Bessma Momani

Canada's IMF executive director

Abstract: This article provides empirical evidence of the autonomy and agenda-setting capabilities of Canada's International Monetary Fund executive director in Washington, D.C., for further theoretical debate. Little is known about this position in the public service. This article seeks to assess the degree of autonomy of Canadian directors from Ottawa, the nature of the IMF's agenda items proposed by Canada's executive directors, and, most importantly, whether these agenda items originate from the Department of Finance and the Bank of Canada or from the directors' office in Washington directly. The author also seeks to better understand the hiring and recruitment of Canada's IMF executive directors.

Sommaire : Cet article tente de fournir une évidence empirique sur les capacités d'autonomie et de choix des questions à l'ordre du jour dont jouit l'administrateur du Fonds monétaire international pour le Canada à Washington, D.C., dans le but de favoriser le débat théorique. Ce poste est peu connu dans la fonction publique. L'article cherche à évaluer le degré d'autonomie des administrateurs canadiens par rapport à Ottawa ; la nature de certaines questions à l'ordre du jour du FMI proposées par les administrateurs du Canada ; et, plus important encore, il cherche à savoir si ces questions proviennent du ministère des Finances et de la Banque du Canada ou bien directement du bureau de l'administrateur à Washington. L'auteur cherche également à mieux comprendre le processus d'embauche et de recrutement des administrateurs du FMI pour le Canada.

For many years, public administration literature has explored the degree of politicization of Canada's public service. Many have argued that the trend towards increased politicization of the public service is more evident today than ever before (Peters and Pierre 2004). Recent developments in Canadian politics have highlighted the public service's own "persona," which has brought into question the public service's responsibility and accountability

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(Savoie 2006). The question of how much power and influence on policy-making the public service exerts has also been debated in the literature.

This article adds empirical findings to this broader theoretical literature by examining the degree of autonomy of Canada's executive director at the International Monetary Fund (IMF), often a career public servant from the Department of Finance or Bank of Canada sent to Washington, D.C. to represent Canadian interests. Little is known about this position in the public service. How autonomous from Ottawa are Canadian IMF directors? How do Canadian executive board directors make their decisions at the IMF? What IMF agenda items 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, D.C.? Is the appointment of the executive director politicized or has it been professionalized? This article also seeks to better understand the hiring and recruitment of executive directors and takes an important first step in providing a better understanding of this coveted yet relatively unknown position in the public service.

Personal interviews were conducted with seven of Canada's former executive directors and with three staff members from the Department of Finance, one from the Bank of Canada, and two from the IMF to understand the autonomy, authority and accountability of the position of director. Personal interviews with American, European, and non-western executive directors were also conducted to derive a better sense of their perceptions of some of the stances taken by Canadian directors. Interviews took place between 16 October 2007 and 29 May 2008. Persons interviewed will remain anonymous 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 correspondence with the IMF (acquired through access-to-information legislation) were conducted 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 has an executive board that currently comprises twenty-four directors, who are, typically, delegated from the public service in the finance ministries and central banks of Fund member countries. These executive directors are charged with the Fund's day-to-day affairs and meet several times a week. To this end, the board of governors, which is the IMF's highest decision-making body, 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 Fund's articles of agreement. As new members have entered the IMF over the years, however, the number of executive directors 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 to fill the remaining sixteen seats at the executive board. Currently, Canada (which also represents 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 on borrowers. Finally, for many countries, there is also the "national prestige" that comes with having a high quota and a seat at the board (Mikesell 1994).

Throughout the IMF's history, the issue of whether its executive board could operate with exclusive loyalty to the Fund rather than to the capitals of the board member has remained unclear. 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 the loyalty of directors has created some problems. Some directors, including the former alternate executive director from the Middle East, have expressed a sense of being 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 outside "political considerations"

(Gold 1983). In theory, this is meant to allow directors to better represent the interests of the Fund rather than those 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).

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 communication technologies have allowed the finance ministries of member capitals and central banks to have "real time" access to executive directors (Independent Evaluation Office 2008b). Moreover, the board has seen a 400-per-cent increase over the decade in the use of written executive director statements – known as "grey papers" – that stand in lieu of oral statements at the board (Independent Evaluation Office 2008b). 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, the use of junior staff in directors' offices, and, more critically, a greater degree of input from and involvement of member countries' ministries of finance and central banks (see Table 1). In addition, as Ngaire Woods and Domenico Lombardi note, board accountability and efficiency are 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).

Table 1. *Average Executive Director Attendance at Board Meetings, Number of Occasions 2006*

	Rank of officials in attendance		
Type of issue discussed	*Executive directors*	*Alternates*	*Other staff from executive director 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: Independent Evaluation Office 2008b: 23

Canada has held a seat at the IMF executive board from the outset. 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 also includes 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 per cent 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 acknowledgment of its constituent members, however, Canada's executive director's office has made a place for an Irish alternate executive director, a Caribbean senior adviser, as well as two Canadian senior advisers, 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

Since 1946, Canada has been represented by fifteen different executive directors (see Table 2). 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 (now known as the World Bank), and executive assistant to the governor of the Bank of Canada.

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 serve their countries at the IMF better 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, D.C. 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

Table 2. *Canada's Executive Directors to the IMF*

Name	*Years served*
Louis Rasminsky	1945–62
A.F. W. Plumptre	1962/1963/1964
S.J Handsfield-Jones	1964/1965/1968
Robert Johnstone	1968/1969/1971
Robert Bryce	1971/1972/1974
Bernard J. Drabble	1974/1975/1981
Robert K. Joyce	1981–85
Marcel Masse	1985–89
C. Scott Clark	1989–92
Douglas E. Smee	1992–94
Ian D. Clark	1994–96
Thomas A. Bernes	1996–2001
Ian E. Bennett	2001–04
Kevin G. Lynch	2004–06
Jonathan Fried	2006–08
Michael Horgan	2008 to present

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).

[M]ost 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

Rasminsky would be Canada's last non-resident executive director. Subsequent Canadian executive directors have lived in Washington 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," that while one simultaneously answers to Ottawa one receives a salary from the IMF.

Today, with the rapid exchange enabled by information communication technology, there is an ease of contact between the director's office and Ottawa that makes such communication more frequent than before

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 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 such day-to-day Fund issues 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.

Canadian executive directors, however, are reportedly free from interference from the Canadian Parliament and civil society groups generally

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 on technical issues from staff at the Department of Finance and Bank of Canada and would often receive strong advice from experienced Finance and Bank senior advisers who were on secondment to the director's office. Moreover, these senior advisers were in frequent communication with their respective colleagues in Ottawa. Today, with the rapid exchange enabled by information communication technology, 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, because of the grey papers, the Department of Finance and the Bank of Canada have more input today than in prior years in Canada's executive director's statement to the board of directors. Now, directors are allowed simply to submit statements in advance of meetings, a change that, coupled with improved communication technology, has enabled Ottawa to provide more input into the directors' statement. That said, as one Bank of Canada employee noted, directors still remain the final arbiters of these documents and are free to include or exclude suggested ideas as they choose. And directors have often done this, taking liberty in deciding which ideas they would borrow and which they would simply ignore.

As well as negotiating influences from Ottawa, Canadian executive directors have also sometimes been lobbied by countries within their IMF constituency

Nevertheless, on major economic and financial issues, the Department of Finance and the Bank of Canada expect executive directors to consult with their home capital. Personal interviews with former Canadian directors confirm that they very frequently consulted with the Department of Finance and the Bank of Canada on G7 issues and those of global and systemic importance and that Ottawa did contact the director's office about geopolitical matters being played out at the board. One director noted that the Americans often communicated with 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, however, are reportedly free from interference from the Canadian Parliament and civil society groups generally. This is in keeping with similar findings on most members of the board: only eighteen per cent of executive board members meet regularly with civil society groups, and less than twenty-five per cent appear before their legislatures (Independent Evaluation Office 2008b). 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 other Bretton Woods Institutions took place in 1995. Subsequently, a Special Joint Committee Reviewing Canada's Foreign Policy recommended that the finance minister account for the activity and decisions of the Canadian executive director at the IMF (Halifax Initiative 2008). No such testimony, however, has since been called for. Similarly, in 2006, Parliament reviewed Bill C-293, the "Official Development Assistance Accountability Act (S.C. 2008, c. 17)," a private member's bill endorsed by the NDP and the Bloc québécois 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 U.S. 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 e-mail exchange with me, 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 to Parliament, detailing Canada's taken positions on IMF activities and votes taken at the board; however, there is no debate on these reports in Parliament (Halifax Initiative 2008).

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 earlier, 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 are 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 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 Fund staff. It has helped as well to have a constituency that is almost all English-speaking; 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 2000–01, 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 (International Monetary Fund 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 in 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 said to have little room to diverge from the positions of their ministries 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, with their diplomatic skills.

Agenda-setting: from Ottawa or Washington, D.C.?

This section examines the kinds of IMF agenda items for which Canada is best known. Most importantly, from which base do agenda-issues set by Canada's executive directors derive? Based on interviews with both Canadian and non-Canadian board members, several issues have been viewed 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 former director, that Canada would go on to suggest similar transparency and accountability reforms at the IMF. In fact, the 1992 auditor general's report specifically noted the lack of transparency and accountability in international financial institutions and asked the government to push for this reform at the Fund (Canada, Office of the Auditor General 1992). Echoing this call, the standing committee on finance and the sub-committee on international financial institutions also included in their reports a recommendation for changes at the IMF (Canada, Parliament, House of Commons, Standing Committee on Finance 1993; Canada, Parliament, House of Commons, Standing Committee on Finance, Sub-Committee on International Financial Institutions 1993). 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 transparency at the IMF as well.

In its 1997 report on the IMF/World Bank to the House of Commons, the Department of Finance noted that an independent evaluation process can impartially assess IMF activities on a regular basis. In October 1996, the IMF launched an evaluation of programs by independent external experts[3] (Canada, Department of Finance, International Trade and Finance Branch 1997). Canada's executive director pushed to have the findings of the external experts made publically available (Canada, Department of Finance, International Trade and Finance Branch 1998). Similarly, Canada's executive director supported the IMF proposal to publicly 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) (Canada, Department of Finance, International Trade and Finance Branch 1999).

Many of these initiatives were precursors to the 2001 creation of the Independent Evaluation Office (IEO), which was mandated "to conduct independent and objective evaluations of Fund policies and activities" (Independent Evaluation Office 2008a). Canada's executive director, Thomas

Bernes (1996–2001), has taken and received credit for the creation of this office, partly owing to his personal involvement; in 2005, he went on to become IEO director.

In 2002, Bernes was chair of a group tasked by the IMF's executive directors to review how the Fund interacts with and performs under external evaluations. In the group's recommendation to the spring 2000 meeting of the International Monetary and Financial Committee (IMFC), the idea of the IEO and its terms of reference were developed (Canada, Department of Finance, International Trade and Finance Branch 2001). Moving from *ad hoc* external evaluation reports to an arm's-length office was credited as a Canadian idea. Former U.S. 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: 46). 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 mentioned anti-corruption initiatives, at the executive board. Curiously, it was difficult to pinpoint 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 for 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' progress and 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, when visiting some of the Caribbean constituency members it became startlingly clear to him that corruption was a contributing factor in 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 (Canada, Department of Finance, International Trade and Finance Branch 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 Momani 2004). In the end, the board voted for salary increases, despite Canadian directors' objections.

A fourth area of Canadian impact on the board is in its advocating for an IMF expanded role in providing advice on "safe capital liberalization in developing countries" (Canada, Department of Finance, International Trade and Finance Branch 1999) and in providing orderly ways out of sovereign debt crises. In 2001, first deputy managing director 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, which have caused global payment problems and financial crises (Canada, Department of Finance, International Trade and Finance Branch 2001). The SDRM failed to get the proposal through the IMFC due to American objections, but the Canadians remained supportive of management's initiative (Canada, Department of Finance, International Trade and Finance Branch 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 program to help countries in sending positive signals to the international financial community without using Fund financing – Canada's 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 policy support instrument 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 to help these countries attract foreign investment and improve their creditworthiness (Canada, Department of Finance, International Trade and Finance Branch 2005). Despite European objections, the Canadian-led initiative was finally endorsed in fall 2005. That year, the Canadian executive director spearheaded the policy support instrument further at the board (Canada, Department of Finance, International Trade and Finance Branch 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" (Canada, Department of Finance, International Trade and Finance Branch 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 over-valued or under-valued 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 and transmitted it to the Canadian executive director, and the Bank of Canada soon became identified with the surveillance reform. The new policy 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 (International Monetary Fund 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 in a lecture that "like any good umpire, the IMF should apply the same judgment to *all* players in the global economy" (Dodge 2006).[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 for putting through this surveillance reform policy. This initiative was later criticized by China as meddling in their fiscal and exchange rate policies (see Bretton Woods Project 2007).

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 Department 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 have been economists by training, but several others have been lawyers and career public servants (see Table 3). This is generally in keeping with the recruitment of other Fund members' directors. Consistent with the trend of many other countries at the executive board, Ottawa has generally sent individuals to the IMF as director for an average of two years – 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 European 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, with great travel and tax-free benefits and living relatively close to home. Europeans, in contrast, often take a reduction in pay when they assume the position of IMF director, and sometimes they also lose some of the benefits they enjoyed in Europe. Most directors interviewed noted that the position was coveted for those in the Canadian civil service who were economically inclined. 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 due to the U.S. dollar's temporary decline in value.

Table 3. *Backgrounds of IMF Executive Directors, Number of 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: Independent Evaluation Office 2008b: 26

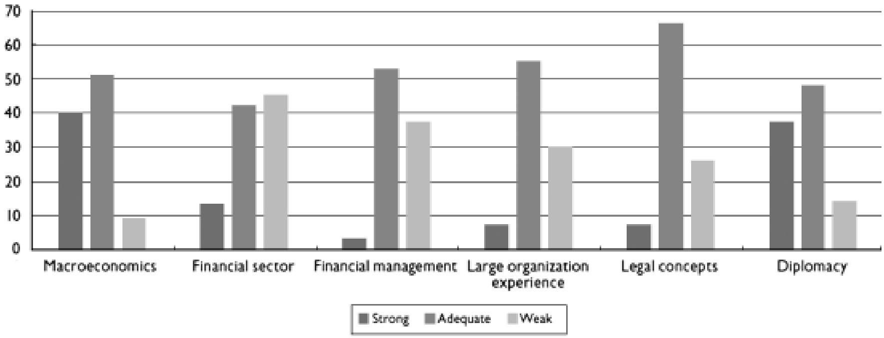
While the choice to accept an appointment might be influenced by technical criteria, most of the directors interviewed agreed that an appointment to the IMF was often a political decision. One director noted, "It was like a senator position, reserved as a reward for good public service in Ottawa." However, 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 Donald Savoie reminds us, governments need career public servants because they have the institutional memory to be effective at policy-making (1994). 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 sent 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 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 its 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 to Washington is useful. Simply put, Canada needs to send individuals who 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 at dealing with the political pressures and interferences that invariably come from the United States and G7.

Canada does not necessarily need to send strong macro-economists to Washington, however. Instead, directors should have strong political skills and a 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

Figure 1. *Fund's Executive Directors' Perceptions of Their Skills (in percentages)*



Source: Independent Evaluation Office 2008b: 25

they perceive the strength of their skills to include macro-economics 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 in this, since 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 three years The private sector also tends to have board directors serve for two terms of three years each (Independent Evaluation Office 2008a). Two years at the IMF executive board is simply not long enough for directors to learn the workings of the Fund and gain familiarity at the board. As one director noted, "[I]t 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 board directors do not become stale, 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 four to six 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 daily matters and on IMF staff. This is critical if, as I have argued, 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 sometimes 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

1 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, U.S., and U.K., this works in a way that the IMF gives money to the country to pay for the executive director 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).

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