NGOs have long reviled the International Monetary Fund (IMF or Fund). It was initially designed in 1944 at the Bretton Woods Conference to assist member countries with short-term trade imbalances, but in the 1980s that role was no longer needed by the global financial community. Its major shareholders, the wealthy countries, determined to use the IMF as both their “debt collection agency” when the debt crisis broke through in the early 1980s, and as their “credit rating agency,” whereby low-income countries (LIC) had to be in good standing with the IMF in order to receive foreign aid. The policies the Fund required of the debtor or borrowing countries were designed to address short-term financial hemorrhaging of foreign currency by these countries. The problem arose and intensified because the Fund persisted in applying the same “tourniquet-style” policies over decades, thwarting any hope of growth.

The series of efforts to reform the IMF presented here demonstrate the difficulties of reforming a global institution that serves the interests of status quo economic powers. The energy expended on reforming the institution is based on its central role in impeding the growth of developing countries (and hence the hope for reducing poverty). The methods employed appealed to the principles espoused by democratic decision makers and to the moral values of a broad swath of citizens globally. Since the earliest case examined here (the debt crisis, beginning in 1982), much has changed in the world
economy. By the time of the fifth case (2007), the question becomes: Are the major economies willing to salvage the IMF by making its governance more accountable and inclusive, or do the habits of power blind them to their own long-run self-interests, regardless of the moral arguments?

DEBT, 1982

The international development community, especially religious organizations with missionaries in the field, started to toll the alarm bells shortly after Mexico’s financial collapse in 1982. Fr. Tom Burns, a Catholic priest with the Maryknoll order in Peru, recounted the new indicator for Peru’s debt problems: the rising number of “emergency baptisms” he was called upon to perform in Lima’s slums, i.e., the rising number of infant deaths.3

The efforts to reduce, even remove, the debt burden from developing countries has been ongoing since at least 1982.4 Religious missionaries of every denomination, like Fr. Burns, warned that something was seriously wrong. The initiative for debt campaigning was therefore solidly within the religious community with partners in developing countries. These were soon joined by international development organizations such as Oxfam in the UK, and by left or progressive organizations such as the Institute for Policy Studies and the Development Group for Alternative Policies (D-Gap) in the US.5

My work began in 1989 at the Jesuit-related Center of Concern in Washington, DC. By that time, the first coalition of debt activists had already faded from fatigue. The options for action were limited to reducing bilateral debt, either singly between the US and a particular country, or internationally through the Paris Club (the ad hoc arrangement of Western official creditors that met to address the request of one debtor to reduce or restructure its debts). Before 1993 it was possible for the president and/or the US Congress to simply write off debt. In 1993, the Credit Reform Act (CRA) required that Congress appropriate new money to cover the loss to the US Treasury of any debt write-down. This reform in terms of US government accounting placed an additional burden on anyone wanting to reduce a foreign government’s debt. Bread for the World was instrumental in getting the US Congress to reduce the debt immediately prior to the implementation of the CRA, and the White House reduced debt of Poland, Egypt, and Guyana (among others) at the same time.

Initial international NGO efforts involved Oxfam in the UK and religious/progressive groups in the US focusing on Paris Club meetings and then increasingly on the G7 Summits where major creditors would endorse increasingly generous terms for reducing debt in the Paris Club.

The real push to cancel the debt of poor countries came from the UK with
the launch of the Jubilee 2000 Campaign. In the US, at the 1997 G7 Summit in Denver, Marie Dennis of Maryknoll, head of the Religious Working Group on the World Bank and IMF, and Njoki Njehu, coordinator of 50 Years Is Enough, led religious and progressive activists in announcing the formation of Jubilee 2000 USA.6

The research, analysis, and high energy came from Jubilee UK, which included the Catholic Agency for Overseas Development (CAFOD), Catholic Institute for International Relations (CIIR), and Christian Aid, among many others; Oxfam UK also provided substantial research. The European Network on Debt and Development (Eurodad) coordinated efforts throughout the continent. Eurodad was also instrumental in setting up the African Forum and Network on Debt and Development (Afrodad) in Africa. Jubilee South emerged later with its own demands that paralleled those of the more radical US grassroots groups.

The work in the US involved grassroots outreach and legislative advocacy. Those groups working with grassroots tended to be smaller organizations, and their agenda more “prophetic” or utopian—100 percent immediate debt cancellation, without conditions, and sometimes with talk of reparations for colonialism. The larger organizations tended more toward reform efforts, including legislative initiatives to reduce debts even if only gradually, with conditions that ameliorated some of the costs of structural adjustment policies and allowed greater national policy space.7

As the campaign grew in size, the demands of the various perspectives grew in intensity. There was hope that genuine change was possible from the campaign. After all, the Pope was on record calling for debt cancellation, as were religious leaders of virtually every persuasion. And the rock star Bono was talking about it at huge rock concerts and to conservative Congress people such as Senator Jesse Helms.

Outreach efforts were enormous on the part of every organization. For example, Bread for the World had all its regional organizers setting up training sessions in church basements and halls across the country, and their letters to Congress poured in, as did those from 50 Years and later Jubilee USA itself. Lobby days brought hundreds of people to Washington, DC. Every demonstration had its debt contingent.

There was easy access to the White House and Treasury under the Clinton administration. Gene Sperling, a White House economic advisor, was especially active, giving speeches and working on details of negotiating documents with Oxfam America lobbyists. Congressional interest was bipartisan—with legislation supported by Republican Spencer Baucus of Alabama (brought on board thanks to a visit from co-religionists from Bread for the World) and Democrat Maxine Waters of California.
The result of all this action both nationally and internationally was that debts of the poorest countries were reduced substantially. But the activists were also sorely disappointed: 100 percent of bilateral debt to Paris Club members was cancelled eventually, but the debt owed to the World Bank, IMF, and regional development banks remained. The same structural adjustment conditionality continued to apply to debt work-outs. Relatively little new money could be redirected to poverty reduction. Indeed, many poor countries were paying more on debt servicing, because in order to receive official debt reduction, countries had to be current on their debt payments. And always, the amount of relief provided was determined by the creditors’ willingness to pay, not by the needs of the debtor countries, not by the needs of the poor people. And there certainly was no global institutional arrangement to address future bankruptcies of sovereign debtors.

The campaign continues. In 2006 the G7 agreed to the Multilateral Debt Relief Initiative (MDRI), which provided complete cancellation of the debt to World Bank, IMF, and African Development Bank for a fixed number of low-income countries. And there are campaigns to cancel illegitimate and odious debts.

To what extent did the Jubilee debt campaign influence the IMF? The core of the Fund remains unchanged in terms of its internal power dynamics and the requirements that accompany any loan from the IMF. Likewise the donors continue to empower the IMF to serve as their credit rating agency, determining which countries can receive foreign aid and which can not. The IMF has a new name—Poverty Reduction and Growth Facility (PRGF)—for the old Enhanced Structural Adjustment Facility (ESAF). The Independent Evaluation Office of the IMF reports that the PRGF requirements, with the standard package of conditions, continues to rank above the PRSP, regardless of what the IMF’s Executive Board may have indicated once upon a time. While middle-income and emerging market countries have voted with their feet and separated themselves from the IMF and its conditions, LICs do not have that option. So global campaigning has brought debt relief to many poor countries. But power relations and decision making have been unaffected.

**IMF TRANSPARENCY AND EVALUATION, 1998**

If an all-out global campaign had so little impact on the core dynamics of the Fund, maybe a tiny, focused assault using a strategic cadre of insiders and outsiders might have greater effect.

In 1997, having been promised a modest sum by a foundation to develop a proposal on the IMF, I approached Professor Peter Kenen, an eminent economist at Princeton, about his best idea for reforming the IMF. The two of us
eventually settled on a targeted project: reform of the Fund’s transparency and evaluation policies. We organized a study group of experts from diverse points of view and institutions: IMF executive directors from developed and developing countries, including the US; academics in addition to Professor Kenen from the Overseas Development Council and American University; NGOs in addition to myself (then at the Center of Concern), including Marijke Torfs then Carol Welch from Friends of the Earth. Over approximately eighteen months the group came together every other month. Experts on evaluation described experiences and best practices at their home institutions: the World Bank, the Inter-American Development Bank, and the OECD Development Assistance Committee. The ultimate IMF insider, Dr. Jacques Polak, who designed the original formula for allocating IMF resources to countries applying for Fund loans, wrote the final report. The group agreed on a very narrow range of issues; beyond that there was virtually no common ground. It recommended that the Fund make public a specific set of documents, the list coinciding with those that Friends of the Earth had sought for years. It also set a timeline for public access to Fund archives, relying on the timeline used by the US Federal Reserve Board.

The Study Group further recommended that the Fund establish an independent evaluation office, modelled on the best practices articulated by evaluation practitioners. The evaluation unit would report directly to the Board, not to management; its agenda would be set by the unit, its funding would be secure, it would have access to all Fund documents, and its reports would be public.

All of the Study Group’s recommendations were eventually implemented. Why? The study group was probably catalytic in articulating which IMF documents should be released and provided a useful and principled design for an evaluation unit. But other larger dynamics were in play. First, the Asian Financial Crisis was fresh in everyone’s mind. The Fund’s failure to predict the crisis and then its apparent role in worsening poverty for many Asians had created a public political context that was impatient with secrecy. Second, the US Congress, especially the House of Representatives, had long been pushing for release of Fund documents. Third, the IMF was assaulted continually by accusations of the harm its conditionality had caused in developing countries as well as in Asia. A series of evaluations had confirmed these accusations. The first evaluation was an internal evaluation, eventually made public. The Board then arranged for an independent panel of experts to do an independent evaluation. Their critique was much more hard-hitting. Fourth, the Board found the work of the external evaluators useful, but this approach to evaluation was time-consuming. The Board was directly responsible for finding and vetting the external evaluators, for drafting and approving and moni-
toring their Terms of Reference. Finally, the Study Group had members who were themselves executive directors (EDs) as well as advisors to the Fund and to the Clinton Treasury. The Study Group was invited to present its recommendations directly to the executive directors at an informal meeting of the Board. The presenters were themselves people with long years of experience at the Fund and with strong reputations for intelligence and integrity.

In short, the Study Group’s report articulated the ideas and preferences of strong voices on the Executive Board and within the US Treasury. The recommendations were virtually cost free, beyond the modest sums for a small new office within the Fund. They threatened no one and made the Fund look good. It strengthened the hand of the Board vis-à-vis management. But it did not change the fundamental purposes or operating styles of the IMF.

**IMF AND LABOUR, 1994 AND 1998**

IMF loan arrangements often come with recommendations that the government institute “flexible labor standards,” such as allowing employers to hire and fire workers more easily, not requiring a minimum wage, and restricting collective bargaining.8 With pressure from US labour unions and NGOs such as the International Labor Rights Office and Friends of the Earth, the US Congress in 1994 passed legislation that instructed the US Treasury Department to have the US Executive Director on the IMF Executive Board use his/her “voice and vote” to oppose lending to countries that violated human rights, to promote labour rights in IMF programs, and to prevent IMF funds from bailing out private commercial banks. The language was attached to replenishment of the Enhanced Structural Adjustment Facility (ESAF), the IMF’s long-term, low-interest-rate lending facility for LICs. The Clinton Administration wanted the funding, the unions and NGOs wanted the conditions, and labour-friendly Members of Congress led key committees.

Subsequently, on April 4, 1998, the House Banking Committee called Assistant Treasury Secretary Timothy Geithner and US Executive Director to the IMF Karin Lissakers to testify about how this legislation had been implemented. Prolonged and persistent questioning revealed that on only twelve of some 2,000 decisions had the US executive director cast a vote, and at no time had she voted to comply with the legislation. Geithner and Lissakers argued that the ED had exercised her voice responsibilities frequently, but the US did not have the weight to carry or to block the vote, because most decisions require majority votes.9 The members of Congress were unconvinced and concluded that the law had not been implemented. Shortly thereafter, the US Treasury appointed a full-time staff person to promote labour rights within the Treasury and the international financial institutions (IFIs). Despite these
actions by the US government, the IMF continued to link labour flexibility requirements with many lending packages.

Efforts to reform the IMF through congressional legislations are virtually ineffective; and, if they are not accompanied by close oversight, those congressional instructions become completely ineffective. With the change in congressional leadership from the Democrats to the Republicans in 1994, followed by the change to Republican control of the White House, congressional attention began to shift from these issues—although the acerbic hearings of 1998, as described in the preceding paragraph, are a caution against generalizations. By 2006, the Treasury no longer had a person in place to monitor labour rights within the IMF. Throughout this period, the IMF insisted on labour flexibility in its conditions on loans, a requirement that is rarely consistent with the four International Core Labor Standards.10 Through 2003 one can locate US Treasury reports to Congress on implementing legislation relating to the IMF. However, by that time the reports had become pro forma—there were no more blistering hearings. Web searches for links between the US Treasury and labour policy requirements by the IMF show a clear shift over time from references to International Core Labor Standards to references to “property rights” (i.e., the rights of owners) and “responsible labor policies” (i.e., labour practices associated with labour flexibility).

The more effective congressional mandate is usually linked with funding as well as oversight. For this reason, most World Bank reforms have been associated with International Development Assistance (IDA) replenishment. The 1994 contribution to ESAF also saw the labour rights legislation debate. However, once the IMF’s ESAF money was authorized, Congress could do little more.

Congressional attention always attracts concern within the IMF, but Congress cannot mandate changes. It is most successful when it monitors closely, even aggressively, and/or when it can withhold funds unless and until changes are enacted. Within the IMF, the United States can block actions but it cannot require positive changes.

**IMF (AND WORLD BANK) LEADERSHIP SELECTION, 2004**

This fourth incident of NGO pressure on the IMF initially seemed like pushing on an open door, since NGOs worldwide were supporting EDs representing the majority of the world’s countries to implement a joint report of Board workings groups of both the Bank and the Fund. Why was this constellation of support still not enough?

In February 2000, on behalf of the European members of the IMF, Caio Koch-Weser was nominated for managing director (MD) of the International
Monetary Fund. The leading Europeans recognized that it was Germany’s turn to hold the position, previously held by French, Dutch, Swedish, or Belgian nationals. It became a public scandal when the US Treasury let it be known publicly that Koch-Weser’s background was not adequate for the position. Koch-Weser had the public decency to withdraw his name from nomination, and the German government next nominated Horst Kohler. So six weeks after the nomination of Koch-Weser, another German was nominated to serve as managing director, again with unanimous European support but this time with US approval.

The United States had committed a serious breach of protocol by airing its differences with the Europeans publicly and objecting after the Europeans had already reached agreement on their nominee. Subsequently the Executive Boards of the IMF and the World Bank separately organized working groups of Board Members to review the leadership selection processes. In the end, the two Committees offered a joint report in April 2001. In the case of the IMF, all twenty-four members of the Executive Board “took note of the Report.” Experts have yet to determine the meaning of this action. The twenty-four individuals, but not the Board, received the report.

The meaning would have to wait only a short time. In early March 2004, Kohler resigned to campaign to be president of Germany. His resignation caught the Executive Board—and the European finance ministers—by surprise. Whose turn would it be? Would the member countries feel bound by the Board Report of 2001? The European ministers seemed to feel nary a tug toward the 2001 agreement but immediately set about deciding among themselves who was entitled to head the European Bank for Reconstruction and Development (EBRD), the European Central Bank (ECB), the IMF, and be permanent members of ECB permanent committees. In the end, the IMF was one more European bureaucratic plum assignment to award, and it was Spain’s turn. Rodrigo de Rato would be sworn in as the IMF Managing Director in April 2004. De Rato was regarded as a successful and conservative Minister of Economy for Spain.

Between Kohler’s resignation in early March 2004, and de Rato’s election in May 2004, there was an unusual level of dissatisfaction and even political activity from the Fund’s Board and Staff. It seems many members of the Executive Board fully expected the European finance ministers to adhere to the process spelled out in the Joint Report. That is, the Executive Board would appoint a committee of experts to identify and then interview candidates, based solely on merit and not nationality. The Executive Board would then interview the finalists and elect one of them. In consternation at the activity among the Europeans, the developing country EDs agreed that in light of the unexpected resignation by Kohler, any ED could nominate any person so long
as the individual and that person’s home country agreed; all nominees were to be submitted to the Dean of the Board.

A. Shakour Shalaan, the ED from Egypt, nominated three candidates: Andrew Crockett of the UK, then head of the Financial Stability Forum and former head of the Bank for International Settlement; Mohamed El Erian, who held dual citizenship in Egypt and the United States and was a former staff member of the Fund and a successful private financial manager; and Stanley Fischer, originally of Zimbabwe but a US citizen, then Senior Deputy Managing Director of the Fund. Eventually Crockett and Fischer declined the honour, since their governments did not support their nominations, but El Erian—together with the European nominee, Rodrigo de Rato—were interviewed by the Board.

Between March and May, NGOs in the US and Europe lobbied their EDs, the media, and members of Congress/Parliament to open the process. During the meeting of the European finance ministers in Ireland, UK, and European NGOs, led by the Bretton Woods Project, staged a one-horse race to publicize and deride the process: the single European nominee had only to submit to the “competition” of an election, with no one else in the running. NGOs collaborated with the G24 secretariat (the caucus of developing countries in the IMF and World Bank) to learn the positions of developing-country representatives. Press conferences were organized that included staff from mainstream think tanks (Brookings Institute and the Institute for International Economics), NGOs, the G24, and a former US executive director. The Financial Policy Forum, a think tank and member of the New Rules for Global Finance Coalition, organized a website for “one-stop shopping” on this debate.

In the midst of these efforts the NGOs had a surprise—they learned of another “G” among the IMF EDs: the G11. The G11 was the group of eleven constituencies composed entirely of developing-country governments. They constituted by far the largest number of countries and represented most of the world’s population. Not only did they go public to the NGO-world, they actually issued two press releases, which was a bold action for a group composed entirely of borrowing countries. As if this were not sufficient excitement, a senior staff member—the Director of PDR (Policy Development and Review), Jack Boorman—issued a statement to all staff that he would collect any of their views regarding the MD selection process and present them to the Board and senior management.

In short, this endeavour had the inside support of developing countries, senior staff, civil society, a Joint Report by IMF and World Bank Board Working Groups, and extensive media coverage. What happened? Nothing different. The European candidate was “elected unanimously.”
Why did such a seemingly winning confluence of pressure not succeed? When it comes to the exercise, and the symbols, of power, status quo powers do not surrender them willingly. Arguments about principle were not persuasive. As one US Treasury official “explained”: the Africans have the presidency of the African Development Bank, the Asians (the Japanese) the Asian Development Bank, the Latin Americans the Inter-American Development Bank, and the Europeans the IMF. Why should the Americans give up the World Bank? Further, he argued, the G7 countries cannot, by custom, be Secretary General of the UN. Presumably, the European finance ministers shared this official’s perspective.¹⁵

When it was time for the World Bank to replace President James D. Wolfensohn, the US again stepped into its traditional role of naming his successor. The Europeans made loud noises about their distaste for Paul Wolfowitz because of his role in leading the US into the Iraq war. But they had no room to complain, since they had just used the old tools to select their man for the Fund. The Washington NGOs ran another one-horse race, this one in front of the World Bank. Just as Wolfowitz had no competition, so too there was no surprise winner of the NGOs’ one-horse race.¹⁶

To the surprise of many but the disappointment of few, Paul Wolfowitz was forced out of office for a combination of corruption and incompetence, due in no small part to the open rebellion of World Bank staff.¹⁷ With his exit came considerable hope and speculation that the selection of the next World Bank president would be an open, merit-based process. The Board of the World Bank did invite all member state to nominate candidates through their EDs, but only the US nominated. That candidate, Robert Zoellick, made campaign tours of many parts of the world and not surprisingly was approved unanimously by the Board. The widespread speculation was that the Europeans were so eager to get rid of Wolfowitz, as well as to protect their prerogative to name the next IMF Managing Director, that they allowed the US to name Wolfowitz’s successor.¹⁸

The four examples so far have shown that little genuine reform has happened at the IMF. True, some debts have been reduced, additional documents have been released, and new allies have been identified within the IMF. But the status quo remains entrenched. The same policies are applied, even if the short-term crises the Fund was designed to address stretch on for well over a decade.¹⁹ The 1944 military victors added Japan and Germany to their ruling clique. For sixty-three years and counting, the Fund has been led by a European, with the First Deputy Managing Director an American. Over the same period the World Bank has been headed by an American. Is change possible?
Arguments based on altruism and equity have failed to change the IMF. Global campaigns, dicta from the US Congress, targeted working groups, and even its own Board’s recommendations have failed to change the IMF’s core functions and style. But maybe, just maybe, the IMF has become so vulnerable as to be susceptible to change.20

The current state of the Fund is severely weakened. Its “customers,” the borrowing countries, are fleeing. Middle income countries (MIC), such as Argentina, Brazil, and Indonesia, that once held large loans have repaid them early. Only Turkey continues to have a large loan outstanding from the Fund, and hence it is the only customer providing significant interest earnings. The interest from loans has long been the sole source of income to pay the ballooning administrative costs, now near $900 million annually. Because MICs no longer want or need Fund money, its profits are down dramatically. An eminent persons panel21 suggested several ways for the Fund to stay in business: by investing its reserves, charging for services, and even selling a portion of its gold to invest.22

The Fund’s only stable “customers” are the low-income countries, which borrow from the Poverty Reduction and Growth Facility (PRGF), a special facility built on donations from major shareholder countries that charges only a small administrative fee. PRGF fees are too small to cover the full costs of managing the facility.

In short, the IMF is in a precarious state in terms of its internal profitability, the legitimacy of its Board, and the efficacy of its ability to address global financial problems.23 Will the IMF—its Board of Governors and its Executive Board—have the integrity, wisdom, and generosity to undergo radical transformation? Such a development is rare indeed in the life of any individual and rarer still in the life of an institution. Given this weakened state of the IMF, what are CSO agendas vis-à-vis the IMF? Many CSOs in developed and developing countries alike are participating in the “Shrink or Sink” campaign headed by Focus on the Global South, based in Malaysia. Others, including Bretton Woods Project, UK, are focusing on IMF Governance, including voting formulas and a proposal for double majorities to give greater weight to developing countries.24

New Rules for Global Finance Coalition has organized a High-Level Panel on IMF Board Accountability. The project is modelled on the 1997–98 Study Group on IMF Transparency and Evaluation described above. The idea grew out of a conversation between Abbas Mirakhor, Dean of the Board and Chair of the Iran, Pakistan, Morocco, and Ghana constituency. The core issue was to ensure that reforms such as reallocation of votes and expanding the voice
of low-income countries would actually change the policies and culture of the institution. The missing ingredient was accountability, especially on the part of the Executive Board.

The Panel comprises “insiders” and “outsiders,” with Mirakhor suggesting a list of the former and I a list of the latter. “Insiders” included three former Executive Directors—Marc-Antoine Autheman of France, Daniel Kaeser of Switzerland, and Karin Lissakers of the United States. “Outsiders” included Jeff Powell of the Bretton Woods Project, UK, Binny Buchori of Prakarsa, Indonesia, and Patrick Watt of Action Aid International, UK. All invitees are characterized by knowledge of the IMF and a commitment to principles of accountability. The Panel considered first the Articles of Agreement: What are the Board’s responsibilities, and to whom are they responsible? It then considered the evolving standards of accountability as applied to international organizations. One World Trust, a UK NGO that has worked about eight years on articulating these standards, is an advisor and a participant in the Panel.

A review of the Articles, especially Article XII, revealed significant gaps in accountability. The Board of Governors is responsible for choosing the Executive Directors but is not charged with monitoring or evaluating their performance as a corporate entity. The Executive Board has no formal obligation in the Articles to conduct self-evaluations or to solicit external evaluations. The Executive Board is formally responsible for selection of the Managing Director, but the Articles are silent on evaluating the performance of the MD. The MD has never undergone a performance evaluation; nor does the MD conduct performance-based evaluations of his three Deputy Managing Directors.

Evolving standards of accountability encompass four essential characteristics: (1) transparency, (2) evaluation, (3) participation, and (4) external complaint mechanism. Combining the identification of gaps in the Articles with these four criteria shaped the Panel’s recommendations. The Panel expressed strong support for the selection of the Managing Director through an open, merit-based process, and for Executive Board transparency, with Board decisions and transcripts to be made public under an ever shorter timeline.

As with all recommendations, the question is implementation. The hope is that by having both insiders and outsiders on the Panel, both inside and outside pressure can be brought to bear to ensure implementation. Similarly, the Panel deliberately chose to keep its recommendations within the parameters of the Articles so the need to amend the Articles would provide neither an excuse nor a genuine obstacle to implementation. The Executive Directors invited the Panel to present their recommendations prior to the public release of the report. Panelists raised all the key issues, in polite but direct language; EDs spoke clearly about their concerns. The EDs felt powerless to change
Board behaviour. Even some G8 EDs expressed powerlessness. Given that the EDs are usually mid-level bureaucrats within their own national finance ministries, their reaction may be reasonable. If the EDs are not able—or perhaps willing—to reform the IMF from within, change will need to come from external political pressure on leading powers. Finance ministries need to see a global financial institution such as the IMF as useful to their own interests. They also need to see that continuing the current internal Fund governance will weaken the institution beyond repair. If the status quo powers, the G8, do not see the IMF as critically injured, and the emerging powers (China, India, South Korea, Brazil) see the IMF as more harmful than useful, the accountability reform proposals will not be implemented and the new quota formula agreement will ensure the entrenched powers remain in place. Without reform, the IMF would probably be too weak to respond and its efforts possibly counterproductive. If IMF member countries that are not part of the status quo power arrangement do not find the IMF useful, they will vote with their feet, as many have already done.

In sum, if CSOs are to influence the IMF in its core functions, they will have to bring along the major status quo powers, by persuading them that acting on altruistic motives and relaxing their hold on power could earn them significant political capital in any new arrangements, as well as renew an institution that should be of service to the global community. The fluid dynamics of shifting relative financial powers suggests that emergent powers could be enlisted as allies. Deciding who makes the decisions within the international financial institutions is a high-stakes game. If those institutions become irrelevant actors on the sidelines, their governance could become fairly easy to modify, but it would then be irrelevant.

NOTES

1 Votes on the IMF’s Executive Board are determined mainly by the size of the economy. The size of the gross domestic product (GDP) is measured in market-level exchange rates, thereby favouring the hard-currency countries (US, UK, Eurozone, Japan). For more information, read any of several papers by Ariel Buira on the G24 website: http://www.g24.org.

2 Called variously stabilization policies, neo-liberal policies, or the Washington Consensus. See the websites of Jubilee USA Network (http://www.jubileeusa.org) and 50 Years Is Enough (http://50years.org) for material describing these policies. For a description of the “post-Washington consensus,” refer to the websites of New Rules for Global Finance Coalition (http://www.new-rules.org) and the Center for Global Development (http://www.cgdev.org).

3 I started working on debt issues at the Center of Concern in Washington, DC, in...
spring 1989. During the next eleven years I worked on debt, including as chair of the executive committee of Jubilee 2000 USA. Analyses of the causes of the debt can be found at the Center of Concern website (http://www.coc.org) as well as Jubilee USA Network (www.jubileeusa.org).

For earlier debt problems in the Americas, see works by Oscar Ugarteche, notably *El estado deudor: Economia política de la deuda, Peru y Bolivia, 1968–1984*; *El falso dilema: América Latina en la economía global* (Lima: Fundación Friedrich Ebert, 1996); and *Adios Estado, Bienvenido Mercado* (Lima: Fundación Friedrich Ebert, 2004), in Spanish.

My knowledge base/experience is in the progressive US Catholic community. Others will have different experience, hence different emphasis.

6 Njoki Njehu, 50 Years Is Enough; Doug Hunt; Carol Welch—Denver—press release—Moral Imperatives 1997. The moral-imperatives statement was written and disseminated in May 1997 by the Religious Working Group (RWG) on World Bank and IMF: http://www.sedos.org/english/maryknol.htm. RWG was chaired by Marie Dennis, Director, Maryknoll Office for Global Concerns in Washington, DC, which was the lead organization in starting what was originally called Jubilee 2000 USA and is now called Jubilee USA Network (www.jubileeusa.org). RWG members Marie Dennis, Carol Welch of Friends of the Earth, Njoki Njehu of 50 Years Is Enough, and Rev. Douglas Hunt of the United Church of Christ went to the G7 Summit in Denver 1997 and there announced the formation of the new Jubilee 2000 USA. 50 Years Is Enough, a campaigning organization to shut down the World Bank, was started in 1994 by a coalition of US environmental and social and economic justice NGOs, led by Development-GAP.

7 The Heavily Indebted Poor Country Initiative (HIPC), announced at the 1999 G7 Summit in Cologne, in part insisted that savings from debt payments be directed toward health and education; the Poverty Reduction Strategy Papers (PRSP) were to provide space for local people to participate in shaping government policies toward poverty reduction.

8 Unlike the other case studies presented in this chapter, I was not directly involved in the one about the IMF and labour.

9 The US, with just over 17 percent of the total votes on the IMF Executive Board, can veto key decisions requiring 85 percent majority. But most votes, including approval of lending packages, require only majority support to pass.

10 Apparently the IMF is very solicitous of its own labour force, which is stable, well paid, and enjoys rich benefits and pension plans that were once the norm throughout the developed world but are now abandoned in the name of competition and labour flexibility. “Beyond the IMF,” Devesh Kapur and Richard Webb, http://www.cgdev.org/content/publications/detail/10246/.


13 The Financial Policy Forum website (http://www.financialpolicy.org) documents many of these activities. See also the IMF website on leadership selection process.

14 The website was reactivated when Paul Wolfowitz was nominated by the US to be World Bank president. It remains the single most useful site to for documentation on the de Rato selection. http://www.financialpolicy.org.

15 Conversation between the author and a US Treasury official on the occasion of the Brookings Global Seminar Series dinner on April 25, 2007, with Nouriel Roubini, Professor of Economics at the Stern School of Business, New York University.


17 The entire drama was captured by The New York Times and the London Financial Times, with significant help from Beatrice “B” Edwards of the Government Accountability Project (GAP), a US whistleblower protection organization.


20 The single best public source for information about the “Shrink or Sink” campaign against the IMF is the 50 Years Is Enough website. See for example: http://www.50years.org/cms/updates/story/325.


22 When severely indebted poor countries sought debt relief, those reserves and the gold were regarded as essential for the financial integrity of the institution and therefore untouchable.


25 Report with recommendations and list of Panel Members can be found at www.new-rules.org/docs/imfreform/imfaccountability041007.htm.