURE OF EXECUTIVE DIRECTORS
(In months, median)



Source: IEO estimates based on internal IMF data.
Note: ED = Executive Director; Alt. ED = Alternate Executive Director

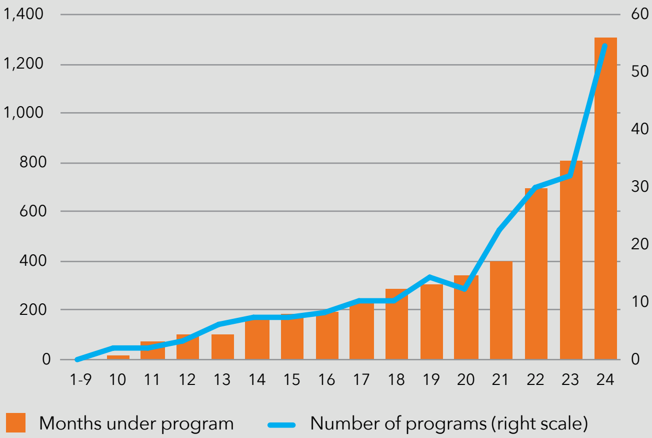
FIGURE A3.5. NET BUDGET ENVELOPE BY DEPARTMENT

(Share of total IMF net administrative budget, in percent)



Sources: FACTS, ACES, and internal IMF data.
Note: OED = Offices of Executive Directors; SEC = Secretary's Department; OMD = Office of the Managing Director; ORM = Office of Risk Management. Structural budgets; does not include transitional/carryforward resources.

FIGURE A3.6. PROGRAM-RELATED ACTIVITY BY CONSTITUENCY, 2008–17



Source: IEO estimates based on internal IMF data.
Note: The horizontal axis denotes constituencies represented at the IMF Board, which for purposes of the analysis are numbered 1 through 24. "Months under program" represents the total number of months that members of each constituency were engaged in IMF-supported programs during the 2008–17 period. "Number of programs" represents the total number of IMF-supported programs approved for members of each constituency during the 2008–17 period. Only lending programs are included. Calculations are based on constituency composition as of August 2018.

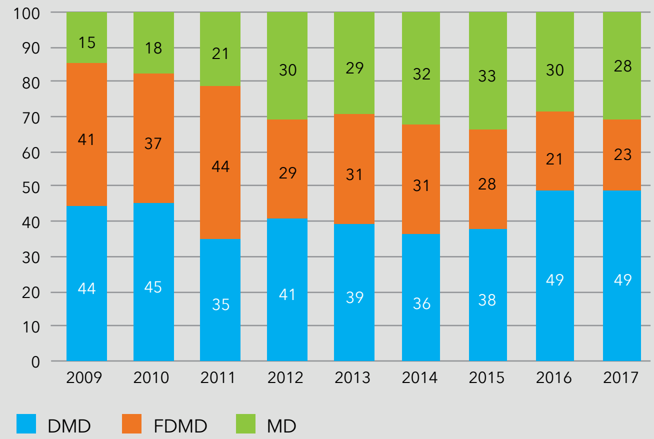
Tenure of EDs. The median tenure of EDs remained relatively stable in the early part of the last decade, at nearly 26 months, but has since declined to nearly 21 months in recent years (Figure A3.4). When including prior experience as Alternate ED, the median was somewhat higher, but still only around 25 months in recent years. High turnover may be more of an issue in multi-country constituencies with agreements to rotate the ED position among countries (often every two years). While some constituencies have alleviated this problem with a sequenced approach, by which EDs spend some time as Senior Advisor or Alternate ED before serving as ED, others have preferred to bring in senior officials who have relevant experience directly from capitals.

Cost efficiency. The Board's cost has been broadly maintained since 2008. OEDs were run on a broadly constant budget as a share of the IMF net administrative budget between 2008–17, around 6 percent (Figure A3.5). This suggests that some governance reforms with potential resource implications were implemented in a broadly resource-neutral way through budgetary reallocation. The budget share for SEC has risen modestly since 2012. In FY2018, approximately 40 percent of SEC's budget was devoted to Board functions, while approximately 9 percent was devoted to IMFC meetings. SEC support for secretariat services to the G24 and other related groups was less than 1 percent of the department's budget.

Program-related activity. There has been great disparity in program-related activity across constituencies since 2008. As Figure A3.6 shows, in 9 of 24 constituencies, no member country was engaged in a program relationship with the Fund during the 2008-17 period. Other constituencies, however, were engaged with the program process many times (14 times on average), which implied a heavy workload for OEDs representing them (e.g., program negotiations, periodic reviews, etc.). Moreover, program activity tended to be concentrated in constituencies made up of a high number of members, which also increased the workload associated with non-program-related activities undertaken by all OEDs (i.e. surveillance and policy-related work).

Board chairing practices. There has been a shift in Board chairing practices since the 2008 evaluation. There has been a sizable increase in the share of the Board meeting hours chaired by the MD since 2012 (Figure A3.7). On average, between 2008 and 2017, the MD chaired 25 percent of Board meeting hours. The share of Board hours chaired by the MD varied significantly by type of meeting and meeting item. The share of Board meeting hours on advanced country matters chaired by the MD was 28 percent, on similar order for the share for the FDMD (34 percent). The MD also chaired nearly 40 percent of non-country Board meeting hours. In contrast, Board meeting hours on low-income country matters were predominantly chaired by DMDs (90 percent of meeting hours), while the share of the MD was only 0.5 percent.

FIGURE A3.7. SHARE OF BOARD MEETING HOURS BY CHAIR
(In percent)



Source: IEO estimates based on internal IMF data.
Note: DMD = Deputy Managing Director; FDMD = First Deputy Managing Director; MD = Managing Director.

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STATEMENT BY THE MANAGING DIRECTOR

ON THE INDEPENDENT EVALUATION OFFICE REPORT ON GOVERNANCE OF THE IMF: EVALUATION UPDATE

I would like to thank the Independent Evaluation Office (IEO) for preparing this informative update on the 2008 report on governance of the IMF. It is reassuring that the Update recognizes the significant progress made in improving efficiency, accountability, and voice of the Fund's main governance bodies, and I concur that the remaining challenges need our continued attention and collective commitment.

Over the last decade—the period covered by the Update—the governance of the IMF has undergone major changes while supporting the institution to rise to the unprecedented challenge of responding to the global financial crisis and subsequent shocks. We have witnessed major quota and voice reforms. These reforms represented a major step forward in modernizing the Fund by better aligning quota shares with members' relative weights in the world economy, making quotas and voting shares more responsive to future changes in economic realities, and increasing voting shares of most emerging market and low-income countries. Other governance reforms that have enhanced efficiency and accountability of Fund's governance bodies included modifications to the practices and procedures of the Executive Board, the move to an all-elected Board, the introduction of Board self-evaluations, the creation of the Office of Risk Management, the adoption of more transparent policies for accessing Fund documents, and revisions to the Managing Director's accountability framework, among others.

I welcome the report's finding that the Fund remains effective in fulfilling its mandate, and the recognition of improvements in voice, efficiency, and accountability of the Fund's main governance bodies. At the same time, the report sees a need for further accountability and voice reforms and highlights the challenges of finding an appropriate balance between achieving a strong and more representative Board and preserving Management's operational latitude and addressing concerns related to the selection of IMF Management. The 15th General Review of Quotas provides an opportunity to make further progress on voice and representation. I look forward to further dialogue on this and other issues with the membership toward an even stronger, more representative, more accountable, effective and efficient Fund.

I would like to conclude by thanking the IEO for this informative report as a good basis to advance our dialogue.

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GOVERNANCE OF THE IMF
EVALUATION UPDATE 2018