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.