

IMF GOVERNANCE UPDATE

Information on processes and opportunities for influencing the IMF's governance structures.

For more information contact: awood@brettonwoodsproject.org

Next Steps for the Independent Evaluation Unit

The application process for the director of the new, independent IMF evaluation unit (EVO) has finished and the search firm is about to start a series of first round interviews. From these a short list (4-8 candidate) will be presented to the Executive Board. The next steps have still to be decided, in particular, which Executive Directors (EDs) will be on the interview panel.

A worrying development is that the former chair of the executive Board's Evaluation Group, Thomas Bernes, Canadian Executive Director, has applied for the post. It is not known whether he will be on the short list, which will not be made public for confidentiality reasons. Whilst Bernes was careful to give up the chair of the committee before the search firm was appointed, and leaving aside his personal merits, it is inappropriate that a former Executive Director (or IMF staff member) should be even considered, let alone appointed, for the position of director. Should he be appointed it would be very difficult to trust the independence of the evaluation unit.

It was intended that the EVO would be set up by the IMF and WB Spring Meetings in late April but this now seems unlikely. The Executive Board is taking a very hands-off approach and does not intend to provide formal terms of reference to the Director about how it will function (although obviously the Director will consult with EDs). The Board's formal input has been limited to specifying the breadth of the EVO's role. The new head will be responsible for establishing operational procedures, particularly on issues of transparency and external consultation. S/he is expected to consult with external stakeholders on these issues before s/he takes any decisions.

The new chair of the Executive Board's Evaluation Group is Roberto Cippa, ED for Switzerland: rcippa@imf.org

Action

In advance of the appointment, it will be important for civil society organisations and others to make the case to their executive directors that 1) the EVO head must be independent of the IMF; and 2) that transparency at each stage of the evaluation process is essential. In particular NGOs have been pressing for:

- The draft terms of reference for evaluations to be made public for comments;
- A formal mechanism to allow external stakeholders to propose consultants;
- A formal mechanism to allow external stakeholders to propose topics for review. Each review request received should be investigated and a reply sent as to whether or not there is a case for further investigation and why, this reply should also be made public;
- Draft reports should be made available to affected external stakeholders for their comment,
- External stakeholders' comments should be published alongside the final reports with the Executive Board's and management's comments;
- All reports should be automatically published (in very specific cases there may be grounds for withholding some information, where this is market sensitive, however, this information should be published no later than 6-12months later).

Selecting the IMF MD

The Executive Board's Working Group to Review the Process for Selection of the Managing Director, was expected to report to the Board in September at the Annual Meetings in Prague. Although it didn't, it appears that the committee's review will be very narrow. It is expected that they will recommend that voting mechanisms should be improved but that the selection of candidates should remain with the Europeans. This presumably means that candidates will also be European.

The process has been stalled because of the change in the US administration. The US' position is important because if procedures change at the IMF they will inevitably do so at the Bank too (the US appoints the head of the WB which has always been a US citizen). It is expected that the US will not form its position for some time yet, until it does, discussions are likely to continue at such a general level they wont be beneficial.

The UK government, in its "White Paper", *Eliminating World Poverty: Making Globalisation Work for the Poor*, comments that "In all these institutions [IMF, WB, WTO], the UK Government favours open and competitive processes for the selection of top management. This could include a definition of the competencies for the post, selection and search committees and a clear process for taking the final decision, in which competence would be put above considerations of nationality." (p100)

www.globalisation.gov.uk

To see the global sign on letter, sent 31/1/00, which identifies features of a more democratic process go to:

www.brettonwoodsproject.org/action/imf/letter

Improving IMF transparency on adjustment lending

A letter calling for disclosure of IMF (and World Bank) documents relating to adjustment conditions is being circulated for global sign on. Among other proposals, the letter calls for:

- The IMF and World Bank to work with borrowing governments to initiate a pilot program that discloses all adjustment-related documents, focusing initially on low income countries;
- information about macroeconomic and structural policies to be released in draft form, *prior* to Board approval, with sufficient time for the public to respond and provide input.
- The deadline for organizational sign-on is March 23rd. For the letter and to sign-on contact Carol Welch: cwelch@foe.org

The World Bank is also discussing plans to improve its disclosure policy, to sign on to a letter calling for further disclosure go to: www.bicusa.org/action/sign/index

Quota Review

Discussions are continuing on the quota formula. This formula is important because it determines: 1) access to resources; 2) how much each country should pay in to the IMF's general resources; and 3) allocation of votes. Building on the report of the Quota Formula Review Group, led by Richard Cooper, which made several proposals for improving and simplifying the quota formula, the IMF staff will be proposing alternative formulas (still based on economic might) to the Executive Board.

Whilst some countries are talking about improving the voice of developing countries in the IMF European and US governments are not keen to discuss de-linking the voting allocation from the quota formula, arguing that a change in vote allocation and voting rules would make decision making more difficult. Whilst the UK White Paper argues that "developing countries are entitled to a stronger and more effective voice in all of these institutions [IMF, WB, WTO]", the UK government seems to believe that developing countries can exert their influence through "greater organisation" and "further support to strengthen their representation and negotiating capacity." (p100-101)

Structurally Adjusting the IMF

For more information about these and other aspects of the IMF's governance structure see *Structural Adjustment for the IMF: Options for Reforming the IMF's Governance Structure*. This new briefing by Bretton Woods Project, argues that the IMF's governance structure is undemocratic, ineffective and inappropriate given the extensive involvement of the IMF in national economies. It reviews a number of proposals to improve the accountability of the Board and staff to the general public.

www.brettonwoodsproject.org

January 2001