A. Executive Board Guidance and Oversight

17. The Executive Board is “responsible for conducting the business of the Fund” (Article XII, Section 3 of the IMF’s Articles of Agreement), and it is under the Board’s direction that the Managing Director conducts “the ordinary business of the Fund” (Section 4). As such, the Board plays the critical role in setting strategic policies for the institution and overseeing their implementation. Not surprisingly, then, as many as 36 findings across 14 evaluations relate in one way or another to the Executive Board (see Annex 1 for the complete list of findings).

18. Of the 36 findings, 16 identify a lack of clear guidance by the Board as a recurring weakness. For example, clear Board guidance has been found to be lacking with respect to: (i) an operational definition of the prolonged use of Fund resources (i.e., incidence of a country engaging in successive IMF arrangements over a sustained period) (IEO, 2002); (ii) the IMF’s longer-term role in low-income countries (IEO, 2002 and 2004a); (iii) how to apply existing guidelines on the handling of social expenditure in the light of a new initiative (IEO, 2003b); (iv) the role of the IMF relative to other providers of technical assistance (IEO, 2005a); (v) the place of capital account and trade policy issues in the IMF’s country or analytical work (IEO, 2005b and 2009a); (vi) what constitutes a systemically important country from the standpoint of global financial stability (IEO, 2006a); (vii) the design of structural conditionality, in the light of the Fund’s initiatives to streamline conditionality (IEO, 2007c); and (viii) the meaning of criticality in the information disclosure principle (IEO, 2013).

19. IEO evaluations have pointed to a number of factors contributing to the lack of clear guidance by the Board. First, especially in areas outside the IMF’s core mandate, the Board is sometimes wary of being prescriptive, considering that the staff’s use of good judgment would suffice (IEO, 2002 and 2004a). Second, on issues where professional consensus is lacking or multiple trade-offs are involved, it is difficult for Board members to come to a unified institutional position (IEO, 2005b and 2007b). Moreover, as some people interviewed for this evaluation noted, philosophical differences or divergent national interests across the membership can also make it difficult for the Board to agree on a single institutional position. Third, the summing-up process for Board discussions, which tends to express Board decisions in nuanced language, can contribute to a lack of clarity in the Board’s guidance (IEO, 2008).

20. IEO evaluations have noted that lack of clear guidance from the Board has had some undesirable or unintended consequences, such as: (i) failure to consistently apply due-diligence procedures (IEO, 2002); (ii) providing IMF financing when there was no need, in order to perform a task expected by the international community (e.g., giving the IMF’s seal of approval for a member’s policies) (IEO, 2002); (iii) inconsistency in the IMF’s policy advice across the membership (IEO, 2005b); (iv) blurred emphasis on maximizing the contribution of the Financial Sector Assessment Program (FSAP) to strengthening global financial stability (IEO, 2006a); (v) pervasive structural conditionality despite the Fund’s streamlining initiatives, which sought to reduce this (IEO, 2007c); and (vi) diminution of the IMF’s ability to engage in discussions with authorities at an early stage of the policy formulation process (IEO, 2013).

21. The remaining 20 of the 36 Board-related findings concern the role of the Executive Board in its oversight function and more broadly within the IMF’s overall governance structure. For example, the Board was found to be less than fully effective in: (i) considering alternative strategies during crisis management, given Management’s understandable reluctance to share highly market-sensitive information (IEO, 2004b); (ii) providing an effective peer review of financial sector assessments or in multilateral surveillance, given the Board’s lack of necessary information or direct access
to senior policymakers (IEO, 2006a, 2006b, and 2007b); and (iii) proactively providing strategic direction or exercising oversight of policy implementation (IEO, 2008).

**Actions taken to resolve problems**

22. Some of the specific Board-related problems identified by IEO evaluations have been fully resolved (see Annexes 1 and 2 for details). A formal definition of the prolonged use of Fund resources—known as longer-term program engagement (LTPE)—was adopted in 2003 (IMF, 2003a). In 2005, the Policy Support Instrument was introduced as an alternative IMF “seal of approval” for members’ policies, thus eliminating the need to use an IMF lending arrangement for that purpose (IMF, 2005e). In 2007, the Board concluded that the primary focus of the IMF’s work in low-income countries was to provide policy advice and technical support on the design of appropriate macroeconomic policies, and not to actively mobilize aid (IMF, 2007f and 2007l). In 2009, structural performance criteria were altogether abolished in all IMF-supported programs (IMF, 2009g). The Board also agreed to periodic reviews of IMF work on trade policy every five years, with the first review planned for 2014 (IMF, 2009l). In 2010, the Board agreed on a list of 25 jurisdictions whose financial sectors were the most significant for the global financial system and made them subject to mandatory financial stability assessments every five years (IMF, 2010g); the list was recently reviewed and augmented (IMF, 2013u). In 2012, the Board discussed an institutional view on member countries’ use of capital controls (called capital flow management measures) (IMF, 2012l).

23. Recent actions to help improve the Board’s effectiveness include raising the number of Alternate Executive Directors for multi-country constituencies (Box 1); undertaking ex post assessments of some programs, to allow the Board to reflect upon past activities of the IMF and to apply any lessons; and—in accordance with an agreement reached in November 2010 on Board practices (IMF, 2010l)—increasing the focus on strategic country and policy issues through the use of lapse-of-time procedures and better prioritization and timing of policy items. Staff-chaired sessions, for which the attendance of the staff of Offices of Executive Directors (OED) is understood to be optional, have been used to limit the number of Board meetings. Board members who were interviewed for this evaluation stated that Executive Directors are now much more proactive than previously in seeking information from Management and staff, thanks in part to recent innovations designed to enhance the Board’s involvement in strategic decisions.

**Outstanding issues**

24. As important as these improvements are, a number of issues remain outstanding (see Box 2 on selected views of Executive Board members). Executive Directors representing various national interests are bound to disagree on some important issues. Because many of the issues are ultimately related to the governance of the IMF, quick fixes cannot be expected. In discussing the IEO evaluation of the Governance of the IMF (IEO, 2008), the Executive Board and the Managing Director issued a joint statement, noting that the IEO report was “part of an ongoing process to strengthen the IMF’s governance framework” and that many of the issues were “complex, interrelated, and [needed] to be discussed holistically” (IMF, 2008e).

25. The Executive Board Working Group on IMF Corporate Governance in 2008 (IMF, 2008j), and the Management-appointed external panel chaired by Trevor Manuel in 2009 (Manuel and others, 2009), issued recommendations to address some of the issues raised by the IEO. The Board endorsed the Managing Director’s proposal to reconvene a Joint Steering Committee one year following the discussion of the IEO evaluation in order to consider all of the recommendations issued. But Executive Directors’ expectations notwithstanding, this has never occurred.

26. Achieving greater candor in the documents prepared for the Board could go some way towards strengthening the Board’s oversight function. A number of IEO evaluations have observed that candor was often either lacking or watered down in staff reports, providing the Board less than a firm basis for asking hard questions about risk assessments (IEO, 2004b and 2006a). The IMF has addressed the need to increase candor as part of its ongoing review process. The 2011 Triennial Surveillance Review (TSR) reiterated the importance of creating incentives for candor among IMF staff (IMF, 2011w; see also IMF, 2011l). The large number of deletions from staff reports before the reports are released to the public may be an indication of increased candor in the original versions submitted to the Board (IMF, 2013i). Nonetheless, transparency is a double-edged sword. The IEO evaluation of *The Role of the IMF as Trusted Advisor* noted that authorities at
Chapter 3 • Recurring Issues from IEO Evaluations

Box 1. Selected Recent Innovations in Executive Board Procedures and Practices

Innovations have been introduced in Board procedures and practices in recent years to increase effectiveness. Some of these are highlighted below:

Reform of Quota and Voice in the International Monetary Fund (IMF, 2008a)

- Constituencies representing seven or more member countries are now allowed to appoint an additional Alternate Executive Director. The general rule entered into force in March 2011 (IMF, 2011d).


- Procedural safeguards were introduced in the form of a required informal Board meeting when a financial request (either for a new arrangement or for augmentation of an existing arrangement) would lead to a country’s exceptional access. A similar requirement had already been in place since 2003 for stand-by arrangements and the use of the Extended Fund Facility (see IMF, 2003b).

Omnibus Paper on Easing Work Pressures (IMF, 2009p)

- Multi-country ex post assessments (EPAs) and ex post evaluations (EPEs) are now allowed in order to prevent a bunching of the EPA- and EPE-related workloads.

Executive Board Working Group on Committees (IMF, 2010l and 2012d)

- Better scheduling of meetings and streamlining types of meetings were seen to have improved prioritization and work program planning.

- Increased use of lapse-of-time procedures and of “green” statements (allowing Directors to express views without calling for a Board discussion) was seen to have reduced workload and achieved better focus on strategic issues.

- Issuance of joint “grays” (preliminary statements) and implementation of an earlier deadline were seen to have eased preparation for Board meetings.

- Stricter observance of time limits on interventions and more active Management chairing were seen to have improved the focus of Board discussions.

Executive Directors’ Working Group on Summings Up (IMF, 2013b)

- Stakeholders’ familiarity with the “rule of silence” and the way post-Board meeting comments are reflected in the summings up were clarified.

- A periodic stock-taking exercise on the effective preparation of summings up was introduced.

- The role of the Chair in ensuring that summings up adequately capture the views expressed by Executive Directors was reaffirmed.

- Qualifiers used in summings up (last updated in 2010) were deemed appropriate.

27. Evidence of organizational silos, and inadequate integration of work done by different parts of the IMF, has been identified by 39 findings across 12 evaluations (see Annex 1 for the complete list of findings). Silos are a feature of any complex organization and are not a bad thing in themselves. But silo behavior, marked by poor coordination among different parts of the organization, is of concern. Silo behavior can result in weak analysis if it causes insufficient integration of work across IMF departments, especially between bilateral and multilateral surveillance or between financial sector and macroeconomic analysis. Silo behavior could also affect the IMF’s internal review process.

28. IEO evaluations have identified silo behavior in, for example, insufficient incorporation by area departments of constructive comments received from review departments on surveillance and program design (IEO, 2003b and 2011a); insufficient integration of global perspectives into bilateral surveillance (IEO, 2006b and 2007b); turf battles between departments (IEO, 2011a); and discrepancies in the advice provided in different products produced by different departments (IEO, 2013).