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**POWER IMF REFORM FROM A CORPORATE GOVERNANCE PERSPECTIVE:
A TEST BED FOR A NEW PARADIGM FOR GLOBAL GOVERNANCE**

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1. Introduction

Following the meltdown that brought global financial markets to the brink of collapse, much attention has shifted to the inability of leading international economic institutions to prevent such crises and curtail its repercussions. Organizations such as the IMF and World Bank have faced a barrage of criticism with frustration focusing on the existing international economic order that largely contributed to the formation of the G20. Members of the G20, in particular, have been pushing for a new system of global governance that would lead to serious reforms to the existing order of international economic organizations.

This position paper will seek to outline the primary reforms that need be undertaken to modernize the IMF so that it will be able to effectively monitor and prevent further financial catastrophes from recurring in the future and full its mandate as a “guardian of systemic stability.” It will first describe the pressing needs that need to be addressed in our global economy, review the current problems of the IMF, evaluate the various proposals for reform and then seek to propose the best solution. It will focus on the governance reforms that are currently being proposed and, where feasible, evaluate them from a corporate governance perspective to try to shed new light on the long-standing and massive debate on IMF reform.

In the end, the key remains how to enhance the authority of the highest executive body, which body should carry out this function, and how that body should be organized relative to other internal organs. This paper takes the view that establishing an independent governing board that can effectively oversee the management’s implementation of the IMF’s mandate of providing global financial stability is needed. The byzantine, overlapping division of responsibilities must be clarified. Ultimately, whether in the form of a revamped council or executive board, top executive body and management must be accountable and transparent for the organization to be bestowed with the legitimacy and authority it needs to operate. Finally, quota and voice reform should refer to the reforms that have been adopted by the European Union.

2. The Need for Reform

A vast array of reasons has been propounded for the need to reform the IMF. First, the divide between advanced countries and emerging economies and less developed ones has widened. Increasingly advanced countries prefer to resolve monetary and financial issues in other smaller international fora. Emerging markets and developing countries meanwhile remain frustrated with their lack of voice, the unfair quota treatment and the insufficient attention to their special needs. To them, the IMF is both non-representative and non-participatory. Second, the IMF's financial resources failed to keep pace with private capital flows. Only after the crisis has its lending capacity more than trebled to \$750 billion. Many economies are even too large to benefit from the IMF's financial support. Third, the IMF lacks a mandate to oversee global financial stability such as financial sector, domestic macroeconomic policies, currency arrangements, prudential issues, financial spillovers. Fourthly, the lack of transparency, accountability, predictability has plagued the organization and hampered its legitimacy. Finally, poorly defined relations with other international organizations such as the World Bank, ILO, WTO, G7, OECD, BASEL, IOSCO, Financial Stability Forum, and even the G20 must be clarified for it to carry out its mandate properly.

3. IMF Governance and Corporate Governance

Although far from an ideal correlation, much insight can be gleaned from corporate governance theory and practice since many critical and systematic similarities exist. Structurally, the IMF consists of an Executive Board that has 24 members of which five are from members with large quotas, ten from Europe, eight of whom are from the European Union with the Managing Director (MD) serving as the Chair of the Board. In addition, the organization has a Board of Governors, International Monetary and Financial Committee (IMFC), its management, and "shareholders" who are the member countries. Much akin to this, a board of directors oversees the general corporation and operations as conducted by a group of officers and in many countries led by a Chair who may also function as Chief Executive Officer. Management and employees execute the functions of the company whereas shareholders technically provide checks and balances through the power of appointment.

In terms of ownership and decision making, both entities provide for shareholders to exercise the ultimate approval rights for major decisions. This includes the selection of board members, senior officers and major decisions that affect the organizations. For the IMF, for example, major decisions require an 85% supermajority. Shares, however, have been allocated under a fixed quota system that is based upon the financial contribution. In corporations, ownership patterns differ widely across regions with dispersed ownership found in many Anglo-American common law countries, where as concentrated ownership with a large block shareholder with a controlling position the norm for most other countries.¹

To maintain effectiveness, transparency and accountability, regulation and oversight are established through both the board and shareholders as a fundamental matter but important variances can be found. First, in the case of the IMF no market or competition really exists nor does are there public sector gatekeepers such as financial regulators or prosecutors. Private corporations operate in an environment where they must compete for products, services, capital, managers, employees, and even corporate control. This provides a powerful stimulus to operate efficiently and responsively. Reputation risks are coupled with legal obligations such as fiduciary duty that are enforced not only through publicly through regulators, prosecutors and the judiciary but also through private enforcement such as shareholder litigation. External auditors help provide decision-making transparency and financial accountability and gatekeepers such as credit agencies and analysts also support the governance framework by benchmarking their reputation to provide analysis. In both instances, the media play an important role as guardians of the public interest.

In terms of purpose, the parallels between the two organizations differ more widely. International economic organizations such as the IMF have a general obligation to collaborate to assure orderly exchange arrangements and to promote a stable system of exchange rates. It provides a rules-based monetary system that support states experiencing serious balance of payments difficulties. This broad international mandate

¹ La Porta R, Lopez-de-Silanes F, Shleifer A, Vishny R. Legal determinants of external finance. *Journal of Finance* (1997) vol. 52(no. 3): 1131–50. La Porta R, Lopez-de-Silanes F, Shleifer A, Vishny R. *Law and Finance. Journal of Political Economy* (1998) vol. 106(no. 6): 1113–55.

contrasts with the general corporation that seeks to maximize corporate value through profit and instead draws more similarity with state-owned enterprises. For private sector corporations a spectrum of differences exists as to how much the interest of shareholders should be given priority relative to stakeholders such as employees, communities, society and other interest groups.

Ultimately, the problems and concerns they face still maintain similarity. The IMF faces problems of efficiency, monitoring costs, conflicts between management and shareholder, member countries and concerns over addressing the interest of stakeholders. In particular, tensions between large, block shareholders who are developed supplier states who exercise most control and smaller, non-controlling shareholders who are developing countries consumer states have escalated and created serious conflicts. For corporations, agency costs and monitoring costs are a constant challenge in addition to conflicts between managers and investors, creditors and shareholders, and also controlling and non-controlling shareholders and shareholders and stakeholders.

4. Internal and External Governance

The focal point for governance reform begins at the top echelon such as the Board of Governors, Executive Board, Council and senior Management. Much debate revolves around how to modernize the Executive Board. Proposals revolve around repositioning the Board into an advisory function for a newly revived Council or upgrading it with even stronger authority. Whether it is through the form of a Board or the Council, the top echelon body needs to be reconfigured into a more influential and representative manner.

Board of Governors

The Board of Governors (BOG) reigns as the supreme decision-making body of the organization.² It determines changes in the quota and votes and consists of one

² Art. XII Organization and Management, Section 2, Board of Governors.

governor and one alternate governor from each country. Each governor is usually the minister of finance or the governor of the central bank of their respective countries acting as an alternate. The BOG may delegate certain powers to the Executive Board unless otherwise provided. For meetings, a quorum shall require a majority of the Governors having not less than two-thirds of the total voting power. Each Governor shall be entitled to cast the number of votes allotted under Section 5 of the controversial Articles of Agreement. The Board of Governors normally meets once a year and appoints a Chairman. In essence, the BOG serves as the shareholder meeting of a corporation with each shareholder holding a different range of voting power depending on their financial contribution as determined by their special drawing rights (SDRs).

From a corporate governance perspective, a fundamental tension persists between the largest shareholders who remain in control based upon economic size and demographics that existed more than 60 years ago and minority shareholders whose composition and stature has rapidly changed. Minority shareholders with the ability and aspiration for increasing their presence have to undergo a painstakingly slow process of amendments. The controlling shareholders on the other hand have had little incentive to alter to the ownership structure. A primary challenge for the Fund has been how to realign this configuration in an expedient fashion. The misalignment has not necessarily led to serious agency problems such as excessive executive compensation, corruption scandals or misappropriation but has undermined the authority and legitimacy of the Fund. Other challenges such as monitoring costs and incentive costs naturally have persisted. As Table 1 shows, in terms of population and economic size, Asia and Middle East remain under-represented, and African faces a similar position with regard to its per capita representation. Both regions are not adequately represented in their votes or the chairs such as the Executive Directors.

In April 28, 2008, the Board of Governors approved, the Resolution on Quota and Voice Reform in an effort to reconfigure the antiquated, power-sharing matrix (“chairs and shares”) that has been in place since 1946 when the IMF was first established. In 1946, for example, basic votes accounted for 11.3% of the total vote whereas in 2009: basic vote account for only 2.1%. As of March 2010, the April 2008 Resolution still needs ratification from three fifths of the member countries holding 85% of the total voting

power. So far only 64 member countries representing about 70 percent of the voting power have passed the necessary legislation. The Resolution calls for a new quota formula for 54 member countries plus one-off additional elements, an increase in basic votes for 135 countries and an increase in the capacity of the two African constituencies.

Table 1 Regional Breakdown of Quota and Votes

Out of 100%	North/Central America†	Europe/Russia*	Asia/Middle East	South America	Africa
Votes	20.37	38.47	27.74	8.81	4.35
Number of Executive of Directors	2(8.3%)	9(37.5%)	8(33%)	3(12.5%)	2(8.3%)
GDP	25.16%	28.21%	38.75%	5.20%	3.77%
Population	7.68%	13.10%	60.43%	5.56%	14.42%

† Includes Ireland

*Includes Azerbaijan, Kyrgyz Republic, Serbia, Tajikistan, Turkmenistan, Uzbekistan, Timor-Leste, Israel

In particular, the process of adjusting the voting structure has proved to be excruciatingly slow, particularly when compared to global realities. A second round of quota increase had been scheduled for 2013 but through the efforts of the G20 and BRIC countries among others pressure has amounted to accelerate the next quota change to January 2011. Most recently, at the G20 Summit held in September 2009, for instance, leaders agreed on transferring at least 5% of the quotas from over-represented countries to under-represented countries. Lowering of voting threshold on critical decisions from 85 percent to 70~75 percent has been another important objective. Furthermore, extending double majorities to a wider range of decisions has been proposed.³ By counting individual countries on a separate basis, double majorities can

³ An example of the double majority exists under Article XXVIII, Section A that stipulates that amendments of the Articles requires approval from three-fifths of the members with 85 percent of the total voting power.

further enhance the presence of under-represented member countries, a shortcoming under the current system that operates under a skewed voting power structure. The qualified majority voting used by European Union organs such as the Council of Ministers can also serve as another reference guide in terms of determining the appropriate distribution.

The ability to improve BOG or “shareholder” oversight and monitoring has to be reexamined. From an internal perspective, the BOG needs to have better ability to conduct internal audits or to verify compliance. The establishment of an ombudsman or independent review panel that receives and investigates complaints from any person, organization, or member state about the Fund’s non-conformity with its mandate should be considered. Further enhancement of the Independent Evaluation Office can be considered in this regard.⁴

The Executive Board

On a functional level, the Executive Board serves as the most important organ, performing both a “legislative and executive role.”⁵ It has thus been the leading subject of reform. From a corporate governance perspective, it has acted like the board of directors of a corporation bestowed with the power and duty to represent all member countries. At the top, the most important position remains the MD, much like the chair of the board. In 1944, when the Executive Board was first established it consisted of 39 members who were represented by 12 directors, five directors from the countries with the largest quotas in addition to seven directors from the remaining countries.⁶ This appeared to provide adequate representation that amounted to roughly five countries per director.

With rapid expansion of nation states, however, membership has more than quadrupled. As of 2010, the IMF now serves 186 members but the number of executive directors has only increased to 24, which corresponds to 11 countries per director. Five

⁴ Report of the External Evaluation of the Independent Evaluation Office, March 29, 2006.

⁵ Manuel Report, p. 8.

⁶ Art. XII Organization and Management, Section 2, Board of Governors, Section 3(a)(b)(i).

executive directors are appointed from among the largest financial contributors and because their composition has never changed they have enjoyed de facto permanent standing much like the permanent members of the U.N. Security Council albeit Japan and Germany replacing Russia and China. The remaining 19 Executive Directors are elected every two years within a regional group of member countries. Most significantly, when an elected Executive Director casts his or her votes he or she must do so as a block on behalf of his or her constituency. In total, the composition remains dominated European countries to an inordinate degree with a total of 7 Executive Directors.

Table 2 Five Appointed Executive Directors and their Votes

Director <i>Alternate</i>	Casting Votes of	Votes by Country	Total Votes	Percent of Fund Total
Meg Lundsager <i>Daniel Heath</i>	United States	371,743	371,743	16.74
Daisuke Kotegawa <i>Hiroshi Yamaoka</i>	Japan	133,378	133,378	6.01
Klaus D. Stein <i>Stephan von Stenglin</i>	Germany	130,332	130,332	5.87
Ambroise Fayolle <i>Aymeric Ducrocq</i>	France	107,635	107,635	4.85
Alex Gibbs <i>James Talbot</i>	United Kingdom	107,635	107,635	4.85

This anomalous state of affairs has led to stringent criticism that the IMF remains antiquated and non-representative. The problem is the composition of the members since emerging market economies and under-developed countries continue to remain under represented. Hence, since expanding the number of board members would make it unwieldy, a general proposal would be to diversify its membership to better reflect the wide-range of participants and stakeholders. A weaker alternative compromise proposal

advocates participation for affected or interested states to serve on the board on an ad hoc basis much like at the UNSC. Yet, it remains vital for the future of the IMF that the composition of the most important decision-making body become more representative. A March 2009 G20 report called for “deepening the participation of low-income countries, lifting the burden on constituencies that have a large number of members, and the consideration of a third chair for Sub-Saharan Africa.”⁷ Another key question arises as to whether a single person should be both the Chair of Board and MD or whether the positions should be bifurcated. In terms of corporate governance, countries such as the UK the chair and CEO are rarely split whereas in the U.S. more companies have separate individuals in these positions. Despite the sizeable, political roadblocks that must be overcome to reconfigure the Board; its legitimacy will remain questionable until these issues are resolved.

The Board also lacks the political heft and legitimacy needed to carry out its responsibilities and duties. Presently, board members consist of middle-career officials with short mandates and undefined terms of reference who basically serve as country representatives following instructions from their respective countries similar to an ambassador. From a different perspective, it is critical for the executive board to become more independent both from their own governments and also from management. Hence, they do not have enough incentive to act independently on behalf of the interests of the global economy. One option would be to promote the position by requiring countries to send minister-level officials. Borrowing from the example of corporations, another novel option would be a nominating committee to be established that proposes candidates who are later elected by the shareholder members. Such members would then serve guaranteed fixed tenures and would be accountable solely to the member countries as a whole. Board members would then be subject to review for their performance. The danger or risk would be that Board members would become too independent, yet this could be controlled by active member country participation since ultimately they must approve all decisions. The large block countries that make the most substantial contributions must yield their status for the benefit of the institution. The dramatic governance changes that the EU has been able to adopt serve as a reminder of these

⁷ p.7.

possibilities.

The Board must provide more timely and effective decision-making. The Board needs more precise delineation of responsibilities and to narrow excessively broad governance objectives such as focusing on lending and financial decisions and the Board should focus on decisions on use of Fund resources. It also needs to delegate more day-to-day operational decisions to the management.

Board had tended to play “a reactive role in strategy formulation.” The Manuel Report suggests that the Board should “elevated” from day-to-day issues to become an advisory on strategic issues to a revamped Council and deliver critical supervisory function, including oversight and review of surveillance. Another evaluation described the Board’s involvement in day-to-day operations as distracting its attention from “needed oversight functions” and limited its ability to perform “in an independent manner.”⁸ Should advise Council on strategic decisions and prepare its work But, many remain concerned that under such a structure the status of the Board would even further decline such that its relevance would be further questioned. The Manuel Report further contends that the Board’s governance objectives that include political voice, day-to-day operational decisions, oversight, and strategic vision are too broad and should be narrowed.

The Board should also focus on overseeing the MD and staff. Some suggest that the Board should no longer “appoint” MD which it only did theoretically. The MD enjoys far greater prestige and wields greater status than executive board members and undermines their authority by “going over their head” through direct relations with the minister-level representatives. Executive Board members have been unable to effectively oversee management. They instead have often held captive especially in the case of Board members from recipient countries.

Another important issue is whether the Board’s mandate should be expanded or contracted. If broadened it could include decisions on internal matters with major financial implications, including setting the medium-term budget and the staff

⁸ IEO, 2008, “Governance of the IMF: An Evaluation,” IMF.

compensation framework. If narrowed, it should delegate more of this type of authority to the Council or management. The more it delegates the more it should exercise ex post oversight as opposed to ex ante checks and balances that are more relevant with organs with wider powers.

If enhanced in stature, Board members should be not necessarily resident at IMF headquarters. Resident boards add considerable expense without per se increasing efficiency or performance. If non-resident, however, board members still must be there a sufficient amount of time to ensure that members concerns are addressed in a timely manner. Executive Directors should be evaluated by their peers anonymously and confidentially and also by external, third parties who can provide more independent judgment. Board member independence can be guaranteed if they have longer terms. This can also be achieved through longer and staggered terms. Few explicit systems exist for measuring the performance of Executive Board members and holding them accountable

Council

One of the most controversial proposals has been whether and to what extent to strengthen the Council. The Council at present remains a hypothetical and deactivated organ that was first proposed in 1978 when the Fund's articles were amended. The Council was supposed to consist of governors, ministers, or "persons of comparable rank" that would be appointed on the same basis as Executive Directors are appointed or elected. Several of the most vocal proponents for reform have advocated that the Council members needs to be empowered with minister-level authority and for the Board to act in a more advisory capacity.⁹ These advocates propose that members should convene at least twice a year and rotate on a regular basis. To provide them with a stronger voice, they should operate through direct voting that enables splitting of constituency votes into separate votes instead of block voting as is used by the Executive Board. The Articles of Agreement already allow direct voting that enhances independence and authority. Under this proposal, the Council must not be a renamed

⁹ Murilo Portugal, Manuel Reform Committee, Camdessus. Independent Evaluation Office, "Governance of the IMF: An Evaluation," IMF, 2008

version of the IMFC, but must encompass fundamental changes.¹⁰

Under a new council-focused structure, the Council would be in charge of strategic decisions that would constitute the general “legislative” decisions. It would be surveillance decisions and establish new financial facilities, engage in policy coordination and react to emerging risks. Furthermore, it would supervise the management and adaptation of the international monetary system and the continuing operation of the adjustment process and developments in global liquidity.

From a governance perspective, to enhance its stature, the Council would appoint the MD through an open, transparent and merit-based selection process. Another interesting proposal from the Manuel Report is that the Chair, Former Chair and Future Chair should form a troika or triumvirate to lead the Council.

Organizationally, to be a manageable size, the Council should be around 20 members. Of course, it needs wide representative from emerging countries and fixed chairs for the five largest quota countries that exist for the Board should be eliminated. Appointed chairs should be terminated in favor of elected chairs and the number of chair positions should be consolidated. Furthermore, the voting threshold on important issues needs to be lowered from 85% to 70~75% to enhance operability.

The primary concern concerning the establishment of such a Council-based model revolves around whether it will weaken the Executive Board. In essence it might become duplicative by acting as a dual-tier board system and worse yet it will usurp the role of the Board and render it irrelevant.¹¹ Bradlow and other remain skeptical as to whether a revamped Council would be any different from the previous Executive Board unless a fundamental realignment of the quota and voting structure is also implemented.

¹⁰ Composed of the most senior political authorities in the areas of finance and monetary policy, the IMFC advises and reports to the Board of Governors. It manages and shapes the international monetary and financial system, monitors developments in global liquidity and the transfer of resources to developing countries, considers Executive Board proposal to amend the Articles of Agreement; and deals with disruptions in the global financial system. It operates through consensus without any formal voting. The IMFC has 24 members who are governors of the Fund, ministers, or others of comparable rank and who are drawn from the pool of 184 governors. Membership reflects the composition of the Executive Board. The IMFC however lacks the ability to conduct strategic decisions.

¹¹ Bossone (2009).

Management and Staff

Reforms regarding management largely focus on the selection of its most senior members, the MD and the Deputy MDs. Until now, the selection process of the MD has been not only uniformly allocated to a European but also viewed as shrouded in secrecy of the EU Ministers that compromise among each other to select a nominee. The Executive Board technically then elects the MD. The First Deputy MD has traditionally been an American. This must change for the IMF to become a bona fide international economic organization that represents the interests of all member countries. The MD and DMDs must be chosen based upon their institutional competence and technical merit through an open, transparent selection process rather based on national or geographic allocation.¹²

In terms of the MDs role and function, the MD should apply surveillance “legislation” in country-specific cases. As Chief Executive Officer and Chair of the Executive Board, the MD has dual responsibilities that are often conflicting. As CEO she must be responsible for the execution and performance of management, whereas Board must oversee management and hold them accountable. Despite adverse effects and conflicts that exist due to this concentration of power, it would not be advisable to consider separating the MD’s dual function. The MD still needs to retain the authority and stature to serve as a bridge between the Board, Council and Management. However, due to the immense concentration of authority, it is critical that the MD be open to all candidates and be chosen based upon merit and competence and not regional allocation for the MD to have the institutional legitimacy required.

It has been proposed that chair positions should be eliminated chairs. MDs also must conduct and complete member-specific surveillance. The IMFC, the IMF's highest-level policy steering committee, serves in an advisory position. The MD should continue to retain autonomy in the appointment, organization, and dismissal of staff. Only through this type of decision-making ability can they lead the organization. They further need the authority to develop and implement annual budgets, within the medium-term budgetary

¹² G20, p.8.

and general compensation framework set by the Executive Board. Management needs to become more accountable and more guidance. Need a publicly available operational manual that contains the operational policies and procedures that its staff should follow in the conduct of their duties like WB

For the staff, the whistle blowing process needs to be strengthened. All organizations face challenges related to corruption, embezzlement and improper and unethical behavior that undermine the organization's legitimacy. Staff working on the inside are often times privy to these types of problems but have little incentive to volunteer it unless given the adequate protections from adverse consequences such as retaliation. A comprehensive system must be in place to receive such complaints, to protect the staff that provide such information, to evaluate and correct the problems in an effective and discrete manner. Furthermore, staff should be educated about the institutional importance of preventing such improper behavior and should be required to report it and proper incentives should be provided for staff members that muster the courage to do so.

External Governance

The importance of external governance has remained outside the orbit of most reform discussions but should not be disregarded. NGO and civil society as well as the press play a critical role in providing desperately lacking check and balances and public oversight of the Fund. Unlike corporations, the IMF does not have these types of interest groups or watchdogs nor do they have regulators, law enforcement, courts that can provide public accountability. Independent, external review and audit must be provided.

5. Conclusions

The IMF must promote economic stability and collaboration and serve as a “guardian of systematic stability.” It must also be at the forefront of coordinated policy stimulus formulating a global policy response with effective monitoring and analysis. To achieve lasting governance reform, the Fund needs the active support of its entire membership. In addition to the issue of quota and voice, the diversity of staff and management must also be addressed. Whenever necessary, voting must become the means of operation

instead of relying on unanimity or consensus. How to balance effective decision-making with legitimacy and how to protect the sovereignty of the biggest countries remains a challenge. While cooperation has had successes in limiting protectionism, coordinating fiscal and monetary action and preventing destabilizing currency devaluations, global economic management is now reverting back to the pre-crisis mode of every country for itself. A minister-level Council could foster strong political engagement in strategic and critical decisions.

Recently, the G20 has provided much needed political momentum to the IMF's governance reform efforts. The UK even proposed that G20 should become the governing council of the IMF. Under the UK proposal, the membership and structures of the G20 would be altered to coincide with that of the IMFC. While some support can be found, no consensus exists. The IMF has already taken on a number of tasks for the G20 as G20 pushes ahead with its peer review program to ensure national economic policies are consistent with sustainable global growth. G20 members represent some 85% of global economic output. A powerful tandem would emerge through the merger of the IMF's analytical skills and resources with the G20's political heft.

Even proponents acknowledge a myriad of obstacles that exist. Although this would be a dramatic change, the composition would still be fixed among the G20 countries. Excluded countries will be locked out and will be forced to rely upon the G20 member countries to act on their behalf. This not only raises serious fairness questions but also representation issues. Another fundamental problem remains how to establish a new institution with sufficient gravitas at the center of the Fund that has legitimacy but effectiveness. According to Barbara Ridpath, by forcing nations to represent and vote on behalf of a group of countries, the G20 grouping could lose the advantage of the largest economies sitting down behind confidentially and responding to pressing issues. It could bureaucratize the G20. Many states will also oppose granting the G20 enforcement powers. Respecting the sovereignty of the most powerful nations while tackling threats to global stability will remain a challenge.

Appendix 1: Position of Reports on Key Governance Reforms

Issue	CIMFGR (Trevor Manuel)	IEO	CSOs/Think tanks	Boutros-Ghali Committee	UN Commission (Stiglitz)	G-20 Working Group #3
Importance of quota and voice reform	Yes	Yes, though outside scope of paper	Yes	Yes	Yes	Yes
Greater ministerial involvement in the Fund	Yes	Yes	Yes	Merits "careful consideration"	Yes, with reference to UN-based Council	Yes
Activate decision-making ministerial-level Council	Yes	Yes	Mixed	Merits "careful consideration"	Yes, with reference to UN-based Council	Mixed
Reform IMFC	No	Yes			No	
Review composition of Board and Management	Yes	Yes	Yes	Yes	Yes	Yes
Clarify roles and responsibilities of Board and Management	Yes	Yes	Yes			Mixed
More supervisory and advisory role for Board; delegate surveillance to management	Yes	Yes	Yes			

Enhance accountability	Yes	Yes	Yes		Yes	Mixed
Resident Executive Board	Yes	Yes	Mixed			
MD selection process – open, transparent	Yes	Yes	Yes		Yes	Yes
Review decision-making rules	Yes	Yes	Yes		Yes	Yes
Review and possibly expand Fund's mandate	Yes		Mixed	Yes	Yes	Mixed
Increase staff diversity (skill sets, training, geographic background)	Yes		Yes		Yes	Yes

Source: IMF, IMF Governance—Summary of Issues and Reform Options, Strategy, Policy, and Review Department and the Legal Department, July 1, 2009

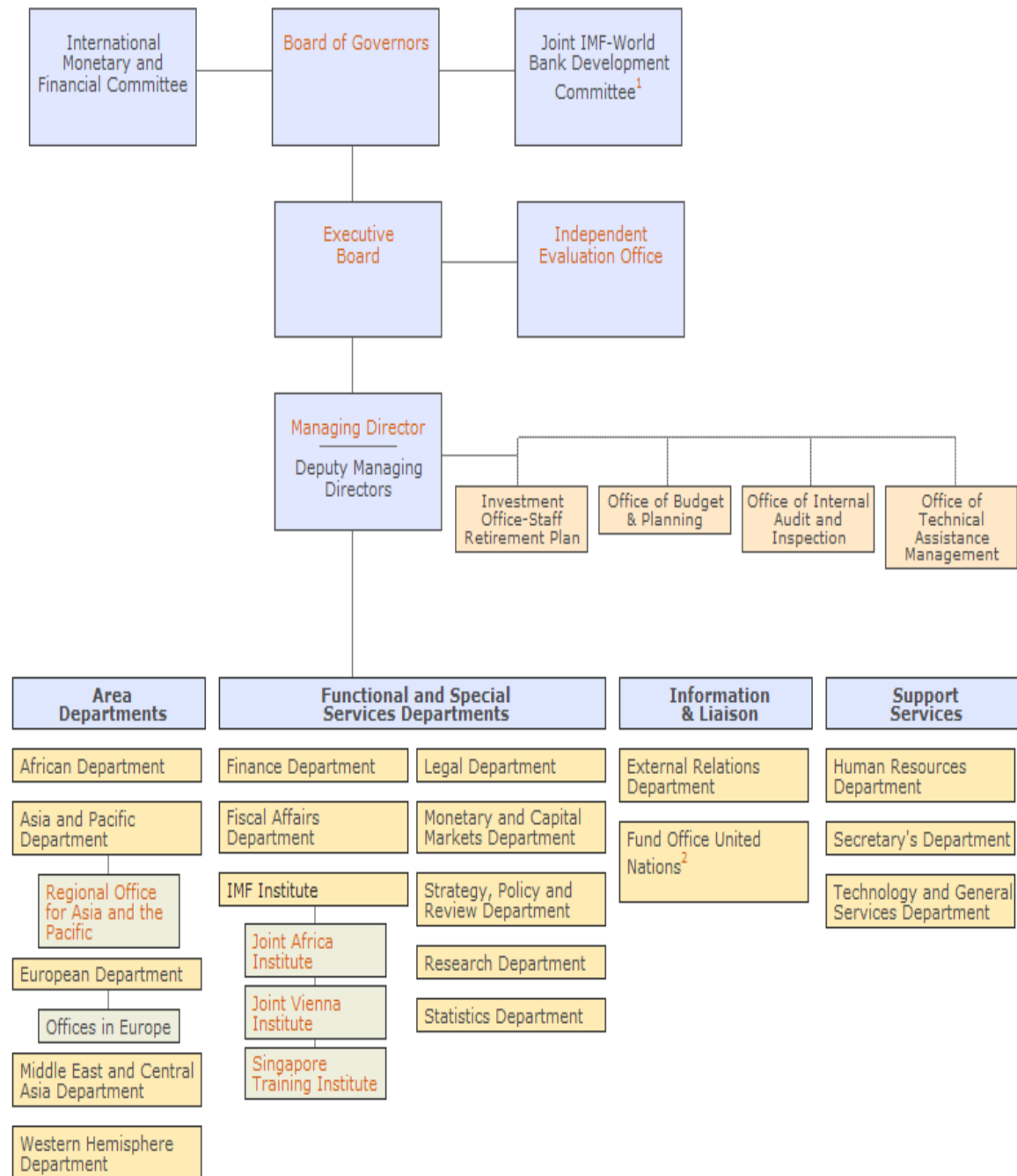
Appendix 2: Manuel Report Blended Proposal

Council	Board	Management
<p><i>Legislative functions in “critical” areas</i> (which are defined responsively over time) - e.g. surveillance mandate, establishment of financing instruments and facilities</p>	<p><i>Legislative functions in “non-critical” areas</i>, such as: - Routine reviews of and non-critical amendments to existing Fund policies and lending instruments - e.g. review of data provision to the Fund</p>	<p>Exercises initiative (status quo)</p>
	<p><i>Advisory role to Council:</i> - provides input on preliminary policy papers on the critical legislative issues</p>	<p>Exercises initiative (status quo)</p>
<p><i>Regulatory function—surveillance:</i> - early warnings and policy responses - concludes multilateral consultations</p>	<p><i>Regulatory Function –Surveillance</i> - quarterly review of themes from Articles IVs</p>	<p><i>Surveillance:</i> - concludes all Article IVs - however, the concerned ED/ group of EDs (at least 5) could ask for discussion - WEO/GFSR/early warnings</p>
<p><i>Financing decisions</i> Legislative function for key financial policies and instruments</p>	<p><i>Financing Function #1 Arrangements</i> - approval of arrangements - completion of reviews - waivers of PCs Advisory role in recommending new policies and instruments to the Council</p>	<p>Exercises initiative (status quo)</p>
<p><i>Strategic Priorities :</i> - defines medium-term priorities</p>	<p><i>Financing function #2: Budget</i> Sets medium-term budget and general compensation framework</p>	<p><i>Operational autonomy on allocating resources to achieve priorities:</i> - develops and implements annual budget consistent with medium-term priorities and framework - appoints, organizes, and dismisses staff (status quo)</p>
<p><i>Selection of MD:</i> Sets out criteria for MD selection and conducts open, transparent, and merit-based selection process. MD remains Chair of the Board.</p>		<p>- MD appoints DMDs on approval of the Board (status quo)</p>
	<p><i>Supervision over management:</i> - Review of management’s performance including ex post assessment (on Article IVs and meeting medium term goals)</p>	<p>- For oversight over the MD, the dean (or another Board member) chairs the Board (status quo)</p>
<p><i>Supervision/accountability of Board</i> - reviews report on Board, prepared by the Council or by a subset of Councilors</p>		

Appendix 3: IMF Organization Chart

International Monetary Fund Organization Chart

as of April 30, 2007



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