HIGH-LEVEL PANEL
ON
IMF BOARD ACCOUNTABILITY

KEY FINDINGS & RECOMMENDATIONS

APRIL 10, 2007

New Rules for
Global Finance

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KEY FINDINGS AND RECOMMENDATIONS OF THE HIGH-LEVEL PANEL ON IMF BOARD ACCOUNTABILITY

In light of the many calls for the reform of the International Monetary Fund, the New Rules for Global Finance Coalition convened a panel with diverse backgrounds to assess how the governance and performance of the IMF could be improved.

The members of the Panel share three fundamental characteristics. First, they share a strong commitment to the principle of accountability. Second, they are committed to a rules-based global financial system that functions for the benefit of all the Fund's members. Third, they are highly knowledgeable about the Fund; some have worked in the Fund as senior staff or Executive Directors at some point in their careers.

The Panel focused its recommendations on steps that were both feasible in the short-term and promised to contribute to significant change in the accountability of the IMF over the long-term. For this reason, the Panel chose to give priority to those recommendations that would be consistent with the current legal framework of the Fund, that is, without the need for amendments to the Articles of Agreement.

SUMMARY OF RECOMMENDATIONS

I. RECOMMENDATIONS TO "FILL KEY ACCOUNTABILITY GAPS" IN THE ARTICLES OF AGREEMENT

The Board of Governors:

<u>Recommendation 1.</u> *The Board of Governors should establish a committee responsible exclusively for periodically overseeing a review of the performance of the Executive Board. The Executive Board should meet with the committee to consider its reports and recommendations.*

The Managing Director:

<u>Recommendation 2</u>. *The process for selecting the Managing Director (MD) should be open and merit-based. As envisioned in the Articles of Agreement, the Executive Board must have the sole responsibility of selecting the Managing Director. As a body, the Board should enhance its practice of interviewing prospective candidates to ensure merit-based, not geography-based, selection. Management experience and skill should be an explicit criterion in the selection process.*

<u>Recommendation 3</u>. *The Executive Board should design a formal, periodic process of assessment of MD performance, including through the use of expert outside advisors. Such evaluation should include an assessment of the MD's management skills. The MD should also solicit Board input into periodic evaluations of the performance of the Deputy Managing Directors.*

<u>Recommendation 4.</u> *The Dean of the Board should consider the formation of a Board committee or committees to design and conduct periodic evaluations of the Managing Director's performance and to provide input to the Managing Director on the performance of his management colleagues.*

The Executive Board:

<u>Recommendation 5</u>. *The Dean of the Board should consider the formation of a Board committee, or committees, to organize the following tasks:*

a. *To facilitate the Executive Board's evaluation of its own performance as a corporate body; and*
b. *To arrange for periodic evaluations of the Board by independent external evaluators, such as a 'Group of Wise Persons'; and*
c. *The Executive Board should include the results of (a) and (b), when applicable, in a chapter or a section in its Annual Report to the Board of Governors.*

II. RECOMMENDATIONS TO ADJUST TO CONTEMPORARY PRINCIPLES OF BOARD ACCOUNTABILITY TO STAKEHOLDERS. [i]

Transparency:

<u>*Recommendation 6.*</u> *The Executive Board should take steps to improve its own transparency:*

a. *As an immediate step, all minutes of the Board should be made public after 6 months;*
b. *All transcripts should be archived and within a limited period of time, say after one year, all minutes of the Board should be made public immediately (within days), and all transcripts become public after 6 months;*
c. *And within a second limited and definite period of time, all transcripts be made available within two weeks or the shortest practical time. The Executive Board should consider the precedent of the Security Council of the United Nations as a model to follow. With rare exceptions, all Security Council meetings are televised live.*

It is understood that personnel issues can be withheld from the public and market sensitive material may be restricted for a limited period. Again, however, the presumption is in favor of disclosure. Exemptions should be strictly defined and an independent mechanism should be available to appeal any exemptions.

<u>*Recommendation 7.*</u> *Operational Guidance Notes prepared for the staff should be published.*

<u>*Recommendation 8.*</u> *The Executive Board should encourage member countries to ensure that relevant country-specific documents are available in principal local languages and disseminated so they become available to all local stakeholders.*

Evaluation: See Recommendations above related to Articles of Agreement.

Participation:

<u>*Recommendation 9*</u>*. Adequate notice and relevant documentation should be provided, to the maximum extent feasibl,e to allow interested stakeholders--such as Members of Parliament, civil society and the private sector--to be able to prepare for in-country discussions with Fund Missions working on negotiation, review, or Article IV surveillance.*

<u>*Recommendation 10*</u>*. During the course of Fund policy debates, draft policy papers should be circulated, and a synthesis of external comments provided as an annex to the final paper. Here, too, it is understood that there may be exceptions, but they should be limited, and justified. The annex would indicate generally where external input had been incorporated and where and why it was not.*

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[i] In this text the term shareholder refers to member countries and the term stakeholder refers to members of parliament, the private sector and civil society.

Recommendation 11. A regular feature of all staff reports should be a section describing consultations with interested external stakeholders. If such consultations did not take place, reasons should be provided as to why they did not occur.

Recommendation 12. In any outreach to external stakeholders, the Fund should recognize the possibility of reprisal and take steps to ensure the possibility for secure input.

External Complaint Mechanism:

Recommendation 13. As a first step, the Fund should hold public sessions, conducted by an independent body, to review some of the most important controversies in its recent history. Interested stakeholders should be able to participate in these public sessions. There will be public reports upon the conclusion of these sessions. The purpose of these public sessions should not only be to provide an independent report on the selected controversies, but also to give the IMF some experience in dealing with an external complaints mechanism.

REPORT OF THE HIGH-LEVEL PANEL ON IMF BOARD ACCOUNTABILITY

Introduction:

1) The International Monetary Fund (IMF) is at a critical juncture. Questions about its governance, effectiveness, and responsibilities are coming from many sources, including from within the IMF itself and its membership. Reflecting concerns about governance, during the September 2006 Annual Meeting of the IMF in Singapore, initial steps were taken to modify quotas and the allocation of votes within the Fund's Executive Board.

2) There are two rationales for calling together a High-Level Panel on IMF Board Accountability. The first is the conviction that a well-functioning global financial system requires a global institution with the mandate of the IMF that is responsive to its membership, and accountable through its shareholders to the global community. The second is the assessment that the various reform proposals, including changes in the quota formula, or reallocation of chairs and shares, will make little difference in the performance of the Fund unless and until its principal decision-making body, the Executive Board, is more accountable to its shareholders and stakeholders for fulfilling its responsibilities.[1]

3) Weakness in accountability undermines the legitimacy and effectiveness of the Fund. The current weak form of oversight of the Executive Board by Governors means the Executive Board is neither accountable for it actions vis-à-vis the global community nor are all Board members accountable to the countries they represent in their constituencies. In turn, the Executive Board exercises weak oversight of the Managing Director (MD), as evidenced in both the appointment process and lack of mechanisms for evaluating the performance of the MD. Further, the limited influence on the Fund of stakeholders increases the risk that it will overlook important facts or potential policy improvements or be unable to attract sufficient support for its policies.

Framework:

4) This work on accountability is framed by the Articles of Agreement of the IMF and contemporary principles of accountability to stakeholders.

Articles of Agreement:

5) Section XII of the Articles sets out the Organization and Management of the Fund. According to Section 2, the Board of Governors is vested with all powers under the Articles, except those explicitly conferred on the Executive Board and the Managing Director. Section 2. (i) stipulates that the Board of Governors "shall determine the salary and terms of the contract of service of the Managing Director."

[1] In this text the term shareholder refers to member countries and the term stakeholder refers to members of parliament, the private sector and civil society.

6) Article XII, Section 3, (a) clearly states that “The Executive Board shall be responsible for conducting the business of the Fund, and for this purpose shall exercise all the powers delegated to it by the Board of Governors.” In addition to describing the process of selecting the Executive Directors (ED), this Section also identifies the quorum, and states that (f) “Executive Directors shall continue in office until their successors are appointed or elected.” There is no provision for removing an Executive Director.

7) Article XII, Section 4 (a), gives the Executive Board the power to select the Managing Director; the only stated qualification is that s/he not be a Governor or an Executive Director “The Managing Director shall be chief of the operating staff of the Fund and shall conduct, under the direction of the Executive Board, the ordinary business of the Fund. Subject to the general control of the Executive Board, he shall be responsible for the organization, appointment, and dismissal of the staff of the Fund.” While the MD chairs the Executive Board, s/he “shall have no vote except a deciding vote in case of an equal division”. Section 4 (a) also is very clear on the termination of the MD’s service: “The Managing Director shall cease to hold office when the Executive Board so decides.”

8) The Articles are sparse in their explicit directions regarding the Organization and Management of the Fund. The Articles appear to be based on the assumption that the bodies and individual positions mentioned will use the authority vested in them to conduct the affairs of the Fund in an efficient and responsible manner, consistent with best practices of the day. Article XX, Section 2 (g) authorizes the Board of Governors and the Executive Board to “adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Fund.”

9) The Panel identified important “gaps” either in the Articles themselves or in the by-laws or in the mechanisms that have been adopted to assure that the responsibilities delineated in the Articles are carried out and that those responsible are held accountable. The Panel found that the Articles are silent on how the Board of Governors should execute their responsibility to evaluate and improve the performance of the Executive Board. Similarly, the Articles are silent regarding the Executive Board’s responsibility for self-assessment, and for assessing the performance of the Managing Director saying on the latter only that the Managing Director works “under the direction of the Executive Board”.

Contemporary Principles for Board Accountability to Stakeholders:

10) The Panel chose to use the four-part framework on Contemporary Principles for Board Accountability to Stakeholders prepared by One World Trust.[2]

[2] One World Trust, a participant and advisor to the Panel, undertook research on what constitutes good practice of accountability and engaged with international organizations and their stakeholder groups on issues of contemporary principles of accountability. After nearly five years of empirical research, their work resulted in a four-part framework on the inter-active elements of accountability that organizations need to have in place in relation to internal and external stakeholders (Blagescu and Lloyd, 2005, *Pathways to Accountability*, One World Trust, London, UK). One World Trust was set up by one of the All-Party Parliamentary Groups in the British Parliament in 1951. It is currently a registered charity in the UK.

- Transparency refers to the provision of accessible and timely information to stakeholders. Reporting and disclosure systems and processes that enable information sharing are central to an accountable organization. Examples include an information disclosure policy, audited accounts and annual reports. Transparency mechanisms need to be based on the principle of *presumption of disclosure*, i.e. all information will be made available in the absence of a narrow set of conditions for non-disclosure.

- Evaluation makes it possible for an organization to assess activities, outputs, outcomes and impacts, with contributions from relevant stakeholders. Monitoring and assessing results generate judgments about the success of organizational efforts in meeting its performance promises. Examples include organizational monitoring and evaluations systems, independent program evaluations, and social audits.[3] The overarching principle is to integrate learning from evaluation into future planning and to report on the results of the process.

- Participation is the active involvement of internal and external stakeholders in organizational decision making. Participation mechanisms include regular consultations with stakeholders or including stakeholder representatives on Boards of Directors. Participation must allow for change; it has to be more than acquiring approval for, or acceptance of, a decision or activity. Underpinning this is the principle that stakeholders have the right to contribute to decisions that affect them.

- Complaint and response provide vehicles for raising questions about an organization's performance and for sanctioning failures to deliver on performance promises. Review panels, juries and ombudsmen are examples of ways to create such opportunities. Principles of independence, confidentiality and non-retaliation need to underpin complaints mechanisms; valid complaints will always receive a response.

11) These four elements enable an organization to give an account to, take account of, and, when necessary, be held to account by, stakeholders. All four must be integrated into organizational policies, procedures and practice, at appropriate levels and stages of decision making and implementation, in relation to both internal and external stakeholders. While each of these four elements is necessary for and contributes to accountability, no one is sufficient by itself.

The Panel Members were also cognizant of other dynamics:

12) New standards and practices in International Law: The Contemporary Principles of Board Accountability to Stakeholders are consistent with developments in standards and practice of international law. Since the establishment of the IMF, there have been two important developments in international law that are relevant to the issue of accountability of international organizations. The first is the development of international human rights law, which has resulted in international law recognizing that individual human beings have rights that are deserving of protection and promotion under international law and the establishment of a number of

[3] Social audits are assessments of an organization's social, economic, and environmental benefits and limitations. They are means of measuring the extent to which an organization lives up to the shared values and objectives to which it has committed itself.

international bodies in which individuals can seek such protection. The second is that, over the course of time, the immunity that states, the primary actors in international law, have enjoyed has shrunk, so that they can now be held accountable for their actions in both national courts and a range of international forums. The immunity of international organizations has not undergone a similar change. However, this is beginning to change.[4]

13) Political Dynamics within the Fund: The Panel recognized, but regretted, the likelihood that the Fund will continue to be dominated for the foreseeable future by the same members that have held sway over the last several decades. In spite of several amendments, the Articles still reflect a world in which Europe and the United States are the controlling centers of power within the Fund as well as in those councils, such as the G7 and the G20, that dominate the agenda of the Fund.

14) Even if the reforms of quotas that can be expected in the coming years reduce the formal voting strength of these countries, or a change in the number or allocation of chairs in the Executive Board is agreed, the Panel expects that these same powers will continue to play the major role in the Fund, through informal as well as formal means. Likewise, the Panel foresees that member countries who borrow from the Fund are likely to continue to be in a minority in terms of number of countries and, even more so, in size of economies and quotas in the Fund. The Panel believes that improved accountability arrangements can help provide a counter-weight to the expected continued imbalance of power, and can be a means of ensuring that the Executive Board is accountable to the membership as a whole, as well as being open to stakeholders.[5]

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[4] See, for example, the report on Accountability of International Organizations of the International Law Association and the work of the International Law Commission's Special Rapporteur on the Responsibility of International Organizations.

[5] See the discussion in paragraphs 30, 31, and 32 for a fuller description of Panel perspectives on IMF Quota Formula and related reform proposals.

I. RECOMMENDATIONS TO "FILL KEY ACCOUNTABILITY GAPS" IN THE ARTICLES OF AGREEMENT

Board of Governors' Oversight of the Executive Board

15) The Board of Governors should establish the necessary processes to ensure full accountability of the Executive Board to its shareholders. Therefore, the Panel recommends that:

Recommendation 1. The Board of Governors should establish a committee responsible exclusively for periodically overseeing a review of the performance of the Executive Board. The Executive Board should meet with the committee to consider its reports and recommendations.

The Managing Director: Selection and Performance Review

16) The current process of selecting the Managing Director was part of an informal arrangement at the founding of the IMF whereby the United States would choose the President of the World Bank, while the European powers would choose the Managing Director of the IMF, with the United States choosing the IMF's Deputy Managing Director. The persistence of this arrangement undermines international confidence in the IMF. That situation is worsened by the lack of any formal process for the Executive Board periodically to evaluate and assess the performance of the Managing Director.

17) The Panel was keenly aware that this anachronistic arrangement persists, and that the Executive Board is essentially handed a *fait d'acompli* when the European governments, generally after consultation with the United States, submit their "unanimous nomination"--despite the fact that the Articles clearly stipulate that the Board selects the Managing Director. This reality is part of a larger system whereby the major political and economic powers have allocated most global governance positions among themselves, with the regional development banks being the exception.

18) Nevertheless, historically good and empirically sound reasons support an openly competitive, merit-based selection procedure. "The Draft Joint Report of The Bank Working Group to Review the Process for the Selection of the President & The Fund Working Group to Review the Process for Selection of the Managing Director" was "endorsed" by the IMF Executive Board on April 25, 2001. That Report was submitted to the International Monetary and Finance Committee (IMFC) which is an advisory committee to the Board of Governors. The IMFC "took note" of the Report.[6] The report should be revisited, modified as needed, and agreed to by the Board of Governors as the guiding document for future selections.

[6] The procedures envisioned in the Draft Joint Report were partially implemented in that there were 4 candidates. In addition to the European nominee, Rodrigo de Rato, three additional names were nominated based solely on merit: Stanley Fischer; Andrew Crocket; and Mohammed El-Erian. The first two declined because their respective governments did not support their nomination. The Executive Board interviewed the European nominee and Mr. El-Erian (for the first time in IMF history more than one candidate was interviewed). Reportedly all Executive

The Panel recommends that:

Recommendation 2. The process for selecting the Managing Director (MD) should be open and merit-based. As envisioned in the Articles of Agreement, the Executive Board must have the sole responsibility of selecting the Managing Director. As a body, the Board should enhance its practice of interviewing prospective candidates to ensure merit-based, not geography-based, selection. Management experience and skill should be an explicit criterion in the selection process.[7]

19) The Articles of Agreement explicitly state that the Managing Director is to carry out his/her responsibilities, subject to the oversight of the Executive Board. The Articles are silent on how the Executive Board should implement their responsibility of oversight. Nor has the Executive Board exhibited any practices that could be interpreted as evaluating the performance of the Managing Director. Therefore, the Panel recommends that:

Recommendation 3. The Executive Board should design a formal, periodic process of assessment of MD performance, including through the use of expert outside advisors. Such evaluation should include an assessment of the MD's management skills. The MD should also solicit Board input into periodic evaluations of the performance of the Deputy Managing Directors.

To implement this recommendation, the Panel also recommends that:

Recommendation 4. The Dean of the Board should consider the formation of a Board committee or committees to design and conduct periodic evaluations of the Managing Director's performance and to provide input to the Managing Director on the performance of his management colleagues.

20) The Panel discussed the fact that the Managing Director, as stipulated by the Articles, is both the chair of the Executive Board and the chief executive officer. Current corporate practice is to separate these functions. The Executive Board may wish to explore the costs and benefits of separating the functions of chief executive officer from that of chair of the Executive Board. If the MD does continue to chair the Board, another question revolves around how those chairing responsibilities are shared among the MD and Deputy Managing Directors as the MD's presence in the Board is seen as a key mechanism for his guiding of the institution.

Directors knew this to be a formality, given that the US and the Europeans had previously signaled they would only vote for the official European candidate, the present MD.

[7] A minority view within the Panel would limit the selection of the Managing Director to non-G7 countries.

The Executive Board's Responsibility for its Own Performance

21) In addition to evaluation by the Board of Governors, the Executive Board should accept best practices of corporate boards by engaging in regular evaluations of its own performance as a body.[8] This should involve both periodic self-evaluations as well as the periodic engagement of professional, independent external evaluators.

The Panel recommends that:

Recommendation 5. The Dean of the Board should consider the formation of a Board committee, or committees, to organize the following tasks:

a. **To facilitate the Executive Board's evaluation of its own performance as a corporate body;**
b. **To arrange for periodic evaluations of the Board by independent external evaluators, such as a 'Group of Wise Persons'; and**
c. **The Executive Board should include the results of (a) and (b), when applicable, in a chapter or a section in its Annual Report to the Board of Governors.**

22) The value of an evaluation depends on using it as a tool for learning and subsequently changing behavior. This feedback loop should be central to the designs of each of the three evaluations proposed here. The Panel explicitly recommended that the Independent Evaluation Office not be involved in evaluations of the performance of the Board, since the IEO is itself answerable directly to the Board.

[8] The Panel does not suggest that the Board or outside evaluators engage in evaluation of the performance of individual Executive Directors. The suggestions here apply exclusively to evaluation of the Executive Board as a whole.

II. RECOMMENDATIONS TO ADJUST TO CONTEMPORARY PRINCIPLES OF BOARD ACCOUNTABILITY TO STAKEHOLDERS.

23) The Panel recognized that shareholders and stakeholders do not necessarily have the same interests. This can create a dilemma for the IMF in cases where member governments, to which it is formally accountable, wish to pursue policies that are not in the interests of important stakeholders. In such situations there are limits to the extent to which the IMF can be accountable to stakeholders. The recommendations in this section are therefore directed at moving the IMF toward contemporary principles of accountability to stakeholders, recognizing that full conformity with such principles cannot be achieved in the near future in many countries.

Transparency

24) The Panel recognized and valued the steps already taken by the IMF to increase its transparency. The current challenge is for the Executive Board to begin to conform to the standards for transparency that it has set for member countries, management and staff. Indeed, the last and strongest bastion of secrecy at the Fund is the Executive Board itself.

25) Despite the strong consensus within the Panel regarding increased Executive Board transparency, there was recognition of the tensions that exist between candid discussions and transparency, and between exploring common ground, perhaps speaking beyond the narrow frame of instructions from Finance Ministries. This issue has been dealt with by other bodies that also deal with highly sensitive issues, whether the US Federal Reserve Board or the UN Security Council. In both instances, those entities have taken dramatic steps toward full disclosure.

26) For the Board to better conform to the standards of transparency it expects of other parties, there must be a strong presumption in favor of disclosure.

Beginning with the actions of the Executive Board itself, the Panel recommends that:

Recommendation 6. The Executive Board should take steps to improve its own transparency:

a. **As an immediate step, all minutes of the Board should be made public after 6 months;**
b. **All transcripts should be archived and within a limited period of time, say after one year, all minutes of the Board should be made public immediately (within days), and all transcripts become public after 6 months;**
c. **And within a second limited and definite period of time, all transcripts be made available within two weeks or the shortest practical time. The Executive Board should consider the precedent of the Security Council of the United Nations as a model to follow. With rare exceptions, all Security Council meetings are televised live.**

It is understood that personnel issues can be withheld from the public and market sensitive material may be restricted for a limited period. Again, however, the presumption is in favor of disclosure. Exemptions should be strictly defined and an independent mechanism should be available to appeal any exemptions.

27) Guidance Notes are the principal means by which management and staff translate Board decisions into Fund practice. They will be of use to the public in monitoring and evaluating Fund behavior in the field, and of use to the Board to assess the performance of Management. Therefore, the Panel recommends that:

Recommendation 7. Operational Guidance Notes prepared for the staff should be published.

The Panel further recommends that:

Recommendation 8. The Executive Board should encourage member countries to ensure that relevant country-specific documents are available in principal local languages and disseminated so they become available to all local stakeholders.

28) The Panel recognizes that this is primarily the responsibility of the member countries. However, when member countries fail to keep their own citizens informed, this reduces the effectiveness of the IMF.

Evaluation

29) The recommendations on Evaluation are presented above in Part One: Recommendtions to “Fill Key Accountability Gaps” in the Articles of Agreement, III, The Executive Board. Those recommendations satisfy Contemporary Principles of Board Accountability to Stakeholders regarding evaluation.

Participation

30) The third dimension of Contemporary Principles of Board Accountability to Stakeholders is participation. The Panelists were less ready to reach consensus regarding the application of this principle. There was extensive agreement regarding the need for expanded and equitable participation for all member countries. The Panel had extensive discussions about the need for a review of all dimensions of quota formulas, and of expanding the basic votes using the original percentage of 11.3 per cent of total as a useful guide. Panelists also supported strengthening the voice of low-income country EDs by expanding their senior staff. They explored the concept of increasing the number of Alternate Directors for these EDs, of encouraging more senior people to be assigned as EDs and as Alternates, and of having EDs and Alternates serve longer terms of service to enable them to gain experience and seniority. Panelists also debated the merits of more or fewer chairs around the table, and limiting the number of countries within a single constituency.

31) The Panelists engaged in extensive discussions about double-majority voting,[9] under which decisions by the Executive Board would need to be supported by a majority of the voting weight and a majority of the members of the Fund. The system seeks to balance the interests of the few industrialized countries with large economies and the interests of the more numerous developing countries with smaller economies.

32) A double majority approach could formalize the consensus building efforts of the Executive Board and create incentives for building broad coalitions of countries to support both policy initiatives and program decisions.[10] While some Panelists regarded double majorities as a practical proposal for a radical overhaul of the shareholdings structure of the IMF, other raised concerns about its implementation without amending the Articles.

33) The discussion of participation by stakeholders yielded less consensus.[11] There was less agreement regarding the identification of exactly who was a stakeholder, i.e., a person or group directly affected by Fund actions. One difficulty was methodological: how could one attribute direct harm to a person or a specific group from a specific macro-economic policy? The causal chain would be difficult to establish. A second difficulty was that, in the context of a financial arrangement of a member country with the Fund, the directly responsible party, in the legal sense, would be the national government that had signed the Letter of Intent. How could the Fund be held responsible for what the government had agreed to do? Some Panelists argued that the Fund becomes an important part of the domestic policy making process and that, as noted in the introduction to this report, failure to relate well with all categories of stakeholders—Members of Parliament, civil society organizations, and the private sector—undermines the effectiveness of the IMF.

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[9] Many researchers have highlighted the usefulness of using multiple majority decision making to balance the competing interests of different subgroups of members of an institution. For a recent review see Bräuninger, T, "When Simple Voting Doesn't Work: Multicameral Systems for the Representation and Aggregation of Interests in International Organizations", *British Journal of Political Science,* vol. 33, 2003. For applications of these ideas to the IMF see among others, Woods, N and D Lombardi, "Uneven patterns of governance: How developing countries are presented in the IMF", *Review of International Political Economy,* vol. 13, no. 3, 2006; Rapkin, D and J Strand, "Reforming the IMF's weighted voting system", *The World Economy*, vol. 29, no. 3, 2006.

[10] For a more detailed discussion of how to implement a double majority voting system at the IMF see: Chowla, P, J Oatham and C Wren, *Bridging the democratic deficit: Double majority decision making and the IMF*, London: One World Trust and Bretton Woods Project, February 2007, http://www.brettonwoodsproject.org/doublemajoritybriefing.

[11] Initial groundwork for Fund interaction with stakeholders in a participatory manner has been provided by the development in 2003 of the guide for staff relations with civil society organizations, which was based on a report by Professor Jan Aart Scholte. Ensuring that this document impacts the operations of staff requires regular evaluation and inclusion in the performance criteria of both staff and management. This exercise should be extended to other key stakeholders such as parliamentarians, and the status of the guides raised to the level of operational policies. The guide emphasizes the important role that engagement with CSOs brings both in terms of the intrinsic value of transparency and the learning and insight which it affords. It is with this understanding that it stresses that engagement with CSOs is not a *replacement for* but a *complement to* the Fund's primary relationship with member governments. "Guide for staff relations with civil society organizations", October 10, 2003. http://www.imf.org/external/np/cso/eng/2003/101003.htm.

34) The Panel sought to distinguish between levels of participation regarding policy debates at headquarters, consultations with country missions conducting surveillance work, negotiations and reviews of program performance, and missions engaged in crisis negotiations.

35) Despite the range of views, consensus was reached on certain broad principles for participation with stakeholders, and the Panel recommends that:

Recommendation 9. Adequate notice and relevant documentation should be provided, to the maximum extent feasible, to allow interested stakeholders--such as Members of Parliament, civil society and the private sector--to be able to prepare for in-country discussions with Fund Missions working on negotiation, review, or Article IV consultation.

Recommendation 10. During the course of Fund policy debates, draft policy papers should be circulated, and a synthesis of external comments provided as an annex to the final paper.[12] Here, too, it is understood that there may be exceptions, but they should be limited, and justified. The annex would indicate generally where external input had been incorporated and where and why it was not.

Recommendation 11. A regular feature of all staff reports should be a section describing consultations with interested external stakeholders. If such consultations did not take place, reasons should be provided on why they did not occur.

Recommendation 12. In any outreach to external stakeholders, the Fund should recognize the possibility of reprisal and take steps to ensure the possibility for secure input.

External Complaint Mechanism

36) International standards for external complaint mechanisms for intergovernmental organizations include the following elements:

a. independence from staff and management;
b. the ability to receive complaints from any qualified external complainant;
c. the ability to review these complaints and to decide on the most appropriate way to address these complaints;
d. access to all staff and management and to all relevant IMF documents; and
e. the obligation to issue reports that are made publicly available.

37) The Panel was not of one mind regarding an External Complaint Mechanism for the Fund. Participants did agree that the Fund, like most other international financial institutions, has been embroiled in a number of controversial programs that have resulted in substantial complaints about its functioning and that may have undermined its effectiveness, credibility and even its

[12] The Independent Evaluation Office has developed a useful process in the formulation of 'evaluation issue papers' which could be emulated by the Fund in policy review processes. Draft issues papers, including plans for consultation, are circulated for comment for a two to three month period. A final issues paper is then circulated before evaluation investigations begin.

perceived legitimacy. Examples of such controversies are the Asian financial crises, the Argentina program, and the treatment of the marketing boards and agricultural subsidies in Malawi.

38) Some panelists maintained that the IMF has not created any mechanism to allow these complaints from external stakeholders to be formally brought to and considered by the Executive Board of the IMF. In fact, at this time, the IMF is the only major public international financial institution without such a formal complaints mechanism. Other Panelists maintained the Independent Evaluation Office fulfilled many of the functions of an external complaint mechanism, while still others maintained that such a mechanism was not appropriate in light of national governments' responsibilities.

39) There was consensus that given the centrality of the principle to Contemporary Principles of Board Accountability to Stakeholders, the Fund should engage in an experimental approach. Therefore, the Panel recommends that:

Recommendation 13. As a first step, the Fund should hold public sessions, conducted by an independent body, to review some of the most important controversies in its recent history.[13] Interested stakeholders should be able to participate in these public sessions. There should be public reports upon the conclusion of these sessions. The purpose of these public sessions should not only be to provide an independent report on the selected controversies, but also to give the IMF some experience in dealing with an external complaints mechanism.

[13] See the examples in paragraph 37.

High-Level Panel on IMF Board Accountability

Panel Members served in their personal capacity. Additional information is provided for identification purposes only.

- Marc-Antoine Autheman, Former IMF & World Bank Executive Director, France
- Monica Blagescu, Accountability Programme Manager, One World Trust, UK/Romania
- Jack Boorman, Former Counsellor and Director of the Policy Development and Review Department, International Monetary Fund, USA
- Daniel Bradlow, Professor of Law & Director of International Legal Studies, Washington College of Law, American University, USA/South Africa
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- Jeff Powell, Coordinator, Bretton Woods Project, UK/Canada
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The Panel met in Washington DC for two days in September 2006 and in January 2007. The Panel submitted its report to the IMF Executive Board for their consideration prior to the April 2007 Spring Meetings.