The Challenge of Good Governance for the IMF and the World Bank Themselves[a]

By Ngaire Woods

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Abstract

Over the last decade, the IMF and the World Bank have embraced `good governance' as a set of principles to guide their objectives in member countries. Both institutions now face pressures to apply some similar standards of transparency, accountability and participation to themselves. This paper examines the challenges this poses for the organizations, beyond the steps they have already undertaken to disseminate more information and to enhance their relations with NGOs. The paper argues that if `good governance' is to be furthered within the IMF and the World Bank, then changes in their constitutional rules, their balancing of stakeholders' rights, their decision-making rules and practices, and their staffing and expertise need to be considered.

Keywords:

World Bank/IMF policies,

governance,

institutions,

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1. INTRODUCTION

The IMF and the World Bank enjoy a special place in the politics of world economic relations. Both organizations can claim a virtually universal membership and accountability to governments across the world. In this they are unlike most other international financial institutions, such as the Group of Seven

(G-7)[2], the Bank for International Settlements (BIS)[3], the Group of Ten (G-10)[4], and a host of other regulatory agencies. Indeed the claim to universal membership underpinned the IMF's recent insistence that deliberations on any reform of the global financial system should take place within the Fund's Interim Committee as opposed to in any ad hoc or US-selected group of countries. Yet the IMF and the World Bank need to reconsider the grounds on which they claim to be universal, representative and accountable organizations.

In the 1990s, both the IMF and the World Bank became powerful advocates of high standards of legitimacy, representation, and accountability in governments seeking to borrow from them. These standards were given the label `good governance'. Yet closer scrutiny suggests that the institutions themselves do not altogether live up to these standards. Although both institutions have undertaken significant organizational reforms in the past decade, applying their own standards of `good governance' reveals that further reforms in both institution ought to be considered.

The voting structure of the IMF and the World Bank is one place to start. Votes have been allocated in a highly politicized way since the organizations were created - a fact, in itself posing problems for `good governance' standards of impartiality and transparency. More importantly, as the roles of the institutions have changed over the past four decades, they have not adequately adapted to the emergence of a new category of stakeholders. While both the IMF and World Bank often write of the necessity of including stakeholders, in their own governance this is lacking since yet new stakeholders are neither adequately represented nor engaged in the policies and programs of the Bank and Fund.

At the same time, whether or not the voting structure is changed, there are several other decision-making issues that deserve review, and especially the respective roles played by the Executive Board, consensus decision-making, non-governmental organizations, and the staff, management and research in both organizations. This paper makes a case for change in each of these areas. It does not offer a detailed examination of the everyday workings of the institutions. Rather, the analysis focuses on questions of governance with an eye to informing the current debate about reform.

2. IMF AND WORLD BANK DEFINITIONS OF `GOOD GOVERNANCE'

Over the last decade, the IMF and the World Bank have embraced `good governance' as a set of principles to guide their work with member countries. In its 1989 report on Sub-Saharan Africa, the World Bank defined `governance' as encompassing: the state's institutional arrangements; the processes for formulating policy, decision-making, and implementation; information flows within government; and the overall relationship between citizens and government.[5] Subsequently, this understanding of governance has been expanded and refined by both the World Bank and the IMF so as to propound standards which are in keeping with their constitutional mandates and might improve the effectiveness of their members' use of resources. In 1992, the World Bank published a report on *Governance and Development*, followed up in 1994 with *Governance: The World Bank's Experience*.[(6)] Since these publications, the Bank has focused ever more on the issue of good governance, underlining in the 1997 *World Development Report* that `an effective state is vital for the provision of the goods and services - and the rules and institutions - that allow markets to flourish and people to lead healthier, happier lives', and publishing large numbers of statements and studies on good governance.[(7)] So too in the IMF, `good governance' has been announced as `important for countries at all stages of development'.[(8)]

In both international financial institutions, the `good governance' agenda includes promoting transparency, accountability, efficiency, fairness, participation and ownership. These values translate into a broad objective to improve political accountability, participation, an effective rule of law, transparency, and flows of information between governments and their citizens. Such overall objectives were expressed by the IMF's Managing Director in 1992, when he referred to the need for `democratizing social decisions' in Latin America, and ensuring `for want of a better term, "good governance" - that is, accountable and active governments that enjoy the trust and support of their societies'.[(9)] The international institutions recognize that this support requires political accountability - such as through elections or other direct links between those who rule and those who are ruled. Limited by their own mandates, however, both the IMF and the World Bank have found narrower ways to implement principles such as `participation' and `ownership' so as to enhance support and commitment from citizens and governments towards Fund and Bank programs. The new orthodoxy is that active participation by local policy-makers and citizens must be sought in planning, designing policies and programs, for this ensures local commitment and action in implementing and maintaining them.

The driving force behind the new attention to `participation' and `ownership' has been a very practical one: both the Fund and the Bank wish to improve their effectiveness and research findings demonstrate that new ways of working could improve results. For example, in 1992 the Bank's evaluation department reported a strong correlation (confirmed by significance tests) between various indicators of ownership and the satisfactoriness of program outcomes: ownership was high in most programs achieving good results and low in ineffective programs, and was predictive of program success in 73% of all cases.[(10)] In 1994, the World Development Report highlighted the need for `user involvement' in project design and operation, as well as in decision-making and agreements as to the sharing of benefits and costs. More strongly, the Wapenhans Report recommended the `mainstreaming' of participatory techniques in project design and implementation in order to improve project performance.[(11)] The relevant techniques were subsequently outlined in the *World Bank Participation Source Book*.[(12)]

Operationally, the new thinking about participation has been reflected in repeated Bank expressions of commitment to ensuring, for example, greater involvement of `key stakeholders' in the preparation of country assistance strategies (CASs), `sharper client focus', and `responsiveness to clients'.[13] Furthermore, the Bank has made efforts to decentralize its operations by locating some of its management staff within regions. During 1998, for example, the Bank relocated three of its country directors for Europe and Central Asia into the region (one for the Czech Republic, Hungary, Moldova, the Slovak Republic, and Slovenia; the second for Poland and the Baltics; and the third for Russia) with the overall objective of strengthening the Bank's knowledge base, and laying the groundwork for more systemic interaction with local stakeholders.[14]

Within the IMF `ownership' has become a major element of adjustment programs. Whilst once the IMF permitted itself to be used as the `whipping boy' of governments keen to cast blame for unpopular policies on someone else, the Fund today requires governments to take responsibility for adjustment programs. To cite the Managing-Director: `We don't impose conditions on governments.... If a program were to be imposed from outside, its chances to be fulfilled, to be implemented, would be minimal. For a program to have its chances, it has to be seen as really the program of the country, elaborated by the country.'[15] This is the essence of `ownership' in the Fund's new style of operating. It is not easy to implement however.

The Fund has traditionally worked exclusively with a small group of policy-makers based in Central Banks and Finance Ministries of member countries and under conditions of the utmost confidentiality and secrecy. The organization is now making greater efforts to communicate with a wider range of groups outside of government such as with business groups and trade unions: in 1995, special instructions were issued to resident representatives that they should nurture contacts with trade unions in their countries of assignment. Since 1980, the Fund has increased the number of countries in which it has a resident representative from 20 to 68. Consultations undertaken by staff missions are broader, and more time and more missions are used in order to negotiate programs. More concretely, the process of drafting the Fund's `Policy Framework Papers' or PFPs has been opened up. Whilst in 1989 it was said that `[u]nfortunately the PFP so far has been primarily a subject of negotiation between the staffs of the Fund and the Bank',[16] today Fund staff do have more slightly more scope to accomodate government views and involve a wider range of ministries, including the line ministries which must implement the agreed measures.[17] Critics, however, question the operational significance of PFPs and point out that many governments still see them as Washington documents in which their own views and priorities are inadequately reflected.

In both the Fund and the Bank, in spite of changes aimed at improving `participation' and `ownership', many staff suggest that much of the basic *modus operandi* remains the same - for there are real problems in implementing these new concepts. In the words of two Bank officials describing some of the reasons for poor project performance: `Participation has often been equated with explaining the project to key stakeholders (individuals and groups who stand to gain or lose from the project), instead of involving them in decision-making. Borrowers are not committed to project goals. Their `ownership' has been sought by making them responsible for preparation and implementation, instead of ensuring that the impetus for the project is local and that the process provides explicit opportunities for consensus building'.[(18)] Similarly, Fund officials speak of the difficulties of promoting government `ownership' of policies in countries where they do not believe there is sufficient expertise to generate appropriate policies. In summary, attempting to reconcile `participation' and `ownership' with rigour and expertise poses a real challenge to both international financial institutions, and as will be discussed below, the challenge is no less when these values are transposed and applied to the workings of the institutions themselves.

Finally, both the Fund and the Bank have seen `good governance' as a way of strengthening the `institutional framework of government'. This means strengthening the rule of law and the predictability and impartiality of its enforcement. It also means rooting out corruption and rent-seeking activities, primarily by focusing on transparency and information flows and by ensuring that appropriate information is collected and released about the policies and performance of institutions so that citizens can monitor and scrutinize the management of public funds.[(19)] Here the IMF has focused specifically on `fiscal tranparency', arguing that it advances its mandate to call on governments to be open `toward the public at large about government structure and functions, fiscal policy intentions, public sector accounts, and projections', and to provide `ready access to reliable, comprehensive, timely, understandable, and internationally comparable information on government activities...'.[(20)]

In summary, the `good governance' agenda has driven a number of changes in the way the IMF and the World Bank identify, prepare, approve, implement, and evaluate projects and policies. These changes have been driven by the need to improve the effectiveness of programs supported by the institutions. As such, the principles of good governance have been applied to borrowing countries and their agencies. The same principles, however, can be (and to some extent have been) applied to governance within the IMF and the World Bank themselves.

3. APPLYING `GOOD GOVERNANCE' TO THE FUND AND BANK

(a) Reforms already undertaken

Over the past few years, both international financial institutions have undertaken some changes within their own walls which reflect concerns about their own transparency and accountability. Regarding transparency for example, the World Bank has adopted quite a broad-ranging `disclosure of information' policy. So too, the IMF is disseminating more information about its activities. Since 1994, the Fund has been publishing background papers on recent economic developments in individual countries and since

1997, where governments allow it, the Fund will publish a `Public Information Notice' (PIN) giving details of the Fund's assessment of the member's economic prospects and policies: by the latter part of 1998, PINs were being released for about 70% of Article IV consultations.(21) The Fund has also been encouraging countries to publish summary statements by Fund staff at the end of annual country consultations, as well the documents which underpin Fund-supported programs of economic reform (i.e. `Letters of Intent' and Policy Framework Papers). Finally, the Fund has begun to publish accounts of Executive Board conclusions on some issues.(22)

As regards accountability, in 1993 the World Bank was the first multilateral organization to create an independent inspection panel for public accountability whereby affected parties in borrower countries can file complaints that the Bank has failed to follow its own policies, procedures and conditions in the context of a specific loan.(23) By the end of 1998 the Panel has received thirteen formal requests for inspection, eleven of which were found to be admissible and seven of which have been acted upon.(24) In the IMF, `external evaluation' has now been accepted, and implemented. The first external evaluation (of the IMF's enhanced structural adjustment facility) has already been published by the Fund (IMF, External Evaluation of the ESAF), and a further two external evaluations are underway: of the Fund's surveillance role; and of the Fund's economic research activities.(25) These changes in both the Fund and the Bank signal that both institutions are aware of the need to comply themselves to the principles of `good governance' they are so openly espousing. However, there are more fundamental questions about governance which remain to be addressed.

(b) The pressures for further change

Both the IMF and the World Bank are under significant pressures further to change. In the fallout of the financial crises in the 1990s in Mexico, East Asia, Russia and Brazil, both institutions have come under new scrutiny.(26) However, there are deeper pressures as well. Each institution operates today in a very different world to that it has adapted to over the past fifty years.

The World Bank finds itself squeezed from two sides: on the one hand, by massive private capital flows which have replaced it's significance as a lender to many of its major clients (with a whole raft of new vulnerabilities this brings with it)(27); and on the other hand, by the increasing needs of the poorest countries of the world (such as in Sub-Saharan Africa) for concessional finance such as that provided by the Bank's specially-structured concessional facility (the IDA).

The IMF, having successfully reinvented itself in the 1980s after losing its place at the centre of the world's exchange rate system in 1971, must now reposition itself.[28] In recent times, its role as lender-of-last-resort, although reinforced, has been criticized and its credibility somewhat eroded. First, the taboo of not paying back Fund credits has been broken as several members (by 1998, 12 countries accounting for SDR3billion) had fallen into arrears in repayments to the organization. Perhaps more importantly, in the fallout of the crises in Mexico 1994-5, East Asia 1997, Russia 1998 and Brazil 1999, the Fund was particularly criticized in respect of both its competence and of its legitimacy.[29]

In addition to pressures specific to the international financial organizations, both Bretton Woods institutions face broader political pressures. Over the past decade there have been many calls for both institutions to open up, to become more democratic, and to be more accountable to a much wider range of groups. These calls have reflected a number of different, and sometimes contradictory, agendas. At the international level, there has been a general trend towards democratization which has been extended into arguments for democratizing international institutions.[30] These arguments for democratization have been reinforced by the emergence of what some have called `global civil society',[31] and more specifically, by non-governmental organizations demanding greater openness and accountability from the international financial institutions.

International calls for reform have both converged and conflicted with political pressures from within the United States. During crises affecting US strategic or economic interests - such as in Mexico 1994 or Russia 1997 - the IMF and the World Bank have been called upon to adapt themselves to new roles in resolving the crises, taking instructions largely from the US Treasury. Yet throughout the 1990s, both institutions have come under heavy fire from a critical, and often hostile Congress, determined to reduce US obligations to international organizations, and at the same time to increase US control over them.[32] A clear example of this has been the US position in negotiations for replenishing the concessional lending window of the World Bank - the International Development Association or IDA. In 1993, for example, Congress succeeded in making the US contribution conditional on the World Bank creating an independent inspection panel. As Catherine Gwin has written: `with the Congress standing behind or reaching around it, the American administration was disposed to make its catalogue of demands not only insistent but comprehensive on replenishment occasions'.[33]

An increase in the influence of the United States raises problems of governance for the institutions. The US, as a large contributor to the organizations, is a major stakeholder. However, this stake is already reflected in the country's strong representation within the institutions: with a large share of votes in both Executive Boards, a large presence on the staff, strong informal channels of communication with the heads of both organizations, and of course, a geographical proximity such that both international institutions are in walking distance from the White House, the Treasury, and just a little further away from Capitol Hill. A further increase in US influence, due to Congressional pressures, contradicts the principles of good governance. There is no ground for arguing that the US has a greater stake in the organizations. To the contrary, the decrease in US contributions to the IDA for example, should if anything be matched by a reduction in US influence. Furthermore, as will be discussed below, other stakeholders have emerged over the past decade whose representation ought to be increased vis-a-vis the United States, not decreased.

The pressures of NGOs and the US Congress came together in the late 1980s in a joint campaign directed at the World Bank, as has been described in detail by Robert Wade.(34) In brief, environmental NGOs joined forces with US Senator Kasten (Rep, Wisconsin), Chair of the Senate Appropriations Subcommittee on Foreign Operations and otherwise known for his strong anti-foreign-aid stance. The joint pressure was effective in pushing for the Bank to create the independent inspection panel already mentioned above. However, in so acting the NGOs linked their own influence to the US Congress and also enhanced the leverage of Congress within the World Bank. As a result, the question is raised: whom do the NGOs actually represent? and to whom are they accountable? If the answers to both these questions are US citizens, groups and politicians, then the problems of enhanced US influence already touched upon are further magnified - an issue to which I will return below.

In summary, the Bank and Fund face a number of pressures for change in their governance both from within and from outside the organizations. It remains now to address how and why the institutions might be reformed.

4. REFORMING THE VOTING STRUCTURE

(a) The representative character of the institutions

Both the IMF and the World Bank need to represent member states in a way that enables them to work effectively, and at the same time to maintain their identity as universal organizations. Universality requires that votes be spread among all members. However, to be effective, the varying stakes of member countries need to be adequately recognized. The term `stake' (and hence stakeholder and stakeholding) is used in the same way as the World Bank uses it: to describe those who stand to gain or lose by the actions or policies of the institutions. One category of `stakeholders', for example, is that of contributors - whose willingness to make resources available is necessary for the institutions to function. Another category of `stakeholders' comprises countries whose commitment to and implementation of Fund and Bank programs is necessary for the institutions to achieve their core purposes. The structure of the organizations needs carefully to balance these various stakes, at the same time as representing all members.

Since their creation, both the IMF and the World Bank have had to balance the requirements of effectiveness and universality. Their universal character was reflected in a baseline equality among members created by the allocation of `basic votes' - 250 - to each country.[(35)] The role of these basic votes was explicitly to reinforce the institutions' identities as *universal* and *public* organizations.[(36)] As Joseph Gold explains: `The authors of the plans for the Fund and the negotiators felt that the bold step of weighting the voting power of members in a major international organization according to quotas, which in the main reflected economic and financial factors, should be combined with the political consideration of the traditional equality of states in international law. The basic votes were to serve the function of recognizing the doctrine of the equality of states. In addition, they were intended to avoid too close an adherence to the concept of a private business corporation'[(37)]. In a similar spirit, in 1955, when small developing countries' share of votes looked too small the Fund decided to double their quotas and to set up a minimum - dubbed the `small quota policy'. In 1963, there was a further revision of the quotas of the small countries.[(38)]

The other consideration behind the IMF and World Bank voting structure is the need to ensure that powerful states are strongly represented and play a key role, so as to make the institutions effective in world affairs. This has been achieved through a weighted distribution of votes. Weighted voting in both organizations is calculated using formulae which reflect relative economic strengths of member countries. World Bank capital subscriptions differ slightly from Fund quotas due to different weightings given to some variables, and the Bank's separate negotiations on capital increases. In both organizations, the quotas or subscriptions attributed to countries determine not just their voting shares but also their level of contribution to resources, and (in the Fund) the amount of resources to which they have access.

The original balance between basic `equality' votes and weighted votes has changed dramatically since the institutions were created. Whilst in 1946 basic votes in the IMF accounted for 11.3% of total votes,[(39)] rising to a high of 14% in 1955, forty years later the proportion had slipped to around 3% in both the Fund and the Bank. Following the reasoning employed when the institutions were created, one would expect this erosion to detract from the universality of the organizations, as well as from the incentive for all members, both large and small, to participate fully in their work. To quote once again the former General Counsel of the Fund: `The principle implicit in the operation of the Fund is not only that the membership should be involved in the process of taking the decisions of the Fund but also that, to the maximum extent possible, the full membership should be involved.' Alternative arrangements, he argues using examples, `that did not reflect the full membership of the Fund might not command the same confidence'.[(40)] As will be further discussed below, the problem of confidence and commitment is magnified at the end of the 1990s by the fact that stakeholding in both institutions has changed since they were created at Bretton Woods in 1944.

(b) Why voting power matters

Having discussed the need for voting power to be apportioned according to principles of universality and effectiveness, a practical question is raised: does the voting structure matter in the Boards of the World Bank and the IMF? It is often noted that the Executive Boards of both institutions operate by consensus, and hence formal voting power is not really an issue.[(41)] In a similar vein it has been argued that the practice of consensus has diminished irritations over discrepancies in voting power,[(42)] and that the practice of consensus ensures that countries other than the power G-7 can air their views and win arguments on the merits.[(43)] Yet, these arguments are rather misleading.

Consensus decision-making does not suppress the underlying structure of voting power within either organization. Even where formal voting is not used to make decisions, formal powers have an underlying force of which all participants in meetings are aware: typically during Board discussions in the IMF and the World Bank, the Secretary will keep a running tally of votes on any particular decision which assists the Chairman in formulating the `sense of the meeting'. Furthermore, the underlying distribution of votes has a deeper effect, affecting the informal politics of proposals and negotiations long before anything actually reaches the Board. As Lister writes, `ultimately, the "sense of the meeting" cannot but be reflective of the respective voting powers of those who favour and those who oppose a given proposal' ... `voting power does determine each member's influence in each decision. The fact that this structure does not have to be externalized in formal voting on most occasions testified to its strength, not to its unimportance'.[(44)]

It must also be noted that voting power within the Bank and the Fund has symbolic and political importance. The quotas on which votes are based are seen by member states as important symbols of both status and commitment.[(45)] One Board member of the Fund has referred to votes as a "badge of nationhood".[(46)] These broader considerations are reflected in the debates about reforming the voting structures of the Fund and Bank. These have never been simply debates between creditors wanting to limit their contributions and borrowers keen to extend their access to resources. Nor is it simply a scramble by members wishing to enhance their relative power, although certainly that has been a consideration: in the Fund, for example, there is `a keen awareness [of members] that any significant change in the quota structure might affect their proportionate influence over the Fund's decision-taking and their ranking vis-à-vis other members'.[(47)] This point was underscored by British and French attempts to block Japan from increasing its quota in both the Fund and the Bank: the former afraid that it would fall from second to fifth position, and the latter refusing to be ranked lower than the UK.[(48)] This latter example highlights the extent to which changes in the institutions' voting structures have been subject to political influences.

(c) The politicization of adjustments in voting rights

One argument for reforming the voting structures of the international financial institutions rests on the good governance principle of transparency and the fair application of technical rules. In keeping with the notion of an impartial and transparent rule of law - or a set of rules, readily understood and applied in a consistent way - the Fund and Bank should have clear membership rules and rules of transformation. Yet, the institutions are vulnerable to the charge that their quotas are not `sure', transparent, or universally perceived as procedurally fair. At present voting power within each institution is heavily weighted towards the United States, the Group of Seven, and the OECD and there is ambiguity as to the rationale of this.

The voting structures of both institutions attempt to reflect members' relative economic weight, at the same time as an outdated configuration of political power and prestige in the world arena. Formally, general reviews of quotas take place at intervals of not more than five years while adjustments of particular quotas may be made at any time (see Fund Article III (1) and (2)). Either way, changes which have been made to the structure of voting power in both the IMF and the World Bank have been highly politicized - as indeed was the original distribution.

The original formulae used to determine quotas - initially in the Fund - were drawn up in the US in 1943 and were nominally based on measurements of national income, foreign reserves, and international trade. Yet political calculations played a very heavy role, as Raymond Mikesell, the man given the task of estimating the first quotas, describes: `White called me to his office and asked that I prepare a formula for the ...quotas that would be based on the members' gold and dollar holdings, national incomes, and foreign trade. He gave no instructions on the weights to be used, but I was to give the United States a quota of approximately $2.9 billion; the United Kingdom (including its colonies), about half the US quota; the Soviet Union an amount just under that of the United Kingdom; and China somewhat less. White's major concern was that our military allies (President Roosevelt's Big Four) should have the largest quotas, with a ranking on which the President and the Secretary of State had agreed'.(49)

The adjustment of quotas since 1943, has been every bit as political as Mikesell describes and many commentators argue that it has not adequately reflected shifts in world economic power.(50) Of course, technical alterations in the formulae have been made. For example, in the Fund the growth of a country's trade was included in 1959; in 1964 the formulae were broadened and used to calculate a quota range; and in the 1975 Quota Review economies were categorized (for the purposes of quota determination) into four groups: industrial, more developed primary producers, oil-exporters, and developing countries.(51) The most important changes in quotas, however, have come about as the result of fierce and political negotiations. The means by which Japan increased its quota in the IBRD,(52) and subsequently in the IMF(53) offer good examples.

In the case of each of the IMF and the World Bank, Japan wanted to increase its quota and had to overcome the objections of other states who were concerned that an increase in Japan's standing, necessarily entailed a decrease in their own standing. Underpinning the Japanese strategy for increased representation in the World Bank was a strong feeling that the Bank's procedures for altering quotas was (and is) unfair. Ogata reports that the Japanese financial authorities working to increase their share likened their job to `the struggle over the revision of the unequal treaties in the Meiji period. To them it was a fight for the principle of equality that contributions brought recognition regardless of the donor'.[(54)] Others have argued that the shares of Japan and Germany in the IMF were suppressed in the late 1970s as a penalty for inadequate efforts to reduce their balance of payments surpluses.[(55)]

So too, the IMF and the World Bank face other complaints (right or wrong) that quota and subscription calculations are unfair. At the outset, several states sought to contribute more, yet were not *permitted* the level of quota they wanted: Australia, France, India, and Iran, for example, each insisted on recording their complaint of an inadequate quota.[(56)] A more contemporary complaint is that large and populous economies are left under-represented by the existing calculations: the comparison is made between countries such as Brazil (whose quota is 1.47% in the Fund), Spain (1.32%) and Mexico (1.19%), and small economies such as Belgium (2.1%), the Netherlands (2.33%), and Switzerland (1.68%).[(57)] To mitigate this problem a different basis for calculating quotas has been proposed: employing purchasing power parity rates rather than official exchange rates in the measurement of GDP.[(58)]

The adoption of purchasing power parity rates would not require a radical shift in analysis within the Bank or the Fund since both institutions have been using these rates in their analytical work for some time: the Fund, for example, in preparing its World Economic Outlook (May 1993) and the World Bank in preparing the World Development Report (1993). However, purchasing power parity (PPP) calculations alter dramatically the picture of countries' proportions of world GDP: one Fund official has calculated that PPP values double developing countries' share.[(59)] If used in quota calculations, such values would significantly transform the distribution of contributions and votes among members - and indeed, developing countries have consistently called for comprehensive reviews of the economic criteria used in determining quotas.[(60)]

These argument all highlight that the structure of quotas and shares is at best ambiguous and lacks a clear sense of who the institutions represent and why. One analyst describes the rules and the process of change in the following way: `the old formula was used when it could be used and set aside when its use produced embarrassing results' and `without any change of indicators, it would be easy, by small changes in weights, formulas and relationships between basic and weighted votes, to reflect any desired balance of influence among member states'.[(61)] The same author notes that an awareness of the political bias behind the results of quota calculations has `probably weakened the standing of the formula as an "impartial" instrument for determining what a country's quota should be'.[(62)] This, in itself, comprises an important reason for change. However, there is a further, perhaps stronger argument for change.

(d) The balanced representation of stakeholders

A second reason for reforming the voting structure of the IMF and the World Bank is that the stakeholders in the institutions have changed. The international financial institutions were invented as organizations which would work with virtually all countries in the world. The Fund, for example, would ensure a worldwide stable exchange rate regime. The Bank, it was envisaged, would facilitate post-war reconstruction in Europe as well as development in other countries. Subsequently, these roles have changed dramatically. Both institutions now provide resources almost exclusively to governments in developing and transition economies, in return for which they require the implementation of ever wider and deeper conditionalities.(63) This creates a new category of stakeholders in the institutions.

Initially two kinds of stakes in the institutions were recognized: the stake that every member had in economic growth and stability; and the stake of major contributors in ensuring that the institutions' resources were properly used. The latter was carefully debated at the outset,(64) and an important consideration since the confidence of major contributors has been crucial to the success of both institutions,(65) and especially for the World Bank given its reliance on a high credit rating in New York.(66)

Subsequent changes in the world economy and in the tasks of each of the IMF and the World Bank have altered these stakes. Developing and transition countries are now major stakeholders in the Fund and Bank in two senses. First, the work of the institutions relies upon governments in these countries being committed to particular kinds of policies and standards. If governments in developing and transition economies showed no commitment or willingness to heed the advice of the Bank and Fund, then neither institution could claim it was fulfilling its present-day mandate. At the same time, from the point of view of recipient countries, their stake in the international financial institutions, has increased as the work of the Fund and the Bank has come to affect an ever wider range of issues and people within their borders.

The new stakeholders, however, have not been recognized by changes in the voting structure in the institutions. Indeed, the above-mentioned erosion of basic votes means that these countries are, if anything, less represented in both the Fund and the Bank. Hence, at the same time as the IMF and the World Bank are urging their borrowing members to pay more heed to the principle that `stakeholders' - those most affected by a particular policy - should have an active role in its formulation and implementation, the institutions themselves are guilty of maintaining a gap between who decides and who is affected.

In summary, for the past two decades the work of the Fund and Bank has mainly affected the developing and transition economies. This alters `stakeholding' in the institutions. Yet the structure of representation on the Boards of both organization continues to be broadly based on the stakes understood and recognized at Bretton Woods in 1944. Furthermore, to be effective, the institutions must obtain the commitment and action of developing and transition economy governments. The institutions' own research suggests that such commitment will be more forthcoming where governments actively participate in the identification and formulation of appropriate policies and programs. These arguments suggest important reasons to reform the voting structure of the organizations. However, whether or not the voting structure of the institutions is reformed, there are other issues of governance which also require attention.

5. OTHER KINDS OF REFORM

Other than changes in the voting structure of the IMF and the World Bank, there are several others kinds of reform which would improve the governance of the organizations along the lines of the general `good governance' principles they have both espoused.

(a) The role of the Executive Board in decision-making

In both the Fund and the Bank the Board plays a major role in both general policy and specific operational decisions. In the World Bank, the Executive Board is charged with three main roles.[(67)] First, it must consider and decide on the IBRD loan and IDA credit proposals made by the President. Second, it must decide policy issues that guide the general operations of the Bank and its direction. Third, it must report on a range of issues to the Board of Governors. As the *1997 Annual Report* notes, the Executive Board's oversight responsiblity covers `virtually all Bank policy, so its role cannot be clearly separated from most of the Bank activities and initiatives [covered in this Report]. This oversight responsibility is exercised in part through the process of Board approval of each bank or IDA lending operation and the annual budget process. However, the Executive Directors also exercise an important role in shaping bank policy and its evolution'.[(68)] Likewise in the IMF, the Executive Board has an oversight role and responsibility over all Fund operations.

The governance question about the Executive Boards is: what kinds of decisions should such a weighted-voting body make? At one level, frustrated Bank and Fund staff point out that the highly political nature of decision-making on the Board - the compromises and trade-offs which underpin its decisions - are not always conducive to sound and consistent operational decisions.

At a deeper level of consideration of `governance' however, there is a more structural problem. Whilst general policy may well be most appropriately decided by the Board on the basis of the formal weighted voting structure, it is not clear that this structure reflects the balance of stakes which exists in operational decisions (which tend asymmetrically to affect one particular group of stakeholders). This point was made some time ago in the Commonwealth study group's report *Towards a New Bretton Woods*, where it was suggested that `although weighted voting may be relevant when it comes to basic policy (size of quotas, SDR allocations, etc.), it has little relevance when deciding what are the appropriate policies for a country to follow in a particular situation'.[(69)]

More recently, the Bank commissioned a Review of its Board procedures in 1992 (authored by Jonas Haralz and Moises Naim) which recommended that whilst the Board should take a more active strategic and policy role, it should at the same time reduce its discussions of individual lending operations.[(70)] These recommendations led to some reforms in 1993. Overall, however, there is still a significant gap between how decisions are made in both the Fund and the Bank and their rhetoric and research about the relationship between participation, effective decision-making, and positive outcomes.

The `good governance' agenda provides continuing pragmatic and principled reasons for rethinking the scope and limits on Executive Board powers. Furthermore, principles of good governance suggest that reforms of other decision-making issues should also be considered.

(b) Limiting the use of consensus decision-making

It has already been noted above that the operation of consensus decision-making in the Executive Boards of both the Fund and the Bank does not suppress the underlying power of voting allocations. Further to this, the way `consensus' works significantly limits the transparency and accountability of decision-making. There are several reasons for this which are worth elaborating. First, consensus is an agreement-brokering process. It is not like a requirement for unanimous agreement among members where any one party can veto and object and where votes are recorded and made open to inspection. Consensus decision-making takes place behind closed doors and with no formal and open record of deliberations and votes. This means that parties not present at the discussions may never find out why or how a particular decision came to be made, nor can they hold any particular parties responsible or accountable for that decision. Furthermore, in other organizations such as the United Nations Security Council the experience of consensus decision-making has been that most major decisions are simply made in backrooms and corridors by the most powerful parties.[(71)] Similarly, in the Fund and Bank it has been argued that consensus simply masks US dominance.[(72)] To counter such criticisms, the Fund and the Bank have an interest in making their procedures transparent and accountable and in examining where and how consensus adds to or detracts from these standards.

(c) Reconsidering the use of special majorities

A further issue of decision-making which demands attention is the use of special majorities in the organizations. In the IMF there were originally very few categories of decision for which special majorities applied. However, decisions taken in 1969 and in 1978 increased the number of categories from 9 to 64.[(73)] Some require a special majority of 70%,[(74)] but many today require an 85% majority which gives the United States an effective veto over decisions, for example, to adjust quotas, establish a council, to allocate SDRs (see Art III.2.c), and also since 1977 on all `political' decisions.[(75)] Likewise in the World Bank, the US succeeded in 1989 in increasing the constitutional majority required for a change in Articles (to 85%) so as to maintain its veto. These changes would not be a problem if there were a rationale for them, based - for example - on an alteration in stakeholding. However, there is not one. The problem the organizations now face is one of incoherence in decision-making rules, or to quote Lister `a lack of any strictly logical basis for determining which decisions should require a special majority'.[(76)]

Up to the present, the expansion of special majorities has been a *quid pro quo* in negotiations, and a way of off-setting declines in relative power in the organizations. When Japan increased its voting share in the IBRD (an increase which would reduce the relative power of the United States), new special majorities provided the way to offset the US loss of relative power,[(77)] and likewise in the IMF. The problem with these uses of special majorities is that they skew the accountability of the organization not only away from its broader membership but also away from its other major contributors.

An alternative to the ad hoc re-adjustment of special majorities would be to introduce a form of double majority - such as that used, for example, in the Global Environment Facility in which decisions require a 60% majority not just of contributors but of members overall.[(78)] Double-majority voting in the Fund or the Bank could ensure that different stake-holders' claims would be appropriately respected: including contributors without whom the institutions could not function, and borrowers whose cooperation and participation is required to enable the institutions to achieve their objectives.

The argument against such a double-majority voting scheme is that it would make decision-making unwieldy and unworkable. Yet, it would not (of itself) alter the practice whereby votes on the Boards of both institutions are virtually never taken - both operating most of the time by consensus. Undoubtedly, any form of double-majority voting would complicate the job of the Board Secretary in keeping a tally of hypothetical votes. However, it could more clearly embody a standard of accountability and participation and it might also improve the standing of the institutions' decision-making rules as impartial and fair.

In summary, in some cases consensus decision-making may well be required for effectiveness: this is probably true of some kinds of general policy decisions which commit members to overall levels of contribution and the parameters within which operations are undertaken. However, in the case of more specific and operational decisions, voting is a much more effective way to ensure accountability and transparency, since it records openly the support or rejection by members of particular measures, and thus also gives some record of particular political or interest-based objections. Such voting needs to proceed on the basis of voting requirements which adequately reflect the stakes of parties to the decision. Special majorities may well be deployed in such a way, however at present they reflect political trade-offs of a different kind.

(d) Diversifying staff, management and research

This far we have been discussing the membership and voting structure of the Boards of the Fund and Bank and neglecting the role played in decision-making by the staff and management in each organization. The staff of the organizations is crucial not only because they advise the Boards on the kinds of decisions discussed above, but also because they make influential declaratory statements as to what types of policy are necessary and desirable in order to further development and economic stability in countries across the world in their publications and through their management. This sentiment is strongly expressed by both organizations - as in the recent words of the Bank: `[a] central tenet of the evolving role of the World Bank is to build it into a world-class knowledge institution through a knowledge management system that extends across the World Bank and outside to mobilize knowledge and learning for better results'.[(79)] As institutions developing and disseminating knowledge about appropriate economic policy, the `culture' and predilections of the staff of each institution become crucial to understanding the way they undertake this role.[(80)]

Each of the Fund and Bank have very high calibre staff which add much to their prestige and standing. Yet, if principles of good governance are to be applied, we need also to ask whether the staff reflect the wide-ranging membership of the Fund and Bank, not just in terms of nationality, but in terms of primary concerns, approach and outlook. In other words, just how `universal' and `participatory' are the institutions in their research and publications?

A first critique made of the institutions is that their research direction and results have been compromised by large shareholders. In a recent scholarly history of the World Bank, the influence of the early Reagan administration in the 1980s is cited as one example and the `squelching' of research on debt relief another. Indeed, the history cites a letter written by Stanley Fischer (now the Fund's Deputy Managing-Director) in 1992: `[t]he US squelched research on this [debt] issue during the mid-80s...the institution was under political orders (not only from the US, also the Germans, and the Brits) not to raise issues of debt relief'.[(81)]

A second critique of the Fund and Bank is that both are overwhelmingly anglo-saxon in their approach to economics. This bias stems from early on when unlike in other international organizations, the United States was able to resist pressures for there to be any national quotas for hiring, and furthermore, from the very start to establish a commitment to nothing but English as a working language. As the historians cited above note, this skewed employment in the Fund and Bank significantly, not just geographically (favouring south Asia over East Asia and Britain over other European countries), but also overwhelmingly towards graduates of institutions that taught in English (i.e. predominantly US and UK). They also note that the policy had an elitist result, since in non-English speaking countries, `fluency in English tended to be correlated with preferred economic and social status'.[(82)] These thoughts are borne out very clear in studies of the staff of each of the institutions. A study of the IMF shows that some 90 percent of professionals with PhD's received them from the US or Canada,[(83)] and similarly within the World Bank, a 1991 study of the high-level staff in the Policy, Research and External Affairs Departments, shows that some 80 percent had trained in economic and finance at institutions in the United States and the United Kingdom.[(84)]

This homogeneity in staffing posing some difficulties for institutions trying to open themselves up to higher levels of participation, involvement and ownership by those most affected by their programs. If we follow the logic of the Bank and Fund's own publications on good governance, `participation for effectiveness' must start right back at the stage of defining the research agenda and policy parameters of the organizations. Recall from above the complaint made by Bank staff that `participation' has too often meant explaining a project to a key stakeholder rather than having the stakeholder start and define the project. This same complaint must surely apply to the research of both the Bretton Woods institutions. In their declaratory work both the Fund and the Bank need to reflect and underline more clearly the `universality' of their membership and therefore their research. Yet moving in this direction poses problems for both institutions.

Although both the Fund and Bank have spoken of broadening their staff and competence, the notion of a more widely-drawn staff poses a significant challenge to both institutions which give pride of place to tight intellectual discipline. This is especially true for the IMF: comparing the Bank and the Fund, Professor Arnold Harberger has suggested that the Bank is `something like a travelling seminar', while the Fund operates more like a commercial bank with a `single corporate line in dealing with the outside world'.[(85)] Both the Fund and the Bank are under pressure to diversify their staff, especially, for example, in light of the disappointing results reported by both organizations in their quest to strengthen and develop better institutions of governance within member countries. However, whilst these pressures will doubtless continue to exercise a push in the direction of a more eclectic staff, in the meantime, the evidence suggests that staffing in both organizations runs counter to their own visions of good governance, and in particular, runs counter to their own evidence about the effect of participation and involvement on policy and project effectiveness.

(e) Opening up to other actors

A final issue challenging both international financial institutions is how they might adapt their inter-governmental structures to a world in which supra-national and sub-national levels of government are becoming more important and in which `civil society' is expected to play a larger part. At the supranational level, the example of the European Union is a clear case: it now has its own European Central Bank yet has no seat on the Board of the IMF or the World Bank. At the same time, devolution within the European Union is producing a raft of sub-national levels of governance and autonomy - the new Scottish Parliament being the latest - which were recognized in the Treaty on European Union (the Maastricht Treaty) as important and legitimate fora of governance.(86) For the World Bank and the IMF, these new levels of governance suggest that decision-making processes and structures may well have to be diversified sooner rather than later.

One direction in which the institutions have moved to open up their procedures is in respect of non-governmental organizations (NGOs). Both institutions now highlight the contacts they have established with NGOs in order to underline their new openness to greater participation, representation and accountability. The claim, however deserves analysing more closely. Certainly, there has been change, predominantly catalyzed by strong US pressure exerted both formally and informally in the Executive Boards of both institutions. Since the World Bank created its independent inspection panel in 1993, the organization has engaged more and more intensively with NGOs both in Washington D.C. and `on the ground' in countries in which it works. In 1998, the Bank estimated that NGOs were involved in about 40% of Bank-supported operations in the Europe and Central Asia region.(87) Furthermore, the Bank identified as a key objective in its effort to decentralize operations that of `more systemic interaction with NGOs', and extending `lessons learned from earlier operational collaboration with NGOs to new operations.'(88)

The Fund has been slower to open up to NGOs - either within member countries or in Washington D.C.-based policy discussions.(89) There has been some opening, in particular to academic institutions and business associations. To a lesser degree, there have also been dialogues established with trade unions, religious groups (mainly Christian), development NGOs, and environmental NGOs. However, in the estimation of one research project into these relations, they have been rather too exclusive, too shallow, and insufficiently reciprocal.(90)

More broadly, the experience of NGOs entering into the work of the international financial institutions, suggests that their contribution can enhance the principles of good governance spelt out in this paper - but only where certain conditions hold true. In particular, it must be shown that NGOs in fact represent civil society in an affected part of the world and that increased relations between NGOs and the IMF and the World Bank will (1) improve local `participation' in the framing of projects or policy; (2) ensure a wider representativeness in Fund and Bank policy consultations; (3) enhance the accountability of both organizations to their stakeholders. These conditions are worth examining further.

The terms `civil society' and `NGOs' are frequently used synonymously in speeches and documents published by both institutions, yet the two are not synonymous. Civil society describes the society over which a government governs, some parts of which are highly organized in lobbying groups, other parts of which have little access to either government or international organizations, even though they may be equally, if not more affected, by government policy and by World Bank or IMF decisions. An NGO is an organized group which may be anything from a local poverty action group, to a Washington DC lobby, or, in the words of one development officer, `an entrepreneur in a developing country with a fax machine'. Some represent people who would otherwise have no hope of being heard either by their own government, others would be better described as `vested interest groups'. Overall the central point is that any particular selection of non-governmental organizations may very unequally represent a society. This has implications for each of the aspects of governance this paper is concerned with.

First, there is the vital question of the democratic credentials of the NGO: who do they represent? and to whom are they accountable? There is an important tension here for both the World Bank and the IMF to consider. On the one hand, NGOs should be required to conform to high standards of good governance within themselves and they should be accountable back to those they claim to represent, as opposed, say, to their largest donors. Yet if formal standards of recognition are set for NGOs (on the basis of size, membership, reporting, and accounting), there is a real risk that only well-funded, highly organized and powerful NGOs will be recognized. This then defeats the aim of enhancing the participation of those who are disenfranchised and do not have access to argue their case to their own governments. Indeed, in the worse cases, it may well just give a `double-voice' to certain kinds of powerful interest-groups.

A second serious issue of governance arises where international agencies work through NGOs as a way of avoiding the problems and difficulties of working to improve local or central government. By bypassing formal government structures and using a parallel set of NGO structures, there is a risk that rather than `strengthening institutions', international agencies are engaging in `governance-avoidance'. There may certainly a case for doing so in undemocratic states, but in fragile, emerging democracies this may well have negative consequences on the process of democratization.

In summary, it does not follow that a selective opening to NGOs will necessarily enhance the kind of participation, representativeness and accountability for which the Fund and Bank are striving - even though practically, this is by far the easiest way for the international financial institutions to engage with the `wider society' in both developing countries as well as in Washington DC and other major shareholders' capital cities.

Both institutions need more clearly to enunciate what kinds of stakeholders NGOS are representing and why and where it is that they should therefore have a voice. In this way a less ambivalent picture of NGOs and good governance within the Fund and Bank might emerge.

6. CONCLUSIONS: THE CHALLENGE TO THE BRETTON WOODS INSTITUTIONS

Both the IMF and the World Bank have recognized that they need to refashion their modes of operation so as more effectively to fulfil mandates which are dramatically different to those envisaged when the Fund and Bank were created. For the effectiveness of their work, each has come to accept the notion of `good governance' within countries in which they work, and the need for local participation and widespread political support in order for economic reforms to be sustainable. The challenge the institutions have been slower to absorb is what these principles mean for their own operations and for the trade-off between legitimacy and effectiveness which characterizes their decision-making processes.

The preceding sections have opened up a number of shortcomings which arise within both the Fund and the Bank. In the first place, it has been argued that the constitutional rules of the institutions no longer adequately reinforce their universal character and identity. Unlike the BIS, the G-7 or the recently formed G-22, the IMF and the World Bank can claim to represent virtually all countries in the world. Yet this claim rests not on the `token universality' of their membership list, but rather on the extent to which they are seen genuinely to be giving some stake to all countries. At present this claim is weak since inequality among their membership has widened considerably as basic votes (the primary symbol of equality within the organizations) have been marginalized, and the methods used to calculate quotas questioned. Furthermore, both institutions need now to consider how adequately they represent and balance the rights of their contemporary stakeholders, including developing and transition countries whose cooperation is required for the institutions to do their job. A new balance may well require a revitalization of basic votes and a rewriting of how quotas are calculated. Such changes by themselves, however, will not translate automatically into better governance within the institutions, this will also depend upon changes in their decision-making rules and procedures.

It has been argued that the practice of consensus decision-making may well be appropriate to certain kinds of general policy decisions in each of the Bank and Fund. However, in relation to specific operational decisions, consensus decision-making falls short of standards of transparency and accountability: since specific countries or groups within countries which are affected as stakeholders have little access to information as to how or why such decisions have been made. Furthermore, where special majorities exist for categories of decision, they should be part of a rational and well-defined set of decision-making rules. The rationale for a special majority requirement must be clear since it empowers large vote-holders with a capacity to block particular actions. In turn, this gives such vote-holders significant powers to influence proposals before they are placed before the Board. If what is required is a special degree of accountability to a particular group of stakeholders (e.g. contributors) then double majorities might be a clearer, less partial, remedy than special majorities.

A further role played by the IMF and the World Bank in the world economy is as premiere centres of `knowledge' and `research' about economic policy and development. The status of the research they present to the world reflects not only the reputations of both institutions as research centres of excellence but also their status as institutions which represent and research issues across the world from an international perspective. Yet, the staffing of the organizations is not (and is not perceived as) representative of the different approaches and traditions of its member states. This has become a particular problem very recently. As both organizations have recognized the vital importance of institution-building and good governance within member countries, so too they have had to accept the limits of their expertise in this area, and their lack of necessary `local knowledge'. Both are now moving positively to try to enhance participation within member countries in which they work. There is a strong parallel case for precipitating and extending this trend to staffing and operations in Washington D.C. so that the staff within each organization better represent the range of views of the membership, rather than the `anglo-saxon' concentration of approach and training which now exists. Participation, it must be recalled, requires not just `better explanations' but the full involvement of the membership in the definition of problems (and solutions) that the institutions need to address.

In summary, this paper has argued that there are both practical and principled reasons for improving the standards of `good governance' within international organizations. If the IMF and the World Bank are to achieve the standard of good governance they themselves have defined for borrowing members, some reform of the constitutional rules, as well as the decision-making procedures and practices within both institutions is required. Both institutions need squarely to face the challenges of a world in which all stakeholders demand greater representation, participation and accountability, and furthermore, in which new stakeholders are beginning to emerge.

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ENDNOTES

1. [a] **This paper draws on research originally undertaken for the G-24, published in *International Monetary and Financial Issues for the 1990* (UNDP, 1998). I am indebted to Professor Gerry Helleiner for his incisive comments and suggestions on my earlier research and I am also grateful for assistance from members of the G-24 Technical Group, Frederick Van Bolhuis, Leo Van Houtven, Joseph Gold, Karin Lissakers, Charles Dallara, and Robert Wade and two anonymous reviewers for World Development.**

2. Comprising the United States, Japan, Germany, the United Kingdom, France, Italy, and Canada, who first met as the `Group of Seven' in 1975. Since the 1986 Tokyo Economic Summit, Finance Ministers and Central Bankers from these countries have met (along with the Managing Director of the IMF) more specifically as an economic forum.

3. 2. Created in the interwar period to promote the cooperation among central banks and provide additional facilities for international financial operations: see Bank for International Settlements (1991).

4. The G-10 comprises the United States, the United Kingdom, Germany, France, Belgium, the Netherlands, Italy, Sweden, Canada, Japan, and Switzerland - the countries which signed the General Agreement to Borrow (GAB) in 1962 which increased the resources available to the IMF.

5. 4. World Bank, 1989.

6. 5. World Bank 1992 & 1994a.

7. 6. World Bank 1997. Recent research papers include: Huther and Shah (1998) and Langseth, Kato, Kisubi, and Pope (1997).

8. 7. IMF 1997 and see more recent statements in IMF 1998 pp 39-42.

9. 8. *IMF Survey* 14 December, 1992.

10. World Bank/OED, 1992.

11. World Bank 1994b, Stevens and Gnanaselvam, 1995.

12. World Bank 1996.

13. World Bank 1998b.

14. World Bank 1998b.

15. Camdessus 1993, p.51.

16. Goreux, 1989, p.162.

17. Killick, 1997, p.97.

18. Piciotto and Weaving, 1994.

19. *IMF Survey*, 20 May 1996 & 12 August 1996.

20. IMF 1998a, p.39; IMF 1998b; Anjaria 1999.

21. 20. IMF 1999.

22. 21. In July 1998, the Executive Board agreed to release `Summings Up' on policy discussions and the first such document was issued in March 1999 in respect of the Board's disucssion of Special Data Disseminationa Standard reserves data: IMF 1999.

23. Shihata 1994.

24. World Bank, 1998b.

25. See News Brief No 98/21, 30 June 1998, IMF and IMF 1999.

26. De Gregorio et al 1999, Feldstein 1998, Stiglitz 1998.

27. 26. Between 1990 and 1997 disbursements by official aid agencies including the World Bank declined from nearly 60% of net long-term resource flows to developing countries to 15%, as well as in absolute terms: World Bank 1998a.

28. 27. The Fund emerged as the key manager of the debt crisis in the early 1980s, both as lender of last resort and as facilitator (or disciplinarian) of structural adjustment. By the late 1980s, however, the Bank has taken over a large chunk `structural adjustment' and its lender-of-last-resort role was being criticized.

29. Feldstein 1998, De Gregorio et al 1999.

30. Commission on Global Governance 1995, Boutros Boutros-Ghali 1996, Woods 1999.

31. Scholte, 1999.

32. For a broad discussion of US positions on the United Nations as a whole, see Rivlin 1996.

33. Gwin, 1997, p.1150.

34. Wade 1997.

35. Horsefield, 1969.

36. 35. Although the issue of basic votes in the World Bank was not resolved until a few days before the end of the Bretton Woods Conference, since some delegations claimed that voting power should be

determined exclusively by shareholding as it was in other banks and commercial enterprises (Gianaris, 1991: 919).

37. Gold, 1972, 18.

38. Lister, 1984:56.

39. Lister, 1984, p.40.

40. Gold, 1972, pp. 173-4.

41. 40. In 1943 John Maynard Keynes wrote in a note to Jacob Viner: `in actual working voting power is not likely to prove important. If the organization begins voting about everything, it will not be long before it breaks down' (Gianaris, 1991: 920). In the Fund the practice of consensus is embodied in Rule C-10 of the IMF's Rules and Regulations: `The Chairman will ordinarily ascertain the sense of the meeting in lieu of a formal vote. Any Executive Director may require a formal vote to be taken with votes cast as prescribed in Article XII, Section 3(i)' (Gold, 1972, 197).

42. Southard, 1979.

43. Bichsel, 1994, 147-150.

44. Lister, 1984, 108.

45. Ogata, 1988.

46. Clark, 1996, 23.

47. Lister, 1984, 77.

48. Rapkin & Strand, 1996.

49. Mikesell, 1994.

50. See review in Rapkin and Strand 1996 & Buira 1996.

51. Lister 1984, Gold 1977.

52. Ogata, 1989.

53. Rapkin, 1996.

54. Ogata, 1989.

55. James 1996, 601.

56. Lister 1984:51.

57. Buira, 1996.

58. Patel, 1996.

59. Wagner, 1995.

60. G-24, 1996.

61. Lister, 1984: 53 & 76.

62. Lister, 1984:48.

63. Kapur 1996.

64. Gianaris, 1991.

65. 64 We might here note the lessons drawn from the failure of the UN Capital Development Fund, set up by the UNGA in 1966, in which insufficient voting weight was given to the contributors.

66. Kapur, Lewis and Webb, 1997, Chapters 14-16.

67. World Bank 1997a.

68. World Bank, 1997, p.10.

69. Helleiner, 1983: 4.45.

70. World Bank 1992a.

71. Wood 1997.

72. Kahler 1990, Southard 1979.

73. Lister, 1984.

74. Gold, 1996.

75. Gold 1977.

76. Lister, 1984: 95.

77. Ogata, 1989.

78. Sjoeberg, 1994.

79. World Bank 1998b.

80. Clark, 1996.

81. Kapur, Lewis and Webb 1997, p.1195.

82. Kapur, Lewis and Webb 1997, p.1167.

83. Clark 1996, 9.

84. Stern, 1993.

85. Clark 1996, p.25.

86. 85 Indeed a Committee of the Regions was set up in the Treaty to guard the principle of subsidiarity whereby decisions should be taken by public authorities which stand as close to the citizen as possible.

87. World Bank 1998b.

88. World Bank 1998b.

89. 88 Indeed, in the IMF, several Executive Directors have made clear that they would not see the direct inclusion of NGOs as a way to enhance the legitimacy of the institution: Bichsel, 1994.

90. Scholte, 1998.