

Reforming Governance of Global Institutions

“Reforming the IMF: from the bottom-up”

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Question posed: Looking at the IMF, how do we reform the governance of global institutions?

There are three general ways proposed to reforming the International Monetary Fund:

1. Symbolic:

- this would include changing location of the IMF, image of the Fund, opening the Fund’s doors to non-governmental organizations (NGOs), and greater transparency of Fund programs, policies, and decisions
- in many respects these can be cosmetic changes in the Fund’s appearance without substantive changes in how things work at the Fund or policy outcomes of the Fund
- Recent policy examples include: ‘Poverty Reduction Strategy Papers’ (PRSPs), ‘country ownership’, and ‘streamlining conditionality’
- Very little has substantively changed with these new policies, but the symbolic or perhaps cosmetic changes are significant

2. Democratizing the Fund:

- this involves changing the decision-making structure of the Fund through changes in quotas, changing composition of Executive Board Directors (namely favouring the developing world), and voting structure
- also, recent top-level debates about changing Fund leadership as a means of reforming the Fund has been proposed. This call has usually been in favour of making the head of the Fund a citizen of the developing world
- I argue that these efforts at ‘democratization of the Fund’ will have limited effects on changing policies.
- adding additional Executive Directors, particularly from the developing world, will do little to change what is fundamentally important and necessary for the developing world: changing IMF policies and outcomes.
- Changing the composition of the Executive Board will just add more position for the developing world without substantive change.

3. Changing Fund Policies:

- I argue that the developing world and those really concerned with changing Fund dependence on the ‘Washington consensus’ need to refocus attention on how to

change Fund policies from the bottom-up within the Fund, specifically what should conditionality look like.

- decisions on the composition of conditionality, the very details of what is included in conditionality, rests not with the Executive Board, but in the hands of the staff.
- simply put, the IMF need bottom-up reform, not top-down reform
- the IMF staff have the intellectual dominance in the Fund, and there is a deep level of ideological consensus with the Fund on how conditionality ought to look like.
- So, how do we reform the IMF from the bottom-up: change economic thinking internally from the bottom-up.
- Staff need to have the opportunity for self-reflection, self-criticism, and start internal dialogue on change
- We witnessed some of this, albeit limited, in internal exchange on capital convertibility.
- That said, at the moment the Fund's organizational culture generally limits internal debate because it is overly technocratic.
- More important, perhaps, the problem with changing internal IMF thinking is limited by the fact that the economics discipline, overall, has not provided valid alternative models and theories to the existing neo-liberal model
- Simply put, the IMF cannot be the scapegoat for the lack of a paradigm shift that does not have credibility in the economics discipline
- The IMF is a neoliberal institution because there are no alternative economic theories in academia or think tanks that have been shown to work.
- So, although the IMF needs to change its ideology from the bottom-up, we need to be patient for the economics discipline to come up with valid alternatives to the neoliberal model

Author's Published Works on the IMF, for Further Consultation:

IMF-Egyptian Negotiations. *Cairo Papers in Social Science.* Cairo: American University of Cairo Press, 150pp. (Forthcoming, Fall 2005)

“Limits of Streamlining Fund Conditionality: the IMF's Organizational Culture,” *Journal of International Relations and Development.* Vol 8, Issue 2. (2005)

“Recruiting and Diversifying IMF Technocrats” *Global Society.* (April 2005)

“American Politicization of the International Monetary Fund” *Review of International Political Economy.* Vol. 11, Issue 5 (December, 2004)

“The IMF, US War on Terrorism, and Pakistan: A Lesson in Economic Statecraft,” *Asian Affairs: An American Review.* Vol 31, Issue 1 (Spring, 2004)