Struggling to be heard

Democratising the World Bank and IMF

Christian Aid
We believe in life before death

Contents

Executive summary

The World Bank and the International Monetary Fund (IMF) call for democracy, openness and accountability in the developing countries where they work. But their own activities fall far short of such an ideal. The loans that they make to poor countries lack transparency, and their board structures are far from democratic. Their leaders are only selected from the United States and Europe, and never from the developing world.

Instead of one country member, one vote, power is allocated according to how wealthy the countries are. This means that poor nations – where the World Bank and IMF wield the most power – have the least say in the way the institutions are run and the decisions they take. The US is the only country with enough votes to block board decisions on its own. By contrast, the world's poorest countries cannot block a decision even if they all join together.

Many of the richest countries – including the US, UK, Germany, France and Japan – each have a seat to themselves on the boards. Meanwhile, poor countries are bundled together in large groups represented by one individual. For example, in each of the boards of the World Bank and IMF, just two board members represent a total of 44 African countries. It is a near-impossible job to be familiar with, let alone fight for, all the issues that are important to all the countries they represent.

Rather than supporting democracy, the World Bank and IMF can often undermine it. In its February 2003 budget, the government of Ghana announced increases in the tax on imported rice and poultry. This was part of a broad approach to improve the lives and businesses of Ghanaian farmers, and to counter the heavily subsided imports from the US and Europe. Although the tariff increases were well within the limits set by the World Trade Organisation – a body established to expand trade within a set of international agreements – they were suspended after a series of hurried meetings between the IMF and the government. This increase in tariffs would have been against all previous advice given to the government by the IMF and other donors. The Ghanaian parliament has yet to be informed about the suspension.

Decisions that can transform the lives of hundreds of thousands of people – for worse, as well as for better – are frequently made behind closed doors. For example, when the World Bank provided funding for a dam in Lesotho in 1998, the communities involved knew little about the deal struck between their government and the Bank. Partly because they weren't able to feed in their views, the project has led to problems over access to water and land.

Christian Aid believes that both institutions can play a role in supporting growth and development around the world. But it is calling for a change in the way in which they work, bringing them into line with what we expect from modern, international organisations.

Firstly, poor countries must have a bigger say in how they are run. They should have more seats at the table; and rich countries should have correspondingly fewer. The voting power of poor countries must also be strengthened.

Next, the leaders of the World Bank and IMF should be selected on merit, regardless of nationality: these posts should not be reserved for the most powerful countries. Money must also be made available to increase staffing levels and capacity in developing countries' offices at the World Bank and IMF.

Finally, all board decisions affecting developing countries should be written up in detail and published within two weeks, in print and on the internet, allowing people to monitor who votes for what. Details of those decisions must be widely publicised in the countries where they will come into effect, and scrutinised by national parliaments.

Only then will poor countries and their peoples have a proper say on the work of the World Bank and IMF, contributing in turn to programmes that are more effective in promoting growth and poverty reduction.

Introduction
– David and Goliath

Large parts of the public no longer believe that their interests are represented in institutions such as the IMF, World Bank… or that institutions are adequately accountable for what they do.

(Human Development Report 2002, p112)

The World Bank and the International Monetary Fund (IMF) have huge power over the lives of poor people. In 2002, the World Bank provided US$19.5 billion in loans and grants to 100 poor nations around the world. In 2003, the IMF had $96 billio n of loans and credits outstanding to 89 countries. Money is power and the economic weight of these international financial institutions (IFIs) gives them enormous influence over political and economic decisions in countries that are dependent on their support. In theory the World Bank and IMF are politically neutral, but in practice they have strong views on how poor countries are managed.

The current roles played by the World Bank and IMF are not those envisaged by their founders in the aftermath of the second world war. The IMF was set up to help countries in crisis to stabilise their economies, while the World Bank was intended to help Europe and Japan, and later, the newly-independent developing countries, to further economic and social development. In recent decades, however, both institutions have become much more involved in low-income countries, lending money on condition that a certain set of reforms are followed. Their influence over national policy has increasingly encroached upon developing countries' national sovereignty, as identified in the *2002 Human Development Report:* 'The institutions are being called on by their powerful members to intrude much more deeply into areas previously the preserve of national governments – especially in developing countries.' (UNDP 2002:112)

Voting shares within the IFIs have become increasingly unequal since the institutions were founded. Richer countries have ever-greater influence and the current allocation is grossly unfair.

For example, 15 per cent of votes are required to block a decision made in either the World Bank or IMF board. The US is the only country to have more than this threshold, giving it the power of veto. By contrast, the world's poorest 80 countries have a combined voting share of ten per cent. This imbalance is clearly undemocratic and stands in stark contrast to the expectations the IFIs have of borrowing governments.

Because of the influence they have on national decision-making, it is crucially important that the way the World Bank and IMF are run reflects the views of all their members. Yet the balance of power within them is skewed and unjust. The influence of rich countries is disproportionate to that of poor countries, which are directly impacted by the decisions of the IFIs. Their governance systems were designed over 50 years ago, for a very different world to the one in which we now live. Ironically, the institutions are increasingly insistent on good governance in developing countries, but are failing to meet such strict standards themselves.

In recent years, the World Bank and IMF have made some efforts to be more open and accountable, such as the World Bank Inspection Panel and the Parliamentary Network.

Existing efforts to improve transparency and accountability in the World Bank

World Bank Inspection Panel

The World Bank has made some efforts to enable disaffected communities and their representatives to complain about the Bank's activities. It set up an inspection panel in 1993 as a mechanism through which citizens who felt that they or their interests have or could be negatively impacted by World Bank projects could complain.[1] This was a progressive step to provide some space for private citizens to express their views. However, the independence of the inspection panel has been questioned, as the Bank's executive board still has full control over which investigations are pursued.

Parliamentary Network on the World Bank

In 2000, the World Bank was instrumental in setting up a network of parliamentarians to exchange information and views on the institution's role in development. The network has over 200 members from 60 countries. Its main activities include holding an annual conference in a member country in partnership with the World Bank, meetings with the institution's senior management, and facilitating field visits for parliamentarians to borrowing countries. The network also plans to produce a *Handbook on the World Bank for Parliamentarians*.

The reality on the ground
– how poor people lose out

Information is power

The World Bank's activities in poor countries are very diverse. In conjunction with national governments, it designs and builds roads and dams, implements health- and education-service reforms, and devises energy-generation schemes. Because of the scale of these programmes, the implications for people living in the countries concerned are normally far-reaching. While many of these projects can be beneficial to the country, they can cause problems if they don't take the views of local people into account.

People can make their views heard in a variety of ways: through their own politicians, through direct consultations with donors, and ultimately through their representative on the World Bank and IMF boards – their executive director.[2] Their ability to make themselves heard will be directly affected by their representative's workload, or the extent to which their opinion coincides with that of the government or donors.

The Lesotho Highlands Water Project – struggling to be heard

'The World Bank is "heavens" to the communities.'
Jacob Lenka, Transformation Resource Centre, Lesotho

Jacob Lenka of the Transformation Resource Centre, a local NGO in Lesotho and a Christian Aid partner, describes the World Bank as the 'heavens'. But he is not attributing to it qualities of beauty and majestic benevolence, but of mystery and distance. When asked if local communities had been communicating with the World Bank on its proposals to support the Lesotho Highlands Water Project (LHWP), Jacob Lenka simply replied: 'How could communities have tried to communicate with the World Bank when they did not know it [existed]?'

In June 1998 the World Bank approved a US$45 million loan to construct a dam in the Lesotho Highlands. While this represented only about five per cent of the total cost of the first stage (phase 1B) of the project – with the remaining money coming from South African investors and water users – World Bank capital acted as an important signal for other potential funders.

The project provides hydro-electricity for Lesotho while the water itself is sold across the border in South Africa for the industrial powerhouse of Gauteng. It is expected to generate about US$40 million a year for the Lesotho government, and provide much-needed jobs. The project is also supposed to go beyond building infrastructure, to looking at how the environment and local people might be affected by the dam.

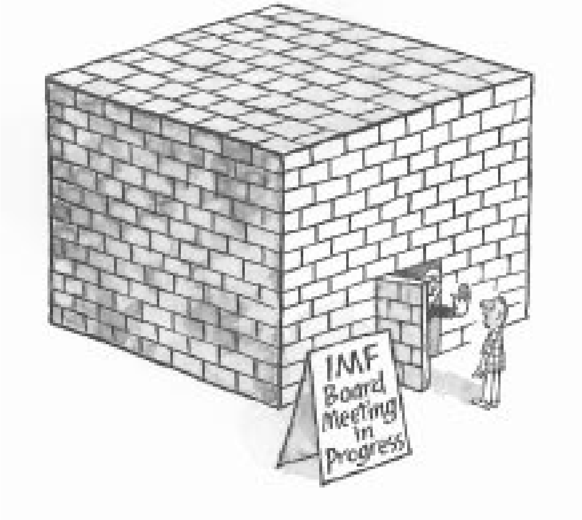
But communities have complained of delayed or poor compensation for resettlement, the loss of pastures, livelihoods, ancestral burial grounds and clean water. Many remain ignorant of the involvement of donors, and above all have felt unable to exert any influence on how the project was set up. The government held 'consultations' with the communities, but in practice they 'were merely told and not listened to'.[3]

‘In community meetings and petitions, affected people have repeatedly pressed for a greater voice in project decision making and a more equitable distribution of project benefits.’
(International Rivers Network 2001)

The problems experienced by communities in Lesotho clearly go far beyond the composition of the board of the World Bank in Washington. They start at the bottom with local processes and practices and mostly stem from a lack of information and the secrecy that shrouds negotiations between the government and World Bank, and corresponding loan documents.

However, even armed with all the information in the world, it is no use voicing opinions and concerns if nobody listens. Even if the government was more open in its dealings with the World Bank, and truly listened to the concerns of affected communities, it would find it very difficult to make itself heard by the World Bank board. Lesotho is among 22 countries represented (at both the World Bank and IMF) by just one executive director who is currently from Uganda. The capitals of these two countries are more than 3,000km apart, easily more than the distance between London and Moscow. How can one person be expected to keep abreast of every project and situation in 22 countries? How can one person communicate the outcomes of discussions held in Washington to 22 countries, their parliaments and communities? When the World Bank approved the project, it did not publish any minutes or summary of the board discussion, or any comments and concerns raised.

Is it any wonder, then, that communities such as those affected by the Lesotho Highlands Water Project feel that decisions are being made behind their backs – and that they have no effective voice or influence in the World Bank? Corruption in this project has developed partly because local communities have not been involved, and the lack of information has made it impossible for local NGOs and the media to act as an effective check and balance. Mr Masupha Sole, former chief executive of the Lesotho Highlands Water Authority, was recently sentenced for 18 years for accepting bribes in relation to the lucrative contracts for dam construction work. This has been debilitating for the project and a gross waste of resources meant for development.



Despite recent improvements, the IFIs are still not obliged to publish the details of board discussions,[4] making it difficult to track decision-making on particular projects or loans. For example, although summaries of board discussions are sometimes published, the minutes of decision-making meetings are not. The extent to which each executive director supports a proposal is therefore not made public, preventing citizens from holding their representatives to account.

Decisions are reached by consensus, rather than a formal hands-in-the-air vote. While some commentators argue that this gives small-country constituencies influence beyond their votes, it ultimately clouds responsibility for decision-making.

In some countries, including the US and UK, representatives from all political parties monitor interactions between their own government, the World Bank and IMF through oversight committees, which report directly to Parliament or the Senate. These processes are rare in many other countries, making it difficult for people to find out about decisions that will directly affect their lives.

Democratic decision-making
While loan-dependent countries are often reliant on financing from the World Bank and IMF, other donors are also influenced by their actions. As the case study below shows, Ghana received practically no aid from any donor between September 2002 and April 2003, because the government was failing to meet the strict conditions set by the IMF.

Recently, the World Bank and IMF have linked their financing to poverty reduction strategy papers (PRSPs). These are ostensibly a country's own plans to cut poverty, but they have also become gateways to loans and debt relief. In order to access the money they need, recipient countries have to fulfil a complex set of conditions. These tend to be the same for most countries, and often include the rapid opening of markets and privatisation of state services such as health or water provision. Such conditions mean that World Bank and IMF influence permeates through all dimensions of borrowing countries' economies. At the same time, rich-country members fail to put into practice at home what they preach to developing countries. Strategic policies intended to protect national industries, such as tariffs on imports and subsidies, are viewed as 'alternative' and controversial in poor countries, but not in the countries of some of the most powerful executive directors.

In August 2002, for example, the British government gave a £50 million grant to ICI, the multinational chemicals company, in order to protect 2,000 jobs in its Runcorn plant.[5] It is clearly hypocritical for rich countries to expect poor countries to expose themselves to the world market when they do not do the same at home.

As the House of Commons International Development Committee states: 'The right to pursue nationally-determined policies is not something to be granted to developing countries on the condition that they use it in a certain way. Such treatment of policy space is undemocratic.'[6]

Ghana – pressure to conform

In Ghana, the IMF recently demonstrated that it has the power to put pressure on national governments to change their policies. When Ghana's Minister of Finance presented his 2003-04 budget, it included, as just one element of a much broader programme to stimulate productivity, increases in tariffs on imports of rice, from 20 to 25 per cent, and for poultry, an increase of 20 per cent. These tariffs were sponsored by the ministries of agriculture and trade, in an effort to protect local farmers and industries against cheap subsidised imports, and to allow breathing space for modernisation. They were fully consistent (and indeed considerably below) tariff rates allowed by the Agreement on Agriculture under the World Trade Organisation.

It is normal practice for the Ministry of Finance in Ghana to negotiate controversial or new policies to be included in the national budget with the IMF prior to finalisation, a process that most governments would see as an infringement on their sovereignty and democratic process. On this occasion, the Ministry of Finance did not check the tariffs policy with the IMF prior to approval by cabinet. Following a series of meetings with the IMF's resident representative after the budget speech, the minister later announced in the media that the proposed increases in tariffs on rice and poultry would be suspended from the budget indefinitely.

Although parliament originally debated and approved the budget in February, the Minister of Finance did not inform it of the suspension of the tariffs. The Ministry of Agriculture first heard about it on the radio. It seems that on this issue the influence of the IMF resident representative was greater than the whole Ghanaian parliament and its ministries put together.

It is easy to understand why the Ghanaian Finance Ministry was unwilling to reject the IMF's advice on the tariffs, as an earlier disagreement in 2002 had led to the IMF and World Bank labelling Ghana 'off track', and holding back money amounting to US$116 million. The reason was that the government was failing in its commitments to the IMF, after increasing teachers' salaries and paying doctors and nurses for overtime. As a result, Ghana lost the direct assistance of the IMF and World Bank as well as payments from most other donors, which were frozen until April 2003.[7]

The Ghanaian government, like so many others, cannot risk the disapproval of the resident representative, as the board is unlikely to support an IMF programme without their recommendation. Such a heavy-handed approach by the IMF is causing tensions with national governments in some loan-dependent countries. Ghana's Minister of Trade has called the institutions 'bullies of developing countries'. The issue here is not the rights and wrongs of this specific policy, but the way in which the IMF can force governments to change their policies.

In theory, if Ghana is unhappy that such influence is being brought to bear by the IMF it could call on its executive director on the board to object. However, Ghana's executive director is from Pakistan and represents eight other countries – among them Iran, Iraq and Afghanistan. It would be an enormous challenge for this representative to know about, let alone adequately represent, all the important issues for each of these extremely diverse countries. So what chance does Ghana have of voicing its discontent?

Does my view matter?

At the moment, the number of votes and share of a seat on the board that a country has within the World Bank or IMF depends on the size of its economy and, to a lesser extent, on history. Although industrialised countries were once important for funding the institutions, new funding from donors represents a small and declining fraction of the money that the World Bank lends out today. Most new capital is raised through financial markets and from interest payments on old loans – primarily from middle-income countries. The bottom line is that though no longer as important in terms of funding, wealthy countries still wield the most power. So while developing countries contribute a large part of the institutions' financing, it is rich countries that decide how to spend the money. Those countries that are most affected by the World Bank and IMF's policy and programme decisions have the least say in how these decisions are taken.

Inequality in the vote allocation between different countries is also getting worse. Votes are allocated according to a country's 'economic weight', which is based on shares of world output. The share of world output produced by poor countries, especially those in Asia, has increased significantly in the past 30 years,[8] while Europe's share has declined. But the allocation of votes has not been changed to reflect this.

When the World Bank and IMF were founded, each country was given a set of 250 'basic votes' to make sure everyone had a say. But over time these basic votes have eroded in value because they have declined in proportion to the number of votes allocated according to economic strength. Originally, the basic vote accounted for 11.3 per cent of total votes; today it accounts for only three per cent.[9]

The US is the only country with votes in excess of 15 per cent – the threshold at which any policy or programme can be blocked, making it the only country that has power of veto. The US can, therefore, obstruct any policy it doesn't like.

Countries are grouped into what are called 'constituencies'. The five largest vote holders are allocated one seat each (the US, UK, France, Germany and Japan). A further three countries – Saudi Arabia, Russia and China – are also in single-seat constituencies and therefore automatically get their own representative. The remaining 176 member countries share just 16 seats between them.[10]

Looking at it in a different way, there is currently about a 50-50 split between high- and low-income countries in terms of the seats they hold. But high-income countries only make up one-fifth of the total members of the IFIs. If allocated fairly according to proportions of members, high-income countries would only get five seats out of 24 on the boards.

Debt cancellation – when a whole continent calls for change

By the end of the 1980s, many African countries found themselves in a debt trap with unsustainably high levels of external borrowing. They had borrowed cheaply during the oil boom, when oil-producing countries were looking for new investment opportunities for their wealth. But when interest rates rose, adding to the debt, many countries had been unable to convert the borrowed money into growth and long-term benefits for the broader population.

At the end of the 1990s, after immense international pressure through the Jubilee 2000 campaign, rich country donors agreed to cancel what they deemed to be unsustainable debts. The Highly Indebted Poor Countries (HIPC) Initiative was intended to leave these countries with manageable levels of debt, calculated on the basis of dubious projections of growth and exports.

The HIPC scheme has led to concrete gains in some countries – for example, user fees for education have been abolished in Uganda, Malawi and Tanzania and spending to combat HIV/AIDS has been increased in Mali, Mozambique and Senegal. But overall progress has been slow. Many countries' levels of debt are not sustainable, even by World Bank and IMF standards. In 2002, 13 of the 26 countries receiving debt relief were still spending more on debt servicing than on health.[11]

The *2003 UN Human Development Report* has predicted that most African countries will fail to meet the internationally agreed Millennium Development Goals[12] – partly because of natural disasters and bad management, but also through a simple lack of resources. Servicing debt is one of the main drains on resources in a continent where four in ten children do not go to primary school, and one in ten newborn babies dies before their first birthday.

African finance ministers have recognised the assistance that debt relief has brought – but have called for the scheme to be made more effective by calculating debt relief from the resources needed to meet the Millennium Development Goals. In the New Partnership for Africa's Development (NEPAD),[13] African countries argue that: 'The long-term objective of the New Partnership for Africa's Development is to link debt relief with costed poverty reduction outcomes.' This sentiment was echoed at the UN Financing for Development conference held in Monterrey, Mexico, in March 2002, where it was agreed that: 'Future reviews of debt sustainability should also bear in mind the impact of debt relief on progress towards the achievement of the development goals contained in the Millennium Declaration.'

Much of the analysis on debt relief and HIPC takes place inside the World Bank and IMF, who regularly prepare progress reports for their shareholders. But the suggestion to tie debt relief to poverty needs, rather than some arbitrary and optimistic financial criteria, has so far fallen on deaf ears in the IFIs. The arguments against such a change centre on the expense, and play down the benefits of debt relief as a way of transferring resources to reduce poverty.

African countries and their representatives in the World Bank and IMF have found it difficult to influence the way in which debt relief schemes are put together. For example, on the board of the World Bank's lending programme for low-income countries just two people represent 44 African countries, while a further six African countries are represented by Kuwait and Pakistan.

African countries are in many ways the biggest customers of the World Bank and IMF, in terms of time if not always in terms of money. But when it comes to influence, they have little leverage. The combined voting share of all 50 African countries is under eight per cent – that is less than half the US's share, at 16 per cent. Is it any wonder, therefore, that the World Bank and IMF are unresponsive to the calls from Africa for greater debt relief?

Clearly, Africa has a scandalously small proportion of representatives, with 44 African countries represented by just two executive directors.[14] Five of the G7 countries, none of which borrow from the IFIs any longer and therefore are not directly impacted by their decisions, have one executive director each. This is a blatant imbalance of rich against poor.

Senior posts – horse-trading behind closed doors

Because they have so much power in some countries, the leaders of the World Bank and IMF have become as important and powerful as some democratically chosen national leaders. It is therefore hard to believe that the two head positions of the World Bank and IMF are reserved for individuals from the US and Europe respectively, and not necessarily the best person for the job from a wider field. This is both inefficient and unfair.

Recruitment procedures at the higher levels of the World Bank and IMF resemble an old boy's network, and not the transparent process we would expect from institutions that are technically part of the UN family. Neither institution has a formal and transparent recruitment process for its head. Out of their 184 member nations only the US and European members can put forward candidates for the two most senior posts. The proposal of individual candidates and negotiation surrounding their selection take place behind closed doors. In the words of Clare Short, the UK's former Secretary of State for Development, 'The US gets the World Bank and Europe gets the IMF... What about the rest of the world? This is disgraceful.'

Women in development

As with many large national and international companies or institutions, the World Bank and IMF suffer from a a lack of women in top management positions. In 2002, the IMF board was entirely men, while the World Bank board was 92 per cent male. Neither organisation has ever been run by a woman, let alone a woman from a poor country. This has a particular poignancy for the type of work that the institutions are involved in. It has been estimated that 70 per cent of the world's poorest people are women.

So, now what?

There is growing recognition that the current governance structures of the World Bank and IMF are unsatisfactory and unsustainable, with increased criticism from mainstream and more radical commentators in recent years. The Monterrey Consensus from the UN's 2002 Financing for Development conference committed signatories,[15] including the World Bank and IMF, to increasing the voice of poor countries in global economic governance: 'We recognise the urgent need to enhance the coherence, governance, and consistency of the international monetary, financial and trading systems.' (United Nations 2002)

The UK government has been critical of the current system, but is unlikely to want to concede any of its own power. The political reality is one of not wishing to sacrifice one's own influence, even if the flip-side is that poor countries continue to struggle to make themselves heard. Meanwhile, popular protests against these institutions at the annual World Bank and IMF meetings in Prague in 2000 and Washington in 2001 and 2002 were symptomatic of a deep dissatisfaction with their policies and a perception that the only way of making views heard in these institutions is to shout from the pavement outside or to scale their buildings.

Recommendations

Christian Aid believes that the way poor countries and their populations are represented in the World Bank and IMF needs to be fundamentally changed. People have a right to be represented on the issues that affect their lives. Poor people must be given a bigger voice in national policy-making and poor countries need to have more say on the boards. Improved representation for the poorest countries would lead to more appropriate and better-informed decision-making and ownership. This, in turn, would improve the institutions' effectiveness in contributing towards poverty reduction.

Christian Aid is calling on the World Bank, the IMF, and their main shareholders to take seriously the calls for change from around the world, and to develop management structures that are fitting for global institutions in the 21st century. Our recommendations are set out below:

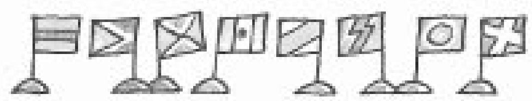
1. Strengthened accountability
Currently the populations of poor countries have little information about negotiations between their governments and the World Bank and IMF, and no way of knowing which government policies have been influenced by World Bank and IMF advice, and which are genuinely those of their elected government. These negotiations need to be more open and transparent to enable ordinary people to know how their interests are being represented, and who to hold accountable for the outcomes.

Executive directors should also publicise their voting patterns and policy positions, so that they can be held to account for them. Parliamentary oversight committees should be developed in all countries to oversee executive directors' activities, and parliamentarians should be better informed and resourced to engage in these discussions. Executive directors should make regular presentations to national parliaments on their activities in Washington. Details of World Bank and IMF activities in each country must be better communicated. The media and general public should be able to access the minutes of relevant board discussions, and civil society groups should engage in monitoring policy on World Bank and IMF-related areas.

2. Transparent decision-making
The World Bank and IMF must place information on how decisions are made at their highest levels in the public domain, because the outcomes of such decisions have enormous implications for ordinary people around the world. Board discussions should be written up in detail and published within two weeks, including being posted on the web, so that people in affected countries can easily access them. Executive directors should also publish the statements they make to these meetings, to enable constituencies to track how they are being represented. Formal voting should replace the current consensus system, and the results of votes should be made public.

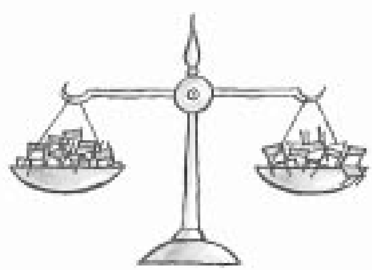
3. Transparent recruitment procedures
The heads of the World Bank and IMF must no longer be selected through a carve-up between the US and

Europe. It is essential that candidates for such influential positions be recruited through an open and transparent selection process. All countries should be able to put candidates forward for these posts and have a say in their selection. Women should be actively ecouraged to apply for these posts.



4. A more equal distribution of votes

The voting system in the World Bank and IMF should be re-balanced to give developing countries a bigger say. The basic vote allocated to each country should be significantly increased, which would raise the voice of poorer and smaller countries. The rest of the voting allocation should be allocated according to a fairer and more transparent formula, based not just on economic strength, but also on population size and the importance of each country as a borrower. No single country should have power of veto.



5. A fair distribution of seats

In order to bring about a better balance of seats on the boards of the World Bank and IMF between rich, poor and middle-income countries, there needs to be a substantial increase in the seats for poor countries. In addition, a more realistic number of countries needs to be allocated to each representative. Europe is over-represented on the boards and its seats must be rationalised. Finally, no single country should have the privilege of a board representative to themselves.

6. Increased capacity for poor-country representatives

Developing country constituency offices need additional staffing and greater access to independent technical expertise. Representatives of the poorest countries currently have the largest workload and the fewest resources and staff.

Conclusion

The current system of governance in the World Bank and IMF is clearly unjust and unsustainable. Rich countries must concede some of their power in order to rectify the balance in favour of poorer countries. As the *Human Development Report 2002* identifies, 'Once they are members of an elite club, countries are reluctant to lose that power or see it diluted by opening to new members. This explains why proposals for reform always encounter stiff resistance. And that is why broad acceptance of the principle of democratisation has translated into so little progress at the level of specific proposals.'[16]

Political will is critical to progress towards a fairer system. Rich-country governments need to be coherent in their approaches to the developing world. It is unacceptable for them to speak the language of poverty reduction and good governance in relation to other countries, and then to fail to practise good governance, effectively obstructing progress towards poverty reduction by supporting an outdated and ineffectual system in the World Bank and IMF.

Notes

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1 For more information on the World Bank's Inspection Panel see http://wbln0018.worldbank.org/ipn/ipnweb.nsf/

2 The boards of the World Bank and IMF are made up of 24 representatives of 184 member countries. Eight countries are solely represented by an executive director, whereas the remaining countries are grouped into constituencies and represented collectively (see page 9). Some constituencies have a rotating system, whereas others have opted to be permanently represented by one country. Obviously, this system reduces the level of representation for countries in multiple constituencies. For example, the Francophone African executive director rotates every three years, meaning that each of the 24 countries represented will hold the chair only once every 72 years!

3 Jacob Lenka, Transformation Resource Centre.

4 The World Bank made major revisions to its information disclosure policy in August 2001, which to some extent has increased the number of documents open to the public. See http://www1.worldbank.org/operations/disclosure/ for the revised information disclosure policy.

5 http://www.guardian.co.uk/business/story/0,3604,1010148,00.html, 04/08/03

6 *Trade and development at the WTO: issues for Cancún,* Seventh report of the session 2002-03, Volume 1, HC 400-I

7 This information was provided by a senior adviser in the Ghana Ministry of Finance who did not want to be named.

8 Asia's share of world output increased from 20 per cent in 1990 to 25 cent in 1998. Source: *Financial Post*, 'Leaders Redesign the Architecture for International Financial Systems', 1998.

9 Kelkar et al 2003.

10 The IMF has a total of 184 member countries. The World Bank's International Bank for Reconstruction and Development has 184 members and the International Development Association has 163.

11 *Debt Relief and the HIV/AIDS Crisis in Africa*, Oxfam, July 2002.

12 The Millennium Development Goals (MDGs) are a framework of eight global objectives for development and poverty reduction, including targets for income, access to basic services and the environment. By the year 2015, all 191 United Nations member states have pledged to meet the MDGs.

13 The New Partnership for Africa's Development (NEPAD) is an agreement between Africa's leaders to coordinate their efforts to eradiate poverty and bring development to the continent. For more information go to http://www.nepad.com/

14 The remaining African countries are included in other constituencies with collections of low-income countries from other parts of the world.

15 18-22 March 2002: all members of the United Nations adopted the Monterrey Consensus, which committed them to various new approaches to financing development.

16 UNDP, 2002, page 113.


Democracy and good governance
IMF & WORLD BANK
Just words, or Just action?

‘The actions of …the [IMF’s] executive board as a whole remain opaque. Most notably neither the votes, nor the minutes, of the executive board are published. We believe that, because the executive board is the ultimate decision-making forum of the Fund, withholding this information limits our ability to hold the government to account for their actions at the Fund.’

(*The International Monetary Fund: a Blueprint for Parliamentary Accountability*, Treasury Select Committee, April 2001)

‘…multilateral economic organisations have developed few democratic credentials of their own. In many cases supra-state authorities have barely even recognised that they have a democracy problem.’ (Scholte 2003: 18-19)

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