

Governance in International Organizations:

The case for reform in the Bretton Woods institutions⁽¹⁾

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Abstract

'Good governance' is now a central item on the agenda of the IMF and the World Bank in their dealings with member states. Yet the principles of accountability, participation and transparency the institutions

are applying to borrowing governments have not as yet been rigorously applied to the institutions' own governance. This paper attempts to do just this. In the first place, the paper defines 'good governance' and examines the experiences of other international organizations which have attempted to balance principles of good governance with efficiency (including the regional development banks, the United Nations, the GATT/WTO, the European Union, the International Fund for Agricultural Development and the Global Environment Facility).

The lessons drawn from this analysis are then applied to the IMF and the World Bank. The research suggests that while pressure for good governance has been magnified by the policy role of the Bretton Woods twins, neither institution has adequately reformed core aspects of accountability and participation. In the first place, while both institutions rely ever more on their identities as universal institutions, this identity has been eroded by a gradual redistribution of membership rights which reflects neither power nor a coherent set of principles. In the second place, in both institutions there are formal and informal decision-making rules which work against the standards of governance they are urging on member governments. For example, the practice of consensus decision-making which extends even to operational decisions, reduces transparency and accountability. The rather ad hoc categories of decision requiring special majorities do not reflect rational attempts to ensure accountability to major stake-holders (both donors and borrowers). Finally, 'participation' in the definition of the core tasks of the agencies is confined to a small number of key actors. In each of these cases both the IMF and the World Bank could better achieve good governance without unduly sacrificing efficiency.

1. INTRODUCTION

The 1990s has seen a revival of thinking and questioning about global governance. A number of phenomena have accelerated this revival. Interdependence in the economic, environmental and social spheres has increased the need for global cooperation and institutions⁽²⁾ for the management of an ever-wider range of issues (Commission on Global Governance, 1995). At the same time however, the intrusion of international organizations into domestic politics has sparked alarm about infringements of state sovereignty. As the IMF and World Bank embrace wider and deeper conditionalities in their lending (Kapur, 1995), and as the UN becomes involved in civil conflicts (Mayall, 1996), states are beginning to examine afresh who it is that these international agencies represent, and whose policies they implement.

Furthering and guiding this new questioning is the recent wave of democratization across Latin America, Africa and Eastern Europe and an ever wider debate about democratic standards and institutions. Notions of 'good governance', 'participation', and 'ownership' have all entered the mainstream lexicon of institutions involved in development financing. As a result, international institutions have begun to urge democratic standards of greater representation, participation, accountability and transparency on their members. However, the institutions are finding that similar values are being urged on them in respect of their own governance (Boutros Boutros-Ghali 1995, Commission on Global Governance 1995, Held 1995).

Some of the pressure for reforming governance in international institutions has come from NGOs. The World Bank, for example, has come under heavy pressure from environmental groups. Such NGOs pose

a thorny problem for international institutions which are, after all, structured on the premise that states are the building blocks on which global organizations are based. Yet NGOs have become an important and recognized channel of representation and action in international fora, either because some 'governments' are not trusted by major donors, or because some groups are simply not being represented or protected by their governments. For this reason, it has been argued that NGOs should 'be mobilized in the interests of better governance' (Commission on Global Governance 1995:254). Indeed, already NGOs influence the agenda of international institutions (Weiss and Gordenker, 1996) and they have certainly increased pressures for 'good governance' to be urged on aid-receiving governments.

Against this backdrop of concerns for greater participation and representation within international organizations, it is not surprising to find that the voting structures of the IMF and the World Bank have come under fire. Voting power in each institution is heavily weighted in favour of its largest shareholders who comprise a small group of industrialized countries. While supporters argue that this is one of the great strengths of these organizations (Lister, 1984), critics argue that it is time for them to be democratized. They highlight that today it is the developing and transition economies that are most affected by the policies of both the IMF and the World Bank, yet these countries are the least represented in the voting structure. Other critics argue that the institutions need to reflect the realities of global economic power in order to be effective, yet they no longer do so.

These various critiques each point to issues of governance that will be explored in this paper. It will be argued that reform of governance within the IMF and the World Bank is necessary. However, this does not mean simply a reform of the voting structure. Rather, the experience of other institutions examined in this paper reveals that different distributions of voting power do not translate automatically into greater 'ownership' or 'participation'. If 'good governance' is to be achieved, then we need to look not just at voting but at the wider issues of decision-making including participation, accountability and transparency. For this reason, the paper first examines what good governance means and then investigates how the values embodied in good governance (as defined by the IMF and the World Bank) might usefully be applied to their own internal workings.

The paper proceeds in six sections. The terms 'governance' and 'good governance' are defined in section two. Section three then explores how good governance might be applied to international organizations. The experiences of a number of organizations are drawn on to highlight possibilities and problems with core elements of governance, including representation, ownership, accountability and the role of decision-making rules. Section four then applies the lessons and issues to the IMF and the World Bank. Section five addresses what this means for reform of the institutions. A brief conclusion is offered in the final section.

The paper is not a legal paper and does not offer a detailed examination of the everyday workings of the

institutions. Rather, the paper focuses on questions of governance and the relationship of voting structures to both formal and informal decision-making practices and procedures. The aim is critically to evaluate governance within the Bretton Woods institutions using lessons learnt from governance within other institutions with an eye to informing arguments for the reform of the voting structures of the Fund and the Bank.

2. DEFINING GOVERNANCE AND `GOOD GOVERNANCE`

Governance has been defined as `the sum of the many ways individuals and institutions, public and private, manage their common affairs' (Commission on Global Governance, 1995). The term refers not to governments but rather to the `establishment and operation of ... the rules of the game that serve to define social practices, assign roles, and guide interactions' within a government or an institution (Young, 1994, 15) .

In development thinking and research, it is now widely recognized that *good* governance plays a critical role in the implementation and results of development projects and strategies. A milestone in this thinking was the World Bank's 1989 report on Sub-Saharan Africa in which issues of governance were broached with an unprecedented frankness (World Bank, 1989). In this report the term `governance' encompassed the state's institutional arrangements, the processes for formulating policy, decision-making, and implementation. It also included information flows within government, and the overall relationship between citizens and government. In each case an important distinction was made between the political commitment required in a government (as opposed to the technical capacity) to achieve a particular standard in respect of each aspect of governance. The ground-breaking 1989 report on Africa has subsequently been expanded in several Bank documents on governance (World Bank, 1992 & 1994a). From these publications and other more general literature, five core aspects of governance in development projects might be identified (below in Table One).

Table One: `Governance' : `the formal and informal rules defining practices, assigning rules, and guiding behaviour' in respect of:

- * policy formulation
- * decision-making
- * implementation
- * information flows
- * relations between rulers and ruled

`Good' governance is a value judgement about the nature of the formal and informal rules which define these elements. A basic prerequisite of `good governance' is an adequate level of competence and technical skill on the part of actors. However, equally importantly, the Fund and Bank have now recognized core values such as political accountability, participation, an effective rule of law, transparency, and adequate flows of information. Speaking in 1992, for example, the IMF's Managing Director voiced the need for `democratizing social decisions' in Latin America, and ensuring `for want of a better term, "good governance" - that is, accountable and active governments that enjoy the trust and support of their societies' (*IMF Survey* 14 December, 1992).

In some international institutions `good governance' is being urged on members with the broader objective of bolstering the promotion of democracy or certain basic human rights through development assistance. However, in the Fund and the Bank (in keeping with their constitutional mandates) the purpose of adopting standards of `good governance' has been to improve the effectiveness of members' use of resources.

A first element of good governance is `participation', the idea of which has been strongly developed within the World Bank and other development agencies. The World Development Report 1994, in analysing the development of infrastructure highlighted the need for `user involvement' in project design and operation, as well as in decision-making and agreements as to the sharing of benefits and costs. It is now accepted that participation is needed to foster `ownership' in projects - a greater sense of local commitment to the enterprise and a sense of local empowerment for overcoming development problems. More strongly, the Wapenhans Report recommended the `mainstreaming' of participatory techniques in project design and implementation in order to improve project performance. (World Bank 1994b, Stevens and Gnanaselvam, 1995). The relevant techniques are now all outlined in the *World Bank Participation Source Book*. (World Bank 1996)

However, the concept of participation is not without ambiguity. In the words of two Bank officials describing some of the reasons for poor project performance: `Participation has often been equated with explaining the project to key stakeholders (individuals and groups who stand to gain or lose from the project), instead of involving them in decision-making. Borrowers are not committed to project goals. Their `ownership' has been sought by making them responsible for preparation and implementation, instead of ensuring that the impetus for the project is local and that the process provides explicit opportunities for consensus building' (Piciotto and Weaving, 1994). We will see later in this paper that a similar set of problems and ambiguities besets `ownership' of policies within international organizations.

Within the Fund the notion of participation is also making headway in the operations and interpretation of the institution's work. As mentioned above, the IMF now communicates with a wider range of groups outside of government (such as with trade unions and business groups), consultations are now much

broader, and more time and more missions are used in order to negotiate programmes. More generally, within the IMF's work, participation is invoked as part of the rationale for privatization. The argument is made that privatization can ensure a higher level of public participation and commitment to economic adjustment and growth. On this view, the prime determinant of 'ownership' is domestic financial inputs. For this reason, the argument for greater ownership is sometimes deployed by those who propound reducing external flows to developing countries. Finally, within the IMF, 'good governance', is also seen as a way of strengthening the 'institutional framework of government' and rooting out corruption and rent-seeking activities, as well as promoting the right kinds of economic reform (*IMF Survey*, 20 May 1996 & 12 August 1996).

We might summarize 'good governance' as developed in the Fund and Bank in the following way:

Table Two: 'Good governance' as urged on member countries includes:

1. Political accountability

(eg through elections or some direct link between those who rule and those who are ruled)

2. Participation and 'ownership'

(of - or by - those most affected or at whom the benefit of any development project is ultimately aimed)

3. Effective rule of law

(predictability, and impartial and objective application and enforcement of the law)

4. Transparency and information flows

(the appropriate collection and release of data about the policies and performance of governing institutions so that citizens can monitor and scrutinize the management of public funds)

The inclusion of values such as participation and ownership has required international agencies to go some way towards rethinking their internal organization and procedures for identifying, preparing, approving, implementing and evaluating projects (Picciotto and Weaving, 1994). The emphasis has been to ensure that standards are met *within member governments*. It is now the case that members are pushing

for the same standards to apply to governance *within the institutions* themselves and this poses a challenge of a new order. To quote the Secretary General of the United Nations: 'democracy has not featured in the history of the international system of states. Sovereignty, rather than democracy, has been its guiding principle'. He argues that: 'Today... the democratization of the international system can be seen as both necessary and possible' (Boutros Boutros-Ghali, 1995). But if this is the case, we need first to ask what is the standard of 'good governance' we should apply? Below we examine issues of governance that arise from the requirements of representation, accountability and decision-making rules within a range of international organizations, leaving an examination of governance within the IMF and the World Bank to the subsequent section.

3. GOOD GOVERNANCE WITHIN INTERNATIONAL ORGANIZATIONS

Good governance within international institutions is often described as a balancing act between requirements of effectiveness and legitimacy. Yet the two are seldom separable. As Caron (1993) elegantly argues, international institutions need to enjoy a particular degree of legitimacy in order to be effective.

In the *short-term*, the effectiveness of an organization might be defined as its capacity to carry out its mandate: to make the relevant or necessary decisions; to muster the necessary resources and capabilities; and to apply its resources to implementing and enforcing its decisions.

Over the *longer term*, however, the qualities needed by an effective international organization include:⁽³⁾

- * the capacity to prove that it is achieving its allotted role (ie to prove to its members that it is worthwhile);
- * the capacity to adapt and yet not to transform, ie. to plan overall strategic directions and policy choices in conditions of stress and change, yet at the same time to ensure (through rigid transformation rules) a retention of its character and status (Clark, 1996 & Young, 1992);
- * the capacity to require of members that which they can realistically achieve, ie. to work by procedures which determine policies which the membership can and will implement;
- * a symmetry of power within the institution: for example, Young (1992) argues that 'the more symmetrical the distribution of power, the harder it is to establish institutional arrangements initially but the more effective they are once formed' (since powerful states - or groups of states - will not be able simply to flout the rules of the institution).
- * an ongoing *raison d'etre* (recognized by the membership) for the institution (eg through the growth of interdependence in the issue area the institution deals with);

* a coherent underlying system of ideas (for defining problems and their solutions) which members perceive as valid, and a capacity to absorb new systems of ideas when its own are seen to be failing.

Overall, the effectiveness of an institution depends to a large degree on its members' perceptions as to how representative, inclusive, and procedurally 'fair' the institution is. This follows consistently with the findings of both the Fund and the Bank in their work in specific countries where the effectiveness of their programmes depends (more than they previously realized) on an appropriate level of country participation and commitment. Practically, this means that international organizations must constantly trade-off requirements of effectiveness and legitimacy. Below we examine this trade-off in respect of representation and voting structures, and then decision-making practices and rules.

3.1 Alternative voting structures: the experience of the regional development banks

Representation is difficult to achieve in an international system which is decentralized and comprises states of different sizes and capabilities. Yet representation is a cornerstone of democratic institutions because it reflects and implements the consent of those who are governed. If an institution aspires to a degree of democracy, its mandate and the question of who it affects can not be separated from the question of who should enjoy representation within its executive. In other words, the core concern of democracy - the consent of the governed - implies that some form of consent of those who are affected by decisions of the institution is necessary.

Yet, as expressed above, representation has to balance concerns both for effectiveness and legitimacy. This was appreciated by the likes of US Treasury Official Harry Dexter White in the early stages of planning and discussion of the voting structure of the World Bank and the IMF (Lister 1984:38):

'the real problem is how to distribute the voting power. If each member of the board were to be given an **equal vote**, then a small country that invested one million dollars would have as much power in making decisions as a country that has subscribed a hundred or a thousand times that amount. With the possibility that the number of small countries participating will be much greater than the large countries, a one-vote-one-member arrangement is palpably unwise. On the other hand, to accord voting power **strictly proportionate to the value of the subscription** would give the one or two powers control over the Fund. To do that would destroy the truly international character of the Fund, and seriously jeopardize its success. Indeed it is very doubtful if many countries would be willing to participate in an international organizations with wide powers if one or two countries were able to control its policies' (Gold, 1972:19, emphasis added).

At play here are two competing principles. The first focuses on the need to reflect power-political and economic realities in an institution. The second highlights the need to justify and legitimate an institution so that all countries will agree to participate and comply with its rules.

The argument for 'effectiveness' is age-old and assumes that international organizations must represent the powerful in order effectively to preserve or to create order. This view underpinned the Council of the League of Nations, in which the most powerful took up permanent seats and likewise it is reflected in the Security Council of the United Nations. A parallel in the Bretton Woods institutions is the principle that quotas need to reflect the realities of economic power in the world economy.

A different principle - that of equality of states - came to prominence in the aftermath of the second world war (Broms, 1959), and was enshrined in the universal membership and voting of the United Nations General Assembly and the World Trade Organization. The principle is also reflected in the allocation of 'basic votes' in the Fund and the Bank.

The moral basis for recognizing equality among states is that in so doing we protect individuals' rights to express their consent to be governed - by respecting their government and according it equal status with other governments. This reasoning is obviously imperfect in a world in which many states are governed without the consent of the people and for this reason many NGOs now flourish in the international setting, claiming that they better represent grass-roots movements and organizations. Yet as NGOs play an ever more important agenda-setting role, some governments point out that the democratic credentials of these organizations require some scrutiny: an issue raised, for example, by France in negotiations on the GEF (Sjoeberg, 1994, 31). In the future NGOs may well become subject to particular governance standards set by international organizations. In the meantime, however, they highlight a basic problem with the premise upon which 'equality among states' proceeds.

'Equality' within international organizations also stumbles over a further problem - that of very differently sized states. One-state-one-vote gives a population of 200,000 the same vote as a population of over 200 million. For this reason it is sometimes argued that equality would be better served by equal representation of populations than by the representation of states such as through basic votes in the Fund and Bank (Lister, 1984, 111-2). Today such proposals, however, are made with a strong caveat that any such scheme must be sure not to punish developing countries who have made headway in stabilizing their population.

In practice, arguments about effectiveness and equality have shaped the formation of most international organizations. Underpinning the case for equality has been an assumption, or at least a hope, that more

equal voting power would ensure a greater level of 'ownership' and 'participation' by members in the institutions. Yet, the experience of the regional development banks does not bear this out.

Each of the Inter-American Development Bank (IDB), the African Development Bank (AfDB) and the Asian Development Bank (AsDB) was set up to provide a more regionally-owned development bank which would ensure greater sensitivity to local needs, enhanced participation and a sense of 'ownership' in the countries of the region. Unlike the IMF and the World Bank, the regional development banks would be primarily governed by regional members. The governance structure of each would embody a specific regional identity and ownership, reflected in their capital and voting structures. But has this worked? Has the voting structure of the institutions enhanced ownership and participation? Let us look at the experience of each in turn.

Within the IDB, the regional character of the Bank is assured by several factors. First, the Bank's regional members hold a majority of the Bank's capital and votes (just over 50%) and indeed, the Articles of Agreement explicitly provide that the aggregate of the borrowing regional countries' voting share can not fall below 50.005% (nor that of the largest share-holder - the USA - below 30%). Second, the Bank's President is always a Latin American and until 1972, its membership was confined to members of the Organization of American States.

The Latin American 'ownership' of the Bank has been said to have resulted in a Bank which is more 'in touch' with the region. It has a presence, in the form of field offices, throughout the region (although it has been criticized for under-utilizing them: Tussie, 1995:10). Furthermore, it is the largest international lender to the smallest, poorest countries of the region. At the same time, although regional developing country borrowers from the Bank enjoy a majority of votes, they have not used this voting power to push through loan agreements against the will of non-regional members. Tussie reports that there is no record of any loan having been approved through reliance solely on a Latin American majority (Tussie, 1995:31).

Yet whilst the above factors point to 'ownership' of the Bank in a legal sense, they do not prove that there is 'ownership' in the sense implied in standards of 'good governance' ie. participation, commitment and a sense of responsibility for and to the organization. Looking more closely at the IDB we find two less obvious aspects of its governance structure that strongly influence governance within it.

First, in spite of the Latin American voting power within the Bank, the United States enjoys enormous dominance. This is explained by both formal and informal decision-making practices within the institution. The US has a veto on constitutional decisions which require either a 3/4 majority or a 2/3

majority-of-regional-members and until the Eighth Replenishment the Board's quorum required the presence of the US Executive-Director. Similarly in the concessional window of the Bank (the Fund for Special Operations) where a 2/3 majority is required for all decisions, the US retains a veto power even through its contributions have now dropped to 8.22%. However, even in the ordinary capital account of the Bank where the US does not have a blocking minority (a simple majority is required), nevertheless, it has negotiated a procedure to ensure it retains a power to delay loans that it disapproves. In practice, members of the Board say that US influence is also magnified by the resources the US mission to the Bank have at their disposal - to present, argue and lobby for particular positions or policies. Furthermore, the US enjoys a more diffuse influence from the fact that the Bank is based in Washington DC, with one quarter of its top management, its Executive Vice-President and usually also the Financial Manager and General Counsel being from the US.

A second important factor of governance which emerges from the experience of the IDB is that whilst Latin American governments enjoy a majority on the Board of the institution, this has not translated into real participation in and responsibility for overall policy directions and core objectives of the Bank. Rather, due to a poor relationship between management and Board, the Board has suffered from what the 1993 Taskforce on Portfolio Management called 'culture of control' (Inter-American Development Bank, 1993), constantly exercising a detailed control of loans and thereby neglecting crucial tasks such as re-examining the Bank's core objectives, and articulating its broad policy direction.

These aspects of governance are not confined to the IDB. The African Development Bank, yet more than the IDB has expressed a determination to protect its 'African character'. This is reflected in its capital, voting and staffing structures. Located in Abidjan, Côte d'Ivoire, with an African President and mostly African staff, the Bank did not admit non-regional members until 1982. Today twelve of the eighteen seats on the Board of the Bank are held by African countries. In the concessional window of the Bank (the African Development Fund) which is 98% funded by non-regionals, African members have retained a 50% voting share.

Yet the 'African character' of the Bank, preserved by this formal structure of representation and voting, has not translated into African 'ownership' as understood within the framework of good governance. Rather, three opposite tendencies stand out. In the first place, the Bank has been very distant from its African membership. To cite the report of the 1994 Task Force on Project Quality, the Bank had 'no systematic relations' with the African countries who are its majority share-holders. In the field, they argued 'the Bank is absent when it should be present' (African Development Bank, 1994:2). Paradoxically, shortly after the completion of the Task Force's Report, the Bank closed the few field offices that it had.

Secondly, in spite of majority representation on the Board, it is not the African members who have ended

up defining the Bank's overall direction. A low level of engagement and concern on the part of African members in questions of the institution's financial and operational strength, the quality of its work, and its contribution to African development means that they have not controlled or influenced major policy decisions (African Development Bank, 1994, 29). By contrast, non-regional members of the Bank who hold a minority of votes had 'close relations and dealings with the bank', and involved themselves closely in analysing, monitoring and evaluating the Bank's performance, as well as in defining new policies and directives and budgetary and commitment objectives. By default, then, it is the minority vote-holders in this institution that ended up positively defining its directions and policies.

Magnifying the absence of African voices in charting the direction and policies of the Bank have been poor relations between management and Board. In 1994 the Task Force reported 'paralysing mistrust, suspicion and resentment' within the Bank and between its Board and management (African Development Bank, 1994, 26). Analysts argue that to work effectively, the Bank needs a strong, effective and empowered management and staff (African Development Bank 1994 & English and Mule, 1996). The Task Force explained that the Board interfered too much in the wrong kinds of issues, scrutinizing details in the budget process and sometimes even usurping the powers of the President (African Development Bank, 1994, 31). This repeats the story of relations between management and Board in the IDB. The result is that the Board - with its African majority - does not get to debate and define strategies for each borrower, nor the overall objectives of the institution.

Finally, the experience of the African Development Bank highlights the importance of a structure which builds restraints into an institution - restraints which ensure that no practices emerge which lead the institution away from its core purposes and goals. In financial institutions this usually involves a balancing between contributors and users of resources. The African Development Bank has not achieved this balance. Rather, it has often been depicted as an institution within which the majority share-holders compete for resources, making *quid pro quo* arrangements among themselves to gain access to funds. In doing so they have shaped an institution which does not fulfil its creators' aspirations - i.e. it does not use its African character to promulgate research and a specialized understanding of Africa's development problems and their possible solutions.

Seen in overview, formal ownership in the IDB and the AfDB (through the holding of votes and shares) has not translated into the aspired levels of participation and responsibility for the institution. The Asian Development Bank (AsDB) is perhaps a happier example on this score. A minimum of 60% of the Bank's capital stock is held by regional members who also occupy 7 of the Board's 10 seats. These regional members, however, are not all borrowers: they include Japan, Australia and New Zealand. Overall, donors (regional and non-regional) in the Bank enjoy 59% of votes while borrowers have 41% of votes. This structure represents a delicate balance which was highly contested and debated at the time of the Bank's creation. The small majority held by contributors to the Bank is balanced by the allocation of 20% of overall votes as 'basic votes' equally distributed among all members, and also by the maintenance of a minimum of 60% of capital stock in the hands of regional members.

US influence in the Bank has played an important role, exercised both through financial leverage such as that which the US Congress applied in 1989 over suspending lending to China, and through its voting power which it has maintained even whilst its contributions have diminished. However, US power within the Bank is greatly diluted by Japan's influence (Watanabe, 1977 & Sender, 1993). In the past, Japan's contributions have greatly exceeded its voting share. However, this imbalance is diminishing so that in 1996 Japan held 16.52% of total shares in the organization, and 13.57% of overall votes. Japan also exercises considerable influence through its contributions to the Asian Development Fund, through the personnel and research resources it puts behind its role at the Bank, its occupancy of the Presidency, and the dominance of Japanese nationals among the staff (particularly in the higher echelons of the Bank).

Unlike the IDB and the AfDB, developing countries in the AsDB do not have a controlling share of votes in the bank. Yet the Bank's governance has evolved in a way which does balance out concerns over regional representation and effectiveness. Although developing country regional members do not have a majority of votes, they have, unlike in all other institutions, retained the advantage of basic votes which increase as the capital of the Bank increases - so as to keep the proportion of basic votes a constant 20% of overall votes. Further enhancing the sense of participation and legitimacy in the Bank is the balancing (against each other) of US and Japanese influence.

The experience of the regional development banks shows that a majority share of capital and votes does not translate directly into greater participation in defining an organization's purpose and character, and in shaping its policies and direction. This kind of 'ownership' (specified in standards of good governance) relies much more heavily on the commitment of members to the institution's core purposes, the institutional resources they make available to back their own participation, and the restraints built into the organization's structure. Such restraints ought to ensure that an institution focuses on achieving its core mandate and that this focus shapes the evolution of its policies and decision-making practices.

Representation is the link between those who are governed and the institution which governs or makes decisions which affect them. However, representation is not the only means by which an institution is accountable to those it affects. Equally, if not more important, are the ways in which an institution makes decisions, including how members participate and according to which rules. Poor decision-making procedures carry risks, as one analyst puts it: '(1) that important minorities be alienated; (2) that decisions will not be respected and implemented at the national level; (3) that decisions will prove to have been ill-advised and lead to unanticipated, unfortunate results' (Lister, 1984:80). In the section below, we examine decision-making and good governance, looking in particular at the impact of 'consensus' on good governance.

3.2 Voting versus consensus decision-making: the experience of the UN Security Council and the GATT

International institutions make three different kinds of decisions: *declaratory decisions or statements* which both have an important symbolism and chart general directions and purposes for an institution without requiring implementation or enforcement; *policy decisions* which set down the general rules within which the institution operates; and *operational decisions* which decide whether specific uses of an institution's resources meet its overall policies and rules. Each of these kinds of decisions is made according to a prescribed decision rule.

The most stringent decision rule in an international organization is the requirement of unanimity. In theory, in a world of sovereign states this is the only rule which fully protects the sovereignty of every government and ensures that 'consent' (by states and thereby indirectly their populations) is explicit. Unanimity gives every state a veto. The problem with unanimity is that it makes effective action difficult and empowers even the smallest state to block a measure or to hold an action to ransom. In the end the requirement of unanimity can disable an institution and force those who wish to act to do so in other fora. For these reasons, most organizations reserve the requirement of unanimity (if at all) for only the most fundamental of decisions and operate on most other issues under rules of majority or special majority, or by the practice of consensus.

Consensus decision-making is quite different to unanimity. While the latter requires every member of an institution to vote affirmatively (or to abstain where this is defined as a positive vote), consensus, in Joseph Gold's terms, is about the 'avoidance of voting' (Gold, 1977). Consensus decision-making is said to give more voice to those with little voting power and to contribute to an atmosphere within institutions which is peaceable and constructive. For these reasons, it is often simply assumed that consensus decision-making contributes positively to 'good governance' within an institution. In this section we will test this assumption, examining in particular the experience first of the UN Security Council and then of the World Trade Organization (WTO).

The experience of the Security Council of the UN is particularly relevant since many who criticize the governance structures of the IMF and the World Bank have looked to the UNSC for an alternative model. An 'Economic Security Council', it has been argued, could lead to more representative and democratic management of the international economy (Bertrand 1985, UNDP 1994, Commission on Global Governance 1995, Stewart and Daws 1995, UI Haq 1995). Yet these arguments underplay some of the negative aspects of governance raised by the working practices of the Security Council and in particular the impact of consensus decision-making on governance within that organization.

Much of the Security Council's business today is conducted in 'informal consultations of the whole', in which voting is replaced by consensus decision-making. Such consultations, however, are always guided by the constraints of formal voting arrangements which require the concurring vote of the Permanent Five on the Security Council and a minimum of 9 votes in total. Undoubtedly, the practice of consensus has improved the capacity of the Council to despatch its business. However, it has also had negative impacts on participation and transparency within the organization. These are worth highlighting.

In the first place, according to members of the Council, consensus decision-making has bred a much higher level of informal consultations, 'private straw votes' and meetings of small groups. Key decisions, in other words, are taken outside of formal meetings. Even on procedural matters when votes are taken they 'are, so to speak, pre-cooked in informal consultations'. (Wood, 1996) Whereas there used to be frequent votes on the adoption of the agenda, 'nowadays agendas are always agreed in advance... in informal consultations'. (Wood, 1996) This means that only a restricted number of members get to participate in the process of real decision-making. And this is not the only adverse impact on governance.

A further, deeper problem with informal processes is that they are unrecorded. This means that the *reasoning* for a decision is not open to scrutiny by other states, and *nor is the position taken by each member*. In these ways the Council is not accountable to states who are not party to the informal processes even if they are directly affected by the Council's decisions (e.g. for budgetary reasons). Obviously the lack of any record also means that the business of the Council is also not open to wider public scrutiny.

The experience of the Security Council also highlights that reliance on informal negotiations 'behind the scenes' magnifies the unequal resources available to members in order to work effectively to push their own preferences. Those with the greatest staffing and research capabilities are much better placed to use the 'informal negotiations' such that, in the words of one commentator; 'delegations ...can simply be overwhelmed by delegations of members such as the US' (Caron, 1993).

Consensus decision-making, then, can have adverse consequences on 'good governance'. We find that the practices within the Security Council have not only sharpened the argument for a wider membership of the Council (to include Germany, Japan, and developing countries) but have also catalyzed more insistent calls for greater transparency and accountability in the Council's procedures.

The Council has responded to calls for more openness in a number of ways. For example, in October 1994 the Council agreed that the President would give informal oral briefings to inform non-members of the Council about the informal consultations of the whole. Further to this, in February 1994 the Council

members decided to make draft resolutions 'in blue' (ie in near final-form) available to non-members of the Council. Additionally, a 1995 Presidential Statement (S/PRST/1995/234) sets out a list of 'improvements to make the procedures of the Sanctions Committee more transparent' (Wood, 1996).

These (and other) changes have all been made in the name of improved access to information and consultation. However, upon closer inspection the reforms are all rather frail. They have not been formally institutionalized. Most have been undertaken by agreement among the members. This makes the new rules particularly weak since the Council can make and break its own Rules of Procedure at will - and does. What sceptical observers argue is that the permanent five members of the Council are 'window-dressing' so as to close off any further attempts to force the Council to be more genuinely accountable or to undertake decision-making in a more transparent way.

At the same time, the accountability of the Security Council has also been eroded in other ways. Within the United Nations an important channel of accountability from the Security Council to the General Assembly is the budget. According to Articles 17(1) and 18(2) of the UN Charter, approval of the UN budget requires a 2/3 majority of the General Assembly. However, this requirement has been altered, not by amendment of the Charter, but less formally by Resolution of the General Assembly. This occurred after strong US lobbying for change in the 1980s which resulted in Resolution 41/213 calling for critical budget decisions to be adopted by consensus at the stage of the Committee for Programme and Coordination (Lyons, 1995). Crucially, the move gave the United States (and other individual states) the veto it sought over the UN budget (Rivlin, 1996).

The analysis of the Security Council highlights problems of transparency and participation which arise from consensus decision-making. It also underlines that members of any institution who wish to influence decisions must commit high levels of staff and resources in order to do so - ie. effectively to generate proposals and lobby for them both outside and inside of formal meetings.

These findings are all strengthened by an analysis of decision-making within the GATT and its successor, the World Trade Organization. In the GATT, consensus decision-making played down the equal power of states to vote (on a one-state, one-vote basis, subject to special majorities for particular categories of decision) and enhanced informal powers of states to offer concessions or use retaliatory threats. Powerful countries, participants explain, could push negotiations behind the scenes, apply bilateral pressures and simply not hold meetings until a consensus had been reached. The effect was to concentrate negotiations among a small group of powerful members (usually the 'Quad': US, EU, Japan and Canada) who tended to present decisions virtually as a *fait accompli* to the other (and particularly developing country) contracting parties.

An important change in governance has been made in the new World Trade Organization (WTO). Whilst the GATT was always a `negotiating umbrella' under which states signed agreements, the new World Trade Organization (WTO) has a structure and enforcement mechanisms which make it a powerful international institution. It is now the administrator of all multilateral trade agreements, an overseer of national trade policies and has a dispute settlement procedure which, unlike that of the GATT, can make rulings which are automatically accepted by the organization unless there is a consensus *against* acceptance. This procedure has been dubbed `reverse consensus'.

One of the strongest criticisms of the GATT's consensus procedure was that it made dispute resolution both unworkable and highly political. When consensus was required for the Council to accept panels' rulings, the process was subject to delaying tactics by countries adversely affected by findings. Panel decisions were often seen as unfair and partial in their treatment of different countries. Such decisions were seen to reflect the desire to reach consensus rather than the application of rules. The outcomes of disputes were seen more as a result of the relative power of the parties.

The WTO's new dispute settlement procedure requires that a consensus against a panel ruling be required in order to object to it. The procedure reflects the new relationship between effectiveness and legitimacy within the WTO. The institution was created as an equal-voting organization, contrary to the proposal pushed by the US during the Uruguay Round, for a weighted-voting Executive Board like those of the IMF and the World Bank. The resulting organization has succeeded in generating greater confidence, participation and use of the procedures by all of its membership. Whereas the GATT mechanisms tended to be used mainly by the `Quad', in the WTO use has expanded: of all the requests before the WTO in mid-1996, about half were from developing countries. This effect has been strengthened by the fact that developing countries can now request legal assistance from the WTO - assistance which is provided independently of the legal office of the organization.

Yet there are residual problems with consensus decision-making within the GATT/WTO. In the first place, there is ambiguity about the precise scope and parameters of consensus: and in particular the question as to whether a requirement for consensus should override other decision-making rules. For example, where decisions are being made in lower Councils which have rules of procedure of their own, some would argue that voting rules should apply where consensus is not reached. However, in practice, decisions are `bumped up' so that consensus might be reached at the next level and if necessary further `bumped up' until the decision reaches the General Council. Consensus, then, has become an all-pervasive practice which overrides other decision-making rules.

A further ambiguity relates to whether or not consensus might be used to take a decision to ignore a voting requirement. This nuance is important because consensus decisions reflect the mood of those *present at the meeting*. Yet many members of the GATT/WTO can not be present at all meetings. Indeed

in the GATT, in order to take up a place on the Council, contracting parties had to be 'willing to establish responsibilities of membership therein' which included attendance by an appropriate representative at all Council meetings. Such commitments require substantial resources and personnel and as a result a very large number of developing countries were unable to take up full membership of the GATT Council.⁽⁴⁾ This continues to hold true for the WTO: in 1996 only 72 of the 124 members had delegations at the WTO.

The experience of both the Security Council and the GATT/WTO highlight several adverse consequences of consensus decision-making practices: members are excluded from the informal fora within which core bargains are made; accountability is reduced by unrecorded meetings; formal decision-making rules are superseded; only those present are represented and these members might even obviate a vote which would have given voice to parties not in attendance at a particular meeting. In summary, consensus, whilst often applauded as a step towards good governance can have the opposite effect, reducing transparency and accountability and thereby increasing the challenge of improving governance.

3.3 Special voting arrangements and decision-making: the experience of the Council of the EU, IFAD, and the GEF

We have been examining the impact of decision-making rules which do not involve voting and it now remains to examine the impact of voting on governance. The different types of voting requirement which are relevant include: *simple majorities* (more than half the members); *qualified majorities* (support of a specified percentage such as 70% or 85%); and *double majorities* which permit voting to be structured to ensure that both a majority of voting members and another category or group of members supports a decision (such as a majority of the populations represented, or of contributions to the institution). In the proceeding discussion, the impact of these various requirements on governance is examined in particular to ask whether they can be used to enhance accountability. The experience of the European Council (EUC), the International Fund for Agricultural Development (IFAD), and the Global Environment Facility (GEF) help us to answer this question. This section begins by looking at the EUC.

As the mandate of the Council of the European Union has widened, so too its members have urged the institution to become more effective as well as more representative, democratic and accountable. The Council has responded to these challenges in a number of ways. Effectiveness has been improved by a shift from unanimity to special or qualified majorities (effected by the Single European Act and the Maastricht Treaty) and practically this shift has two effects.

First, the move towards qualified majority voting (QMV) tends to empower the Commission and smaller states within the Union. Under QMV, no member of the Council can rely on being able to veto a measure, hence each must ensure that its interests are embodied (even if in a second best way) in whatever agreement emerges. This tends to dilute the power of larger states, as evidenced by the fact that where votes have been taken, Germany (the largest member state) is the country most often outvoted.⁽⁵⁾ Furthermore, the fact that no one country can hold the rest to ransom tends to empower the Commission (and many would say the European Court of Justice as well), as does the fact that the Commission becomes more of a proposer and lobbyist of measures rather than merely a 'broker of consensus'. A stronger Commission within the EU also strengthens the position of smaller states, both by containing the power of large states and also because smaller states enjoy a disproportionate share of jobs within the Commission.⁽⁶⁾

A second impact of qualified majority voting is that it casts a new emphasis on blocking power and countries' various shares in the minimum 'blocking' minority (30% of Council votes). This was highlighted in the dispute which erupted in 1994 over how to reduce relative voting shares in the face of enlargement (Austria, Finland, Sweden, and - as was then expected - Norway). On UK insistence, the Council eventually agreed that the old blocking minority (in which the UK had a larger share) could postpone decisions even where they did not have enough support to block them.

Whilst empowering the Commission (and emphasizing the importance of blocking power), the advent of QMV does not resolve concerns about representation and democracy. In particular, larger states argue that the addition of more small states to the Union is exacerbating the under-representation of their populations. Several proposals for re-weighting votes have been made to reduce this problem (Commission of the European Union, 1996). In particular, several variants of double qualified majorities have been proposed which would require decisions to have the support not only of a (specified) majority of votes on the Council but also of an equal majority of the population (Philip Morris Institute 1996, Hosli 1995, Commission documents, 1996). The object of double-qualified majorities (DQM) would be to enhance the representation of large, populous states, without touching the existing voting rights of states within the Union.

The likely impact of DQM on voting power in the Council has been modelled in a number of ways. Overall, studies seem to show that whilst a double majority of 66% would shift some voting power to the larger members, a double qualified majority of 50% would simultaneously increase the power of both the largest and smallest members (Commission of the European Union, 1996; Hosli, 1995). Most scholars agree, however, that the most major impact of such changes will be on perceptions of the Union's representativeness and thereby its legitimacy.

Further to respond to calls for good governance, the EU has also revised some of its procedural rules and

practices. In the first place, some representation of regions within the Union (such as Germany's Laender) has been permitted by opening up the definition of who can sit on the Council.⁽⁷⁾ In the second place, in order to stave off the criticisms of the lack of accountability of the non-directly-elected executive, the Council has introduced procedures to include the Parliament more closely in decision-making. Under a new 'co-decision' procedure, by mid-1996 some 49 instruments had been adopted, and members are now debating the possibility of simplifying and expanding the scope of the procedure (Commission of the European Union, 1995).

Overall in the case of the European Council we can see that changes in voting rules and consultation procedures are being made (or debated) in order to improve the accountability and representativeness of the institution: not only of its member states but of its population, elected representatives, and regional governments. Two other institutions also demonstrate the ways in which voting rules and other procedures can be put to the service of concerns about governance - the International Fund for Agricultural Development (IFAD), and the Global Environment Facility (GEF).

The IFAD has a pluralistic system of voting which reflects the balance of stakes and aims which existed in 1974 when governments agreed to create it. Finally established in 1977, its aim has been to combat hunger and rural poverty in the low-income food deficit regions of the world. Its voting structure reflects its founders' hopes that it would channel 'oil earnings' from the OPEC countries to those most affected by the increase in oil prices. Votes (1800) were split among three groups of countries, giving 600 votes to each of: Category I (the developed countries), Category II (OPEC countries) and Category III (developing countries). Each group was then left to decide how it would allocate votes among its members. The way each did so, reflects the different relationship of each group to the institution and its aims. Developed countries distributed 82.5% of votes according to each member's contribution, and only 17.5% equally among members. OPEC countries distributed 75% of votes by contribution and the other 25% equally. Developing countries distributed all votes equally among the members.

The main contributors to the Fund (developed countries) have had their influence in the institution protected not by a majority of votes but by special majorities and quorum requirements. Most major decisions (including lending policies, criteria and regulations regarding financing, and approval of the budget) require a special majority of 2/3 or more. This gives Category I countries a veto power over the combined strength of OPEC and developing nations. Furthermore, there is a strict quorum requirement in both the Council and the Executive Board, requiring that members representing at least one half of the votes in each of the 3 categories and overall representing 2/3 of all the votes must be present.

In spite of its record (IFAD claims that it has become 'a symbol of North-South cooperation and South-South solidarity': IFAD Publicity Statement, 1996), IFAD is now debating a major revision of its structure in the context of negotiations on the Fourth Replenishment of the Fund. The Governing Council

of IFAD, 25-27 January 1995, adopted a Resolution that will abolish the three category system and introduce a new voting system upon the completion of the Fourth Replenishment. The new system will distribute votes among all members in part on the basis of membership (ie basic votes) and in (larger) part on the basis of contributions to the Fund. These changes reflect pressure from the developed countries (who are now the major donors) for more say within the institution. Pressure from these countries has already resulted in significant internal changes to improve accountability and efficiency in delivering projects.

IFAD faces internal change due to the changing stakes its membership groups have within the institution. Its voting structure reflects the balance of stakes which existed in the 1970s and the desire by each of its participating groups (industrialized, OPEC and developing countries) for their own preferred voting structure. Now that the contributions and positions of each of these groups have changed, it is no surprise to find that the institution is being restructured to reflect a new balance. This is in keeping with a need for a voting structure which appropriately reflects changing stakes in an organization.

A more recent example of an alternative voting structure is the Global Environment Facility (GEF) which was launched as a pilot programme in 1991 and was then restructured in 1994. The GEF is especially interesting since it was created self-consciously as a model of good governance: its new charter explicitly pledges 'to ensure a governance that is transparent and democratic in nature, to promote universality in its participation and to provide for full cooperation in its implementation among the UNDP, UNEP and the World Bank' (Preamble of the Instrument for the Establishment of the Restructured Global Environment Facility). Today the institution attempts to embody equality, participation and commitment by all members along with participation by grassroots and non-governmental organizations at all levels (not just in projects but also in policy and programme development).

From the point of view of this paper, an interesting aspect of the restructured GEF is its voting system. Where decisions cannot be reached by consensus, formal votes must be supported by a 60% majority of the total number of participants in the GEF (whose votes are placed by their representative members on the Council) as well as a majority representing 60% of total contributions to the Fund. It is worth noting that the machinery for taking votes is rather cumbersome, requiring a written motion and notice of a formal vote prior to meetings and so forth. However, the real import of the new voting structure, as we have seen elsewhere in this paper, is that it re-weights the structuring of 'consensus' within a meeting. Even though votes will seldom, if ever, be taken within the GEF, nevertheless consensual decisions will be arrived at on the basis of informal tallies of 'would-be' votes based on opinions expressed around the table. In this sense, the double voting structure adds an important note of equal accountability - to contributors to the Fund, and to recipient countries that host projects - whilst not detracting from the basic membership rights of all (otherwise equal) participants.

One core difference between the GEF, the IMF and the World Bank is the perception - at the time of creation of each organization - as to what the stakes of its various members were. The Fund and Bank have governance structures which essentially reflect their mandates and the balance of stakes as at 1944. The GEF, created in the 1990s, reflects a trade-off between the interests of developing countries whose participation in the GEF was vital, and industrialized countries whose desire for environmental protection drove the creation of the institution. From the outset, it was clear that developing countries would not participate in the GEF if it were structured in the same way as the World Bank or the IMF (Sjoeberg, 1994). Further contributing to the structure of the GEF was the climate of the 1990s - including the focus on good governance and democracy discussed above in section two - which formed the backdrop to its creation.

In setting up the GEF both donors and recipients had a stake in ensuring the success of the organization. Northern concerns about environmental degradation were the push factor behind the creation of the Fund, yet all participants understood from the outset that action to moderate global environmental degradation emanating from the South could only proceed with the cooperation and participation of developing country members. Hence, the GEF was built from the start to an exacting standard of good governance. The argument for applying similar standards of good governance to the IMF and the World Bank is that these institutions now also rely (indeed, ever more heavily) on the commitment and cooperation of developing countries in order to fulfil their mandates. The next section elaborates this argument.

Overall, this section has examined three major aspects of governance: voting structure, decision-making practices, and formal decision-making rules. The experience of eight international organizations has been brought to bear to establish how these elements affect and help to define a standard of 'good governance' for international institutions. The specific elements of good governance raised for international organizations are summarized in Table Three below.

Table Three: Good governance within international organizations

1. Constitutional rules - representation and ownership:

* 'Stake-holders' are adequately represented to ensure the continuing confidence of members who contribute financially and the continued cooperation and commitment by those members most affected by the institution's actions.

* The mandate and overall goals of the institution are defined by all stake-holders.

* The main fora of decision-making are open to all members at each stage of decision-making: setting

the agenda, outlining possible alternatives, and excluding unviable options.

2. Working practices - accountability and transparency

* Both the formal and informal working practices of the organization help it to achieve its mandate by ensuring core goals are prioritized and achieved.

* Members have confidence that rules and practices are `fair' and applied impartially.

* `Reasons' for decisions, and the positions taken by voting members, are available for the scrutiny of all members of the institution (and the public?).

3. Adaptation and change

* The `mindset' (or underlying system of ideas) and the role of the organization adapts to changing circumstances and the evidence or research used in advancing or supporting particular policy positions is widely accepted by all members of the institution.

* The constitutional structure evolves in a way which preserves the essential character of the institution.

* The `rules of transformation' which guide changes in membership and rights are seen (by all members) as clear and fair.

4. VOTING AND DECISION-MAKING IN THE BRETTON WOODS INSTITUTIONS

In this section it will be argued that governance within the Fund and the Bank today falls short of several of the elements of good governance identified in the preceding section. The allocation of quotas and the correlate membership rights in both institutions no longer reflect the application of a coherent, justifiable set of principles: quotas no longer reflect relative economic and political power; at the same time, the principle of equal representation which was once implemented by the allocation of 'basic votes' has been significantly eroded. Furthermore, decision-making practices have not adapted to the changed mandates of both institutions, whose work now takes them further and further into influencing domestic policy choices in developing countries. These changes pose several challenges of governance.

Before elaborating these challenges, it bears noting that the IMF and the World Bank (and other international organizations) have made some efforts to respond to calls for more transparent, accountable and participatory governance. Regarding *transparency* for example, the World Bank (and the Inter-American Development Bank) has adopted a 'disclosure of information' policy. So too, the IMF is publishing more, including background papers to bilateral negotiations - although not, as yet, country reports prepared in the context of Article IV negotiations. As regards *accountability*, the World Bank was the first multilateral organization to create an independent inspection panel for public accountability whereby affected parties in borrower countries can file complaints that the Bank has failed to follow its own policies, procedures and conditions in the context of a specific loan. In the IMF, 'external evaluation' is being debated, although at present it is limited to those instances where the Board requests the views of outside experts (such as in recent discussions of ESAF). Finally, both the Bank and the Fund are advocating more local *participation* and *ownership* of their programmes. This was urged on the Bank by the Wapenhans Committee, and has been taken up in the Fund by the Managing-Director who is now making much greater use of the External Relations Department and speaking to groups such as business groups and trade unions in countries the Fund is working in.

These changes have come about as a result of pressures (mentioned in the introduction) which other institutions have also faced. The response of the IMF and the World Bank, however, has had to be different and in a way more attentive because of the special position they enjoy in the world economy (as distinct from the G-7, G-3 or Bank for International Settlements). The Bretton Woods twins are the only international financial institutions that have a universal membership and accountability to governments across the world. This special character is reflected in the structures of both institutions. To quote the former General Counsel of the Fund: 'The principle implicit in the operation of the Fund is not only that the membership should be involved in the process of taking the decisions of the Fund but also that, to the maximum extent possible, the full membership should be involved.' Alternative arrangements, he argues using examples, 'that did not reflect the full membership of the Fund might not command the same confidence' (Gold, 1972, 173-4).

At the core of membership arrangements in the Bank and Fund are quotas which set out drawing limits (in the Fund), the contributions or subscriptions of members, and their voting powers. Even where formal voting is not used to make decisions, formal powers have an underlying force of which all participants in

meetings are aware: typically a Board Secretary will keep a running tally of votes on any particular decision which assists the Chairman in formulating the 'sense of the meeting'. Votes are also important in organizations as important symbols of status and commitment (Ogata, 1988). One Board member of the Fund has referred to votes as a "badge of nationhood" (Clark, 1996, 23).

The debate about reforming the voting structures of the Fund and Bank has therefore never been just one between creditors wanting to limit their contributions and borrowers keen to extend their access to resources. Nor is it simply a scramble by members wishing to enhance their relative power, although certainly there is 'a keen awareness [of members] that any significant change in the quota structure might affect their proportionate influence over the Fund's decision-taking and their ranking vis-à-vis other members' (Lister, 1984, 77). This point was underscored by British and French attempts to block Japan from increasing its Fund quota: the former afraid that it would fall from second to fifth position, and the latter refusing to be ranked lower than the UK (Rapkin & Strand, 1996). The debate about quotas is also one about the identity of the institutions and the legitimacy of their decisions and actions.

From the outset the voting structure - including basic votes - of each of the Fund and Bank was a core part of their identities as *universal* and *public* organizations. An equal number of 'basic votes' (250) was allocated to every member.⁽⁸⁾ As Joseph Gold explains: 'The authors of the plans for the Fund and the negotiators felt that the bold step of weighting the voting power of members in a major international organization according to quotas, which in the main reflected economic and financial factors, should be combined with the political consideration of the traditional equality of states in international law. The basic votes were to serve the function of recognizing the doctrine of the equality of states. In addition, they were intended to avoid too close an adherence to the concept of a private business corporation' (Gold, 1972, 18). In a similar spirit, in 1955, when the quotas of small developing countries looked too small the Fund decided to double their quotas and to set up a minimum quota - dubbed the 'small quota policy'. In 1963, there was a further revision of the quotas of the small countries (Lister, 1984:56). Here we see in the establishment of the Fund, a direct trade-off between the principles of effectiveness and equality discussed in section 3.1.

However, the steps taken to ensure 'universality' and 'equality' in the IMF and the World Bank have since been significantly eroded. The small quota policies were adjusted back in the second half of the 1960s when many very small countries applied for membership. The proportion of 'basic votes' to total votes has diminished dramatically in the intervening years. Whilst in 1946 basic votes in the IMF accounted for 11.3% of total votes (Lister, 1984:40), rising to a high of 14% in 1955, forty years later the proportion had slipped to around 3% in both the Fund and the Bank. Following logically from the reasoning employed when the institutions were created, this erosion detracts from their universality as well as from the incentive for all members, both large and small, to participate fully in the work of the organizations.

The dominant voting structure in the organizations today is quota-based. Non-basic votes are allocated to

each of the members of the Fund on the basis of quotas calculated using formulae which are supposed to reflect relative economic strength of members. World Bank capital subscriptions roughly parallel these quotas, with some differences due to different weightings given to some variables, and the Bank's separate negotiations on capital increases. As mentioned above, quotas determine not only members' votes but also their level of contribution to resources, and (in the Fund) their access to them.

Whilst general reviews of quotas take place at intervals of not more than five years, adjustments of particular quotas may be made at any time (see Article III (1) and (2)). The original formulae used to determine Fund quotas were drawn up in the US in 1943 and were nominally based on measurements of national income, foreign reserves, and international trade. Yet political calculations played a very heavy role, as Raymond Mikesell, the man given the task of estimating the first quotas, describes: 'White called me to his office and asked that I prepare a formula for the ...quotas that would be based on the members' gold and dollar holdings, national incomes, and foreign trade. He gave no instructions on the weights to be used, but I was to give the United States a quota of approximately \$2.9 billion; the United Kingdom (including its colonies), about half the US quota; the Soviet Union an amount just under that of the United Kingdom; and China somewhat less. White's major concern was that our military allies (President Roosevelt's Big Four) should have the largest quotas, with a ranking on which the President and the Secretary of State had agreed' (Mikesell, 1994).

The adjustment of quotas today is every bit as political as it was in 1943 and many commentators argue that it has not adequately reflected shifts in world economic power (see review in Rapkin and Strand 1996 & Buirra 1996). Of course, technical alterations in the formulae have been made. For example, in the Fund the growth of a country's trade was included in 1959; in 1964 the formulae were broadened and used to calculate a quota range; and in the 1975 Quota Review economies were categorized (for the purposes of quota determination) into four groups: industrial, more developed primary producers, oil-exporters, and developing countries (Lister 1984, Gold 1977). The most important changes in quotas, however, have come about as the result of fierce and political negotiations. The means by which Japan increased its quota in the IBRD (Ogata, 1989) and subsequently in the IMF (Rapkin, 1996) offer good examples.

In the case of each of the IMF and the World Bank, Japan wanted to increase its quota and had to overcome the objections of other states who were concerned that an increase in Japan's standing, necessarily entailed a decrease in their own standing. Underpinning the Japanese strategy for increased representation in the World Bank was a strong feeling that the Bank's procedures for altering quotas was (and is) unfair. Ogata reports that the Japanese financial authorities working to increase their share likened their job to 'the struggle over the revision of the unequal treaties in the Meiji period. To them it was a fight for the principle of equality that contributions brought recognition regardless of the donor' (Ogata, 1989).

So too, other groups today argue that their representation within the Fund and the Bank is unfair. One complaint is that large and populous economies are left under-represented by the existing calculations of quotas: the comparison is made between countries such as Brazil (1.47%), Spain (1.32%) and Mexico (1.19%), and small economies such as Belgium (2.1%), the Netherlands (2.33%), and Switzerland (1.68%) (Buirra, 1996). To mitigate this problem a different basis for calculating quotas has been proposed: employing purchasing power parity rates rather than official exchange rates in the measurement of GDP (Patel, 1996).

The adoption of purchasing power parity rates would not require a radical shift in analysis within the Bank or the Fund since both institutions have been using these rates in their analytical work for some time: the Fund, for example, in preparing its World Economic Outlook (May 1993) and the World Bank in preparing the World Development Report (1993). However, purchasing power parity (PPP) calculations alter dramatically the picture of countries' proportions of world GDP: one Fund official has calculated that PPP values double developing countries' share (Wagner, 1995). If used in quota calculations, such values would significantly transform the distribution of contributions and votes among members - and indeed, developing countries have consistently called for comprehensive reviews of the economic criteria used in determining quotas (G-24 Communiqué, *IMF Survey* October 14, 1996). However, there are yet more fundamental issues at stake here of which the issue of PPP calculations is just a symptom.

First, the criticisms discussed highlight the extent to which the institutions' 'transformation rules' are vulnerable to the charge that they are not 'sure', transparent, or universally perceived as procedurally fair. Overall the institutions' arrangements for change are highly politicized. One analyst describes the rules as applied both in the past and in the present: 'the old formula was used when it could be used and set aside when its use produced embarrassing results' and 'without any change of indicators, it would be easy, by small changes in weights, formulas and relationships between basic and weighted votes, to reflect any desired balance of influence among member states' (Lister, 1984: 53 & 76). An awareness of the political bias behind the results of quota calculations has 'probably weakened the standing of the formula as an "impartial" instrument for determining what a country's quota should be' (Lister, 1984:48).

The Fund and Bank need rules of transformation which both bolster their identities as universal organizations and which properly mirror the stakes and interests of their different members.

At the same time, a yet deeper question of governance is posed by the process by which quotas and capital shares are altered, and this is: what kind of balance should quotas reflect? Which stake-holders should be represented and to what degree? How should the interests and stakes be represented of those who contribute the most, and of those most affected by the institution?

There is ambiguity in the present structure of representation. At its core it straddles an attempt to reflect economic weight, at the same time as an outdated configuration of political power and prestige in the world arena. Overlaid on these considerations are various political ones. It has been argued, for instance, that the shares of Japan and Germany in the IMF were suppressed in the late 1970s as a penalty for inadequate efforts to reduce their balance of payments surpluses (James 1996, 601). Overall, the structure of quotas and shares is at best ambiguous and lacks a clear sense of who the institutions represent and why. More critically, the structure is unfair in the sense that it cannot be justified in terms of defined standards (economic or political) supposedly used as criteria.

Let us first consider the role of contributors within the institutions, an issue much debated when the institutions were established (Gianaris, 1991). On the one hand, as financial institutions, both the Fund and the Bank need some mechanism of restraint to ensure resources are properly used and to assure the confidence of contributors. In this regard, commentators highlight not only the weakness of the regional development banks discussed above, but also the failure of the UN Capital Development Fund, set up by the UNGA in 1966, attributing it to the fact that insufficient voting weight was given to the contributors. However, one has also to take into account the fact (in respect of the Bank and Fund) that several states have sought to pay more as well as to have more voice. Not all states have been *permitted* the level of quota they would want: Australia, France, India, and Iran, for example, each insisted at the outset on recording their complaint of an inadequate quota (Lister 1984:51).

The Fund and Bank should rightly be concerned about adequately representing major contributors in their decision-making processes. However, levels of contributions do not depend upon members' choices; they depend upon the constitutional rules of each organization, as well as the rules which guide any changes in membership. We have already seen that in the case of the IMF and the World Bank these rules are flawed: quota calculations are not perceived as impartial or principled; rather, they reflect (and are seen to reflect) political compromises. For this reason, the question of contributors' rights can only be answered once clear and fair rules for contributing have been established. On this basis one could then proceed to debate which categories of decision contributors should most be able to influence.

A second core issue of governance concerns the extent to which the mandates of the international financial institutions have altered in response to changes in the world economy (as mentioned in the introduction). Both the Fund and the Bank were originally fashioned so as explicitly to protect the sovereignty of member states and those who would draw on either organization's resources. As James (1996, 28) puts it: 'The IMF's Articles of Agreement very deliberately protected national sovereignty and allowed states to formulate for themselves their own economic and political interests'. Yet today the Fund exercises policy leverage through the use of its financial resources and transactions. The Bank, originally conceived as a vehicle for post-war reconstruction, is now also involved (since 1979) in policy-based conditional lending. These new mandates pose two new concerns for the organizations: how they can

most effectively achieve their goals; and how they can reconcile their mandate with a respect for members' sovereignty.

Both institutions have already found that to ensure agreement and implementation of 'appropriate' policies, they need to elicit a very high level of cooperation and participation from governments, as well as from other groups within member countries. Hence, for efficiency as well as for reasons of principle, the institutions are embracing standards of 'good governance'.⁽⁹⁾ Yet, these standards have yet to be fully applied to policy-making within the IMF and the World Bank. In the first place, developing countries who are stakeholders of a new kind - not just as interest-paying borrowers, but parties whose cooperation is necessary for the institutions to achieve their purposes - should be better represented. Yet their voice has slipped along with basic votes and is under-represented by GDP calculations which do not take account of purchasing power. Furthermore, in the formulation of both general and specific policy decisions affecting them, developing countries should be major participants, yet they remain minority actors - both in the processes of formulating policy and in decision-making.

Here it is worth distinguishing general policy from specific operational decisions. In the IMF and the World Bank both kinds of decision are made by the Board. Yet whilst general policy may well be most appropriately decided by the Board on the basis of the formal voting structure, this process is probably not the most appropriate for specific operational decisions. In making operational decisions the highly political nature of decision-making on the Board - the compromises and trade-offs which underpin its decisions - is probably a hindrance to sound and consistent policy. This point was made some time ago in the Commonwealth study group's report *Towards a New Bretton Woods*, where it was suggested that 'although weighted voting may be relevant when it comes to basic policy (size of quotas, SDR allocations, etc.), it has little relevance when deciding what are the appropriate policies for a country to follow in a particular situation'. The group proposed that a better alternative would be a 'self-denying ordinance simply to debate, discuss and advocate when conditionality in adjustment programmes is under consideration', a move which they argued 'would do much to reduce political heat and bring the whole conditionality question back on to a mutually more responsive and constructive track' (Helleiner, 1983: 4.45). The case for rethinking how operational decisions are made has not diminished since 1984. Indeed, in the ensuing decade 'good governance' has taken a major place on the agenda of both institutions, providing both pragmatic and principled reasons for a rethink.

A further issue of decision-making which demands attention is the use of special majorities in the IMF. Originally there were very few categories of decision for which special majorities applied in the Fund. However, decisions taken in 1969 and in 1978 increased the number of categories from 9 to 64 (Lister, 1984) and the United States has since then successfully argued for a requirement of 85% so as to ensure that it can exercise a veto over decisions, not just to adopt decisions to adjust quotas, establish a council, or to allocate SDRs (see Art III.2.c), but also since 1977 on all 'political' decisions (Gold 1977). Yet another category of decisions requires a special majority of 70% (Gold, 1996). The problem the Fund faces is one of incoherence in decision-making rules, or to quote Lister 'a lack of any strictly logical

basis for determining which decisions should require a special majority' (Lister, 1984: 95).

Up to the present, the expansion of special majorities has been a quid pro quo in negotiations, and a way of off-setting declines in relative power in the organizations. When Japan increased its voting share in the IBRD (an increase which would reduce the relative power of the United States), special majorities provided a way to offset the US loss of relative power (Ogata, 1989). Likewise in the IMF, the special majority required to adopt quota adjustments, further to allocate SDRs and such like, was raised to 85%. The problem with these uses of special majorities is that they skew the accountability of the organization not only away from its broader membership but also away from its other major contributors. There is surely a better way to enhance the voice of groups with a good case.

An alternative to the ad hoc re-adjustment of special majorities would be to introduce a form of double majority - such as those discussed above (in respect of the EU and the GEF). Double-majority voting in the Fund or the Bank could ensure that different stake-holders' claims would be appropriately respected: including contributors without whom the institutions could not function, and borrowers whose cooperation and participation is required to enable the institutions to achieve their objectives.

The argument against such a double-majority voting scheme is that it would make decision-making unwieldy and unworkable. Yet, it would not (of itself) alter the practice whereby votes on the Boards of both institutions are virtually never taken - both operating most of the time by consensus.⁽¹⁰⁾ Undoubtedly, any form of double-majority voting would complicate the job of the Board Secretary in keeping a tally of hypothetical votes. However, it is a clearer way to effect the changes in accountability and participation for which special majorities have been used and it might also improve the standing of the institutions' decision-making rules as impartial and fair.

This brings us to the issue of consensus decision-making within the institutions. It has been said by some that the practice of consensus has diminished irritations over discrepancies in voting power (Southard, 1979). So too, others have argued that consensus ensures that the G-7 do not simply take all the decisions: rather, it permits developing countries to air their views and win arguments on the merits (Bichsel, 1994, 147-150). Yet, as we saw in the case of other international institutions, voting power is not suppressed by consensus decision-making. As Lister writes, 'ultimately, the "sense of the meeting" cannot but be reflective of the respective voting powers of those who favour and those who oppose a given proposal' ... 'voting power does determine each member's influence in each decision. The fact that this structure does not have to be externalized in formal voting on most occasions testified to its strength, not to its unimportance' (Lister, 1984, 108). Further to this, picking up a point made earlier in the paper: to 'win on the merits' takes a lot of time and a lot of preparation and for this reason the key to participation and influence in discussions is resources and high calibre staff. In many institutions, as we have seen, developing countries simply do not have the necessary institutional infrastructure and are

`overwhelmed' by other better-resourced delegations.

Even though consensus is seen by some as a way to `open up' discussions, this is not its only effect. We found in the experiences of other organizations such as the Security Council and the GATT/WTO that consensus decision-making can reduce transparency and accountability within an organization. This is equally true in both the Fund and Bank where some argue that consensus simply masks US dominance (on the IMF: Kahler, 1990 & Southard, 1979). To counter such criticisms, the Fund and the Bank have an interest in making their procedures transparent and accountable and in examining where and how consensus adds to or detracts from these standards.

In some cases consensus probably is required for effectiveness: this is probably true of some kinds of general policy decisions which commit members to overall levels of contribution and the parameters within which operations are undertaken. However, in the case of more specific and operational decisions, voting is a much more effective way to ensure accountability and transparency, since it records openly the support or rejection by members of particular measures, and thus also gives some record of particular political or interest-based objections.

This far we have been discussing the membership and voting structure of the Boards of the Fund and Bank and neglecting the role played in decision-making by the staff in each organization. The staff of the organizations is crucial not only because they advise the Boards on the kinds of decisions discussed above, but also because they make influential declaratory statements as to what types of policy are necessary and desirable in order to further development and economic stability in countries across the world - as expressed in their publications and by the heads of the organizations (the President of the World Bank and Managing-Director of the IMF). As such the `culture' and predilections of the staff of each institution (Clark, 1996) strongly influence the way they function.

Each of the Fund and Bank have very high calibre staff which add much to their prestige and standing. Yet, if principles of good governance are to be applied, we need also to ask whether the staff reflect the wide-ranging membership of the Fund and Bank, not just in terms of nationality, but in terms of primary concerns, approach and outlook. In other words, just how `universal' and `participatory' are the institutions in their research and publications?

We saw earlier in this paper that each institution has accepted (for reasons of effectiveness) that programmes need to be designed with a high level of participation by those who in the programmes affect. Yet, this insight does not yet seem to have trickled through into staffing decisions within the institutions. What the figures show is an enormous homogeneity in the intellectual backgrounds of the

staff. A study of the IMF shows that some 90 percent of professionals with PhD's received them from the US or Canada (Clark 1996, 9), and similarly within the World Bank, a 1991 study of the high-level staff in the Policy, Research and External Affairs Departments, shows that some 80 percent had trained in economic and finance at institutions in the United States and the United Kingdom (Stern, 1993).

The notion of a broader range of staff poses a significant challenge to both institutions which give pride of place to tight intellectual discipline (although comparing the Bank and the Fund, Professor Arnold Harberger has suggested that the Bank is 'something like a travelling seminar', while the Fund operates more like a commercial bank with a 'single corporate line in dealing with the outside world': cited in Clark, 1996, 25). Yet, if we follow the logic of the Bank and Fund's own publications on good governance, 'participation for effectiveness' must start right back at the stage of defining the research agenda and policy parameters of the organizations. Recall from section two the complaint made by Bank staff that 'participation' has too often meant explaining a project to a key stakeholder rather than having the stakeholder start and define the project. This same complaint must surely apply to the research of both the Bretton Woods institutions. In their declaratory work both the Fund and the Bank need to reflect and underline more clearly the 'universality' of their membership and therefore their research.

5. THE CASE FOR REFORM IN THE BRETTON WOODS INSTITUTIONS

A first response to the argument for reforming the IMF and the World Bank might well be 'don't fix it if it ain't broke'. Yet both Bretton Woods institutions, whilst not 'broke', have recognized that they need to refashion their modes of operation so as more effectively to fulfil mandates which are dramatically different to those envisaged when the Fund and Bank were created. For the effectiveness of their work, each has come to accept the notion of 'good governance' within countries in which they work, and the need for local participation and widespread political support in order for economic reforms to be sustainable. What the institutions have been slow to absorb is what these principles mean for their own operations and for the trade-off between legitimacy and effectiveness which characterizes their decision-making processes.

The preceding section has opened up a number of specific problems which point to directions for reform. In the first place, the constitutional rules of the institutions need reinterpreting: specifically so as to ensure that membership and membership rights underline and reinforce the universal character and identity of the organizations. The IMF and the World Bank are not the only international institutions which regulate activities in the global economy. Others include the Bank for International Settlements, the G-7 and the World Trade Organization. Yet what sets the IMF and the World Bank apart (at least from the BIS and the G-7) is their universality and claim to represent nearly all countries in the world. At present this character is diminished by the erosion of basic votes which are a symbol of equality within the organization as well as by the methods used to calculate quotas (see table four for a comparison of

voting arrangements within international organizations). The special character and legitimacy of the institutions is also diminished by the very slow way the institutions have adapted to a new climate of democracy and good governance. Others are adapting faster: the G-7 has permitted the international financial institutions to attend its summits; the BIS has begun expanding its membership; the World Trade Organization has begun life with equal membership - one country, one vote. The Fund and Bank are still among the most international of organizations but they need to reaffirm and to modernize their universal character. A revival of basic votes and a redrawing of the rules for allocating quotas is an obvious way to achieve this. These changes by themselves, however, will not translate automatically into better governance within the institutions.

A second problem in the IMF and the World Bank is that they need more clearly to balance stakeholders' rights within the organization: the rights of contributors (based on clearly defined rules as to who gets to contribute what); and the rights of borrowers whose cooperation is required for the institutions to do their job. This balancing may well require a revitalization of basic votes, a rewriting of quotas, or at least a reapplication of quota formulae. The efficacy of any such alteration, however, will also depend upon decision-making rules and procedures.

In the preceding section, a number of criticisms of decision-making rules and practices were raised. Each of the Fund and Bank makes at least three kinds of decisions: general policies; specific operational decisions; and declaratory statements. The first two kinds of decisions are taken by the Board of each organization, and structured by the distribution of votes on it. Yet, there is no compelling reason why specific operational decisions should be so taken. Indeed the experience of the regional development banks highlights the extent to which Board politics and trade-offs can lead to poor operational decisions. The distribution of votes on the Board should properly be fashioned to take into account concerns about representation and the participation of stakeholders. Such a Board is then well-placed to make general policy decisions. However, it does not follow that the same structure should underpin operational decisions. Here the new wisdom about good governance, participation and accountability should apply. This means a number of practical things.

The practice of consensus decision-making may well be appropriate to general policies but it should not be applied to specific operational decisions. In preceding sections we have seen that consensus gives rise to decision-making which is seldom transparent and for which accountability is strictly limited: proceedings and voting are unrecorded, as are discussions prior to decisions. These strictures may well be less important in formulating general policy; however, given that operational decisions have a direct impact on particular countries and groups within countries, they should be made in as transparent and accountable a way as possible. This necessitates voting on operational decisions, with a voting structure which ensures participation - as required by standards of good governance.

Where special majorities exist for categories of decision, they should be part of a rational and well-defined set of decision-making rules. The rationale for a special majority requirement must be clear since it empowers large vote-holders with a capacity to block particular actions. In turn, this gives such vote-holders significant powers to influence proposals before they are placed before the Board. If what is required is a special degree of accountability then double majorities are probably a clearer less partial remedy than special majorities.

Finally, important to the roles of the IMF and the World Bank is their capacity to make influential declaratory statements. The status of such statements reflects the reputations of both institutions as research centres of excellence and as institutions which represent and research issues across the world from an international perspective. Yet, the staffing of the organizations is not (and is not perceived as) representative of the different approaches and traditions of its member states.

Both the Fund and the Bank have moved positively towards enhancing participation within member countries in which they work. There is now a strong case for precipitating and extending this trend to operations within the organizations: both in order to enhance good governance, and to devolve responsibility for programmes to developing and transitional countries as a group. Participation, it must be remembered, is a two-way street: more participation means more 'ownership' of policies and, for affected members, less capacity to cast responsibility for programmes back on major contributors or the institutions themselves.

A change in the voting structures of the Fund and Bank may well seem like a panacea for the problem of governance which has grown out of their changing role. Symbolically, a redistribution of votes would instantly alter the representativeness and accountability of the organizations. Yet, this paper has argued that such a change (even if politically feasible) would not be sufficient to achieve the aims of good governance. For member states, greater ownership will require institutional resources and a commitment to participate fully and effectively in major policy decisions. For the institutions, the challenge is to reshape their practices so as to underline - through changes in staffing, voting rules, and decision-making rules - their 'universal' character, upon which rests their claim to a unique position in managing and advising countries throughout the world economy.

Table 4: Voting Shares of Developing Countries in International Organizations⁽¹¹⁾

Organization	Developing and transitional countries' share of overall votes	Basic or membership votes (as a share of total votes)	Developing and transitional countries' share of basic votes
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United Nations General Assembly	83%	100%	(as for total votes)
GEF⁽¹²⁾	83%	100%	-
World Trade Organization⁽¹³⁾	76%	100%	-
African Development Bank⁽¹⁴⁾	<u>67%</u>	<u>None</u>	-
<i>(cf African D. Fund)</i>			
	<i>(53%)</i>		
<u>IFAD⁽¹⁵⁾</u>	<u>66%</u>	<u>Category I: 17.5%</u>	-
		<u>Category II: 25%</u>	
		<u>Category III: 100%</u>	
<u>Inter-American Development Bank⁽¹⁶⁾</u>	<u>52%</u>	<u>0.1%</u>	<u>59%</u>
<u>Asian Development Bank⁽¹⁷⁾</u>	<u>40%</u>	<u>20%</u>	<u>62%</u>
<u>IBRD⁽¹⁸⁾</u>	<u>39%</u>	<u>3%</u>	<u>84%</u>
<i>(cf IDA)</i>	<i>(39%)</i>	<i>(0.8%)</i>	<i>(83%)</i>
<u>IMF⁽¹⁹⁾</u>	<u>38%</u>	<u>3%</u>	<u>83</u>

6. CONCLUSIONS

This paper has argued that there are both practical and principled reasons for improving the standards of 'good governance' within international organizations. If the IMF and the World Bank are to achieve the standard of good governance they themselves have defined for borrowing members, some reform of the constitutional rules, as well as the decision-making procedures and practices within both institutions is required. More specifically, in order to enhance their own accountability, transparency and members' participation, the institutions need to consider: redrawing quotas; revitalizing basic votes; ensuring that operational decisions are made in an open and recorded way (ie. not by the practice of consensus on the Board); ensuring that clear and impartial rules govern the use of special majorities; and introducing double majorities where particular stakes or stake-holders need safe-guarding. It is also the case that the staff within each organization need better to represent the range of views of the membership: since participation requires not just 'better explanations' but the full involvement of the membership in the definition of problems (and solutions) that the institutions need to address. At present the institutions are vulnerable to the critique that rather than offering a genuinely 'universal' approach to problems and solutions of economic policy, they reflect a narrow predominantly anglo-saxon view. At the same time, increased participation places a heavier burden on groups such as developing countries to 'come up with the goods'. This means better concentrating and deploying research and lobbying resources in order to make a case for policies within the institutions.

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ENDNOTES

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- I use the term 'institutions' to refer to international organizations such as the IMF and the World Bank rather than its more specialized meaning used by other political scientists and economists ie. 'the rules of the game in a society, or more formally,...the humanly devised constraints that shape human interaction'. On 'institutions' defined in this way, see North (1990) and Keohane (1989).
- In this paragraph I draw on the work of Young (1992) however his own analysis concerns the effectiveness not of international organizations but of 'institutions' as defined in note one.
- A very large number of countries without membership held various types of 'observer status'. Other countries, with absolutely no membership in 1994, included: Angola, Benin, Botswana, Burkina Faso, Burundi, Chad, Cyprus, Fiji, Gambia, Grenada, Guinea-Bissau, Haiti, Honduras, Kenya, Lesotho, Liechtenstein, Malawi, Maldives, Mali, Mauritius, Mozambique, Namibia, Niger, Rwanda, Qatar, Saint Christopher and Nevis, Sierra Leone, Swaziland, Togo, Uganda, United Arab Emirates, and Yugoslavia.
- See the figures in *Financial Times*, 22 June 1994.
- The PMI have calculated that Luxembourg enjoys a 31:1 ratio of nationals on the staff of the Commission to population, and Belgium 10:1, while Germany has 1:3 and the UK and France 1:2 (see Philip Morris Institute, 1996).
- Articles 198a-198c of the EU (Maastricht) Treaty create a Committee of the Regions which the Council and Commission must consult in certain cases and Article 146 now permits heads of regions to sit in the Council. The experience of the GEF (discussed below) also offers an example of how representation might be opened up within constituent groups: such as when Indonesia (a Council member at the time) permitted members of its group (such as the Pacific Islands) who would be particularly affected by climate change to speak when the issue arose. By contrast, in the Security Council, Permanent Members such as the UK and France (who, it must be said, do not formally represent any other countries) have made it clear that they will not use their position to represent 'Europe' or other European states.

8. Although the issue of basic votes in the World Bank was not resolved until a few days before the end of the Bretton Woods Conference, since some delegations claimed that voting power should be determined exclusively by shareholding as it was in other banks and commercial enterprises (Gianaris, 1991: 919).

9. A recent extension of the argument for democracy is that non-state actors and sub-state groups should enjoy some form of representation within the institutions (Gerster 1993, 127). However, in the IMF, several Executive Directors have made clear that they would not see the direct inclusion of NGOs as a way to enhance the legitimacy of the institution (Bichsel, 1994). Their argument is that NGOs are not in themselves necessarily democratic or accountable, and that the institution does (and should) represent governments. Yet the fact is that in many countries governments are not fully representative nor accountable and NGOs provide an imperfect remedy. Recognition of this explains the support within both the IMF and the World Bank for responding to the demands of NGOs by alterations in decision-making procedures such as those taken by the World Bank, in creating an inspection panel, and through new standards of transparency, which permit NGOs more closely to monitor their work and to assist affected individuals in bringing claims.

10. This is embodied in Rule C-10 of the IMF's Rules and Regulations: 'The Chairman will ordinarily ascertain the sense of the meeting in lieu of a formal vote. Any Executive Director may require a formal vote to be taken with votes cast as prescribed in Article XII, Section 3(i)' (Gold, 1972, 197). Consensus decision-making was envisioned right from the start In 1943 John Maynard Keynes wrote in a note to Jacob Viner: 'in actual working voting power is not likely to prove important. If the organization begins voting about everything, it will not be long before it breaks down' (Gianaris, 1991: 920).

11. ² It is difficult to give precise comparable figures since the category of 'developing countries' can be aggregated on a number of different measures. For the purposes of this table, unless otherwise specified, the category 'developing countries' includes all those countries not defined as 'developed countries' in the World Development Report 1996.

12. Excluding Mexico (now an OECD country) from the developing countries' group.

13. Again, treating Mexico as an industrialized country.

14. African Development Bank, *Annual Report 1993*.

15. i.e. Categories II (12 petroleum-exporting countries) and III (126 developing countries).

16. Figures taken from IDB *Annual Report 1995*.

17. Figures taken from *Annual Report 1994 and web site*.

18. Figures taken from Annual Report 1994.

19. Figures from Annual Report 1995, based on a membership of 175 (which excludes Brunei (joined October 1995), Sudan and Zaire (suspended after June 1994), Somalia and South Africa (neither of whom participated in 1994 election of executive directors)).