

“Canada and its IMF Executive Director”

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Introduction

Public administration literature has grappled with the question of how politicized is Canada's public service for many years. Many have argued that the trend toward increased politicization of the public service is evident today more than ever before (Peters and Pierre 2004). Recent developments in Canadian politics have highlighted the public service's own 'persona', bringing into question the public service's responsibility and accountability (Savoie 2006). The questions of how much power do members of Canada's public service have and what is their influence on policy-making have been debated in the literature. This article adds empirical findings to be considered by this broader theoretical literature by examining the autonomy of Canada's IMF executive director, often a career public servant of the Department of Finance or Bank of Canada sent to Washington, DC to represent Canadian interests. Little is known about this position in the public service. This article seeks to answer questions such as how autonomous are Canadian directors from Ottawa? How do Canadian Executive Board directors make their decisions at the IMF? What are some of the IMF agenda items that have been proposed by Canada's Executive Directors and, most importantly, did these agenda items originate from the Department of Finance and Bank of Canada or directly from the Directors' office in Washington, DC? This article also seeks to better understand the hiring and recruitment of Executive Directors. In appointing the Executive Director position, is it politicized or has it been professionalized? This paper takes an important first step in providing a better understanding of this coveted position and yet relatively unknown position in the public service.

Personal interviews were conducted with seven of Canada's Executive Directors and with three Department of Finance, one Bank of Canada and two IMF staff, to understand the autonomy, authority, and accountability of the Director position. Personal interviews with American, European, and non-Western Executive Directors were also conducted to derive a better sense of perceptions of fellow Board members to some of the stances taken by Canadian directors. Interviews took place between 16 October 2007 and 29 May 2008. Persons interviewed shall remain nameless out of respect for their stated wishes. As well as the interviews, qualitative content analysis of Canada's reports on the IMF and Department of Finance memos and correspondences with the IMF (acquired through Access to Information requests) were conducted in order to develop a more systematic and nuanced understanding of Canada's Executive Director position.

The Role of Executive Directors at the IMF

Established in 1946, the IMF Executive Board is currently comprised of twenty-four directors that are, typically, delegated from Fund members' public service in finance ministries and central banks. These Executive Directors are charged with conducting the day-to-day affairs of the Fund and meet several times a week. To this end, the Board of Governors, which is the highest decision-making body of the IMF, has delegated most of its powers to the Executive Board. The Board of Governors, which in turn meets annually, entrusts the Executive Directors with the responsibility of representing the interests of IMF member states. To ensure an effective and manageable Board, the number of directors is limited by the Articles of Agreement. As new

members have entered the IMF over the years, however, this number has changed, starting with twelve Executive Directors at the IMF's inception. The current number of twenty-four was introduced in 1992.

The Board's composition reflects a weighted voting formula based on member states' contribution to IMF capital (also referred to as subscription). Five appointed Executive Board seats are given to the largest five contributors to IMF capital. Since the early 1970s, these seats have been occupied by the United States, Japan, Germany, France, and the United Kingdom. An additional three seats have been given to China, Saudi Arabia, and Russia; these elected seats have been held, however, without a constituency. The remaining 173 member states must pool their votes to elect Executive Directors that fill the remaining sixteen seats at the IMF Board. Currently, Canada (representing also Ireland and a number of Caribbean members) holds one seat.

Seats at the IMF Executive Board are highly sought after by member nations not only because of their limited number but also because of the power given to the directors who hold these seats. In representing the interests of the Board of Governors, the Executive Board carries numerous and significant responsibilities. The Board plays a vital role in approving (or not) country loans and country surveillance reports that are presented to it by the IMF staff. Members vie for representation on the Executive Board in order to have a say in which loan agreements are approved and what loan conditions are imposed upon borrowers. Finally, for many countries there is also the 'national prestige' that comes with having a high quota and a seat at the Board (Miksell 1994).

Throughout the history of the IMF, the question of whether the IMF Executive Board could operate in a way that directors' exclusive loyalty could be to the Fund rather than to their own capitals has continued to be unclear. To this end, Executive Directors are typically paid by the IMF and are considered technically on leave from their respective capitals. Some countries, however, such as the United States and the United Kingdom, have not consistently abided by this model.¹ The question of IMF directors' loyalties has created some problems. Some directors, including the former Alternate IMF Executive Director from the Middle East, have expressed a sense of having been treated more like ambassadors sent by their capitals than representatives of their constituency members and the IMF. This is the very situation that IMF architects had grappled with at the time of the Bretton Woods meetings. For some Fund architects, the IMF was designed to have Executive Directors paid by the IMF to avoid any conflict of interest, thus ensuring that international interests would take priority over domestic or partisan interests whenever decisions were taken. Moreover, this system was intended to help spur collegiality among Executive Directors, who were expected by the Articles of Agreement to produce decisions based on 'consensual voting' rather than taking direct votes based on outside 'political considerations' (Gold 1983). In theory, this is meant to allow directors to better represent the interests of the Fund, rather than of their respective countries. In reality, however, Executive Directors are loyal to their capitals and the level of collegiality in the board has continued to deteriorate (Woods 2006).

¹ In the cases of France, US, and UK, this works in a way that the IMF gives money to the country to pay for the ED salary, as a way around the rules somewhat.

The Executive Board today reflects less of the IMF architects' original ideals. Perhaps related to the deterioration in directors' loyalties to the board and overall board collegiality is the fact that communications technologies have allowed capitals' finance ministries and central banks to have 'real time' access to executive directors (IEO 2008a). Moreover, the board has seen a 400% increase over the decade in the use of written Executive Director statements that stand in lieu of oral statements at the board known as 'Grey papers' (Ibid). Due to a relaxation of the IMF requirement that directors read their statements at the meeting, the board sees more than 4,000 grey papers per year. Grey papers have also led to higher rates of director absenteeism, sending of junior staff in directors' offices, and, more critically, a greater degree of input from and involvement of member countries' departments of finance and central banks (See Table 1). In addition, as Woods and Lombardi note, board accountability and efficiency is complicated further by the fact that most directors also represent an average of ten other member states in their constituency. While constituent member states might ask their directors to consider their capitals' position, the reality is that there is no mechanism for directors' accountability until an Executive Board biannual election takes place. This is exacerbated in constituencies such as Canada, Italy and Switzerland, where constituency members' voting strength is no match to that of the director's country (Woods and Lombardi 2006).

Canada has held a seat at the IMF Executive Board since its beginning. In the early years of Fund history, Canada represented a number of small European countries that have included Norway and Iceland. Today, Canada represents Ireland and now has a constituency that includes also numerous Caribbean members: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the

Grenadines.² Canadian contribution to Fund capital has been a comfortable one in that its seat is arguably semi-permanent. Specifically, Canada has more than sixty percent of the votes in its constituency, so its position as Executive Director is unquestioned. Unlike some members, such as the two African seats, whose votes and quotas are more evenly distributed, and whose member countries typically rotate and share the director position, Canada has always and unquestionably held the chair position in its constituency. In acknowledgement of its constituent members, however, Canada's Executive Director's office has made a place for an Irish Alternate Executive Director, a Caribbean Senior Advisor, as well as two Canadian Senior Advisors, and two Canadian advisers. Indeed, Canada's is one of the most comfortable seats, and internal jockeying cannot undermine its position (Woods and Lombardi 2006).

Autonomy of Canada's IMF Executive Directors

During the years since 1946, Canada has been represented by fifteen different Executive Directors. Louis Rasminsky, Canada's first Executive Director, had the longest stint as Canada's representative, serving from 1946 to 1962. Unlike other directors at the Board, Rasminsky did not devote most of his time to the IMF Executive Board, however; instead, he concurrently served as chairman alternate of the Foreign Exchange Control Board, Executive Director to the International Bank for Reconstruction and Development (known as the World Bank), and Executive Assistant to the Governor of the Bank of Canada.

² It is interesting to note that Ireland, as a European Union member, is a member of a non-European constituency. This has led to some pressures and arguments for Ireland to someday join an EU constituency.

Rasminsky's decision to hold these concurrent positions was deliberate. He was a strong supporter and promoter of the idea of having only part-time Executive Directors at the IMF. According to Bruce Muirhead's biography, Rasminsky believed that part-time Executive Directors could better serve their countries at the IMF than full-time directors. If the IMF Board was designed to eliminate excessive loyalty to directors' home capitals, Rasminsky was concerned that a very different kind of conflict of interest might result from too much time spent at IMF headquarters. His objection was that a director living in Washington, DC would fall under the undue influence of the United States and cease to be a check on Fund operations and policies. As a consequence, Rasminsky and officials in Ottawa became increasingly discontented with the shape and form the Fund was taking. The declining international character of the IMF and the rising influence of the United States led Rasminsky and others in Ottawa to give the Fund less of their commitment. Rasminsky would be one of two directors who refused to take a salary from, and who worked part-time for, the IMF (Muirhead 1999).

Rasminsky would be Canada's last non-resident Executive Director. Subsequent Canadian Executive Directors have lived in Washington, DC and have served exclusively, and on a full-time basis, at the IMF. In the opinion of a Canadian Executive Director, part of Canada's rationale for having a resident Executive Director had been that Canada wanted to gain more influence at the Board and felt that a full-time director would help it in doing so. However, achieving the delicate balance of serving Canadian interests at the Board while at the same time contributing to the 'consensual decision-making' process expected of directors at the IMF required a certain finesse. As one Canadian director put it, the Executive Director position can

feel ‘schizophrenic’ where there are expectations that one is to answer to Ottawa while at the same time receiving one’s salary from the IMF.

The challenge of keeping an appropriate distance from both the Department of Finance and the Bank of Canada did not appear to be a particularly significant one for Canadian directors, with only a few of those interviewed noting it. One of them commented that the Finance Minister expected continuous briefings on internal IMF affairs, not realizing that the Canadian director’s salary was actually paid for by the Fund. The Minister treated the Executive Director “as if [he] worked for him.” The extent to which the Department of Finance and the Bank of Canada had kept an arm’s length relationship with Canadian Executive Directors has in large part depended on the degree of concern exhibited by those in Ottawa over IMF matters, as well as the particular issues at hand. But having individuals in the Department of Finance and the Bank of Canada expressing interest in the IMF has tended to be the exception rather than the rule. In fact, most directors noted that, in general, Ottawa did not pay too much attention to what was happening at the IMF and did not try to control the directors’ taken positions. In many respects, Executive Directors felt free to decide on how to respond to day-to-day Fund issues such as IMF loan agreements, Article IV consultations with members, and general policy issues. As a number of directors noted, the Department of Finance usually sent senior Canadian officials to represent it at the Board and as a consequence, there was a lot of faith in the ability of these directors to handle internal IMF affairs on their own.

These Executive Directors were not, however, entirely unmoored from the Department of Finance and the Bank of Canada. Input from Ottawa was available to Canadian directors in other

ways. Executive Directors would sometimes seek out the advice of staff at the Finance Department and Bank of Canada on technical issues, and would often receive strong advice from experienced senior advisors on secondment to the director's office from Finance and the Bank. Moreover, these senior advisors were in frequent communication with their respective colleagues in Ottawa. Today, with the rapid exchange enabled by information communications technologies, there is an ease of contact between the director's office and Ottawa that makes such communication more frequent than before. Several directors noted that the Department of Finance and the Bank of Canada have more input today in Canada's Executive Director's statement to the Board of Directors because of the Grey papers than in prior years. Now, directors are allowed simply to submit statements in advance of meetings, a change that, coupled with improved communication technologies has enabled Ottawa to provide more input into the directors' statement than previously. That said, as one Bank of Canada employee noted, directors still remained the final arbiters of these documents, and were free to include or exclude suggested ideas as they chose. And directors often did this, taking liberty in deciding which ideas they would borrow—and which they would simply ignore.

Nevertheless, on major economic and financial issues, the Department of Finance and the Bank of Canada expected the Executive Directors to consult with their home capital. Personal interviews with former Canadian directors confirm that they did, indeed, consult with the Department of Finance and the Bank of Canada very frequently on issues related to the G7 and of global and systemic importance, and that Ottawa did contact the director's office with geopolitical concerns being played out at the Board. One director noted that the Americans often communicated to him through Ottawa, often through the Prime Minister's office, if there were

geopolitical votes and actions wanted of Canada's Executive Director. Similarly, Finance would call the director to vote in particular ways when there were common G7 decisions taken outside of the Fund.

Canadian Executive Directors did, however, have the liberty of being generally free from interference from the Canadian Parliament and civil society groups. This is in keeping with similar findings on most members of the board: only 18% of Executive Board members meet regularly with civil society groups and less than 25% appear before their legislatures (IEO 2008a). But, unlike their American counterparts, who are required to answer to the United States Congress, Canadian Executive Directors do not have to testify before the House of Commons on any regular basis. In fact, the last House of Commons review of the IMF and the Bretton Woods Institutions took place in 1995. Subsequently, a Special Joint Committee Reviewing Canadian Foreign Policy recommended that the Finance Minister account for the activity and decisions of the Canadian Executive Director at the IMF (Halifax Initiative 2007). No such testimony, however, has since taken place. Similarly, in 2006 Parliament reviewed Bill C-293 'Development Assistance and Accountability Act,' a private member's bill endorsed by the NDP and the Bloc Quebecois to ensure that overseas development aid would be targeted to poverty reduction. The proposed bill had tried to include a provision to have the IMF and World Bank Executive Directors report to Parliament, along the lines of executive directors' testimony in the US Congress, but this part of the bill was contested by the Department of Finance. Finance argued that having the director report to Parliament would negatively affect the necessary autonomy of the Executive Director's office. As a Department of Finance staff member observed in an email exchange with the author, Finance argued that "...aspects of the Bill would impose disclosure

requirements on executive Directors' offices that were incompatible with the institutions' own confidentiality policies. This would create difficulties for Directors who, as officers of the IMF, were bound by their institutions' disclosure policies. It could also place Canada in a position where its actions were inconsistent with its obligations as a member of the IMF to respect the Fund's policies relating to disclosure of information". Nevertheless, the Minister of Finance does present a lengthy annual report, detailing Canada's taken positions at the board, to Parliament on IMF activities and votes taken at the Board; however, there is no debate on said reports in Parliament (Halifax Initiative 2007).

As well as negotiating influences from Ottawa, Canadian Executive Directors have also sometimes been lobbied by countries within their IMF constituency. Such pressures, however, have been easier for them to address. As noted above, Canada's position as chair of the Caribbean and Irish constituency has been a secure one, since no other member of the group has sufficient quota to challenge this position. Many of the Executive Directors interviewed noted that this gave them significant latitude in making their policy decisions. Directors did not usually consult with Caribbean and Irish capitals in formulating their statements to the Board of Directors; however, directors did quite often take on a mediating role between Caribbean governments and the IMF management and staff, particularly when a loan agreement was being negotiated. As developing states, the Caribbean constituents and their staff working in the Executive Director's office were understandably very interested in IMF affairs, policies, and decisions. Canadian pride in having a constituency of mainly countries from the developing world, and its general support for issues, such as debt relief, that have benefited borrowing members, have resulted in rather positive relations with the Caribbean states. Canada's Caribbean

constituency has often leaned on Canada's director to help mediate differences with the IMF staff. As one director put it, Caribbean members would "get beat upon by the staff" and Canada's respected and professional reputation at the Fund "rescued them" by enabling them to obtain better terms with the Fund staff. It has helped as well to have an almost all English-speaking constituency; many of the problems associated with miscommunication due to language barriers and differences, as experienced in other constituencies, have been avoided.

In short, Canada has had a generally positive relationship with its constituents. There have, however, been some areas of tension. In 2000-2001, for instance, the Caribbean states objected to Canada's support for the Executive Board initiative to combat money-laundering and weak financial regulation by monitoring and assessing offshore financial centres, many of which were located in the Caribbean islands (IMF 2000). Caribbean states could do little other than object to the Canadian position, and the Canadians did little more than send a Member of Parliament to the Caribbean 'to make nice.' With regard to Ireland, there have also been some issues, most notably Ireland's strong interest in Canada's position and statements on the United Kingdom. Ireland's membership into the European Union had initially raised some concerns in Ottawa that the Irish would lobby for European preferences within the constituency. But this has turned out to be less of a concern than originally predicted, since Canadian directors have sufficient quota strength in the constituency. Hence, although Canada's Executive Directors have not regularly consulted with the Caribbean and Irish capitals, they have, nevertheless, been able to maintain generally cordial and positive relations with these constituents.

A number of Canadian directors interviewed noted that compared to many other Executive Directors at the Board, they indeed had more liberty to devise statements and policy positions. The Americans, Japanese, French and Chinese, for example, were pointed out as having little room to diverge from the positions of their departments of finance and central banks. The Japanese and French, it seemed, needed to check with their capitals before responding at the Board. In contrast, directors from the United Kingdom tended to be very independent at the Board, devising statements and policies with even more liberty than the Canadians. A Canadian member of the IMF staff and two Canadian Executive Directors commented that British directors have been highly respected at the Board because the United Kingdom has consistently sent politically seasoned officials who work effectively with civil society, build broad support at the Board, and ultimately, as a result, command respect at the Board. The degree of independence at the Board, hence, appears to be highly correlated with the seniority of Executive Directors in their previous government positions and, more importantly, on their diplomatic skills.

Agenda-Setting from Ottawa or Washington, DC?

This section seeks to examine the questions of what are the kinds of IMF agenda items for which Canada is best known? Most importantly, from where do Canada's Executive Directors set the agenda? Based on interviews with both Canadian and non-Canadian board members, there are several issues viewed to be as 'Canadian initiatives'. First, Canada has promoted enhanced IMF transparency. This initiative to improve IMF transparency found its origins in a similar initiative within the Canadian public service during the early 1990s. A public service

reform initiative called 'Public Service 2000' was taking shape in Ottawa and changing long-held views about how to enhance government accountability to its citizens (See Clark 1994). It seemed "logical," said one Director, that Canada would go on to suggest similar transparency and accountability reforms at the IMF. In fact, the 1992 Auditor General Report specifically noted the lack of transparency and accountability in the international financial institutions and asked the government to push for this reform at the Fund (Canada, House of Commons 1993). Echoing this call, the standing committee on finance and the sub-committee on IFI also included in their reports a recommendation for changes at the IMF (Ibid). Hence, because the Canadian public service became convinced of the need for public service reform, the Department of Finance took the next step of advocating for the agenda of transparency at the IMF as well.

In its 1997 report on the IMF/World Bank to the Canadian Parliament, the Department of Finance noted that "Canada has placed great importance on the establishment of an independent evaluation process which can impartially assess IMF activities on a regular basis. In this context, in October 1996, the IMF launched an evaluation by independent external experts of several aspects of ESAF-supported programs."³ (The URL in November 2008 for all DoF Reports on Operations Under the Bretton Woods and Related Agreements Act was <http://www.fin.gc.ca/purl/bretwd-e.html>). Canada's Executive Director pushed to have the findings of the external experts made publically available (DoF 1998). Similarly, Canada's Executive Director supported the IMF proposal to publically release borrowers' written request for IMF funding (Letters of Intent) and IMF-borrower agreements on terms and conditions of borrowing IMF funds (Policy Framework Papers) (DoF 1999). Many of these initiatives were precursors to the 2001 creation of

³ The IMF's second external evaluation on surveillance was led by Canada's former Bank of Canada Governor John Crow (IMF 1998).

the Independent Evaluation Office (IEO), which was mandated “to conduct independent and objective evaluations of Fund policies and activities” (IEO 2008b). Canada’s Executive Director, Thomas Bernes, has taken and received credit for the creation of this office, partly owing to his personal involvement and who in 2005 went on to become IEO Director.

In 2000, Thomas Bernes was Chairman of the Evaluation Group of IMF Executive Directors tasked with reviewing IMF experience with the external evaluations. In the group’s recommendation to the IMFC spring 2000 meeting, the idea of the IEO and its terms of reference were developed (DoF 2001). Moving from ad-hoc external evaluation reports to an arm’s-length office was credited as a Canadian idea. Former US Executive Director Karin Lissakers pointed out that “...the superior performance of the IEO points to the wisdom of those like former Canadian Executive Director Tom Bernes, who advocated a professional standing operation” (Lissakers 2004). Similarly, a number of non-Canadian directors interviewed also indicated that the IEO and the push for transparency at the Fund was a Canadian-led idea.

A second contribution made by Canada’s Executive Director to the IMF Executive Board is in the area of good governance. According to a Finance staff member, Canada had put considerable weight on incorporating external governance indicators in its country assessments. Numerous Canadian and non-Canadian directors interviewed noted Canada’s support of good governance initiatives, and specifically mention anti-corruption initiatives, at the Executive Board. Curiously, it was difficult to pin point exactly *which* anti-corruption policies Canada was actually known for. Regardless, when directors were asked about Canada’s taken positions and reputation at the Board, anti-corruption measures were consistently mentioned. The

IMF does not have a specific approach to tackling corruption; instead, it tries to urge its members to achieve good governance through enhancing governments' fiscal transparency. In discussing loan agreements at the Executive Board, and without explicit direction from the Department of Finance, Canadian directors have consistently questioned borrowing members' record with anti-corruption measures. One director noted that he used Transparency International's corruption indices to highlight borrowers' progresses or failures. If not directed from the Department of Finance, how did directors know to bring up the issue of corruption? According to one director interviewed, he suggested two factors that shaped his views: first, Toronto's financial community would raise the issue with the director when it faced corrupt governments overseas, and second, in visiting some of the Caribbean constituency members it became startlingly clear to him that corruption was a contributing factor to their economic malaise.

A third area of Canadian impact at the IMF is as a champion of administrative efficiency, calling for the reduction in IMF staff salaries, strengthening of corporate governance standards, and reduction of the IMF's own budget. For many years, the Canadian position was to vote against IMF staff salary increases at the Executive Board. Canada argued that since the IMF preached fiscal conservatism on its borrowers, the IMF should follow suit by containing its own real increases in staff salaries (DoF 1995). The Canadian government's real reasoning, however, was that the Canadian public service was under a salary freeze, and consequently it could not vote for salary increases at the IMF and expect to save face at home. In short, this Canadian policy of voting against salary increases at the Fund was meant to appease domestic audiences. A number of directors noted, however, that IMF staff salary raises were actually intended to keep IMF pay scales competitive, to ensure a continued ability to recruit economists (see Author

2004). In the end, salary increases were voted for at the Board, despite Canadian directors' objections.

A fourth area of Canadian impact on the Board is in its advocating that the IMF expand its role in providing advice on “safe capital liberalization in developing countries” (DoF 1999) and in providing orderly ways out of sovereign debt crises. In 2001, First Deputy Managing at the IMF Anne Krueger, proposed a Sovereign Debt Restructuring Mechanism (SDRM) that would apply some of the tools used in domestic bankruptcy regulations to provide orderly resolution to sovereign debt crises (Krueger 2001). Canada's Executive Director was supportive of this IMF proposal and would be “outspoken” on the need for having the IMF play a central role, in coordination with private sector capital, to ensure an “orderly and cooperative resolution” to rapid inflows and exits of private capital that have caused global payment problems and financial crises (DoF 2001). The SDRM failed to get the proposal through the IMFC due to American objections, but the Canadians remained supportive of Management's initiative (DoF 2004) and, said one Bank of Canada official, were disappointed when the initiative failed to take hold at the G20 meetings.

Canada has also been a leader in putting in place an IMF programme to help countries send positive signals to the international financial community without using Fund financing—its fifth area of impact on the Board. With Jamaica in Canada's constituency, Canada's Executive Director convinced the Caribbean country to serve as a Policy Support Instrument (a precursor to the Policy Monitoring Instrument) ‘pilot study.’ European creditor countries, such as France, were less than thrilled with the proposal because they feared that borrowers would want to use

this in lieu of conditionality-based agreements in their debt rescheduling. Creditors worried that a policy support instrument would not have the teeth to impose the conditionality required of borrowers. France in particular did not want the PSI to undermine the leverage of the Paris Club in debt rescheduling.⁴ In 2004 Canada's Executive Director prompted an IMF staff proposal for a Policy Monitoring Instrument (PMI), which would give low-income countries IMF advice and technical assistance without a lending arrangement in place to help these countries to attract foreign investment and improve their creditworthiness (DoF 2005). Despite European objections, the Canadian-led initiative was finally endorsed in fall 2005. That year, the Canadian Executive Director spearheaded the PSI further at the Board (DoF 2006). The United States supported the Canadian initiative "...because they knew Canada wanted it." Moreover, by being persistent, Canada's director was able to gain the support of the IMF staff, who accepted that this would be experimental as well.

Finally, "largely due to Canadian efforts," Canada's Executive Director helped shape Executive Board consensus on a *Statement of Surveillance Priorities* (DoF 2008). This laid the foundation for a revamped policy on scope and procedures of IMF staff surveillance of member states, a move aimed at addressing capital account vulnerabilities and overvalued or undervalued exchange rate pegs. Canada's Executive Director further contributed extensively to the 2007 *Decision on Bilateral Surveillance*, which updated the 1977 *Decision on Surveillance over Exchange Rate Policies*. The idea had origins in the Bank of England, but it was the Bank of Canada that loudly championed the idea, transmitted it to the Canadian Executive Director, and the Bank of Canada soon became identified with the surveillance reform. The new policy

⁴ Policy Support Instruments have been used in Nigeria (2005); Uganda (2006); Cape Verde (2006); Tanzania (2006); and Mozambique (2007).

widened the parameters of IMF-member discussions to encompass more than exchange rates and to include a new IMF role in identifying global misalignments in exchange rates (IMF 2007).

Canada then placed surveillance on the agenda of the G7, G20, and the IMF Executive Board.

Bank of Canada Governor David Dodge was personally involved in bringing surveillance to the forefront of core IMF functions, pushing members to enshrine the IMF's role as "an umpire." He noted that "like any good umpire, the IMF should apply the same judgment to *all* players in the global economy" (the URL for Dodge's lecture was

<http://www.bankofcanada.ca/en/speeches/2006/sp06-6.html> as of November 2008).⁵ It was a comment that was easily understood to note that the United States and all industrialized states needed to play by the same trade, fiscal, and exchange rate rules as everybody else. In a personal interview with a European director, it was noted that Canada today is indeed best known for its active role at the IMF board in putting through this surveillance reform policy. This initiative was later criticized by China for meddling in their fiscal and exchange rate policies (See Bretton Woods Project 2007, URL <http://www.brettonwoodsproject.org/art-557147> as of November 2008).

Professionalizing Canada's IMF Director?

Like the United Kingdom, and compared with other Western countries, Canada has tended to send quite senior individuals to represent it at the IMF. These individuals have usually been recruited from the Ministry of Finance, but some have also been appointed from the Bank of Canada and other government departments and agencies. Most of Canada's Executive Directors

⁵ Bank economists have also written on their visions to improve IMF Surveillance (Lavigne, Maier, and Santor, 2007).

have been economists by training, but several others have been lawyers and career public servants. This is generally in keeping with where other Fund members' directors are recruited. In keeping with the trend of many other countries at the Executive Board, Ottawa has generally sent individuals to the IMF for an average of two years to serve as director- Rasminsky being the notable exception, serving for seventeen years, albeit as a non-resident director.

One explanation for why Canada's directors have tended to be more senior than their Western counterparts is that for many years, directors received a pay increase to move from their civil service position in Ottawa. The Executive Director position is deemed in Ottawa to be substantial in pay, tax-free, relatively close to home, and offering great travel benefits. Europeans, in contrast, often take a reduction in pay when they assume the director position in Washington, and sometimes also lose some of the benefits they enjoy in Europe. Most directors interviewed noted that the position was coveted for those economically inclined in the Canadian civil service. A senior Finance official did comment, however, that the position was less coveted in recent times because the financial benefits of moving to Washington had diminished when the US dollar had temporarily declined in value.

While the choice to accept an appointment might be influenced by technical criteria, most of the directors interviewed agreed that an appointment to the IMF was often a political decision. One director noted: "it was like a senator position, reserved as a reward for good public service in Ottawa." However, a number of interviewees noted that there was a recent attempt to "professionalize the position". Specifically, the Department of Finance has tried to move the G7 Deputy Minister to the IMF Executive Director position. One former director and a senior finance

official, however, cautioned that the success of this ‘professionalization’ proposal has yet to be seen.

Career public servants are more prone to autonomous behaviour and policy deflection, so the argument goes (Peters and Pierre 2004). Canada’s practice has been to send its senior officials to the Board, and this has generally enabled Canadian directors to operate with the confidence and stature needed to get things done. Indeed, as David Savoie (1994) reminds us, governments need career public servants because they have the institutional memory to be effective at policy-making. The historical success of Canada’s senior representatives on the Board suggests that this is a practice that should be continued and Canada should not lower the rank of the officials to send to the Board. In numerous interviews, directors noted that they were able to get things done at the Fund in large part because they had the political backing and institutional memory at home to know the extent and limits of their authority. Attempts to ‘professionalize the director position’ by hiring mid-level Finance Department officials could hinder Canadian effectiveness at the Board, they suggested. To encourage senior officials to go to Washington, the financial rewards of moving also need to be kept in place.

What could Canada do to enhance their influence and prestige at the Board? Executive directors need to have astute diplomatic skills, experience, a broad knowledge base, negotiation skills, and seniority in Ottawa. Sending an ‘elder statesman or stateswoman’ type of individual to Washington is useful. Simply put, Canada needs to send individuals that do not need to call the Department of Finance or Bank of Canada on a daily basis. Plus, the Board has generally responded very well to those individuals who can exude this level of confidence and stature.

Senior officials are also better able to deal with the political pressures and interferences that invariably come from the United States and G7.

Canada does not necessarily need to send strong macroeconomists to Washington, however. Instead, directors should have strong political skills with good working knowledge of economics and finance. Analytical and technical skills are available to the Executive Director through the director's office and through communication with the Department of Finance and the Bank of Canada. Diplomatic skills are important to the workings of the Executive Board and need to be an inherent part of the director's job description. Internal surveys of the Fund's executive directors suggest that they perceive the strength of their skills to include macroeconomics and diplomacy (See Figure 1).

While maintaining effectiveness on the Board by continuing to send senior officials to assume the directorship, Canada could also significantly improve its effectiveness by increasing the tenure of its directors. Canada is not alone on this, as most countries also send their directors for an average of two years. The IMF, however, is an exception of most international organizations; most other international financial organizations average 3 years (IEO 2008a). The private sector also tends to have board directors serve for two terms of three years each (Ibid). Two years at the IMF Executive Board is simply not long enough for directors to learn the workings of the IMF and gain familiarity at the Board. As one director noted, "...it takes a year to become a known commodity, and the next year you pack your bags." At the same time, however, it is important that directors do not become stale at the Board, appear to be permanent fixtures at the Fund, or worse yet, 'go native' in Washington. Given that elections for directors

and, hence, turnovers at the Board occur every two years, it is recommended that Canada renew the term of its directors and have them serve for 4 to 6 years. Canada could benefit from having its directors build the good reputation and skills that can come with longer service at the board.

Finally, the issue of whether the IMF should move from being a resident to a non-resident board is a critical one for Canada and its constituency. A non-resident board will have less oversight on the IMF staff and on daily matters at the IMF. This is critical if, as the author has argued, the IMF staff are more apt to devise technically sound financial packages that are at times less sensitive to countries' political-economy circumstances. Canada has been effective and helpful in promoting the interests of its constituency members and at times defending them against a more technically oriented staff. A non-resident board will make Canada less effective as chair of its constituency and arguably less valuable at the board.

Conclusion

Canada has had a tradition of sending senior officials to represent it at the IMF Executive Board, often as a political reward for service in Ottawa. Directors have generally worked independently when devising policy on most day-to-day IMF issues, but have been expected to heed to the Department of Finance on systemic and global issues. Canada's Caribbean constituency has helped to make the director's office a positive one where, unlike other constituencies, internal challenges have been minimal, if not non-existent.

Unlike, perhaps, Canadian officials at other international organizations, Canada's IMF Executive Directors are fairly autonomous. This is due to three circumstances: low societal pressure on the Canadian government to change practice; the nature of the appointment and the institutional demands for senior officials provides directors with added autonomy; and, Canada's role as head of its weaker constituency members also gives directors more autonomy. In summary, Canada's director has a good degree of liberty and leeway to propose ideas and policies at the Executive Board. By increasing Canadian directors' tenure at the Board and ensuring that politically-seasoned officials continue to be sent to the IMF, Canada could, indeed, be in a position to 'punch above its weight class.'

Notes

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¹ It is interesting to note that Ireland, as a European Union member, is a member of a non-European constituency. This has led to some pressures and arguments for Ireland to someday join an EU constituency.

² In the cases of France, US, and UK, this works in a way that the IMF gives money to the country to pay for the ED salary, as a way around the rules somewhat.

³ The IMF's second external evaluation on surveillance was led by Canada's former Bank of Canada Governor John Crow (IMF 1999).

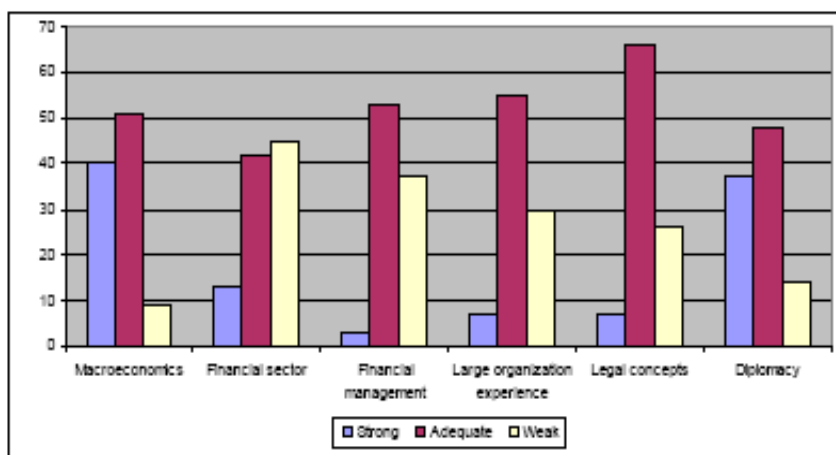
⁴ Policy Support Instruments have been used in Nigeria (2005); Uganda (2006); Cape Verde (2006); Tanzania (2006); and Mozambique (2007).

⁵ Bank economists have also written on their visions to improve IMF Surveillance (Lavigne, Maier, and Santor 2007).

Table 1: Average Attendance at Board Meetings, 2006

Type of Issue Discussed	Rank of Officials in Attendance		
	Executive Directors	Alternates	Other Staff from ED Office
Admin/finance issues	9	7	8
Policy issues	9	6	9
Multilateral surveillance	7	7	10
Bilateral surveillance (Article IV)	4	5	15
Use of Fund resources/HIPC	4	3	17
Combined UFR and Article IV	3	4	17

Source: IEO, 2008: 23

Figure 1: Fund's Executive Directors' Perceptions of Their Skills

Source: IEO, 2008: 25

Table 2: Backgrounds of IMF Executive Directors, Selected Years

Occupation of Executive Directors Immediately Prior to IMF Service	1996	2001	2006
Ministry of Finance/Treasury	6	11	7
Central Bank	8	6	8
Other Government	5	2	4
IMF Staff	3	3	2
Academia	0	1	1
Private Sector	0	0	1
World Bank and Other International Organizations	2	1	1

Source: IEO, 2008:26

Table 2: Canada's Executive Directors to the IMF

Name	Years Served
Louis Rasminsky	1945-1962
A.F. W. Plumptre	1962/1963 1964
S.J Handsfield Jones	1964/1965 1968
Robert Jonstone	1968/1969 1971
Robert Bryce	1971/1972 1974
Bernard J. Drabble	1974/1975 1981
Robert K. Joyce	1981-1985
Marcel Massé	1985-1989
C. Scott Clark	1989-1992
Douglas E. Smee	1992-1994
Ian D. Clark	1994-1996
Thomas A. Bernes	1996-2001
Ian E. Bennett	2001-2004
Kevin G. Lynch	2004-2006
Jonathan Fried	2006-2008
Michael Horgan	2008-present

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