

Africa after the Africa Commission:

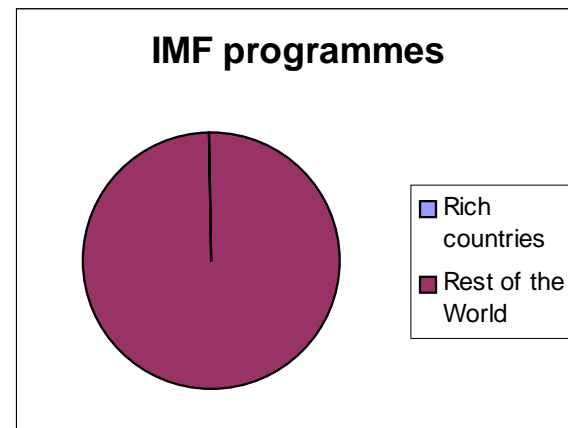
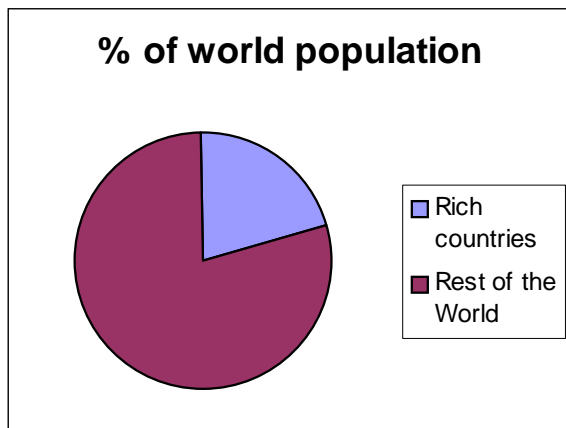
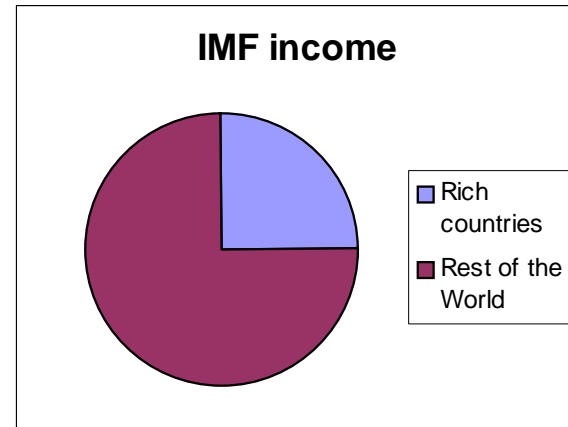
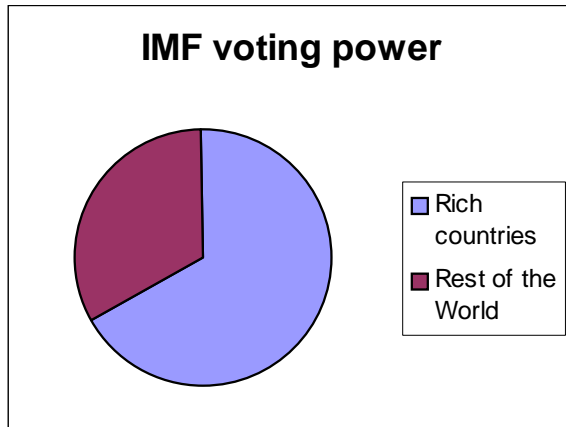
What priorities for
the German G8?

Options for democratising
the World Bank and the IMF

Jeff Powell, Bretton Woods
Project

Africa after the Africa Commission:

What priorities for the German G8?



Africa after the Africa Commission:

What priorities for the German G8?



Relative contributions to the IMF ^[i]

Year	Creditors	Debtors
1982	72.3	27.7
1992	55.1	44.9
2002	25.0	75.0

^[i] Mohammed, A. A. (2003). Who pays for the IMF? in Buira, A (Ed). *Challenges to the World Bank and IMF*. Anthem Press, London.

Africa after the Africa Commission:

What priorities for the German G8?



1. Chairs and shares
2. Leadership selection
3. Board transparency /
accountability
4. Policy space

Africa after the Africa Commission:

What priorities for the German G8?



1. Chairs and shares

We endorse the objectives of making IMF quota and voting shares more responsive to changes in global economic realities in the future, and enhancing the participation and voice for low-income countries.

- G7 finance ministers, Singapore, 16 Sept 2006

Developing countries need more influence in the World Bank and IMF. They are weakly represented on both boards, where voting rights are decided by financial contributions. This balance must change.

- Making governance work for the poor, DFID, July 2006

Basic votes are not enough...

Africa after the Africa Commission:

What priorities for the German G8?



Table 2: Effect of basic vote and quota changes on different categories of countries

Country Group	Status Quo	Trebled basic votes	Trebled basic votes and formula reform combined ¹³	
			Formula: 2/3 GDP and 1/3 Variability ¹⁴	Formula: 2/3 GDP and 1/3 Openness ¹⁵
<i>Advanced economies</i>	61.45%	59.61%	71.02%	68.04%
Major advanced economies (G7)	44.49%	42.87%	52.33%	49.50%
Of which US	16.78%	16.14%	16.14%	16.14%
Of which UK	4.86%	4.69%	5.71%	4.46%
Other advanced economies ¹⁶	16.96%	16.74%	18.69%	18.53%
<i>Developing Countries</i>	30.99%	32.55%	23.99%	26.39%
Africa ^{17 18}	5.58%	6.44%	3.41%	4.12%
Asia	9.96%	10.23%	10.39%	10.15%
Middle East, Malta & Turkey	7.64%	7.68%	3.86%	4.74%
Latin America and the Caribbean	7.81%	8.19%	6.33%	7.38%
<i>Transition Economies</i>	7.56%	7.84%	4.99%	5.57%
European Union 27	32.09%	31.39%	36.98%	33.51%
Eurozone ¹⁹	22.63%	22.01%	27.07%	24.79%

Source: IMF, authors' calculations

Africa after the Africa Commission:

What priorities for the German G8?



Formula wars

- US ('Cooper') and EU proposals: GDP and variability of receipts (2:1); GDP and openness (2:1)
- G24 ('Buirá') proposal: GDP at PPP and volatility (4:1)
- Population, weighted population, population plus Westphalian

<http://www.g24.org/wood0307.pdf>

Africa after the Africa Commission:

What priorities for the German G8?



State-weight double majority

- Multiple majority is a decision rule that requires the achievement of two separate majorities for a resolution to be accepted.
- Multiple majority increases the incentive for coalition-building
- International institutions, such as the European Union, the GEF, the other MDBs already use double majority voting systems.

Bridging the democratic deficit: Double majority decision-making at the IMF, Chowla, Oatham and Wren, Feb 2007

Africa after the Africa Commission:

What priorities for the German G8?



2. Leadership selection

The practice of picking the heads of both institutions based on nationality should end – presidents should be chosen on merit.

- Making governance work for the poor, DFID, July 2006

Africa after the Africa Commission:

What priorities for the German G8?



Africa after the Africa Commission:

What priorities for the German G8?



3. Board accountability

- Establish committee of the Board of Governors to review performance of the Executive Board
- The Executive Board should design a process of assessment of the Managing Director

http://www.new-rules.org/docs/imf_board_accountability.pdf

- Transparency policies based on presumption of disclosure, strict exemptions and independent appeals procedure (nb. board transcripts)

<http://www.ifitransparency.org>

Africa after the Africa Commission:

What priorities for the German G8?



4. Policy space

We agreed that poor countries must decide and lead their own development strategies and economic policies.

- Gleneagles 2005 G8 communiqué