

European CSO open statement on governance reform of the IMF

17 July 2006

Under the auspices of the 13th review of quotas at the International Monetary Fund, there has been increasing discussion about changing the governance regime of the IMF. Civil society organisations and others have long pointed out that the IMF wields enormous power over developing country governments, yet has severe shortcomings in its democracy, transparency, accountability, legitimacy and effectiveness. To redress the democratic deficit, fundamental reform of the institution's power and accountability structures must occur.

While the United States is the largest shareholder at the Fund, governments in Europe have the potential to make or break any effort to push reform, and they should act proactively to propose steps to empower those voices that have too long been silenced in the governance of the global economic system.

The undersigned organisations hereby call on their governments in Europe to jointly put forward a progressive proposal for fundamental reform of the IMF that includes, at a minimum, the following:

1) Ending inequality in decision making

The executive board and board of governors of the IMF do not give all countries an equal opportunity to represent themselves. Votes are allocated based on a one-dollar, one-vote system that prioritises wealth over democracy. Richer countries dominate the executive board both in terms of chairs and votes despite the Fund increasingly being involved in only low- and middle-income countries. This system, designed during the colonial era and controlled by developed country governments, is inadequate and should be fundamentally changed.

We demand a truly democratic structure, which would satisfy the standards of democracy expected at the national level. To move towards this goal we demand the immediate adoption of a double-majority voting system. Decisions by the boards should be made only when both a majority of member governments agree and the decision garners support of a majority of votes. One-country, one-vote decision making must counterbalance the one-dollar, one-vote system. Combining the present weighted-voting system with a requirement for agreement by a majority of member governments would move towards ending the inequity in IMF decision making.

2) Opening leadership selection

The managing director and deputy managing director of the IMF play an important role in defining the direction of the institution. The convention of European countries nominating the IMF managing director while the USA nominates the World Bank president and the IMF first deputy managing director is unacceptable.

We demand the introduction of a transparent and democratic process for selecting the heads of multilateral organisations. This should involve all member countries equally and significant stakeholder groupings, and assess candidates on merit, regardless of their nationality. Geographical diversity in top positions should be actively encouraged. Such reform would only be significant if accompanied by ending the inequity in decision making so that all member governments can effectively participate in the selection process.

3) Making governing bodies transparent

There has not been enough progress in increasing the transparency of the board of the IMF. We believe that, as this institution makes decisions which affect the welfare of

people across the world, citizens have a right to know what positions their representatives are taking within the IMF's governing structures.

We demand that the transcripts of IMF board meetings be published so that citizens can see who is taking what position. This should reflect a broader move to a presumption of disclosure for all information (see Global Transparency Initiative) Exceptions to this principle should be narrowly drawn and based on a clear indication of harm that would result from disclosure of specific information. Additionally we demand that board members should express their position on all decisions with formal votes rather than informal indications, and that these votes likewise be publicised. This is a necessary complement to any other reform if the IMF and its member governments are to become accountable to citizens.

Going forward

Now is the time for European governments to step forward, in a coordinated fashion, to propose wholesale reform of the IMF. Developed country governments must sacrifice their hold over chairs on the board of the IMF and their inordinate decision-making power. These demands represent only a bare minimum that should be included in proposals to fundamentally reform the governance of the IMF. Additional measures to redress the democratic deficit of these institutions should include:

- increasing the basic votes accorded to every country as a member of the institutions;
- reducing the number of European seats on the boards;
- introducing democratic accountability for executive directors;
- ensuring that World Bank governance systems are not defined by those at the IMF; and
- creating separate formulae to determine voting weights in, access to resources of, and financial contributions to the IMF.

Only by creating democracy and transparency in global financial governance, can there ever be hope of having fair and effective governance of the global economy.

Signatories

Belgium

- Le Centre National de Cooperation au Developement ([CNCD-11.11.11](#))
- Comité pour l'Annulation de la Dette du Tiers Monde ([CADTM Belgium](#))

Denmark

- Danish Association for International Co-operation ([MS](#))

European Region

- European Network on Debt and Development ([Eurodad](#))
- ActionAid European Offices (Brussels) - including [United Kingdom](#), [Italy](#), [Ireland](#), [Greece](#), [Sweden](#)
- [CEE Bankwatch Network](#) - covering Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Lithuania, Macedonia, Poland, Romania, Slovak Republic, Ukraine
- [Oxfam International](#) - including offices in Great Britain, Ireland, Belgium, the Netherlands, Germany and Spain
- Coopération Internationale pour le Développement et la Solidarité ([CIDSE](#)) - a global alliance of Catholic development agencies with European members in

Belgium, the UK, France, the Netherlands, Switzerland, Austria, Spain, Germany, Scotland, Ireland, Italy and Luxembourg

Finland

- Service Centre for Development Cooperation ([KEPA](#))

France

- [Agir ici](#)
- [Les Amis de la Terre \(Friends of the Earth\)](#)
- Comité catholique contre la faim et pour le développement ([CCFD](#))
- Initiatives Pour un Autre Monde ([IPAM](#) / [AITEC](#))
- L'Association [Survie](#)

Germany

- World Economy, Ecology and Development ([WEED](#))
- [Misereor](#)

Ireland

- [Trocaire](#)
- [Debt and Development Coalition - Ireland](#)

Italy

- Campagna per la Riforma della Banca Mondiale ([CBRM](#))
- [Centro Internazionale Crocevia](#)
- Associazione Medici per l'Ambiente ([ISDE Italia](#))
- [Campagna Sbilanciamoci!](#)
- Istituto Cooperazione Economica Internazionale ([ICEI](#))
- Coordinamento delle Organizzazioni non governative per la Cooperazione Internazionale allo Sviluppo ([COCIS](#))
- Gruppo Umana Solidarietà ([GUS](#))

The Netherlands

- [International Network on Labour and Development](#)

Norway

- [ATTAC Norway](#)

Spain

- [Observatorio de la Deuda en la Globalización](#)
- Coordinadora Un Altre Món És Possible de Sabadell
- Comerç Just Molins de Rei
- Secretariado del Foro Mundial de Redes de la Sociedad Civil ([UBUNTU](#))
- [Campaña Mundial para una Profunda Reforma del Sistema de Instituciones Internacionales](#)

Switzerland

- [Alliance Sud](#)

United Kingdom

- Bretton Woods Project
- [Jubilee Debt Campaign](#)
- [Christian Aid](#)
- [World Vision UK](#)
- new economics foundation ([nef](#))
- [One World Trust](#)
- Catholic Agency for Overseas Development ([CAFOD](#))