Five Practical Suggestions to Break the Policy Isolation in IMF's Governance

from

Harris Gleckman[1]

As part of the preparation for the IMF's policy and governance review[2], the IMF released a new policy on conditionalities[3]. This new policy document remains seriously deficient as it maintains the fiction that global monetary policy is not connected to anything else- not to the real economy, not climate change, not development, not international health, not urban homeliness or world hunger. This self-declared isolation means that IMF's monetary and fiscal policies have no mechanism to be coherent with internationally agreed upon global economic-social-ecological objectives.

It also means that the IMF Board is sending a message to IMF staff that they too can ignore international agreed goals and objectives when they work with individual governments on their monetary and fiscal programs. From the perspective of a national government, this reinforces the mixed messages that they receive from the international community. On the one hand the international community adopts consensus policy statements on climate change, hunger, human rights and development and expects national governments to take steps to implement these mutually adopted global policies. One the other hand the finance and banking authorities in the capital are hearing from the IMF that these international agreed policy statements are irrelevant to their working relationship with the Fund.

Consequently IMF isolationism is antithetical to reasonable global governance and oppositional to the international community's effort to implement well agreed international public policy goals. The self-proclaimed overhaul of the IMF makes no attempt to overcome this isolation, and in fact propagates a series of internal structural changes that could further estrange the IMF from the rest of the international community. The paper suggests five ways that the IMF could begin to develop an integrated presence in global economic governance. The five suggestions cover the creation of functional associations for the Executive Board, the Managing Director, Deputy Managing Directors, and IMF country staff. As such, all

---

[1] Project Manager, The Global Policy Coherence Project 2009, Institute for Environmental Security (The Hague) and Partner, Benchmark Environmental Consulting (New York);

[2] International Monetary Fund. *The Fourth Pillar: IMF Consultations with CSOs on Governance Reforms.* imfweb, 2009. Web. 12 Aug. 2009. <http://thefourthpillar.ning.com/>;

[3] "IMF Overhauls Nonconcessional Lending Facilities and Conditionality. Public Information Notice (PIN) No. 09/40." International Monetary Fund, 3 Apr. 2009. Web. 12 Aug. 2009. <http://www.imf.org/external/np/sec/pn/2009/pn0940.htm>;

of the suggestions can be implemented without a change in the IMF charter, but would require a sea change in institutional culture and practices.

Break the Isolation of the IMF Executive Board from other Intergovernmental bodies

Ending IMF isolation will require improving policy and program fragmentation at the intergovernmental level. The Executive Directors of the IMF need to engage with their Governmental colleagues in other international organizations in order to formulate IMF policies and directions with sound knowledge of policy developments in other international arenas.

At the moment there is a single spring meeting in New York with ECOSOC, World Bank, WTO and UNCTAD for the IMF Executive Board to learn what is happening in other economic forums and to explain directly what the IMF is doing in macro-economic monetary and fiscal policy. This once a year meeting is the out-growth of the 2002 preparatory process for the Monterrey Conference on Financing for Development.

Improving coordination and dialogue between the IMF and other governing bodies of intergovernmental organizations is too important to happen only once a year. The next step in this mutual education process should be that the IMF Executive Board co-locate one meeting annually with a meeting of another international social, economic, environmental or other governing body. An Executive Board meeting held in conjunction with another UN system intergovernmental body would allow the Executive Directors of the IMF to learn firsthand from other senior government officials the impact of macro-economic policy on their sector. Conversely, it would provide the Executive Board an opportunity to explain to other senior government officials how the IMF sees its activities as contributing to resolving a given issue in another public policy area or crisis.

In the case of the food crisis, the IMF could improve communications between international monetary and food policy by co-locating a meeting of the Executive Board in Rome with a meeting of the FAO General Council; or it could co-locate a meeting with a session of the UNFCCC Conference of the Parties to better understand the connections between monetary policy and climate change. Efforts by the Executive Board to meet with Intergovernmental organizations within other policy areas will improve IMF understanding of general international policy and the role of its monetary recommendations within international policy as a whole.

The Executive Board of the IMF should also make a concerted effort to stay abreast of leading new issues on the global agenda. Currently the principal way that the intergovernmental leadership at the IMF learns of new issues is from national media and civil society. The ED should learn these new and emerging issues as part of their preparation for the Fall and Spring Ministerial meetings of the IMF. Whether the new and emerging issue is reflected in a General Assembly resolution on natural resources and financing or WHO resolution on rural health, the IMF Executive Directors should have prompt and complete understanding of this global agreements so that it can fashion its recommendations on monetary and fiscal policies in a coherent matter.

The process for reviewing Intergovernmental statements could have four simple steps. First, with the support of the Chief Executives Board of the UN, the IMF Managing Director could prepare for the Executive Board a list of all major new global social, economic, and environmental consensus agreements within the preceding period. The second step could be to request two sets of reports on each intergovernmental issue: one from the IMF staff and one from the sponsoring secretariat with its appraisal of any monetary or fiscal policy implications of the issue. The IMF should publish both sets of reports for public comment. Finally, after receiving public commentary, the Executive Board should select those key issues that are appropriate for consideration at each IMF biannual meetings.

Break the Isolation of the IMF Governance System from Affected Populations

IMF Executive Directors are largely isolated from the populations affected by their programs. Currently the sources of information for the Executive Directors about the impact of IMF policies and programs are either via IMF Managing Directors, who have a self-interest in providing a positive spin on their departmental programs, or via national Ministers in recipient countries, who have a self-interest in building confidence for subsequent grants and loans. The EDs should have their own independent information source on the on the accomplishments or failures of IMF loan programs.

The Executive Board could break this isolation with a simple approach. It should annually review the results of commissioned public opinion surveys of the IMF in selected countries that are new and/or large recipients of IMF programs, as well as in selected countries that do not have significant IMF programs. The commissioned public opinion surveys would provide them clear knowledge on the pro integrity of the IMF in the given country; the extent to which IMF involvement in the country furthered/hindered the domestic democratic process; the breadth of public knowledge about the scope and function of the IMF country program; and the views of resident bilateral and multilateral development officials of the impact of the IMF on the viability of their programs.

Overcome the Isolation of the IMF staff from the development experts in the the UN System

Within the United Nations System the IMF staff remain isolated from various specialized agencies and other members of the UN organization. Currently the IMF staff have very few liaison offices (New York and Geneva) and rarely communicate with staff at other UN bodies or with UN system development officials resident in capitals. The existing Geneva office focusing principally on relationship with the WTO staff and ignores the staff of the major UN agencies in and around the Palais. The NY office however could be a model for how the IMF could relate to the other UN system staff. IMF staff should establish liaison offices at least in Rome, Nairobi, Bangkok, and Vienna. The prime function of the liaison offices in the UN system's key cities would be link the IMF and the UN system at the working level. The Executive Board should also review annual reports from these liaison offices to determine how the IMF policies and programs are impacting the functioning of the rest of the international system.

Break the Isolation of the IMF from the in-country UN Resident Representative System

For the last dozen years, the UN system has been creating a common presence in developing countries. The IMF in its self-isolation practice has avoided participation in this common system. The IMF does not maintain standing offices in each country with significant IMF programs. Yet during the lending process it does have extended missions and frequent engagement in states that have established UN Resident Representative Offices and personnel. The IMF in-country offices and missions should engage actively with the UN Resident Representative and the country teams in all countries that have IMF programs.

This engagement should include providing the Resident Representative regular reports on the status of IMF activities and individual country missions; participating in regular basis in the country team meetings called by the UN Resident Representative; and including, as part of a IMF country team mission, meeting with the specialized agency representatives to explain the likely effects of any IMF recommendations on monetary and fiscal policy for their areas of specialized support to the government. By interacting with the UN Resident Representatives and other UN system staff in countries where it has lending programs, the IMF staff could benefit from increased communication and coordination with other members of the UN system as well as reduce the mixed messages to national ministries from the international system.

Recognize the Importance of creating Global Policy Coherence

The review of IMF governance can be a helpful step toward internal, structural and operational changes that situate the institution in a more coherent place in global governance. Self-declared isolationism cannot achieve effective international policy because it does not consider the effects of its monetary and fiscal policy recommendations on economic, social, and environmental policies in recipient countries. Self-imposed isolationism also prevents the IMF from understanding its role in international policy development whether in the trade regime, the global social community, the global political community or the global environmental community. Further, many contemporary global crises such as climate change and the financial crisis cannot be resolved without effective and coherent international public policy making.[4]

The IMF must recognize global policy coherence as necessary to resolve the existing fragmentation among international policy areas and the organizations that govern them. Communication, information exchange, and understanding among senior government officials within various international policy areas and organizations are essential to create coherent global policy. IMF isolationism impedes global policy coherence. Therefore, the Executive Board of the IMF should break its isolation from other intergovernmental bodies, its affected populations, and the rest of the UN system to ensure that it creates effective monetary and fiscal policy that contributes to global policy coherence.

---

4 Gleckman, Harris. "Policy Coherence Between the Climate Negotiations and the International Financial and Monetary Regimes." The Perfect Storm I: Trade, Finance and Climate in 2009. *Institute for Environmental Security*. Web. 15 Sept. 2008. <http://www.envirosecurity.org/gpc/edpackage/>.