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**Statement by Mr. Henriksson on IEO Report on the Evaluation of Aspects of IMF
Corporate Governance--Including the Role of the Executive Board
(Preliminary)
Executive Board Meeting 08/44
May 21, 2008**

1. We would like to thank the IEO for their important and timely report on the Fund's governance structure, and for the many interesting accompanying papers. The Fund has clearly to adapt to an ever changing world to stay relevant. We are appreciative of the analytical framework used in the report; as we believe that the four dimensions applied help to identify both the strong points and the deficiencies of the Fund's governance. However, we also believe that the framework could possibly have been used more coherently across each and every function of the governance bodies to better follow up on the arguments.
2. We are also thankful for the Managing Director's statement and comments made by staff.
3. The issues covered by the IEO report are, indeed, wide ranging and there is not one simple solution which would - like a magic bullet - strengthen the Fund's institutional framework. At the same time, this should not be an argument for maintaining the status quo. For that reason we, like the Managing Director, view the IEO report as a valuable input for the next steps of our discussions on the Fund's governance reform. We believe that these discussions should be buttressed by collaboration and openness between all involved parties, as well as with partners outside the Fund.
4. Some of the recommendations in the IEO report seem easy to implement quickly, while others surely will require careful consideration. Going forward, we need to identify those issues that will require thorough analysis, and channel them through to groups of Board members, shareholders or staff members. Some questions will, surely, require consideration in capitals. For these purposes we are supportive of establishing an informal working group of Board members, as suggested by Mr. Fried and Mr. Perrault.
5. While we support the main thrust of the IEO report, which recommends that there be more clarity in the role of the Fund's governance bodies, we do not agree with all the suggestions. At this point in time we will, nonetheless, refrain from commenting on all the recommendations, as we look forward to discussions yet to come.

6. As a more general observation, we take note of the conclusion that greater clarity on the Fund's governance structure is needed to facilitate stronger accountability and voice within the institution. As a corollary - even in view of the recent quota reform - we would argue that the Board should remain sufficiently broad to ensure adequate representation of poor and rich, as well as small and large countries. We do not want to weaken the legitimacy of the Fund. The effectiveness of the Board is not defined by its size, but rather by its ability to be operational, to perform effective oversight over management, and to deliver high-quality output in a timely manner. Against this background, we have the following more specific remarks.

7. Concerning the suggestion for greater ministerial-level involvement, we would like to further discuss the proposal to activate the Council as a way to address some of the weaknesses of the IMFC. We are not convinced that the advisory role of the IMFC poses a legitimacy problem, as stated by the IEO. For this reason, we need further arguments regarding the expected legitimacy gains in the Fund's decision-making process by moving to a Council arrangement before we can come to a firm position on this proposal.

8. The suggested shift to a more supervisory role of the Executive Board brings a somewhat ambiguous connotation. We believe that the Board should remain the executive body with an overall responsibility for the policy agenda, as well as the framework for management's responsibilities. Still, we agree that there is scope for shifting away from micro management, routine items and day-to-day operations, thereby creating room for more strategic Board discussions. This could be achieved through streamlining the Board's practices, for instance by using the committee structure more effectively and increasing the use of lapse-of-time procedures for decisions. Moreover, we do not prescribe to a specific frequency of Board meetings, but would advocate meetings with planned regularity.

9. Although we see room for streamlining the Board's practices, we would like to comment specifically on Article IV matters, which the Board spends significant time on. We believe this issue should be approached from a perspective of legitimacy and equal treatment. It is, therefore, important that Article IV consultations, which constitute the Fund's core business, should not be perceived as being only the result of internal staff discussions. For this reason, and even if we support strengthening regional surveillance and see merit in bringing groups of countries to the Board, we would encourage further work on ways to improve the overall surveillance process. The Board itself should look into this issue.

10. On the issue of Board committees, we are supportive of the proposals to strengthening the structure. Committees could be a way to increase effectiveness of the Board, and serve as a pragmatic way to approach the issue of voice in the decision-making process, as well as create a forum for a more elaborate and open dialogue. Nonetheless, further analysis is needed given the previous difficulties encountered in establishing a well-functioning committee structure, and to safeguard efficient representation among countries and constituencies.

11. We believe that we need to further elaborate on the proposal to select all Directors

through an election process. Opening the door for new multi-country constituencies involves in our view political and legal considerations, as well as consequences beyond the mere redistribution, which the IEO does not elaborate further on. Therefore, we feel that this proposal merits more scrutiny, and should be discussed within the context of an overhaul of the Board's structure, before being taken forward.

12. Moreover, we support lengthening the term of service of Directors, at the same time as we think that it may be worth considering an upper limit on the term of their appointment. In view of our own good experience with job descriptions, we can only agree with the proposal to develop guidelines for Directors, as well as for other positions in Directors' offices.

13. We also welcome the accountability framework for management underway. In this regard, we are open to discuss the pros and cons of having the Managing Director as the chairman of the Board. There are advantages with this set up, as well as with a chairman elected among its members.

14. We are supportive of strengthening the Fund's transparency policy, and of bringing it better into line with best practices in international organizations. More specifically, we support shortening the standard length of time before Board documents are made publicly available, and reviewing the current criteria for classifying documents. In this context, we also support a more open process for the selection of the IMFC chairman, the Managing Director and his deputies. The 2001 Draft Joint Report of the Fund and Bank should be approved and implemented.

15. Moreover, we concur with the IEO that a whistle-blower protection should be introduced in the Fund, and welcome that work is already underway to establish such a protection.

16. Last, but not least, we would like to convey our skepticism towards the proposal to restrict the Development Committee's jurisdiction to the World Bank, as financial sector issues are an important element of the development agenda.