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**Statement by Mr. Claveranne 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**

We thank the IEO's mission for its report on aspects of Fund corporate governance, including the role of the executive board. We see this report as a valuable and thought-provoking contribution to the debate on the Fund's governance.

**We believe that the Fund's governance structure should be assessed against the background of the missions** entrusted by the international community to the institution. It would be interesting to clarify whether the present structure helps (or not) the IMF to fulfill its mandate. Going forward, if necessary, this could imply further work on whether the formal mandate needs to evolve to encompass challenges more relevant for today's global economy, e.g. capital account liberalization and financial stability. This, in our view, should be the overarching framework to address the trade-offs and tensions between criteria used to evaluate governance in this institution.

**We read the evaluation's main conclusions as aiming at reinforcing the Fund's efficiency** by (i) clarifying the roles of its governing bodies, (ii) fostering increased engagement of political masters in steering the Fund, (iii) focusing the Board on an oversight function, and (iv) strengthening management's accountability. We agree with the report's starting point that legitimacy and relevance go beyond quota issues.

**Many recommendations are balanced and sensible, in principle.** The evaluation's call for **clarifying the roles** of governance bodies deserves consideration. Where they are ascertained, gaps and overlaps across bodies need to be minimized to the maximum extent possible. In this respect, we support strengthening the role of the Board's **committees**. They could serve two practical purposes, i.e.: to limit the risk of the Board micro-managing the institution and to ensure a more active and cost-effective engagement of the Board in its oversight functions. More specifically, we agree that the existing framework for overseeing financial policies, risk management, and audit issues is not adequate. That said, we need to reflect further on the trade-offs of increasing the role of committees in the Fund's core

missions. For instance, while we share the view that too many article IV discussions have become formal and that, in most instances, add little value to staff's assessment, we would guard against delegating the conclusion of such consultations to management. The forum provided by the Board with members having experience in policy making is useful in adjusting the assessment and/or recommendations put forward by staff. Also, the Board needs to remain involved in the Fund's 'operations', not least to be able to identify policy issues out of practical cases. The same is even more relevant for program countries. Also, reflecting further on how to clarify the **accountability framework** for management would be useful. We agree that **selection** processes for the managing director and its deputies should be made transparent and competitive, provided the same would apply to the World Bank. As stated on previous occasions, we value the **resident board** and therefore concur with the IEO's recommendations on this matter. We do not see scope for changing this necessary feature of the institutional set up of the Fund.

**That said, addressing the four key issues listed above will require thorough discussions.**

We are not sure that their discussion in the report is extensive enough for the Board to come to conclusions on many aspects at this early stage. For instance, the report suggests refocusing the Board towards an oversight role and away from a 'merely' executive one. Yet, the report does not provide a working definition of these two notions applied to the Fund's Executive Board. *While we appreciate the Legal Department's comments on this issue, we would appreciate a more thorough legal opinion from the Legal Counsel detailing what, according to the Articles, is to be considered executive vs. oversight.* Also, the conclusions from the report rest considerably on surveys and interviews. While we find this approach useful, it would have been more valuable if the findings on the strengths and the weaknesses of the Fund's governance structure were benchmarked against some standards. We recognize that the evaluation indeed used three standards to do so. Still, it is difficult to get, from the report, the 'intensity' of governance problems compared to these benchmarks. It is our understanding that the evaluation was concerned primarily with governance practices in the Fund, and less so with the governance framework arising out of the Articles of Agreement. We would appreciate if IEO's staff could confirm this. Going forward, we believe that assessing discrepancies between hard law, soft law, and practice will be key. We note staff's call for all executive directors to be elected, thereby discontinuing the appointment of five of them. *We would appreciate it if the Legal Counsel could elaborate on the implications of such a move.*

**Other dimensions, not dealt with in the report, could be part of the broader agenda on corporate governance.**

The evaluation does not investigate in detail the impact of voting rules, including on special majorities, on corporate governance. Yet, the existing framework obviously has a bearing, both positive and negative, on all four dimensions used by the IEO to gauge corporate governance in the Fund. Further work is needed in this area.

**It is unlikely that the Board can arrive at clear conclusions on all recommendations at once and on its own.** Given the breadth of the topics the evaluation addresses, and given the range of its recommendations which go from administrative solutions to highly political choices, this report stands out of the regular production by the IEO. As a consequence,

further thinking and interactions will be needed to balance the judgment of the IEO evaluation, assess its recommendations, and come to a final view on the way forward.