

Eggers, Andrew C.; Florini, Ann M.; Woods, Ngaire

Working Paper

Democratising the IMF: Involving parliamentarians

GEG Working Paper, No. 2005/20

Provided in Cooperation with:

University of Oxford, Global Economic Governance Programme (GEG)

Suggested Citation: Eggers, Andrew C.; Florini, Ann M.; Woods, Ngaire (2005) : Democratising the IMF: Involving parliamentarians, GEG Working Paper, No. 2005/20, University of Oxford, Global Economic Governance Programme (GEG), Oxford

This Version is available at:

<https://hdl.handle.net/10419/196283>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

DEMOCRATIZING THE IMF: INVOLVING PARLIAMENTARIANS

Andrew Eggers
Senior Research Analyst, Brookings Institution

Ann Florini
Senior Fellow, Brookings Institution

and

Ngairé Woods
Director, Global Economic Governance Programme

2005

GEG WORKING PAPER 2005/20



Andrew Eggers

Andrew Eggers is currently a PhD candidate in Government at Harvard University. He was a Senior Research Analyst in the Governance Department at the Brookings Institution. He has also conducted research at Tufts University and Harvard Business School.

Ann Florini

Ann Florini is Senior Fellow at the Brookings Institution where she is Project Director of World Economic Forum Global Governance Initiative. Previously she was the director of the Project on Transparency at Carnegie Endowment for International Peace. She is author of the recent book *The Coming Democracy: New Rules for Running a New World*.

Ngaire Woods

Ngaire Woods is Director of the Global Economic Governance Programme at University College, Oxford. Her most recent book *The Globalizers* is being published by Cornell University Press. She has previously published *The Political Economy of Globalization* (Macmillan, 2000), *Inequality, Globalization and World Politics* (with Andrew Hurrell: Oxford University Press, 1999), *Explaining International Relations since 1945* (Oxford University Press, 1986), and numerous articles on international institutions, globalization, and governance. Ngaire Woods is an Adviser to the UNDP's Human Development Report, a member of the Helsinki Process on global governance and of the resource group of the UN Secretary-General's High-Level Commission into Threats, Challenges and Change. She was a member of the Commonwealth Secretariat Expert Group on Democracy and Development established in 2002, which reported in 2004.

Abstract

Calls for the IMF to increase participation in decision-making present a compelling case from numerous sources. Any organization working to meet and further its clients' needs requires feedback from those affected, to maintain quality and relevance. IMF lending typically takes place during a crisis with little time for broad democratic consultations. If the Fund's role is not to be coercive, broader society participation must precede the crisis, part of the normal politics of engagement. Despite the need for greater participation and legitimacy in the IMF, little rigorous thought has been applied to how this might practically be brought about. This paper argues that the involvement of national Parliaments is an obvious beginning. It evaluates the status of parliamentary involvement to date and analyses how Parliamentarians and the IMF can improve and expand parliamentary oversight.

Introduction¹

Calls for the IMF to democratize abound. The demands for greater participation in IMF decision-making are coming from many sources, including non-governmental organizations, trade unions, religious groups, and grass-roots groups. They have a compelling case. First, like any organization working closely to meet and further the needs of its clients, the IMF needs constant feedback from its member countries and peoples affected by its programs in order to keep up the quality and relevance of its own policies and decisions. Second, IMF lending and conditionality typically takes place during a crisis when the IMF and Finance Ministry officials of a country must make decisions without time to engage in broad democratic consultations. If the Fund's role is not to be coercive, then the participation of the broader society must precede the crisis and be part of the normal politics of engagement between a country and the IMF. Finally, globalization and its detractors have intensified scrutiny of all international organizations and the IMF, like all others, must demonstrate and reinforce its claim legitimately to set standards and influence economic policies in its member countries.

Despite the clear need to democratize the Fund, little rigorous thought has been given to how to make that happen – particularly in respect of the domestic institutions of members states. This paper analyses how citizens – through their national political institutions – could better exercise accountability over the relevant decision makers and to have voice in the decisions of the IMF. This paper will argue that Parliaments are an obvious place to start.

We argue that there is no single answer to improving accountability in the IMF. But there are several steps that would constitute real progress. One would be to find meaningful ways to increase the involvement of Parliamentarians, who in most countries are intended to be the channel through which citizens have voice in national decisions. In a few, mostly rich, countries, legislators already weigh in on IMF issues, but most parliamentarians have not. In this paper, we describe and evaluate the status of parliamentary involvement to date, and recommend how both Parliamentarians and the IMF itself can bring about more and better parliamentary oversight.

A changing institution

Democratic process was not a priority when the IMF was first established. At the time, the rules governing international organizations were those of diplomacy, not democracy. Protecting the confidentiality of negotiations took precedence over direct accountability to citizens. The IMF had a mission of monitoring the pegged exchange rate system. This seemed to require oversight only by the most technically qualified components of national governments, the Treasury/Finance departments and central banks. Thus, it seemed logical to have general oversight provided by a Board of Governors consisting of such officials (usually the Finance Minister or the head of the Central Bank) from member governments. Day-to-day direction of the Fund's activities was, and is, provided by Executive Directors who report to (and usually are selected by)

¹ The authors wish to thank Chas Budnick for valuable research assistance, and many senior staff-members and country representatives at the IMF for their useful comments and suggestions on an earlier draft of this paper.

the Finance Ministry or Central Bank of the relevant member(s).ⁱ The Articles of Agreement provide that “each member shall deal with the Fund only through its Treasury, central bank, stabilization fund, or other similar fiscal agency, and the Fund shall deal only with or through the same agencies.”ⁱⁱ

Since the collapse of the pegged exchange rate system in the early 1970s and the debt crisis in the 1980s, however, the Fund’s activities have changed beyond recognition. It has evolved into a key provider of development assistance. For many countries it is now also the ultimate arbiter of whether international capital will be made available at all. The Fund’s use of conditionality has hugely expanded. These changes have led to a storm of objections about the Fund’s perceived usurpation of the prerogatives of sovereign governments.

In 2001, in response to growing criticism of the intrusiveness and political infeasibility of many of its loan conditions, the IMF began revising its overarching philosophy on loan conditionality. New conditionality guidelines were heralded as a way to signal the institution’s intention to reduce the scope and depth of the IMF’s involvement in fundamentally political matters. Subsequently, operational guidelines have amplified how this new philosophy should be put into practice.ⁱⁱⁱ The new approach entrenches four principles that ideally ought to guide Fund officials’ approach to conditionality: (1) ownership, meaning that the IMF must interact in ways which permit countries to take the lead, and that Fund officials must continue talking and not walk away from negotiations; (2) parsimony of goals; (3) focus on conditions which clearly lead to specified goals; and (4) clarity as to what is and what is not a condition of the loan. It bears noting that the actual implementation of these new guidelines will require serious and active monitoring and enforcement not just by senior management within the Fund but also by its Executive Board – indeed, the not-so-different previous conditionality guidelines were honoured more in breach.

These revisions, while welcome, will not by themselves resolve the democratic deficit in the IMF. The Fund remains deeply involved in political matters. In effect, as the IMF’s role has changed it has become part legislature, deciding or strongly influencing what policies countries will adopt and how they will spend funds, part executive branch, heavily influencing how those policies will be implemented, and part agency of restraint on governments, holding them to explicit targets and policy objectives and monitoring their performance in achieving these goals. Yet the Fund’s governance structure has not changed to reflect its new roles.

The democracy gap

At best, there is a tenuous link from the IMF to citizens it affects. In a handful of rich-country democracies, citizens elect politicians, some of whom form a government that appoints Ministers who appoint an executive director, who usually need not report to anyone other than the Minister. Some rich countries share Executive Directors, but the largest shareholders each have their own and can replace him or her at any time – holding him or her directly to account for his or her actions on the Board. Contrast this to the lack of accountability of Executive Directors to the developing countries, all of whom are grouped in constituencies represented by one member of the Board who cannot be replaced at the whim of any one government. Consider a person living in an

undemocratic country with no opportunity to elect (or throw out) his or her government. The unelected government joins with other governments, sometimes similarly unelected, to select – in a closed-door process – a single Executive Director who must represent all the countries in that constituency.

This paper examines a set of reforms that could be implemented without changing the IMF's constitution. It examines how citizens in all countries might better hold the IMF to account and exercise voice in its decisions, much as they would expect to do with their own governments.

This paper focuses particularly on the role of Parliamentarians as potentially the key and most legitimate interlocutors between societies and governments. It describes a situation very much in flux, with Parliamentarians, non-governmental activists, and IMF staff and Executive Directors already grappling with difficult questions about how best to ensure adequate accountability and voice. It assesses the existing role of Parliamentarians in holding the Board accountable and in shaping Fund policies and programs. It concludes with recommendations for enhancing that role.

Underscoring the analysis is the assumption – now openly recognized by the IMF – that the institution's effectiveness depends upon a greater engagement with Parliaments and citizens within countries. Compliance with Fund-supported policies – even where they are narrowed to a focused minimum of conditionality – cannot be achieved simply by enhancing the Fund's public relations. Key groups within countries must be drawn into the process of formulating, monitoring and implementing policies. In the current jargon, 'local ownership' of policies is critical if the IMF's work is to be successful. But this must go beyond consultations as currently conducted by the Fund.

Why Focus on Parliaments?

To date parliamentarians have played relatively little part in oversight of the IMF. An array of non-governmental advocacy and campaigning organizations has attempted to fill the gap. Spurred on by the growing influence of the IMF on developing countries in the 1980s and 1990s, particularly the impact of structural adjustment programs, many groups came together to attempt to influence the IMF directly. They have campaigned on a wide range of issues, from labor rights to environment to corruption. The largest efforts have centered on poverty, debt relief, and the processes of decision-making at the Fund. The range of tactics reflects the range of groups and issues: everything from street protests at the Fund's annual meetings to correspondence and meetings with senior staff and Executive directors to engagement with member governments and parliaments.^{iv}

There is no question that the efforts of NGOs have borne fruit. Thanks in substantial part to their demands, the Fund is a far more transparent, less secretive organization than it was a decade ago, and it pays at least some attention to some of the substantive issues raised by the campaigners. However, with a few notable exceptions, non-governmental organizations lack the sustained funding and expertise needed for concerted campaigns on Fund issues.

Moreover, relying on civil society groups to serve as the channel for public voice into the IMF is problematic. Which voices to include or exclude is often decided

haphazardly, or relies upon the Fund itself to act as a gatekeeper, picking and choosing with whom it will consult.^v Inevitably the best funded, largest, and best-located NGOs end up with disproportionate attention. This magnifies the voice of Northern citizens within the Fund since they have more chance to influence both their powerful government representatives in the institution as well as their home-grown NGOs – not to mention their Parliaments (about which, more below).

More philosophically, non-governmental organizations may lack the legitimacy that accrues to members of parliaments when those members are elected. In democracies, Parliamentarians channel and balance the sometimes-competing interests of various elements of civil society. In exercising this role, they are held to account not only by elections but by each other through Parliamentary rules and processes, by their political parties, and by counter-balancing institutions of government including the courts, ombudsmen and such like. Non-governmental organizations are not so held to account. They need to attract members and funding and hence they need media attention and public support, but few are subject to any form of representative or democratic accountability.

At the local level, the use of non-governmental organizations as the sole way to link citizens to the IMF risks eroding efforts to strengthen democracy and accountable government by sidestepping local representative institutions such as Parliaments, particularly in developing countries. This risk is heightened by the Fund's new propensity to consult at local levels with non-governmental groups in efforts to broaden support for agreements it forges directly with executive branch agencies.

This is not to argue against the right of such groups to engage the Fund and its member governments however they (peacefully) can. Such public engagement is a crucial element of good governance, whether at the national or global level. But it cannot be the sole mechanism for channelling citizen voices.

Fortunately, the engagement of civil society can actually strengthen the incentives and possibilities for Parliaments to hold the Fund to account. Their monitoring and publicizing of the IMF's activities has served to draw attention to the IMF and not least to generate Parliamentary interest in and scrutiny of the IMF, especially in Northern legislatures.

Overseeing the IMF in Northern Parliaments

Parliaments in the larger creditor countries of the Fund have always had at least nominal power to oversee the Fund's business. As holders of the power of the purse, their assent is necessary before the IMF can increase its financial resources. Further, using their powers to review, question, and legislate Ministry of Finance policy, they can technically exert oversight and control over the actions of the government's Executive Director on the IMF board.^{vi} In practice, parliaments for most of the life of the Fund have not taken up active oversight roles. But in recent years, as the Fund's purview has broadened and its activities have become increasingly controversial, parliaments in a number of creditor countries in the North have become more active with regard to the Fund. They have summoned, questioned, and grilled officials from their Ministry of Finance and the IMF itself. They have rejected or threatened to reject IMF quota increases, and made approval

contingent on specific IMF reforms. They have passed legislative mandates requiring Executive Directors to pursue certain policies at the Executive Board.

While many national legislatures are capable of exerting influence on IMF governance and many legislatures have increasingly done so, the US Congress has taken a far more active oversight role than any parliament. Accordingly, our review of the record of legislative oversight of the IMF is largely devoted to evaluating and analyzing the Congressional experience. The role of Congress is important not just because Congress has been responsible for the bulk of legislative oversight but because its forays into Fund governance suggest some of the possibilities and pitfalls of further expanding parliamentary oversight of the IMF. But while the example of Congress provides some useful lessons for legislators around the world who seek to increase their oversight role, one of the key conclusions to be drawn from observing Congress's experience with the IMF is that no other parliament is likely to produce the kind of oversight – positive and otherwise – that Congress has. Advocates of parliamentary oversight have expressed the hope that, if other legislatures would simply follow the example of Congress, Fund governance would become much more democratic. Others have cautioned that Congress's oversight has been politicized and misguided, and the Fund would be damaged by more such activism. A close look at the history of Congressional oversight and emerging efforts in other legislatures suggests that both these hopes and fears are overdrawn.

The singular case of the US Congress

Why has the US Congress been the torchbearer of legislative oversight? Since the US has the largest share of votes on the IMF Board (and veto power on crucial matters such as quota increases), Congress clearly has a larger incentive to become involved in IMF matters than do other legislative bodies. Located on the other side of Washington from the IMF's headquarters and blessed with generous staff and funding resources, Congress also has fewer logistical obstacles to realizing that influence than do other legislatures. But the overwhelming reason for Congress's extraordinary role is that the US political system provides Congress with extraordinary powers over the US executive branch. The US has a system in which the president can be – and often is – from a different political party from the one that controls Congress. Congress's most significant Fund oversight efforts have taken place at moments (such as 1983 and 1998) when Congress and the White House were at odds in ways that are impossible in the parliamentary systems of the other major creditors.

Congress's oversight of the IMF is characterized by long periods of neglect punctuated by brief flurries of activity. Treasury provides Congress with regular reports about IMF business and committees in the House and Senate attempt to stay apprised of Fund developments, but international financial issues ordinarily occupy such a low place on the political agenda that IMF business generally receives very little attention. On a number of occasions in the past several decades, though, political forces and economic events have converged to put the Fund at the center of legislative controversy. By examining two of those episodes, in 1983 and 1998, we hope to illuminate the circumstances that make Congress the most active legislative overseer of the IMF. It should be clear that Congressional oversight has often been driven more by narrow domestic politics than by the challenges of global economic governance. It should also be apparent that Congress is an extraordinary case, and that no other legislature can be

expected to play as dynamic an oversight role on IMF matters. Still, Congress's experience highlights some of possibilities and limitations of using domestic legislatures to democratize decision-making at the Fund.

Two Episodes of Focused Congressional Attention

In 1983, the IMF proposed a \$33 billion increase in IMF quotas and an \$18.5 billion increase in the General Agreements to Borrow, which amounted to a roughly 50% increase in IMF's total resources. This dramatic expansion came on the tail end of the Latin American debt crisis that began in Mexico in 1982. The Fund set a deadline of November 30, 1983, for member country approvals, and the Reagan Administration put its support behind fulfilling the US commitment. According to US law, expanding the quota requires Congressional authorization, so the Republican administration called on a split Congress (Democratically-controlled House of Representatives and Republican Senate) to act.

What ensued in the US Congress was a fight that touched on issues of legitimate concern (such as moral hazard in international bailouts) but in the end hinged on narrow domestic political agendas. Democratic leaders in Congress made their support of the proposal contingent on the administration's approval of a measure that would increase subsidies to provide low-income housing. Meanwhile, Republican lawmakers pushed for language requiring the US to oppose IMF measures in communist countries. Two privately organized right-wing anti-IMF campaigns used radio advertisements and mailings to claim that the IMF was turning Uncle Sam into "Uncle Sucker," financier of delinquent borrowers and Communist dictators in unsavory regimes in Iraq, Laos, Tanzania, and Mozambique.^{vii}

A combined IMF-housing bill finally passed Congress on November 18, 1983. Along with subsidies for low-income housing, it included compromises on the substance of US policy at the IMF: instead of requiring the US Executive Director (US ED) to automatically oppose loans to communist countries and to South Africa, as critics had initially insisted, the final bill required the Treasury Secretary to explain any favourable US vote on such loans and, if requested, appear before Congress to justify the vote.^{viii} The legislation also included mandates requiring the US Executive Director to pursue a set of policies designed to reduce moral hazard in IMF lending, increase transparency, and promote free trade.^{ix}

An even more dramatic collision between the IMF and Congress took place in 1998, when the IMF, recently stung by the Asian Financial Crisis of 1997, proposed a 45% quota increase. The Democratic Clinton Administration asked a Republican-led Congress to approve the jump in the US contribution. In the ensuing debate, opponents used politically popular isolationist themes but also expressed broader concerns including: the moral hazard problems inherent in bailing out bankrupt regimes; qualms about the IMF's excessive political influence in post-crisis Asia; outrage that the IMF had provided loans to ruthless regimes like Suharto's government in Indonesia without opposition from the US representative; and (from Democrats) misgivings about the insufficient emphasis on social safety net programs and labor standards in the IMF's reform programs.

In the end, dissatisfaction with the IMF coalesced around the issue of transparency. In the legislation passed in October 1998 that finally approved of the quota increase, Congress imposed a new set of mandates requiring the US ED to take on a broad reform agenda at the IMF addressing transparency, exchange rate stability, sound banking principles, good lending, and a dozen other priorities. Treasury was also required to make more frequent and thorough reports to Congress, including updates on the progress of Congress's proposed reforms. Most importantly, Congress created a commission chaired by Professor Allan Meltzer (who had been on record arguing that the IMF should be abolished^x) to investigate the functioning of the IMF and other international financial institutions, and propose reforms. The Meltzer Commission reported back in 2000 with a sharply critical series of proposals designed to limit the scope of IMF activity and make the Fund more accountable to national governments (especially the US government).

While these are only two episodes in the story of Congress's oversight of the IMF, the dominant features of these episodes are typical of Congress's role in Fund governance. One key point is that Congress was moved to act by a quota increase proposal, which it had the authority to approve or reject. (And since an IMF quota increase cannot take place with the approval of members with 85% of quotas, Congress has effective veto power over the entire proposal.) The bulk of Congressional activism towards the IMF has occurred at times when quota increases have been under consideration. The political stakes of these approval processes are somewhat heightened by "sticker-shock." The 1998 quota increase, for example, came to \$17 billion, and although raising the quota by \$17 billion costs the US far less than \$17 billion, this point was usually lost in the course of Congressional debates.^{xi}

Another important point is that these battles took place when Congress and the White House were controlled by different political parties. Opposing the quota increase provides Congress with a way of expending the President's political capital and exacting concessions on unrelated partisan issues, as was the case with housing for the Democratic House of Representatives in 1983. Less cynically, constraining the US Executive Director with legislative mandates offers a means for Congress to impose its partisan policies on the executive branch.

Another central factor is that in both 1983 and 1998 the IMF had recently gone through a highly-publicized and criticized financial crisis – the Latin American debt crisis in 1982 and the Asian Financial Crisis in 1997. These episodes elevated the importance of international finance as a public policy issue and led to public pressure, particularly channelled through NGOs, in favour of changing the Fund's course.

Types of Congressional Oversight

Congressional oversight of the IMF can be separated into two types: review and control. Review is the most basic – and, in the end, most essential – form of legislative oversight of the IMF. The US Congress currently requires a number of reports from the Treasury Department, including a quarterly report on the US Executive Director's votes on new programs and semi-annual reports on foreign exchange issues, which ordinarily involves IMF policy discussion. As an outgrowth of the Meltzer Commission process, Treasury must file annual reports on its efforts to promote US policies at the Fund and on governance reforms taking place at the Fund, such as increasing the transparency or

changing the extent of IMF conditionality requirements.^{xiii} Congress has also relied on its research agency, the General Accounting Office (which has a \$432 million annual budget and a 3200 person staff^{xiii}) to conduct ten major studies of IMF policies since 1998 (and one each in the 1970s and 1980s).^{xiv}

On occasion, Congress has engaged in IMF review through fact-finding projects of its own. For example, in April of 1998 a House Banking subcommittee called on United States Executive Director Karin Lissakers to testify. Along with another Treasury official, Lissakers underwent nearly two hours of hostile questioning, in which legislators asserted that, in the recent IMF bailout in Indonesia, the US ED's office had neglected Congress's instructions to oppose IMF programs in countries with records of human rights abuses.^{xv} Members of Congress and their staff have also attended annual meetings of the IMF, although since they attended as visitors they did not have access to policymaking meetings or even have much opportunity to question senior staff.

In contrast to oversight through review, oversight through control consists of attempts to dictate IMF policy. One way in which Congress has exercised control has been to make the release of approved funding conditional upon particular IMF reforms. For example, Congress replied to a 1994 IMF request for \$100 million for an Enhanced Structural Adjustment Facility (ESAF) program by providing \$75 million and promising the rest when a list of confidential IMF documents, including policy framework papers, were made public.^{xvi} This condition led to an important step forward in IMF transparency. Again in 1998, the US Congress made its approval of the major quota increase conditional on several reforms designed to improve accountability and reduce high-risk investment. For its part, the IMF has generally satisfied the US conditions, but not without claiming that these were reforms that the IMF was already working on anyway, and that no single country would force reforms on the Fund.^{xvii}

As we have already indicated, another way in which Congress has exercised control in IMF matters is through legislative mandates dictating the policies that the US Executive Director must pursue on the Board. As of 2003, there were 67 such legislative mandates currently in force prescribing US policies at the Fund, the oldest dating from 1945.^{xviii} Congress's legislative mandates can be divided into two broad categories, policy mandates and directed vote mandates.^{xix} Policy mandates identify policy priorities of the Congress and direct the US ED to use his "voice" and/or "vote" to pursue those priorities. For example, a policy mandate in the 1998 quota increase legislation asks Treasury to instruct the US ED to use his voice and vote to promote policies that will open markets for agricultural commodities and reduce trade barriers.^{xx} Directed vote mandates more specifically require the US ED to oppose particular types of IMF programs; one such mandate that was passed in 2002 requires the US ED to oppose any loans to the Cambodian government, except to support basic human needs.^{xxi}

What is the effect of these mandates on IMF policy? The answer depends on both the content of the mandate and the standards by which we measure effectiveness. One way to judge the policy mandates is by the extent to which the mandate succeeds in persuading the IMF staff to consider an issue in designing a program. By this standard, most policy mandates have been ineffective because they address issues that the IMF staff considers distant from the Fund's core macroeconomic focus. Currently active mandates regarding environmental and labor conditions, female genital mutilation, and trafficking in

women address important issues, but not concerns the IMF staff typically view as sufficiently relevant to economic stability and growth to be determinants of IMF program policy. (If anything, the staff would argue, these are issues for the World Bank or other multilateral development banks.) On issues such as these, the US ED essentially goes through the motions of advocating Congress's policy by making statements at board meetings and requesting the staff to pursue the matters further; the staff, already occupied by more macroeconomically-relevant issues, generally declines to add the issues to the institution's research agenda. This is especially true for proposals that are not only irrelevant to macroeconomic stability but seem to narrowly promote American interests, such as a 2000 mandate requiring the US ED to promote the use of US clean coal technology in infrastructure programs.^{xxii}

Some policy mandates have no effect because they echo already-accepted IMF policy. For example, a directed vote mandate that emerged from the 1983 quota increase controversy essentially articulates standard financial reasoning about moral hazard and debt rescheduling;^{xxiii} a 1978 measure (also prompted by a quota increase) requires the US ED to encourage the IMF staff to formulate economic stabilization programs that foster investment and employment;^{xxiv} and a 1998 mandate encourages the US ED to work to strengthen the financial systems of IMF member countries and promote sound banking principles and practices.^{xxv} In each case, the legislative mandate reflected what was already considered to be the core IMF mission at the time.

It is on issues that reside between these two extremes of irrelevance and redundancy that legislative mandates have the greatest potential to affect IMF policy. Yet it is difficult to find examples of policy mandates to date that fit that description. Perhaps with time and repetition, the US ED's statements in observance of Congress's policy mandates will lead to changes in the IMF's priorities in designing programs. To be sure, none of Congress's more self-serving policy mandates (such as a 2000 mandate requiring the US ED to work toward the maximum use of American goods in IMF programs) will change any minds in the IMF staff. But it may be that persistent efforts to follow up on Congress's mandates on sex trafficking or female genital mutilation, now considered irrelevant to IMF policy, may lead to the IMF staff changing its view of what is relevant.

In the case of directed vote mandates, the issue becomes slightly more complicated. Since the US has the largest single bloc of votes on the Executive Board (17%), its votes can make a difference in deciding IMF policy. Approval of a country's IMF program requires support from a majority of the Board so the US cannot unilaterally block access to IMF funds. Still, an excessively self-serving or otherwise inappropriate directed vote mandate from Congress cannot be politely ignored, as are many of its policy mandates. At this point, the directed vote mandates generally require the US ED to adopt predictable positions opposing funding of terrorist states, communist dictatorships (a holdover from 1983 quota increase legislation), and specific states (Cambodia, Sudan, and Burma). Occasionally, one is nakedly self-serving, as in the 1986 mandate forbidding the US ED from supporting programs that would lead to production for export that would hurt US industry.^{xxvi}

Of the total of twenty-six directed vote mandates, only a few stand out as having had a substantial effect on IMF policy. One example is the 1996 mandate requiring the US ED to oppose IMF assistance to countries that do not conduct and report regular audits

of their military spending to civilian authorities.^{xxvii} Starting in 1999, the US ED was required to vote against or abstain on an IMF program if the program country appeared on a blacklist compiled by a newly-formed US Interagency Policy Group (convened by Treasury and made up of representatives from the Department of State, the Department of Defense, the US Agency for International Development, the National Security Council, and the Office of Management and Budget). As of 2000, 17 countries were on the list (Treasury did not disclose which ones), and the US ED's office had abstained on three programs in the first year the mandate was in effect. The IMF staff was generally supportive of the idea of military audits, since military spending is clearly a relevant sign of a country's commitment to economic development and a measure of the extent to which IMF funds are being used for the purposes intended. Still, the IMF does not require military audit data as a condition for its programs, so US efforts to identify countries that failed to meet its standards has heightened the visibility and importance of military spending discipline in many cases.^{xxviii} One measure of the success of the mandate is that noncompliant countries such as Burkina Faso, Rwanda, and Guinea-Bissau have made efforts to get off of the list in order to continue receiving aid.^{xxix}

Not surprisingly, Congress has been interested in determining whether its mandates are having the desired effect at the IMF. Part of the controversy in the 1998 quota increase battle in Congress was the extent to which the US ED's office appeared to be flouting Congress's list of mandates. In hearings before a House committee, lawmakers grilled US Executive Director Karin Lissakers and concluded that the US ED's office was not following up on legislative mandates at the IMF.^{xxx} As a result, in 1999 the US Treasury Department instituted a formal process systematically to promote these policies at the IMF. The process relied upon a special departmental task force to seek out opportunities to advance the mandated policies through dialogue with Fund staff, discussions with program country officials, and formal statements at the Executive Board.^{xxxi} As mentioned above, the General Accounting Office is now required to report annually on the extent to which the US ED is working to promote its mandates at the IMF.^{xxxii}

Members of the US ED's office have expressed concern that the legislative mandates actually reduce their influence in board discussions.^{xxxiii} The ED's obligation to rehearse points mandated by Congress lessens the impact of any attempt to add more specific reflections on an issue or program. In the case of directed votes, mandates can also restrain US influence. The fact that everyone knows that the US will vote "no" on a Cambodia program circumscribes the ED's ability to shape that program. Still, ED's find ways to make their opinions known even when their statements and votes are governed by Congress, or a treasury department, for that matter. It is not difficult for the ED to follow the letter of the mandate in Board discussions while making clear the independent position of the ED's office.

Prospects for Legislative Oversight in Other Creditor Countries

Parliaments in other creditor countries generally have the same opportunities to oversee IMF policy that are available to the US Congress. A legislative action is required in each of the major creditor countries before a quota increase can be passed.^{xxxiv} To varying degrees, parliaments in these countries also have the legal authority to legislate national policy toward the IMF. But in no other parliament has the degree of oversight or

political controversy on IMF issues approached what we have seen in Congress. In part, this has to do with the US's special place in the IMF; since no country has anything near the US's voting share (Japan, with 6.15% of the votes, is second to the US's 17.14%^{xxxv}), no parliament has as much of an incentive to try to shape IMF policy. But the predominant reason why parliaments have taken a smaller role must be that, in parliamentary systems, the legislature has a less adversarial relationship with its cabinet than Congress does with the US administration. Parliaments and their cabinets are controlled by the same party, so IMF policymaking is less likely to become a battle in an intragovernmental partisan war the way it periodically has in the US Congress. This is an obvious point of comparative politics but it must be remembered as we contemplate the likely effects of a further opening up of the Fund on parliamentary involvement.

Since IMF oversight in legislatures outside of the US occurs in a less politicized environment, other creditor parliaments are extremely unlikely to adopt the same brash and controlling tactics as the US Congress has. Still, in recent years parliaments have increasingly acted as conduits for citizen concerns about the IMF and signs of active oversight have proliferated.^{xxxvi} Both the UK Parliament and the French National Assembly began receiving reports on IMF matters from government in 1999, and others including Ireland (1999) and Italy (2003) passed their own laws introducing reporting on IMF issues.^{xxxvii} Special committees in the UK and French legislatures have closely tracked IMF issues and produced thorough and useful reports. The UK House of Commons has also hosted IMF Managing Director Horst Kohler for a heated question-and-answer session.^{xxxviii} Kohler later made appearances before the German Bundestag, the Dutch parliament, and the Chilean Senate, although the IMF is careful to stress that its officials never "testify" before parliaments, maintaining that IMF staff cannot be called to account in this manner.

Perhaps the most striking recent example of parliamentary activism on IMF matters outside of the US occurred in Italy in March of 2003. The Italian Senate used the occasion of its 1.12 million euro replenishment of the PRGF (Poverty Reduction Growth Facility) to lay down a number of policy prescriptions, which although non-binding, the government accepted as directives. It instructed the treasury to promote better transparency and participation in the PRGF process, to support the adoption of revised parameters for the evaluation of the environmental and social impacts of PRGF processes, and to work for the development of an improved arbitration mechanism within the IMF. Further, the treasury was directed to report on the IMF spring meeting and describe what steps were undertaken to further the above agenda. Most significantly, the PRGF funding was made nominally conditional on the treasury fulfilling these obligations. (Since the directives did not hold the force of law, neither did the conditionality of the funding.)^{xxxix} The Senate's muscular treatment of the Italian treasury on IMF issues suggests that parliamentary activism outside the US may more frequently move from oversight and influence to control.

Still, for the foreseeable future, no parliament other than Congress is likely to burden the executive board with mandated pro forma statements or apply serious pressure on its government and the IMF by threatening to reject a quota increase. This point is extremely important because Congress's oversight of the IMF is often mentioned as an example of the dangers of involving national legislatures in Fund governance. In our view, the fundamental differences between the US Congress and other legislatures mean

that, even if the Fund follows recommendations to further open its operations to scrutiny, it will not likely face more of the controlling behaviour it has seen from Congress. On the other hand, because other legislatures do not have as adversarial a relationship with their cabinets as is the case in the US, there are limits to the positive contributions that creditor country legislative oversight is likely to make.

The Emerging Involvement of Parliaments in Southern Countries

Parliaments in borrowing countries have typically had very little involvement with the IMF. The terms of an IMF structural adjustment program are usually decided upon in negotiations between the IMF staff and the finance ministry and central bank of the country concerned. Parliamentary approval is critical to the implementation of many of the more extensive Fund programmes, since privatization programs, fiscal reforms, and financial system restructuring usually require new legislation. That said, the IMF has typically expected borrowing country parliaments to accede to the terms of the agreement, or at least has left the task of winning parliamentary cooperation to its interlocutors in the Ministry of Finance. A series of rebuffs from program country parliaments and growing parliamentary interest in development policies have forced the Fund to put much more effort into consulting and persuading program country parliaments.

Parliaments played leading roles in two of the most well publicized recent economic crises – Russia in 1997-1998 and Argentina in 2001-2002. Russia's relationship with the IMF in the late 1990s presented one of many battlefields in the brutal political struggles over market reform that took place between President Yeltsin and a parliament heavily laden with recalcitrant Communists. IMF loans to Russia included a number of conditions, each of which provoked political firefights: tax reforms to increase revenues and rationalize an inconsistent and corruption-prone system; spending cuts on the military and state-subsidized industries; and the break-up of nationwide gas and electrical monopolies. Parliament at first ignored and then fought back against these requirements. As Russia's economic crises deepened over the winter of 1997 and spring of 1998, the IMF continued to provide loans despite the government's failure to follow through on loan conditions. In July 1998, a day after a new \$17.1 billion loan agreement was worked out, parliament flatly rejected a number of the tax reforms that were key conditions of the loan. President Yeltsin vetoed several of the parliament's laws and began to institute required reforms by decree. The IMF, wanting to send a message to lawmakers, reduced the value of the first instalment of its loan. The power struggle between Yeltsin and parliament continued as Russia's currency was devalued and the crisis hit bottom in August of 1998. And even after the IMF reengaged with Russia the following spring, it continued to face sporadic parliamentary resistance to IMF-sponsored reforms.^{x1}

Argentina, once considered a model program country, defaulted in December 2001 on \$155 billion in foreign debt, the largest default in history. The IMF quickly suspended aid. Argentina requested financial assistance from the Fund in early 2002 and was met with a list of conditions including monetary adjustments, spending cuts, and politically sensitive reforms to the system of revenue-sharing with the provinces. Seeing no choice, the government met most of the IMF's demands, but the parliament was more stubborn, refusing to move on a bill converting savings to bonds while flouting IMF orders by passing bills reforming bankruptcy rules and punishing "economic subversion" – removing money from the cash-strapped economy. Legislators faced stiff pressure from

the IMF and the government to step into line, but also confronted burgeoning popular resistance to IMF-led reform, including demonstrations in which bank account holders and other protestors surrounded the Senate and refused to let legislators enter.^{xli} With the IMF and parliament still at loggerheads over the “economic subversion” statute, Argentina sank further and threatened to default on loan payments to the World Bank unless it obtained more assistance from the IMF. Ultimately, the IMF provided a “transitional loan” of \$6.78 billion, forestalling further crisis but leaving unresolved major disagreements between parliament and the Fund.

In several less well-known cases, national parliaments have refused to abide by the terms of agreements in which they had no voice. In Turkey in 1998, Parliament forced the government to break its promise to the IMF to hold down the wage increases of public sector workers.^{xlii} In 1999 and 2000, the Moldovan parliament repeatedly rejected IMF-mandated privatization of wine, brandy, and tobacco enterprises in a political fight that brought down a government. (Eventually, despite Communist opposition, the privatization took place and the IMF relationship was restored.)^{xliii} The Indonesian government declared in January of 2003 that it would break free from its commitments to the IMF; parliamentary pressure, including a decree in October of 2002 requiring the government not to extend the current IMF program, was a vital part of this decision.^{xliv}

Some developing country parliamentarians are looking to find ways to systematically become pro-active, rather than merely reacting to IMF-Executive Branch agreements post hoc. In the Brazilian Parliament there have been recent calls for a parliamentary front on the IMF and World Bank to heighten their accountability to Parliaments across Latin America. The measures proposed include involving Parliament in the selection and accountability of Brazilian representatives on the Board, enacting legislation to ensure that information on loan agreements is made public, and creating mechanisms to facilitate greater participation of officials and civil society in the design of programmes.^{xlv}

The involvement of southern country parliaments in considering, implementing, and overseeing IMF programs is circumscribed by a number of factors. Most important is the weak capacity of many of these bodies. Many southern country parliamentarians lack office space and paid staff needed to conduct the research required to arrive at informed assessments of these programs, let alone an independent research agency along the lines of the US Congress’s General Accounting Office. Another important barrier is the reluctance of governments to involve their parliaments in these matters. By keeping parliament in the dark on the IMF program and the economic facts surrounding it, a government may hope to deflect criticism of its own failings onto the IMF and prevent parliamentarians from winning easy political victories. Finally, until recently the IMF tended to treat recalcitrant Parliaments as a part of the problem or an obstacle to reform rather than as a vital source of ownership - and even authorship – of a country’s economic policies.

IMF Responses

In two ways, the IMF has taken steps to enable Parliamentarians to play a more constructive role. First is the broad progress over the past decade on IMF transparency. An impressive variety of important documents is now routinely released, ranging from

staff reports to Letters of Intent, unless the relevant member country objects to publication.^{xlvi} Those releases go a long way toward enabling Parliamentarians to understand and assess the work of the IMF. But because they rarely include documents related to issues still under negotiations, the releases do not allow for effective input into that work.

The IMF is also making quite specific efforts to inform and engage Parliamentarians, part of its broader efforts encouraging governments and IMF staff (where the government allows) to reach out to a broad range of stakeholders (including Parliamentarians) to build support for economic reforms. IMF missions, including those conducting Article IV surveillance, often meet with a wide range of stakeholders, not just the finance and central bank officials who have long been the Fund's interlocutors.

The IMF's resident representatives in many countries have also begun to make contact with members of Parliaments. Their ability to do so depends both on their personal proclivities and on the receptivity of their host country to the idea. When it works well, such outreach can be highly productive for all concerned. In Hungary and the Czech Republic in the 1990s, for example, the resident representative met with Parliamentarians as he or they saw fit. IMF missions also had regular exchanges with relevant parliamentary committees, organized by the central government authorities. Such contacts could help to give the IMF a sense of the political implications of the issues countries are facing, what economically advisable steps would be politically feasible and what the country's priorities are. That said, for the IMF to benefit from these contacts, the institution must find way to incorporate the information into their operations and to feed it back to the management and staff in Washington DC.

In addition to such outreach, the Fund has begun holding seminars for Parliamentarians. From 1993 to 1996, the IMF held several seminars and briefings in national capitals for policy makers from formerly communist countries of Europe and Central Asia, but these drew few legislators. In the mid-1990s, the Fund held a special seminar for Russian parliamentarians for three days at the IMF's regular training ground in Vienna. Thereafter, the Fund held several weeklong sessions for parliamentarians from the region, aimed at both educating parliamentarians about the IMF's role (globally and in particular countries) and at providing an opportunity for legislators to express their views to the IMF. More recently, other seminars have been held in Africa, in Kenya in 2002, and in Ghana and Cameroon in 2003.

The Fund has also piggybacked on the efforts of its sister institution, the World Bank, in outreach to Parliamentarians. In May 2000, the European Vice Presidency of the World Bank organized a conference in The Hague to provide a forum for information-sharing and open discussion between the Bank and legislators. Out of that meeting grew what has now become the Parliamentary Network on the World Bank (PNoWB), an independent non-profit association registered under French law that brings together some 140 members of parliaments from some 60 countries. Its purpose, according to its web site, is "to increase parliamentary involvement and effectiveness in the field of international development and to encourage dialogue between MPs [members of parliament] and the World Bank."^{xlvii} At the group's fourth annual conference, held in Athens in March 2003, IMF Managing Director Horst Kohler met with the group for a 90-minute session that involved some fairly pointed questioning about the IMF, its role, and

its openness to parliamentary oversight and participation. That discussion led to an exchange of letters between the PNoWB's Africa group and Kohler – all publicly available on the PNoWB web site (<http://www.pnowb.org>) and the IMF web site (www.imf.org). The Fund is also participating in PNoWB-sponsored visits by Parliamentarians to PRSP countries.^{xlvi}

Most Executive Directors talk at least occasionally with legislators from the countries that appoint or elect them. The number and nature of such contacts vary widely, depending on the countries concerned, although most EDs report growing interest from parliamentarians in initiating such contacts. In an effort to systematize this somewhat haphazard set of interactions, in 2003 the Executive Board set up a Working Group of IMF Executive Directors on Enhancing Communication with National Legislators. Their report describes and encourages more of the kinds of IMF outreach outlined above.^{xlix} But it is very tentative on the question of just what greater Parliamentary involvement should accomplish. The report argues that more dialogue would be helpful both as a way to inform Parliamentarians and to enable the IMF to understand better the concerns of those legislators. But it stresses repeatedly the importance of making clear that any dialogue is NOT an opportunity for legislators to engage in program negotiations.

Parliaments as stakeholders

As Fund staff and executive directors are quick to stress, the main role for Parliamentarians is at home – overseeing their central governments, including their finance ministries, representing the interests of various constituencies, and setting their country's policies in law. Domestic politics and lack of capacity often combine to make such oversight and involvement a challenge.

One area in which the World Bank and the IMF have tried to encourage broad political support for good economic policy is in the Poverty Reduction Strategy Papers (PRSP) process that now accompanies debt relief. PRSPs describe the macroeconomic, structural, and social policies that a country intends to pursue in order to fight poverty and encourage growth. The documents are supposed to be prepared by low-income member countries by means of a participatory process that involves a wide range of interested parties within the country as well as funders, including the Bank and the Fund.¹

Clearly, parliamentarians ought to be among the key stakeholders included in the PRSP process. But in practice, they are not. The official Bank/Fund review of the early PRSP process noted that the “role of parliaments . . . has generally been limited, although individual parliamentarians have been involved in some countries.”^{li} The report notes that in just a few cases (Burkina Faso and Mauritania) have Parliaments approved PRSPs, while in others (Nicaragua and Honduras) individual legislators were involved in PRSP consultations. The problem has been widely noted and funders are working to help parliaments understand the PRSP process better and participate in it more effectively. But it is clear that the PRSP process is very far from providing an answer to the problem of adequate legislative oversight of and involvement in the development process generally, much less specific oversight of Fund programs.

More generally, efforts to involve national Parliaments in the oversight and monitoring of government budgets and expenditures have been very slow to show results

and this bears directly on the role of Parliaments in holding the IMF to account. Even in countries such as Uganda, Bolivia and Ghana where efforts have been made to strengthen the transparency and monitoring of public expenditure, the role of Parliaments in the process has remained fairly weak.^{lii} This poses several challenges for the IMF.

Challenges for the Fund

Parliaments and civil society groups have for a long time eschewed or been denied a strong role in monitoring, let alone formulating, the core elements of an IMF agreement – government budgets and expenditures. If Parliaments are to play a greater role, both the IMF and national governments will need at least to permit, if not to facilitate or require Parliaments to get involved. In turn, other actors will have to monitor what Parliaments do in this regard.

For the IMF there is no quick or easy solution. In program countries (i.e., those that are currently receiving IMF loans) the IMF now makes substantial efforts to talk to a wider range of domestic actors, but it is still the case that the loan terms are negotiated primarily with the Finance ministry. On this point, the IMF staff has no discretion – the Articles of Agreement that created the Fund specify that finance ministries and central banks are to be its interlocutors in national governments. In most cases Parliaments do not get to vote on, and sometimes do not even see, the loan terms before the deal is struck. However, in most cases Parliamentary approval is required to pass legislation implementing reforms and it is at least here that Parliaments can and should play a constructive role. Other government institutions can help in this. For example, in many Commonwealth countries an auditor-general is required to report to Parliament on government expenditures and financial and administrative actions. In Uganda, for example, the Public Accounts Committee scrutinises and comments on the Auditor-General's report with some alacrity. In Ghana MPs are taking a deeper interest in monitoring the governments' expenditure and poverty-reduction policies, and in Burkina Faso the National Assembly's committees have a history of conducting enquiries on specific issues.^{liiii} Parliaments could more actively use this kind of report, extended to cover all IMF activities in a country, as a means to hold their government to account in relations with the IMF.

A further role the IMF can play relates to the problems of 'capacity' and 'interest' often invoked to explain the lack of Parliamentary input and accountability. In the Vienna seminars described above, Fund staff relate that some of the early sessions had to be devoted to explaining such basic economic facts as the tendency for large increases in the money supply (i.e., running the government printing press) to lead to inflation. There is an obvious role for the IMF to play in informing, explaining, and communicating information about economic policy – indeed the IMF has taken to this with some enthusiasm. That said, there is a high degree of scepticism among Parliamentarians – in both North and South – about the impartiality of the Fund's efforts in this regard. On the ground the Fund is often perceived as presenting just one view of economic policy or 'explaining Fund policy' rather than opening up debates about economic policy which educate and stimulate Parliamentary debates and scrutiny.

Conclusions and Recommendations

The experience of creditor country parliamentary oversight of the IMF highlights several advantages and disadvantages of democratizing the Fund in this way. On the positive side, a greater engagement by parliaments could be reassuring to citizens concerned that global institutions like the IMF are out of control, providing them with a mechanism for being heard. On the global stage, as parliaments from a larger number of countries become involved, they will counterbalance the otherwise disproportionate influence of the US. Finally, as the example of the military audits indicates, Parliaments can expand the IMF (Board and staff) understanding of what constitutes relevant and important issues.

All that said, expanding the role of Parliaments will not be a painless process. It increases the risk (although, we argue, not by much) of burdening Executive Board meetings with legislatively mandated pro forma statements and voting restrictions, eroding the deliberative, consensus-building quality of the institution. More generally, increasing the role of Parliaments highlights inequalities among legislatures of different countries. Some have weak constitutional powers, few resources, or little power within domestic government. These Parliaments are unlikely to be able to exert any real influence in the Fund and this could exacerbate the problem of disproportionate creditor influence in the IMF, at least in the short-term. Greater participation by parliaments will bring with it all the glories of democracy, including the fact that democratic processes are invariably messy, inefficient, and time-consuming – in short, the worst form of government except for any other.

The approach we propose towards democratizing the IMF builds upon the IMF's own revolution in transparency and disclosure. Where ten years ago almost all Fund documents were difficult to obtain, today many are posted on the institution's website. Furthermore, the institution has worked proactively with all of its member governments to encourage them to be more transparent and to permit the Fund to publish details of their agreement with the Fund and IMF reports about the country. This is a vital step towards democratic accountability. That said, it permits only a retrospective kind of accountability. By contrast, this paper has focused on an ongoing role for Parliaments in overseeing the formulation and implementation of the work of the IMF – not just in post-facto reviews.

The question then arises as to whom precisely Parliaments should hold to account in the IMF and how might this be better done. Is it the Fund staff or management, or is it their country's individual Executive Director or the Executive Board as a whole? Clearly all these levels of accountability are important. We would argue that progress could be made in respect of each.

The Fund staff and management should be held to account during and after negotiations with a country, for their inputs, technical work, and impact on domestic policy. This requires an increase in transparency and access to information for appropriate Parliamentary representatives throughout negotiations. On this issue, IMF staff have rightly outlined problems resulting from opening up delicate negotiation processes. Too easily, openness can become the prey of vested interests or oppositional politics.^{liv} That said, we are arguing for a more specific kind of opening-up where a Parliamentary body or committee delegated to apprise itself of negotiations with the IMF would have access to

documents (including those the Fund currently classifies as ‘confidential’ and not for sharing even with Parliaments) throughout the process. There is ample precedent of Parliamentary or congressional committees staying apprised and informed of highly sensitive information in the areas of security and intelligence, as well as on economic issues. To push forward in this way would require Parliaments within developing countries to think carefully about how they might best structure and delegate their interaction with the Fund to a particular committee or body.

This paper has also highlighted the need for Parliaments to play more of a role in holding the Executive Board of the IMF to account. The Board is the political arm of the IMF, making political judgements and decisions on the basis of technical and other advice offered by the management and staff. In theory it represents all members of the institution. In practice there are serious flaws in the chain of representation and accountability.^{lv} But at core, if Parliaments are effectively to hold the Fund to account, it is vital that they know what decisions are being made and with whose approval or abstention. They need at the very least to know how their own government (or the Executive Director representing the group of countries that includes their own) is representing their country’s interests on the Board. This paper has described the ways legislatures can demand and collect information from their own governments. Progress on this would be greatly enhanced if minutes of Board meetings were published in a timely way – at best they can be viewed several years later under the IMF’s archives policy.^{lvi} More ambitiously, several commentators have proposed that voting should take place on all issues and a voting record should be kept and published.^{lvii} Indeed, this could be taken as a natural extension of the IMF’s current practice of publishing on their website a summary of Board discussions.

There are several arguments made against subjecting the Board to this kind of scrutiny. A first is that it would diminish rather than enhance Southern power by eliminating the need to bring small countries within a consensus. The presumption here is that small countries have an informal veto power through the operation of consensus. But this is not how decision-making operates in the IMF Board. Typically on any issue the ‘sense of the meeting’ is gauged implicitly taking into account the voting power of those around the table and when a majority is reached that is taken as the consensus of the Board. Hence, small countries have no veto power to lose through published voting records.

A second argument against published voting records is that it would erode the collegiality and professionalism of the Board. Board members might be overly influenced by the need to account afterwards to those they represent outside the walls of the Board. This would lead them to vote for measures that did not embody good technical judgements. This argument is easy to overstate because only eight members have their own representatives on the Board who could be mandated to vote in this way. All other Board members must aggregate and represent the collective interests of all their constituency countries. But more deeply, the argument takes us to the heart of why the Fund should be held to account – especially by Parliaments – rather than, for example, made more independent as some have argued.^{lviii}

The argument for an independent IMF relies on a conception of the IMF as a technical organization like a central bank. An independent central bank is collegial and insulated from political pressures and broad accountability in order to make good

decisions. Its legitimacy is said to derive from the quality of its decisions or outputs, rather than the nature of its process or democratic inputs. However, the IMF today is a much broader, more political organization than a central bank, and this will still be the case even if it were to enforce the philosophy underpinning its new conditionality guidelines. The IMF engages in activities and conditionalities far beyond narrow technically measurable outputs. For this reason it needs more input legitimacy than an independent central bank, a fact already recognized in the Fund's rudimentary structure of representation. In contrast to preserving secretive collegiality, the Fund's legitimacy should be further enhanced through greater transparency and accountability of Board decision-making.

These are not revolutionary goals. Our proposed enhancements to Parliamentary oversight of the IMF could foster broader public confidence in the institution, and could better provide the institution with the kinds of information, contacts and oversight to allow it to make good policy decisions in difficult situations. That said, ensuring accountability always requires a political struggle. The governments (or particular ministries) currently enjoying preferential influence at the Fund are unlikely to applaud proposals that dilute their influence. Indeed, this has been amply displayed in the unwillingness of European and North American members properly to debate and concede their special privileges in respect of appointing the senior management jobs in the Fund. However, the Fund is now facing increasing demands from parliamentarians as well as non-governmental groups to be more accountable. And these demands are difficult to resist not least because the Board, management and staff of the IMF have for a decade been exhorting all other institutions and governments to demonstrate higher and more rigorous standards of accountability and good governance.

Endnotes

ⁱ The IMF website describes the role of the Board of Governors as follows: The *Board of Governors*, the highest decision-making body of the IMF, consists of one governor and one alternate governor for each member country. The governor is appointed by the member country and is usually the minister of finance or the governor of the central bank. All powers of the IMF are vested in the Board of Governors. The Board of Governors may delegate to the Executive Board all except certain reserved powers. The Board of Governors normally meets once a year. It describes Executive Directors as follows: The *Executive Board (the Board)* is responsible for conducting the day-to-day business of the IMF. It is composed of 24 Directors, who are appointed or elected by member countries or by groups of countries, and the Managing Director, who serves as its Chairman. The Board usually meets several times each week. It carries out its work largely on the basis of papers prepared by IMF management and staff.

ⁱⁱ Article V (1).

ⁱⁱⁱ www.imf.org/External/np/pdr/cond/2003/eng/050803.htm.

^{iv} For a detailed account of the role of civil society groups at the IMF, see Robert O'Brien, Anne Marie Goetz, Jan Aart Scholte, and Marc Williams, "The International Monetary Fund and social movements" in *Contesting Global Governance: Multilateral Economic Institutions and Global Social Movements* (Cambridge: Cambridge University Press, 2000), pp. 159-205.

^v The Fund has now published a guide to assist staff in conducting outreach, which outlines how they might build positive relationships and how such outreach might assist them. The guide can be accessed at www.imf.org/external/np/cso/eng/2003/101003.htm

^{vi} The power of parliaments to legislate international financial policy varies, of course, from political system to political system. Further, this power is significantly smaller in countries that share an Executive Director among other countries in a constituency and in cases where the when the ED reports to an independent central bank rather than the finance ministry.

^{vii} Leonard Silk, "The Campaign Against IMF," The New York Times, October 19, 1983, D2.

^{viii} Hobart Rowen, "Massive IMF, Housing Compromise is Approved by Senate, 67 to 30; Major Changes Seen in Lending." The Washington Post, November 18, 1983, D8.

^{ix} U.S.C. 286z-gg, Nov. 30, 1983. See GAO Report GA)-03-401R, "Treasury Maintains a Formal Process to Advance U.S. Policies at the International Monetary Fund," Feb. 2003.

^x "Allan Meltzer, "Why it is time to close down the IMF," *Financial Times*, (June 16, 1995), p. 21.

^{xi} Interview with Jon Rosenwasser, former professional staff member to the U.S. Senate Budget Committee responsible for international affairs, March 2004. Although Treasury

argues that there is actually no cost to a IMF quota increase (since it is an exchange of monetary assets rather than an expenditure), there is a cost from interest rate risk and valuation adjustments. Thus the true cost is somewhere between zero and the “sticker price.”

^{xii} The Treasury Department is required to provide semi-annual foreign exchange reports to Congress under section 3005 of the Omnibus Trade and Competitiveness Act of 1988. Reporting about the progress of US policies at the Fund is pursuant to Sections 1503 and 1705 (a) of the International Financial Institutions Act and the Consolidated Appropriations Act for Fiscal Year 2000, P.L. 106-113 section 504(e), cited in GAO-03-401R, “Treasury Maintains a Formal Process to Advance US Policies at the International Monetary Fund,” pg. 1. Reporting about Fund reforms takes place pursuant to Section 603(i)(1) of the Foreign Operations Export Financing and Related Programs Appropriations Act, 1999.

^{xiii} The United States General Accounting Office, “GAO at a Glance,” <http://www.gao.gov/about/gglance.html>.

^{xiv} These studies are available on the GAO’s website, <http://www.gao.gov>, by searching for “International Monetary Fund” in the “Title” field of the site’s search page.

^{xv} David E. Sanger, “IMF Loans to Rights Violators Are Attacked in Congress,” The New York Times, April 22, 1998.

^{xvi} Pratap Chatterjee, “Accountancy: Uncertain returns from am 50-year investment – Why the IMF and World Bank are coming under greater scrutiny from their backers,” *Financial Times*, (July 21, 1994), p. 14.

^{xvii} “Congress Approves \$18 Billion for IMF”, 10/22/98

^{xviii} Report of Joseph A. Christoff, Director, International Affairs and Trade (GAO), “International Monetary Fund,” GAO-03-401R, February 7, 2003.

^{xix} GAO’s 2003 report “Treasury Maintains a Formal Process to Advance US Policies at the International Monetary Fund,” GAO-03-401R, employs this distinction.

^{xx} 22 U.S.C. 262n-3, October 21, 1998.

^{xxi} P.L. 107-115, section 563, January 10, 2002.

^{xxii} P.L. 106-429, section 537, November 6, 2000.

^{xxiii} U.S.C. 286dd, November 30, 1983.

^{xxiv} 22 U.S.C. 286e-9, October 10, 1978.

^{xxv} 22 U.S.C. 262o-2, October 21, 1998. This mandate is examined in depth in GAO-01-214.

^{xxvi} 22 U.S.C. 262h, October 15, 1986 (also repeated in P.L. 107-115, section 514, January 10, 2002).

^{xxvii} 22 U.S.C. 262k-1, September 30, 1996. Congress passed four separate mandates concerning military audits beginning in 1992.

^{xxviii} GAO-01-214, pg. 60.

^{xxix} GAO-01-214, pp. 57, 63

^{xxx} David E. Sanger, "IMF Loans to Rights Violators Are Attacked in Congress," The New York Times, April 22, 1998, pg. A8; Nancy Dunne, "IMF chiefs face a grilling from a lone warrior of Capitol Hill: Bernie Sanders is taking on the might of the White House and most of the Senate." The Financial Times Limited. April 21, 1998, pg. 6.

^{xxxi} "International Monetary Fund: Efforts to Advance US Policies at the Fund," GAO-01-214, pg. 6.

^{xxxii} Consolidated Appropriations Act for Fiscal Year 2000, P.L. 106-113 section 504(e), cited in GAO-03-401R, "Treasury Maintains a Formal Process to Advance US Policies at the International Monetary Fund," pg. 1.

^{xxxiii} This point is made in GAO-01-214, pp. 18-19 and 71.

^{xxxiv} In most cases, a parliament must make an amendment to the legislation through which a nation joined the IMF, such as the "Bretton Woods and Related Agreements Act" in the case of Canada. In the UK, the 1979 International Monetary Fund Act established that quota increases would be undertaken via statutory instruments, which are orders promulgated by the Treasury, laid before the House of Commons for 14 days, and then approved by a resolution of the House.

^{xxxv} "IMF Executive Directors and Voting Power," updated February 29, 2004, <http://www.imf.org/external/np/sec/memdir/eds.htm>. Last checked March 31, 2004.

^{xxxvi} Our discussion of European parliamentary oversight of the IMF benefited from an internal background paper, "Parliamentary scrutiny of IFI issues in Europe," prepared by Agir Ici, a Paris-based NGO working on global development issues. This research is available from Agir Ici on request.

^{xxxvii} On UK and France: Tavernier, pp. 205-206, email from Alex Wilks, 5/13/03. On Ireland: Conversation with Carol Welch, 4/29/03. On Italy: email from Antonio Tricarico of Italian NGO CRBM, 3/30/03, to Carol Welch et al.

^{xxxviii} The transcript of the exchange is available at <http://www.publications.parliament.uk/pa/cm200102/cmselect/cmtreasy/uc868-iii/uc86802.htm>.

^{xxxix} Emails from Antonio Tricarico of Italian NGO CRBM, 3/30/03 and 3/23/04.

^{xi} This account is based largely on a series of articles written by Michael R. Gordon in the *New York Times* during the crisis “Pressures for Change Mounting in Russia,” (1/2/1997), p. 13; “Russia Reaches IMF Accord to Free Loans,” (12/13/1997) Page 1; “Russia Resists IMF’s Strategy for Reducing Budget Deficit,” Section A; Page 3; Column 1, 5/16/1998; “Russia and Lenders Seal Accord on \$17 Billion in New Support,” Section A; Page 1; Column 1, 7/14/1998; “Parliament in Russia Fails to Pass Bills Tied to Loans,” (7/18/1998), p.4.

^{xli} Marcela Valente, “Argentina: Economy Minister Abandons a Sinking Ship,” *Inter Press Service*, (April 23, 2002).

^{xlii} “Politics cloud the economic horizon,” *Middle East Economic Digest*, (August 7, 1998), p. 7.

^{xliii} “Moldovan Government Resigns,” *Deutsche Presse-Agentur*, (November 9, 1999). “Moldova ‘May Face Default’ After Parliament Rejects Privatization,” *BBC Worldwide Monitoring*, (April 18, 2000).

^{xliv} Smitha Francis, “Indonesia’s Battle of Will with the IMF,” *Network Ideas*, February 25, 2003, http://www.networkideas.org/themes/trade/feb2003/tp25_Indonesia.htm

^{xlv} www.rbrasil.org.br/frenteparlamentar

^{xlvi} See Publication Policies of the Fund, February 12, 2004, at <http://www.imf.org/external/np/pdr/trans/2004/021204.pdf>. IMF staff seem willing to go farther than the Executive Board will allow: see The Fund’s Transparency Policy: Issues and Next Steps, at <http://www.imf.org/external/np/pdr/trans/2003/092903.htm>. See also The Fund’s Transparency Policy: Review of the Experience and Next Steps, at <http://www.imf.org/external/np/pdr/trans/2003/092903.htm>. For an assessment of the Fund’s disclosure policy, see the regular columns by journalist Toby McIntosh at <http://www.freedominfo.org/ifti/imf.htm>. In some cases, the IMF forbids its member governments to share certain documents even with legislators, a policy that would seem to be at odds with broader Fund interests in legitimizing decision-making. See: William E. Holder, *Publication Policies of the Fund (Preliminary Version)*, IMF Legal Department and IMF Institute Seminar on Current Developments in Monetary and Financial Law, May 7, 2002. It was formerly available at <http://www.imf.org/external/np/leg/sem/2002/cdmfl/eng/holder.pdf>, but that link now goes directly to the main IMF website.

^{xlvii} <http://www.pnowb.org/html/index.php?module=htmlpages&func=display&pid=1>.

^{xlviii} International Monetary Fund, “A Review of the Fund’s External Communications Strategy,” February 13, 2003, p. 22.

^{xlix} Report of the Working Group of IMF Executive Directors on Enhancing Communication with National Legislators, January 15, 2004, at <http://www.imf.org/external/np/ed/2004/ecnl/index.htm>.

ⁱ International Monetary Fund, "Poverty Reduction Strategy Papers: A Factsheet," April 2003, <http://www.imf.org/external/np/esr/facts/prsp.htm>.

ⁱⁱ International Development Association and International Monetary Fund, "Review of the Poverty Reduction Strategy Paper (PRSP) Approach: Early Experience with Interim PRSPs and Full PRSPs," March 26, 2002, <http://www.worldbank.org/poverty/strategies/review/earlyexp.pdf>, pp. 22.

ⁱⁱⁱ John Roberts, 'Managing Public Expenditure for Development Results and Poverty Reduction', *Overseas Development Institute Working Paper 203* (London, 2003).

ⁱⁱⁱⁱ *Ibid*, p.59.

^{liv} James M. Boughton and Alex Mourmouras, "Is Policy Ownership an Operational Concept," IMF Working Paper 02/72, 2002.

^{lv} These are analysed in full by Ngaire Woods, 'Making the IMF and the World Bank more accountable' *International Affairs*, Volume 77, Number 1, January 2001.

^{lvi} "Archives of the IMF", May 2003 Factsheet (Washington DC, IMF).

^{lvii} Jose De Gregorio, Barry Eichengreen, Takashito Ito and Charles Wyplocz, *An Independent and Accountable IMF* (CEPR, Geneva 1999).

^{lviii} Eichengreen et al. *An Independent IMF*

GEG Working Paper Series

Pathways through Financial Crises

- WP 2004/01 **Pathways through Financial Crises: Overview**
 Ngaire Woods
- WP 2004/02 **Pathways through Financial Crises: Argentina**
 Brad Setser and Anna Gelpern
- WP 2004/03 **Pathways through Financial Crises: Indonesia**
 Leonardo Martinez
- WP 2004/04 **Pathways through Financial Crises: Russia**
 Alexander Zaslavsky and Ngaire Woods
- WP 2004/05 **Pathways through Financial Crises: Turkey**
 Calum Miller
- WP 2004/06 **Pathways through Financial Crises: India**
 Arunabha Ghosh
- WP 2004/07 **Pathways through Financial Crises: South Africa**
 Cyrus Rustomjee
- WP 2004/08 **Pathways through Financial Crises: Malaysia**
 Jomo K. S.

Making Self-Regulation Effective in Developing Countries

- WP 2004/09 **When do Governments Implement Voluntary Codes and Standards? The Experience of Financial Standards and Codes in East Asia**
 Andrew Walter
- WP 2004/10 **Global Business, Local Constraints: The Case of Water in South Africa**
 Bronwen Morgan
- WP 2004/11 **Protecting Investors and the Environment through Financial Disclosure**
 Robert Repetto
- WP 2004/12 **The Prospects for Industry Self-Regulation of Environmental Externalities**
 Michael Lenox
- WP 2004/13 **Combining Global and Local Force: The Case of Labor Rights in Cambodia**
 Sandra Polaski
- WP 2005/14 **Making Corporate Self-Regulation Effective in Developing Countries**
 David Graham and Ngaire Woods
- WP 2005/15 **Responsive Regulation and Developing Economics**
 John Braithwaite

WP 2005/16 **Locally Accountable Good Governance: Strengthening Non-Governmental Systems of Labour Regulation**
Dara O'Rourke

Governance of Aid and Global Institutions

WP 2005/17 **Effective Representation and the Role of Coalitions within the IMF**

Ngaire Woods and Domenico Lombardi

WP 2005/18 **Focusing Aid on Good Governance**

Sue Unsworth

WP 2005/19 **Reconciling Effective Aid and Global Security**

Ngaire Woods and Research Team

WP 2005/20 **Democratizing the IMF**

Andrew Eggers, Ann Florini, and Ngaire Woods

Annual Lectures

AP 2004 **Globalisation and the African State**

Trevor Manuel

AP 2005 **Managing the Challenges of Reform in a Global Context: The Case of Nigeria**

Ngozi Okonjo-Iweala



The Global Economic Governance Programme was established at University College in 2003 to foster research and debate into how global markets and institutions can better serve the needs of people in developing countries. The three core objectives of the programme are:

- to conduct and foster research into international organizations and markets as well as new public-private governance regimes
- to create and develop a network of scholars and policy-makers working on these issues
- to influence debate and policy in both the public and the private sector in developed and developing countries

The Global Economic Governance Programme
University College, Oxford OX1 4BH

Tel. +44 (0) 1865 276 639 or 279 630

Fax. +44 (0) 1865 276 659

Email: geg@univ.ox.ac.uk

www.globaleconomicgovernance.org