

Governance and Accountability at the International Monetary Fund

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A. Main aims of IMF governance and accountability—why care?

Governance and accountability are issues of increasing importance in the inside circles of finance and development; however, though they may seem to be of an esoteric nature, the implications of a lack of either are of momentous importance to virtually everyone. Recently, average citizens in developing countries, as well as their respective governments, have been among those to realize this importance, and to make demands on certain international organizations to increase transparency and improve their governance.

In order to appreciate the gravity of the issues that are involved, one must first understand those issues, and have a general idea of what governance and accountability mean in the context of international organizations. As an initial matter, one must realize that governance itself refers to all facets of the political, economic, and legal structures of a given international organization. When these structures fail, governance fails, and one of the symptoms of such failure is corruption of those officials in charge of overseeing the operations of the organization. Corruption in the context of international organizations such as the International Monetary Fund (IMF) can be understood as an abuse of the official's position to gain benefits for individuals rather than the member countries they are supposed to be serving. The causes of the failure itself are multifarious, as are the consequences, including detrimental effects on an IMF member country's economy.

Accountability is a closely-related term used in conjunction with governance in any discussion of the issues involved. Simply stated, accountability refers to an international organization being responsible for its decisions. Further, proper accountability allows those who are affected by an organization's decisions to have full knowledge of the implications, and access to a proper system in which to report and rectify any negative effects on their living

conditions or economic well being that result from such decisions. In other words, a system that can be easily utilized by concerned citizenry.

Given the reliance that its member countries often place on the IMF's role in their economic development, the IMF must address its own, internal problems by developing stable governance, and fostering greater accountability to its member countries—particularly the developing and emerging market members—as an institution. Indeed, fewer countries are turning to the IMF for assistance because of a perceived lack of proper governance and accountability, refusing to be subjected to conditions imposed by an institution in which they wield little power. This objective starts with the IMF allowing itself as an institution to be held accountable to those who are susceptible to any harm caused by potential failures in its work. The potential for its member countries to experience harm resulting from failures in IMF policy advice is great, making the need for a proper system of IMF governance and accountability that truly serves the interests of its member countries a vital one. For instance, some commentators, and many people in the Asian region, accuse the IMF of precipitating the 1990's Asian financial crisis via failed policy advice. During the Asian financial crisis, several Asian currencies experienced a precipitous devaluation, markets fell, and private debt increased. Further threatening the IMF's status in the region is the growing trend of countries borrowing from private financial lenders in lieu of borrowing from international organizations like the Fund.

In light of the fact that fewer and fewer countries are turning to it for assistance, the IMF itself needs to take governance and accountability seriously. If it is going to continue as a viable institution which is trusted and respected by all of its members, several reforms need to take place in this area. This paper will address the historical function of IMF governance and accountability, and then discuss the current issues regarding governance and accountability, how they affect the IMF, and how the IMF might change to meet these new demands on governance and accountability.

B. History of IMF governance and accountability issues

Over the course of its existence, the IMF and the economic world it was charged with overseeing have undergone a number of changes. Such changes have, of course, affected the way in which the IMF is perceived, both by its detractors and proponents, and the ways in which

the IMF must conduct itself in order to provide services that are useful to the economic development of its member countries. The changes that made governance and accountability important issues are (1) the change in IMF's purpose as an institution and (2) the change in client base.

The IMF, as one of the Bretton Woods Institutions, came about in the wake of World War II as a means of facilitating international trade and preventing future global financial disturbances. Specifically, the Fund was charged with maintaining a fixed exchange rate system, as a stable exchange rate system would support balanced trade.

The IMF's original mission included the maintenance of an exchange rate system, which was a gold exchange standard, whereby each unit of a country's currency was supposed to represent a certain amount of weight in gold. In practice, this meant that central banks had to keep an "official parity" between the country's currency and the dollar, requiring those banks hold onto dollar reserves. Additionally, IMF member countries could exchange those dollar reserves, the value of which was fixed to the price of gold, for gold with the U.S. Federal Reserve—hence the term "gold exchange standard." However, the collapse of that system in the 1970s, brought about initially by the U.S.'s decision to stop exchanging gold for dollars, obviated this original purpose. Rather than adhere to a fixed exchange rate system, most prominent countries in the global economy opted for flexible exchange rates. The IMF adjusted its role accordingly, expanding its mandate to address a number of problems, including but not limited to the following:

1. In the 1980s, the IMF placed a great deal of its resources in remedying the debt problems faced by many Latin American countries, making those countries' problems the focus of its financial crisis management mission. Generally speaking, the Fund began to involve itself heavily in the economic restructuring of developing countries.
2. After the fall of the USSR in the 1990s, the IMF helped establish market economies in the former Soviet bloc.

3. Towards the end of the 1990s, the IMF was busy dealing with the damage caused by the Asian financial crisis, and seeking to implement policies to prevent such a crisis from recurring.
4. Since that time, the IMF has been able to focus on reducing poverty in developing countries by encouraging the adoption of sound macroeconomic policies, and advising the implementation thereof.

This change in its mission put the IMF in a position in which it began to increasingly influence the domestic policies of developing countries—a type of influence that raised issues of governance and accountability. Mere maintenance of an exchange rate system might have affected the daily lives of individuals in the early days of the IMF's existence, but certainly it did not affect changes of the magnitude that are possible. Indeed, the IMF even involves itself in decisions regarding issues from the countries' environmental policy to the restructuring of certain public institutions within those countries.

With this changed role came new clients. Today's IMF member roster includes 185 members, which is vastly more variegated than the original member roster of 45 countries. IMF membership varies in several ways: industrialized, well-developed nations to agrarian, third-world nations are represented, as well as populous to non-populous nations. In short, nations from every corner of the world are involved with the IMF in some form. However, IMF membership generally can be understood as consisting of two groups: developed countries and developing/emerging market countries. The latter group comprises the vast majority of IMF membership: approximately 84% to the 16% of developed countries. Yet the developed country minority, under the current governance structure, wields a majority of the voting power within the Fund—60%. Critics claim this disproportionate power distribution is undemocratic, and one of the reasons the IMF is charged with lacking good governance.

A further problem from a governance and accountability standpoint is that, despite all of these changes in the global economy and the IMF's role relative to that economy, the IMF has not correspondingly changed its governance and accountability mechanisms. The primary example being the IMF's internal governing bodies—the Executive Board and the International Monetary and Finance Committees. These committees are the primary decision makers of the

IMF, yet within them there is little to no representation of those developing countries whose problems comprise the majority of the IMF's current mandate. This is a contentious fact amongst key IMF detractors, who believe that such a discrepancy warrants dismissal of the IMF in its role as watch guard of the global economy.

Still others are concerned whether the IMF is needed at all, raising the question of whether the IMF's role is relevant in today's economy. These detractors argue that globalization itself, and the integration that accompanies it, renders the IMF, with its missions such as surveillance (monitoring, by the IMF, of the economic policies of its member countries; in particular, each member country of the IMF commits to running their economic policies in conformity with a "mutually agreed" code of conduct, and the IMF ensures, via its surveillance of its members policies, that they are complying with the agreed upon economic conduct) useless, and that its meddling in the affairs of its member countries is unhelpful and even harmful. For instance, the Meltzer Commission (a group of experts led by and named after Professor Meltzer that was formed to advise the U.S. Congress on the role and activities of international institutions such as the IMF) proposed that the U.S. Congress take steps to emasculate the IMF's surveillance and policy advising powers. Such powers are part of the general IMF surveillance mission—part of the IMF's surveillance entails the monitoring of potential risks (e.g., a recession) that the IMF believes could occur according to the data it gathers about the country through surveillance. In response, the IMF will provide policy advice to its members—suggesting changes to make to its economic policies in order to avoid, for instance, a recession.)

Other critics maintain that the IMF is still a viable institution, but that serious reforms are required. Such critics call for reforms that would enhance transparency, accountability, and restructure the IMF's governance in the spirit of democracy such that those developing countries whose problems are the bulk of the IMF's work have a say in that very work. Critics argue that, currently, the IMF's governance is biased in favor of the developed countries, even going so far as to say that the IMF is an instrument through which the developed countries can control the developing countries.

Specifically, many believe that the IMF bungled its response to the Asian financial crisis, and that such bungling was a result of poor governance and accountability. These critics claim that the concerns of the developed countries, who wield nearly complete control over the IMF, caused the IMF to push an economic agenda in the Asia region that wasn't necessarily suited to the needs of developing countries there. Even the World Bank believed the IMF encouraged countries in the region to liberalize their markets too early, believing that those countries did not have the political and economic infrastructure to support such liberalization. Further, many worry that the IMF is slowly dying, a concern that is corroborated by the fact that fewer and fewer countries are taking advantage of the IMF's lending services—one of the institution's traditional ways of informing economic policy (e.g., through conditions imposed on loan agreements). For instance, many countries recently paid off, in their entirety, substantial loans, and there are no opportunities for the IMF to replace those agreements with new ones. Additionally, the IMF's lending dipped substantially from \$107 billion in 2003 to \$35 billion in 2006, and continues to decline. Several other factors have fostered IMF criticism: (1) many Asian countries have vowed to never seek another IMF loan; (2) increased competition from private financial markets as a source for loans has threatened to replace the IMF on that front; and (3) the crisis Argentina experienced in 2001 is attributed to poor advice from the IMF. All of these factors are coalescing to diminish the IMF's reputation, and serve to urge the IMF to reform its governance and accountability lest those who give it business seek help elsewhere. This criticism charges the IMF with poor governance in that it fails to allow developing countries to contribute much to the policymaking process within the IMF itself. For instance, poor governance is evidenced when the IMF gives advice to a country, e.g., Argentina, without allowing that and similarly situated countries to comment on the problems a developing country faces. Developing countries possess a working knowledge of the problems they face, and while the insight and knowledge of individuals from developed countries is also valuable, in order to fully understand the picture, the IMF should be informed by both sides before it makes a decision on which advice to give to developing countries. Good governance, then, would give developing countries more control in the IMF's governance structure so that poor policy advice, such as that given to Argentina, can possibly be avoided.

Additionally, the U.S. itself has recently chastised the IMF, despite being a member of the developed group of countries who are accused of manipulating such institutions in order to

advance their own political agendas. For instance, although the Clinton administration provided the IMF with a great deal of support, the Bush administration has sought to curtail the IMF's powers and its role in the global economy. This constraint by the U.S. is fueled by policymakers who subscribe to a free-market ideology, believing that the IMF's lending is a bail-out mechanism that improperly interferes with the free-market. These policymakers also fear that IMF lending sometimes encourages reckless profligacy by those countries that believe they can behave any way they like because the IMF will catch them if they fall.

Moreover, NGOs in the U.S., groups who often try to engage the IMF in various types of development work (e.g., distributing food and other resources to the poor), have been openly critical of the institution's lack of concern for human rights issues. For instance, several NGOs, particularly Christian-based NGOs, became critical of the IMF's failure to reduce the debt of the poorest countries, calling on the IMF and the World Bank to make efforts to relieve those countries from their debt burden. These same NGOs are now taking credit for the efforts that the IMF and World Bank subsequently made to reduce debt for the poorest countries by either cancelling it or providing aid packages to help pay it down. In this sense, the NGOs have been involved in a dialogue with the IMF and have, as a result, been shaping its policy through criticism and discussion. For example, the IMF's decision to publish so much information about its work via its website came after the Fund received criticism from several NGOs about its lack of transparency. However, the IMF has acknowledged that NGOs also work directly with the IMF by gathering information in developing countries about the respective country's need for and the impact of the economic reforms that the IMF often imposes in exchange for its loans.

As shown above, the criticism levied at the IMF has been the catalyst for change within the institution, and at the very least it can be said that the IMF is open to suggestion, an obvious step in the right direction toward proper governance and accountability of the institution.

C. Current Governance and Accountability Issues

There are several points of criticism related to the larger criticism of the IMF's lack of proper governance and accountability—in other words, there are several features of the IMF that parties take issue with and believe that these features are symptoms of a lack of proper

governance and accountability. Some of these features the IMF has addressed and either remedied already or promised to remedy, but others have not been addressed at all.

1. The IMF is undemocratic.

The IMF has recently been under attack by developing countries and their proponents who believe that the former have no voice—or no voice proportionate to their interest in the business of the IMF and its operations and management. This concern is corroborated by the statistics: together as a whole, developing and emerging market economies have around 40% of voting power in the IMF, while a small cluster of industrialized countries wield the remaining 60%. These developing countries believe these figures are egregiously disproportionate in light of the fact that the vast majority of the IMF's dealings (including its lending) are with the developing countries. Of course, the power wielded by the developed countries is reflective of the amount of funding they provide the IMF, not the amount of help they receive from the IMF; that fact serves as the principal justification of the developed country's control over the IMF.

This problem of a lack of voice could be remedied in several ways, but the specific remedy that most of the underrepresented are requesting is a change to the IMF's quota formula. Quotas serve a dual purpose: (1) quotas determine the amount of money the member contributes to the IMF for purposes of financing its lending and other operations, and (2) the size of the quota also determines the percentage of the respective member's voting power. Since the voting power is based on a pie of fixed size (i.e., there is only 100% that must be divided between the IMF members), any increase in member A's quota and thus member A's percentage of voting power necessarily includes a decrease in the percentage of voting power available for the other members to share. Developing countries' concern over this dynamic and the fact that they are unable to contribute as much in a quota payment as developed countries has caused them to advocate a different system for apportioning voting power: they wish to have their voting power based, not on the size of their quota, but rather on a population or a poverty index (i.e., on a need for IMF assistance).

Another formula that might be used to adjust voting power is simply equating such power with the size of membership. For instance, developing countries currently comprise 85% of IMF membership, but only 40% of IMF voting power. Meanwhile, only about 24 developed

countries wield 60% of IMF voting power. Developing countries also seek to have quotas increased on an equiproportional (proportional increases for all members) basis rather than selectively increasing the quotas of countries whenever it is believed that an adjustment is required. Usually, selective increases are made in order to reflect a given country's importance as an IMF creditor—a method of increase that ensures developed countries wield the most voting power.

The current quota system is a remnant of the IMF's incipient years. The formula used now is largely the same formula used when the IMF had only 45 members. This formula obviously is designed to ensure that the IMF has a proper influx of funds, and in that way it is perhaps justified—without funds, the IMF would be incapable of providing assistance. Still, while the money of developed countries is needed, their having unfettered control over the affairs of developing countries is not necessarily required.

The current formula, however, is not exactly the same as it used to be. The IMF evaluated the propriety of this quota formula as early as the 1960s. As a result of that evaluation, the IMF instituted some important changes that inured to the benefit of developing countries. Chiefly, the IMF instituted a multi-formula method wherein quotas could, optionally, be determined not only by national income (a formula that favored developed countries), but also by payments to the IMF on loans taken and current receipts of loans from the IMF (a formula that favored developing countries). Still, despite this change, disparity exists in that the developing countries have little voice but great interest in the dealings of the IMF.

There is wide agreement, however, over whether developed countries, since they are the primary creditors of the IMF, should retain some type of majority interest in the IMF. The developing countries just want more control for themselves, not necessarily at the expense of the developed countries' majority interest in the IMF. This agreement has underscored efforts to retool the quota formula.

At the end of the 20th century, the IMF commissioned a group to examine the current quota formula and explore opportunities for revision that would meet the requests of the developing countries. That group, the Quota Formula Review Group, concluded that it would be extremely difficult, if not impossible, to give developing countries a significant increase in quota

share (and thus voting power) under the current formula, since there is nothing financially that makes sense about altering the current power distribution; i.e., if we're going to respect the position of the developed nations as creditors, then the current formula is properly adjusted to reflect that position.

However, the IMF has entertained several ways in which it could modify the existing formula so that voting power can be more properly balanced between developed and developing countries. The IMF could simply (1) change the distribution of quota shares in an overriding fashion; (2) increase the number of basic votes (each country gets 250 basic votes pursuant to the Articles of Agreement); or (3) a combination of both. However, all three options would require an amendment to the IMF's Articles of Agreement—and such an amendment is a difficult prospect because of the broad consensus required to do so. Article XXVIII provides that a consensus of three-fifths of the members having 85% of the voting power is required to amend the Articles. Furthermore, the Articles also provide that no member's quota may be changed without that member's consent. Nevertheless, for some there is hope, as the IMF has made similar adjustments to quotas in the past—this suggests that it is not impossible for the IMF to make an adjustment now. For instance, it changed the allocation of quotas before in order to accommodate a change in geopolitical circumstances, as well as instituted a dramatic adjustment of the United States' quota share, which decreased from 30% when the IMF was founded to its current figure of 17%.

While the voting power of the United States is significant, that of the 15 countries of the European Union is nearly twice as much. In 2002, the voting power of the EU was approximately 30%. By contrast, the Asian countries as a whole, including China, the largest developing country and largest country in terms of population, have a mere 18% combined voting power in the IMF. Given the EU's status as a conglomerate of nation-states, many believe that it should be treated as a single, developed country for purposes of voting power, and, as such, should have its voting power reduced to somewhere closer to that of the U.S. However, this presents complex problems, given the diverse countries that constitute the EU. Yet, if any region is going to relinquish power so that the developing nations can have a greater share, most believe that it should be the EU, since the U.S.'s voting power is properly aligned with its global economic strength, and thus it does not seem reasonable to take power away from the latter.

Recently, a number of IMF member countries endorsed the proposition of increasing the quota shares of several developing countries— China, South Korea, Mexico, and Turkey— whose voting power was found to be out of balance with their burgeoning economic power and prominent position on the global stage. This adjustment is to be part of a two-stage process that the IMF intends to address the issue of governance, with the second part to be an increase in the number of basic votes so as to give more control to the developing countries. In 2008, the U.S. put pressure on the IMF to reform its voting scheme and put forth a proposal for changes. At the end of March, 2008, the IMF’s Executive Board responded by approving a proposal for reforming the quota formula. The new quota formula reflects an effort to address the imbalance in voting power between developed and developing member countries. It does this by decreasing the weight of gross domestic product (GDP) (the size of a country’s economy) to only 50% and adding other factors such as Purchasing Power Parity (PPP) (the purchasing power a given country’s currency has within its own country as compared to another country’s purchasing power in its respective country) to the new quota formula. The proposal also calls for a tripling of the number of basic votes as well as additional alternative directors for constituencies representing more than 19 countries, both of which will help to increase the strength of the voices of the developing members. Several of the underrepresented advanced members, including the U.S., Germany, and Japan, have agreed for now to forego the quota increases they would otherwise be eligible for initially under the new quota formula. The Board of Governors is due to vote on the proposal by the end of April 2008. For a more detailed summary of the proposal, see the press release by clicking [here](#).

2. Inadequate representation of developing countries on the executive board.

As mentioned above, the current composition of the Executive Board is such that the developing countries lack an individual voice on that board. Instead, they usually share one Executive Director, thus making it nearly impossible for any individual country to have their views expressed if that view conflicts with one of the other countries represented by the individual Executive Director on the Board. This results in a disenfranchisement of these countries in the decision-making processes that the Board undertakes.

The only countries to have individual Executive Directors to represent their interests are the U.S., Germany, France, Japan, UK, Saudi Arabia, Russia, and China. The other 130 countries share the remaining Executive Directors in groups. In order to have any interests of theirs brought up for discussion in a decision-making process, several countries have to band together on positions they share in common—obviously, this is not always possible. And even when it is, a great many issues will go unaddressed, as one Executive Director could hardly represent every country on every position they take.

This allocation of board seats seriously undermines the so-called consensus decision-making process that the IMF touts. One Executive Director is not always speaking for all of the countries he represents when he takes a position on a given issue during the consensus decision-making process. Many of those individual countries may disagree with the developed countries on a particular decision, but have no effective means of blocking a consensus.

One solution to this problem posits that the IMF should commission a review committee to examine the possibilities of changing the structure of the Executive Board as well as initiate discussions between those concerned countries and the IMF. The second step would be, as discussed above, to increase the voting power of developing countries while maintaining the creditor countries' majority position. This could be done through a reallocation of votes, a simple increase in the basic number of votes, or retooling the quota formula on the basis of PPP rather than purely on the basis of GDP. This would help developing countries because, as a crude example, one U.S. dollar does not necessarily buy more in the U.S. than one yuan can buy in China—the two countries are thus closer to being equal on a PPP basis than they are on a GDP basis, which would mean China would have a quota similar to the U.S. Finally, the Board could be modified by either increasing its size and adding more seats for Executive Directors who will represent clusters of developing countries, or reducing the number held by European countries and give those to the developing country clusters. A few such developing country clusters that are proposed to have their own seats are (1) the Sub-Saharan Africa countries and (2) those Asian countries not already represented by their own Executive Director.

Again, while the naysayers believe it impossible or difficult for the IMF to accommodate the developing countries' interests regarding the Board, the IMF has, in the past, proven to be

capable of making changes to the executive board. For example, at its inception the Board had simply 12 Executive Directors, but now that number stands at 24, a number which now includes an Executive Director for Saudi Arabia, China, and Russia. Former Managing Director Rodrigo de Rato supports the position of those who believe a new allocation must take place in furtherance of making the IMF more accountable to its developing country members.

Finally, and most significantly, the recent proposal put forth by the IMF's Executive Board regarding reforms to its current quota formula is an important and necessary response to all of these criticisms. Accordingly, the proposed formula takes into consideration factors other than GDP in order to give developing countries' a chance at wielding greater influence in the executive board and the IMF as a whole. This step signifies the IMF's willingness to evolve in order to remain relevant, and it seeks to reaffirm its legitimacy as an international financial institution.

3. The IMF Managing Director.

Another issue related to governance and accountability of the IMF is the selection of the Managing Director, the lead position within the institution. More specifically, the Managing Director heads the Executive Board, which is composed of Executive Directors who are elected by member countries or groups of member countries. The Executive Board, as the primary decision-making branch of the IMF, is responsible for overseeing the daily functions of the IMF. Since the formation of the Bretton Woods Institutions (the IMF and the World Bank), the United States and Europe have followed a tradition whereby the United States has the prerogative of selecting the President of the World Bank, while Europe has a corresponding prerogative of selecting the Managing Director of the IMF. This is essentially a decision amongst developed countries to divvy up power and control over the global economy. Thus, this tradition inherently disregards the interests other, primarily developing, countries have in determining the leadership of these institutions. The Managing Director is more than just a figure head—he serves as the chair of the Executive Board, helping to steer the direction of discussions held by the Board and thus, in essence, steering the course of the institution as a whole via his dominant role in the discussions. Most problematic about this process, aside from developing countries having no input, is the fact that the process itself is incredibly non-transparent. Essentially, the U.S. and the

EU do not have to explain their choices to other members and they decide upon candidates in a process that occurs behind closed doors. This, then, is a situation in which the two concepts of governance and accountability exist simultaneously: developing countries have no input over the governance of the IMF in relation to the Managing Director, and the developed countries are not accountable to the rest of the IMF's members for the decisions they make regarding selection.

Proposed solutions to this problem have been simple and straightforward: simply base the selection process on merit-oriented elections in which all member countries can vote and have a say. Former IMF head Michel Camdessus agreed with such a change, and urged the U.S. and Europe to relinquish their control over the Bretton Woods Institutions. While a different process needs to be implemented, some have raised the counter-argument that there are problems associated with an overly transparent, competitive process as well. For instance, such a process was implemented for selecting the head of the World Trade Organization, and, recently, the selection process met with a deadlock.

Alternatively, a toned-down competitive process could be implemented in lieu of a full-blown competitive procedure. Miles Kahler, professor of international relations, suggests his so-called "process of restrained competition" would include several factors, including minimum qualifications to be agreed upon, and a search committee to establish a list of qualified candidates that finally is narrowed down by the member states to a nomination list that would be veto proof.

4. Consensus decision-making of the Executive Board.

At the core of the current governance structure of the IMF is the Executive Board, the main decision-making body within the institution. The Board itself consists of twenty-four Executive Directors who decide on issues that come before them by means of consensus—i.e., unanimous agreement over a decision without a formal vote. The Chairman (the Managing Director) and the rest of the Board often let many decisions move forward with a mere large majority. This consensus rule was adopted at the inception of the IMF. Nonetheless, consensus building, even if it's a mere large majority, is an extremely protracted and difficult process, particularly with important and high-profile policy issues.

The United States and several European countries each get their own Executive Director who sits on the board and solely represents their interests in decision-making. By contrast, developing countries must form outside constituencies just to have one Executive Director who is shared amongst them to simultaneously represent their interests. This makes it rather difficult for any individual developing country to advance its interests—the only interests that can be represented are shared interests that allow a given constituency to form. Problematically, the single shared Executive Director cannot split his/her position to represent the oftentimes competing and conflicting interests of the several countries he/she represents.

On the flipside, the current consensus rule allows all parties a type of veto power over major decisions, thus providing them protection from overreaching by the developed countries, and allowing them to bargain for a decision package that is overall acceptable to them. Still, most believe that their interests cannot properly be considered until and unless they have a greater voice via their own Executive Director.

5. IMF must be more accountable to its member countries and to public opinion.

Despite its perceived shortcomings, the IMF has not turned a deaf ear to the voices of its critics and those who ask for reform. Indeed, the IMF has now acknowledged a larger group of individuals who have an interest in its work, such as NGOs. As a result, the IMF has already taken several steps to increase its accountability to this broader group of individuals. For instance, the IMF has implemented policies that have effectively increased transparency by providing access to a wide gamut of its research and activities through publication of that information on websites, including its own. In addition, the IMF asks those governments it advises to allow for disclosure of the work carried out between them and the IMF, and to take steps to ensure transparency, an important component of accountability, to their own citizenry.

The IMF has formed its Independent Evaluation Office, a group that reports to the Executive Board its findings on the efficacy of the IMF's work. The IEO is headed by a Director who is an official of the IMF and is appointed for a non-renewable six-year term by the Executive Board of the IMF. The Director's appointment may be terminated at any time by the Executive Board. The rest of the IEO group is comprised of twelve staff members, the majority of which is recruited from outside the IMF. It conducts regular investigations and studies on the

workings of the IMF, and produces evaluation reports that are made available to the public. However, the IMF Executive Board reserves the right to keep these reports from being made publicly available in extraordinary circumstances under the Terms of Reference, the framework within which the IEO is to function. Given these limitations, some critics question the extent of the independence of the IEO.

However, the IEO has made some positive steps towards helping the IMF increase the effectiveness of its programs. For example, recently the IEO evaluated the IMF's relationship with the severely impoverished countries in Sub-Saharan Africa, and found that both internal and external confusion abounded regarding the IMF's role in aiding those countries. The IEO informed the Board that the IMF simply had not made it clear how it was helping and going to help those countries. It further concluded that such confusion was a result of the disconnect readily apparent between the IMF's rhetoric on poverty and actions actually taken on the ground by the IMF (e.g., the IMF's rhetoric led observers to believe that it would do more in way of financial assistance than it actually did). In order to remedy this problem, the IEO made several recommendations to the Board, one of which was to reaffirm the IMF's position in a clear manner by informing the public of the available resources that can be tapped for help, and to make the work of IMF staff in Sub-Saharan Africa transparent and open to criticism. As a result, the Board agreed and is currently working on implementing these recommendations.

The IEO is an example of what is termed an agency of horizontal accountability—when an institution is held accountable by internal or external agencies that ensure the institution lives up to its mission, promises and rules. This is in contrast to vertical accountability, which applies to the governance of the IMF and any form of representative government, for that matter, in that the representatives or elected officials should theoretically be accountable to those who vote them into office. The IMF has also sought the formation of additional, external agencies that evaluate and help ensure that the institution abides by its own rules and promises. For example, the IEO itself is evaluated on a regular basis by an external agency comprised of three independent experts to ensure that it is doing a proper job of evaluating the IMF.

Another way in which the IMF has held itself accountable to its constituents is by acknowledging the importance of Non Governmental Organizations, or NGOs, private groups

who represent the interests of various private constituents in the world of international finance. The IMF began consulting with these groups in the 1990s, and made available to them what had before been secret IMF information. The IMF has entered into talks with these and other groups who have an interest in the ramifications of its financial work: trade unions, church groups, etc., just to name a few. The IMF actively participates in dialogue and meetings with these groups, giving them an arena in which they can voice their concerns and opinions on the IMF's work and the state of the global economy. Additionally, some NGOs are allowed to participate in the writing and submission of "Poverty Reduction Strategy Papers" (papers drafted by countries that show a strategy for dealing with poverty) that the IMF now requires of countries seeking additional assistance. However, it must be noted that while NGOs now have influence over the IMF, any such influence is completely informal, as these groups do not have voting power nor are they represented by any Executive Director on the Board. This, along with the fact that there is currently no mechanism by which citizens can lodge complaints against the IMF, brings into question whether there needs to be a formal process put into place that will hold the IMF accountable to citizens of its member countries.

6. The IMF and human rights.

The consequences of the IMF's work, usually resulting from the conditions it places on loans made to debtor countries, have necessarily entangled the IMF in human rights concerns. Whenever the IMF conditions a borrowing country's loan on changes to that country's economic, fiscal, or social policies, the former's work often adversely impacts the country's citizenry—affecting their basic human rights to food, healthcare, etc. As a result, another body of criticism developed, charging the IMF with human rights violations. Typically, the IMF has responded by simply saying that its mission does not contemplate human rights issues, and that it is restricted from taking these issues into consideration by its Articles of Agreement.

Nevertheless, some unfortunate situations have been tied to the implementation of IMF conditions. For example, in 2005, the citizens of Niger experienced a food crisis, which crisis aid agencies have claimed was exacerbated by that government's choice to institute IMF-imposed economic reforms. Specifically, the head of *Medecins sans Frontieres*, an NGO providing medical assistance to the country's poverty stricken populations, charged the IMF with

pressuring the Nigerian government to abolish its grain reserves as part of an economic reform package. The IMF, however, denies that it ever “supported or encouraged” such action. Additionally, the Nigerian government also stopped distributing free food to those of its citizens most in need, and the press blamed the IMF, charging the institution with instructing the government to end distribution. Again, the IMF denied such allegations. Nevertheless, such distribution had been stopped, and the Nigerian government contemporaneously cut spending on healthcare in order to comply with the IMF’s reform package.

Likewise, similar food shortages for the poor have resulted from “IMF-imposed measures” in places like Zambia and India. In those two countries, the IMF’s program of economic reform required those governments to drastically cut government spending, having a direct impact on the provision of food for the poor.

Though the IMF’s work is entwined with these issues, there exists no real mechanism through which affected citizens in countries can hold the IMF accountable for human rights violations. Critics of the IMF decry this fact, and call for the Fund to acknowledge and abide by human rights obligations.

D. Conclusion

Governance and accountability is currently a concept that is of great moment, not only to the IMF but to the nations of the world as a whole. The IMF itself has taken many steps to improve its own governance and its accountability to those countries whose economic well-being it often holds in its hands. Yet, there is still work to be done. It can be disastrous for an institution with the policy-shaping power of the IMF to be both unaware of the concerns of those countries whose policies it shapes as well as mysterious to those very same countries: the IMF could and has prescribed policies that have failed, and largely because the policies do just not fit the countries on which they are imposed. Further, if the countries stand in ignorance of the IMF’s workings, they will be unaware of policy effects until it is too late. Perhaps these failures could be avoided if a more open and comprehensive dialogue were to occur between the IMF and those it serves. But also, those countries should be given a greater stake in IMF governance itself so they can trust the driver that is steering them into the future.

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