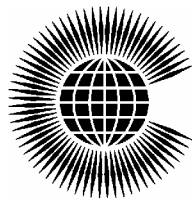


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**A COMMONWEALTH INITIATIVE TO SUPPORT REFORM
OF THE IMF AND THE WORLD BANK***

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This paper outlines the specific new urgency to reform the IMF and the World Bank, what is missing from the current debate, and how the Commonwealth might contribute.

- A. *The urgency for reform: why now?*
- B. *Listening outside of Washington DC*
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A. The urgency for reform: why now?

1. Both the IMF and the World Bank are transforming. On 28 April 2008 the IMF's Board of Governors adopted "far-reaching reforms" of the institution's governance structures. For the IMF two things are at stake. The "credibility and legitimacy" is recognized as needing rebuilding.¹ Second, as emerging economies have chosen to turn away from the IMF, its income has plummeted leaving the institution with an estimated shortfall of \$400 million a year by 2010 and forcing the once-powerful institution to lay off 300-400 of its staff (the total of which is 2600).
2. For the World Bank the crisis is less imminent, but pressures are building. 'Concrete options' for reform have been demanded by the government Ministers who oversee the World Bank (the Development Committee) which will consider the issue on 12 October 2008. The World Bank is calling for 'a process that is inclusive and consultative among shareholders' and that delivers results over the next few months.
3. Critics argue that the reforms being undertaken are nowhere near far-reaching enough, amounting to little more than tinkering at the edges. At the Brookings Institution, scholars argue that the proposed packages of reforms fall 'far short of the goals of the exercise'. While insiders stress that the reforms are the beginning of a dynamic process of change.²
4. The Commonwealth is well situated to shape this process of change. It has long been concerned with the Bretton Woods institutions.³ It is uniquely placed to represent a wide-range of stakeholders not just because its membership spreads across all continents, but also because of its status and habits as a listening institution.
5. The stakes are high. Governments all over the world have underscored their hopes that the IMF and the World Bank will ensure appropriate collective action on global financial stability, climate change, food security, and the achievement of the Millennium Development Goals (MDGs) including on health and education. The current financial crisis demonstrates the need for global action which the IMF could be uniquely placed to undertake. In development finance there has never been a stronger case for more multilateral co-operation. As more money and agencies become involved in development finance, the Bank has a unique role as a multilateral forum for negotiations among donors, as well as a facilitator of broader cooperation by providing modalities for collaborative development assistance, by providing

¹ "Transcript of a Conference Call by Senior IMF Officials on Board of Governors Vote Quota and Voice" Washington, D.C. Tuesday, April 29, 2008: www.imf.org/external/np/tr/2008/tr080429a.htm

² *Agustin Carstens*, "Give the IMF's dynamic new quota deal its due", *Financial Times*, 15 April 2008.

³ Including through the Commonwealth Finance Ministers group which regularly examines and reports on the roles of the IMF and World Bank.

information and reducing transactions costs of aid, and by ensuring a better allocation of development finance across countries and sectors.

6. In many ways the IMF and the World Bank look well-endowed to deliver on global priorities. They sit at the heart of international economic co-operation with a capacity to lend, to set standards, to offer policy advice, and to host negotiations among most countries in the world. They have expert staff, good quality data and a long experience of policy in dozens of countries.
7. Missing from the IMF and the World Bank as they are currently structured is adequate 'buy-in' from all of their members. If either agency is to be effective as a forum for global negotiations or global action, it must inspire the political confidence and engagement of countries whose co-operation is vital if any of the issues listed above are to be addressed. Each institution must be seen as a neutral meeting ground within which key governments can meet and negotiate. Each institution must be perceived and trusted as an impartial arbiter or advisor.
8. The problem for the IMF and the World Bank is that their governance structures are locked into the past. Governance in the IMF reflects a world in which the US was the largest creditor and financial stability depended upon decisions made in the US or G7. Today the US is the world's largest debtor and financial stability depends as much on decisions being made in Beijing and Dubai. The World Bank's governance was created to mobilize capital from Wall St to on-lend it to developing countries. Today global development finance is increasingly accessed directly from private sources and from emerging economies such as China, the Gulf States, India and Brazil. Yet still both institutions are headquartered in Washington DC and US influence is maintained through both formal rules and informal practices.
9. A further problem for the IMF and the World Bank is that neither has developed as a forum for serious multilateral co-operation. Instead each has been used mainly to foist change on developing countries. In the words of former IMF Chief Economist Raghuram Rajan: "some of the largest industrialized countries see themselves as more sovereign than others, and their politicians brook no interference in their own domestic policies, while being fully prepared to use multilateral agencies to intervene in the domestic politics of others".⁴ The governance structures of the IMF and the World Bank have made it too easy for industrialized countries to urge other countries to reform without committing themselves to any self-restraining or regulatory actions which are required if the global action mentioned above is to occur.
10. The current process of reform within the IMF and debate about reform within the World Bank is taking place mainly among their most powerful shareholders and those they have seen fit to include through special individual deals. There is a structural problem with this. Seriously under-represented emerging economies have little incentive to push for reform within formal structures which are tilted against them. The result is that instead of engaging, most are looking for alternatives or taking up special offers in an opportunistic way. They are not formally disengaging from the IMF or the World Bank but in practice they are letting the institutions slip to the margins of their policy-making.

⁴ Raghuram G. Rajan, "The Future of the IMF and World Bank" (2008).

B. Listening outside of Washington DC

11. The voice of emerging countries has long been curiously absent from the debate about how to reform the Bretton Woods institutions. These countries are not advancing proposals as to how to restructure the institutions – they have too little confidence that such efforts would repay. But they do have views on what they need from international co-operation. More importantly, they have views about what kind of institution would command the confidence of other countries?
12. Views outside of Washington DC have been probed and scoped out in a number of different forums. The Global Economic Governance Programme (GEG) has co-hosted four regional consultations with finance officials in Asia, the Middle East, Africa, Central Asia, and collaborated in a meeting among Latin American officials and commentators. These consultations were focussed on the future of the IMF but often included discussions of the World Bank. In each consultation, senior finance officials discussed their needs from global monetary co-operation and international institutions. A parallel process was sponsored by the Friedrich Ebert Foundation whose reports are also woven into the points made below where I report in particular on three regions which directly involve Commonwealth countries.
13. In Asia, the IMF faces a deep crisis of legacy and relevance.⁵ In its politest form the IMF's legacy after the East Asian financial crisis is expressed in the following terms: 'we discovered that the fire brigade was too far away'. Subsequently those Asian countries which have self-insured, stockpiling their own reserves, setting up their own swaps arrangements (the Chiang Mai Initiative) which they are rapidly multilateralizing, and developing regional information-sharing and standard setting. For these countries IMF assistance in the future would be 'politically out of the question' and the use of the IMF for technical or policy advice is deemed 'not relevant': 'they do not have the expertise to advise us'. The one use for the IMF for these countries in the region is as an indirect arbiter of the use of regional swaps arrangements (good standing with the IMF is required to access some of the amounts available). The World Bank is also in a less central role within the region. It is criticized for delivering loans with a high proportion of costly technical assistance: 'these are very poor quality loans for us'. Many countries within Asia now have access to multiple sources of development financing, indeed some are now becoming donors in their own right.
14. Several Asian countries now have alternatives to their previous reliance on the IMF and World Bank. Yet these countries have become systemically important – they need to be included in global dialogues on monetary co-operation, on financial stability, and on development assistance. This poses a significant challenge to the current reform process underway in Washington DC. Ask Asian countries: 'what is the kind

⁵ A meeting of finance officials and commentators from Asia was hosted by the Global Economic Governance Programme (GEG), the Centre on East Asian Integration at Beijing University, and the Institute of World Economics and Politics at Chinese Academy of Social Sciences on 19 September 2007 at Beijing University. Further views were given by the Indonesian Finance Minister H.E. Dr Sri Mulyani Indrawati at GEG, Oxford, Tuesday 15 January, 2008. The Friedrich Ebert Foundation and the Lee Kuan Yew School of Public Policy also hosted a meeting on 'Asian Perspectives on the future role of the IMF' in Singapore on 18 January 2008, the report of which is at <http://library.fes.de/pdf-files/iez/global/05169.pdf>.

of multilateral institution in which your government would have confidence seriously to negotiate and to co-operate' and the answers take you to the foundations of the Bretton Woods settlement. Particularly important to examine are the assurance mechanisms necessary to engage a disaffected and non-needy country or group of countries in tighter, deeper global co-operation (more on this below).

15. In the Middle East, the legacy is very different not just from Asia but among countries of the region.⁶ Arab countries form at least three different groups of stakeholders in the region where regional co-operation is patchy and fragmented. In countries with a security crisis – such as Lebanon and the Palestinian Authority – the role of the IMF and the World Bank as impartial and non-political analysts and information-providers has been greatly valued. It is conceivable that (reconfigured) the institutions might in the future play such a role in Iraq. By contrast, a second group of countries have borrowed in a more traditional way from the IMF and the World Bank – such as Egypt and Jordan – and here there is criticism of the inflexibility and perceived economic interests embedded in the conditionalities attached to Fund and Bank lending in the region. For these countries, the most necessary reform of the institutions concerns their responsiveness. Finally, a third group of stakeholders are the non-borrowing creditor countries such as Saudi Arabia and the Gulf States who are concerned about the governance of the institution and ensuring that as providers of reserves and development finance they are more formally recognized through adjustments to quota and governance. These countries are significant stakeholders in global finance and money and they are significant providers of development assistance – and for these reasons, it is vital to find ways to consider what the IMF and the World Bank would each have to look like if they were to be engaged more fully.
16. For countries in the Middle East the reform of the IMF and the World Bank is important. Creditor countries in the region have their own monetary insurance and development assistance programmes. Even though they have not consolidated regional arrangements as have Asian countries, their engagement in the multilaterals cannot be taken for granted. For this reason fundamental governance reform – as mentioned above in respect of Asian countries – is vital. Borrowing countries in the region value the advice and advisory roles of the IMF and the World Bank but in borrowing programs need greater responsiveness from each institution.
17. In Africa, there is great anger about the inflexibility of the Washington DC institutions in spite of the new rhetoric about ownership and stream-lined conditionality.⁷ Officials express deep frustration with the inflexibility and prescriptiveness of each institution. As one current Finance Minister put it in May 2008, speaking about the IMF 'we share the same goals as the IMF but when our

⁶ A meeting of finance officials and commentators from Arab countries was hosted by GEG and CIGI in Amman on 10 March 2008. Previously, the Egyptian Finance Minister addressed GEG at Oxford on Friday 16 June, 2006.

⁷ A meeting of finance officials and commentators from African countries was hosted by GEG, Debt Relief International, and the New Rules Coalition for Global Finance in Maputo on 15 May 2008. Previously, the South African Finance Minister addressed GEG on this issue at Oxford on [date]; the Nigerian Finance Minister addressed GEG at Oxford on [date]. African Health Ministers also reflected on their experience of World Bank loans at a GEG meeting hosted at Ditchley on 12-13 May 2008. An exchange of views among commentators and civil society groups took place in Tshawane, South Africa on 5-7 November hosted by the Institute for Global Dialogue and the Friedrich Ebert Stiftung.

situation changes, such as when fuel prices increased last year, and as a government we need to respond to that change, the IMF told us that we could not vary what we have agreed in our programme with them until the next IMF mission comes into town some months later. To our people this makes it look as though the government is unresponsive and incompetent.’ Traditionally African borrowing countries had few choices. However, this is changing. Debt relief and Chinese and other new donors’ investments are making more choices possible. Hence, Ghana has become the first African long-term IMF borrower to ‘break free’ of the institution (as the Ghanaian government saw it).

18. The key issue for the IMF and the World Bank in Africa is about how the institutions can become more responsive: to all members including African countries, through the governance of each organization, as well as individually to program countries through operations and management (which in turn is strongly shaped by governance). Most countries in the region need external assistance. Several now have the possibility of loans and investment from new donors. If the Fund is to play an advisory role, it will need radically to refashion its way of engaging with governments in the region.⁸ The World Bank, meanwhile, has a vital job to play not only as a provider of development finance but as an institution with capacity to assist countries in cooperating in development finance – a critical role amidst a proliferation of new donors, including private donors and philanthropists to the continent.
19. In sum, the IMF and the World Bank should be uniquely placed to promote co-operation among governments to ensure global financial stability and co-operation on development assistance. In practice serious reform is required to equip them to do this. Where countries are able, they are turning away from the multilateral agencies.

C. What needs to be done?

20. Reinvigorating the IMF and the World Bank to make globalization more inclusive requires rebuilding the multilateral character of each institution. Emerging economies need to have enough confidence in the institutions fully to engage. For this, they will need assurance that the institutions are as much theirs as others’. At present they see the institutions as instruments of US or G7 economic interests or values. Equally importantly, poorer developing countries need institutions which are responsive to the needs of elected governments. In spite of longstanding promises to enhance ownership, to ‘put governments in the driving seat’, to reduce and streamline conditionality, the experience of African officials who negotiate with the institutions remains depressingly similar to that which it was ten years ago.
21. Capturing the confidence of emerging economies is possible. When the institutions were created this was achieved through their governance. The original 1944 structure of the IMF and the World Bank ensured the engagement of the US (and Wall St). Since the US was the world’s largest creditor at the time, as well as the world’s largest potential purchaser of World Bank bonds (Wall St) this confidence was crucial. It was delivered through a system of formal and informal controls over the organization.

⁸ See the Report of the Independent Evaluation Office of the IMF, *The IMF and Aid to Sub-Saharan Africa* (Washington DC, 2007).

22. Specific measures were used to ensure ‘buy-in’ and engagement in 1944 to capture the confidence of key members, particularly a US anxious to avoid entanglements. That experience has important lessons for how each agency could be adapted to today’s circumstances. The assurance mechanisms in the design of the institutions included: control over the headships (and thereby Chair of the Board) of each organization; an informal say over the appointments of senior management; weighted voting; a small technocratic Board on which the US had veto-power over key decisions; location in Washington DC.
23. Equally, making the institutions more responsive to poorer countries is possible, such as through more robust accountability aimed at results on the ground rather than the mitigation of risk in Washington DC, and through decentralization.
24. The headships of both organizations – and who appoints them and holds them to account during their tenure – is crucial. Until now the Managing Director of the IMF and has been appointed (and reappointed) by a small group of European countries in consultation with the US, and the President of the World Bank has been named by the US.⁹ The heads of each organization appointed in this way, chair the Boards and hold senior management and staff to account, promoting, hiring and firing, and setting directions for each organization. Their actions are ostensibly supervised by an Executive Board which is ill-equipped to hold management to account. The result is that the countries who appoint (and have the power to reappoint) the Managing Director and President thereby skew the accountability of the whole organization towards themselves. For the wider membership this element of governance underscores the extent to which the IMF and the World Bank are transatlantic rather than global organizations. Small moves have been made within the IMF to make the process of headship appointment more meritocratic and transparent. As yet, not such moves have been made in the World Bank.
25. Decisions are taken in each institution in ways which give little incentive for many countries to engage. The rationale is out of date. The formula which allocated to the United States a large enough chunk of votes to give it a veto power no longer serves the purpose of ensuring key stakeholders to participate. On the contrary, it is an obstacle to participation. Modest reform is underway in the IMF but no reform has occurred in the World Bank. Missing in both organizations has been a widely inclusive and trusted process for adapting the allocation of votes and the way decisions are made. Put simply, what is now required is a properly representative group of members with legitimacy across the full membership to rewrite not just the formula for votes but the decision-making rules of each institution.¹⁰ A change in the Articles of Agreement to effect this would require the agreement of three-fifths of all

⁹ An implicit part of the same deal has been influence over appointments to senior management positions.

¹⁰This includes ensuring there is some incentive to powerful vote-holders to consult other countries. Already in both the IMF and the World Bank a double majority is required to alter the Articles of Agreement as well as to expel a member or deny it benefits. This means that not just the votes of powerful countries matter (for an amendment 85% of voting power), but that they have to gain wider agreement among member countries so as to achieve the consent of three-fifths of member countries. Other international organizations also use double-majority voting (e.g. the EU Council of Ministers, the Global Environment Facility in the World Bank). A double-majority voting rule would require the powerful to forge wider alliances of members so as to gain agreement not just among large vote-holders but from a large number of countries. One obvious issue on which a double-majority requirement should be applied is to the election of the head of each organization.

members having eighty-five per cent of the total voting power (Article XXVIII) and be subject to the provision that no change in a member's quota shall be made without its consent (Article III, Section 2(d)).

26. The location of the institutions is a crucial element in determining how 'multilateral' the institutions are perceived to be (or not). The Articles of Agreement require that "the principal office of the Fund/Bank shall be located in the territory of the member having the largest quota/greatest number of shares". Each institution may also establish "agencies or branch offices ... in the territories of other members".¹¹ Although some have proposed making the Board of each non-resident – an idea with many merits for promoting high-level international co-operation – the location of the agencies is a real blockage to this. The resident Executive Boards representing (however imperfectly) the full membership are the thin line between the IMF and the World Bank being perceived as an international agency rather than as an American institution. That said, location is a core element of the 'assurance' mechanisms mentioned above. Changing location so as to headquarter either institution in a country which was not the principal share-holder would require a change in the Articles of Agreement.
27. In practice, some authority of each institution is already shifting out of Washington DC. For example, Asian countries have already begun to develop regional monetary arrangements. Their reliance on the IMF as external disciplinarian is less direct than other regions'. They retain control over their reserves but delegate an agency of restraint function to the IMF. To this extent the IMF has legitimacy in the region. The challenge now is to define devolutions of authority which suit different regions and groups of countries so that devolution enhances the legitimacy of the institution, its responsiveness, and its effectiveness.
28. Decentralization has been the Bank's approach to becoming more responsive to members. The Bank has devolved significant authority in some cases to its country offices, bringing the Bank's development lending and advisory work closer to country priorities. In several cases this has proved to be a very successful strategy. Building on this, the Bank's package of governance elements could be configured better to earn the trust of members whose co-operation it requires, as well as to invigorate the Bank has a forum for co-operation on development assistance.

D. A Commonwealth strategy? Three reform scenarios

29. The countries of the Commonwealth – both large and small – have important interests at stake in reinvigorating the IMF and the World Bank. Effective multilateral institutions are crucial in a changing global economy. As power shifts to emerging economies, their commitment to inter-state dialogue and negotiations, and co-operation is key to resolving issues including financial stability, development assistance, food security and climate change.

¹¹ IMF Article XIII, IBRD Article 5, section 9.

30. The transformation required in the IMF and the World Bank is one which would lead them to being perceived by members as:
- A neutral forum within which they can seriously discuss multilateral co-operation and action;
 - Impartial arbiters of internationally agreed standards or codes;
 - Unbiased advisers and providers of information.
31. How might the Commonwealth contribute to the immediate debate about reforming the IMF and World Bank?
- One option is to support the modest reforms which are ongoing within the IMF and could be extended to the World Bank;
 - A second option would be to take the current reform debate outside the institutions themselves, using informal and other formal institutions to ensure a more inclusive debate;
 - A third option is to host or to support the hosting of a new Bretton-Woods-style conference to re-engage countries in multilateral processes.

Scenario 1: The existing reform agenda

32. Commonwealth governments could opt to do nothing more than continue to support the process already underway. These reforms include the resolution adopted by the Board of the IMF in 2007 opening the headship selection process to all candidates on an equal basis without regard to nationality (although this resolution was followed by the selection of yet another European to the job). More recently three additional measures have been approved. First, voting power has always had an element of universality in the IMF with a small number of “basic votes” being distributed in equal amount to every country. Basic votes are being slightly increased so as to account for about 5.5% of total votes in the institution. Second, votes apportioned according to economic size and openness are also being altered slightly: the quotas of China, Korea, Mexico, and Turkey have already been increased and a second round of ad hoc changes has been approved.¹² Third, an additional two Alternate Directors will support the two Executive Directors who represent 44 African countries in the IMF (wielding a total of 4.4% of votes in the IMF). The Board is also being urged to use its existing powers to recommend further realignments in quotas and votes every five years.
33. The positive view of the reforms underway in the IMF is that they are the beginning of a process of change. The commitment to deepening the five year reviews of quotas and votes points in this direction. These changes are already underway. They do not require further determined action by governments, other than gently to nudge the process along. That said, there are serious risks with this scenario.

¹² These measures were part of the package agreed at the Spring Annual Meeting of the IMF 2008. The underlying formula is being slightly altered so that GDP is valued using a blend of market exchange rates and Purchasing Power Parity rates.

34. The World Bank is pretty much untouched by the current governance reforms. Put another way, the pressures which have pushed IMF Governors and management to respond have been inadequate to bring about changes in the World Bank whose governance structure reflects that of the IMF by way of historical accident.¹³
35. If no change occurs in the World Bank's governance, this could have grave consequences for the Bank's ability to discharge its present and future work. The Bank is being asked to take a lead on climate change. Yet at present it is also expected to find new and more responsive ways to work with large emerging economies – who are its fee-paying clients. Without substantial new, additional resources, and a new multilateral authority with which to set down principles for co-operation on climate change, the Bank's work will soon be full of contradictions.
36. Dilemmas are already emerging for the World Bank group. Will the Bank turn down powerful emerging economy loan requests where they are not climate-friendly? The recent IFC support for the Tata Mundra coal project in Gujarat state suggests not. For the Bank to apply stringent new climate change standards to its loans will simply make them unattractive to key clients in the absence of additional resources and substantially more credibility as a neutral and impartial international setter of standards.
37. Similarly, for the Bank effectively to promote multilateral co-operation in aid, will require the Bank to engage in a new way with the so-called 'new donors', including China, the Gulf States, Venezuela, and others. For this reason too, the Bank needs governance reform.
38. Within the IMF, incremental reform may fail adequately to address the urgency of the pressures the IMF is under. Put in the words of the new Managing Director, the IMF not only faces massive budget cuts this year, but it must reinvigorate both its 'relevance and legitimacy'. Incremental reform risks consigning the IMF to terminal irrelevance before the reform process bears any fruit. The ongoing relevance of the IMF will depend upon whether members empower it to further multilateral co-operation, emergency lending, and advice.
39. In respect of the IMF there is a risk that reforms underway do very little to ensure that the institution becomes better perceived by key members as a neutral forum within which they can seriously discuss multilateral co-operation and action to assure financial stability or exchange rates; as an impartial fire- brigade, close enough to member countries to ensure that the short-term provision of liquidity is rapid and effective; or as a neutral adviser and provider of information about economic policy. Moves to open up the selection of the Managing Director have not yet acquired credibility. The quota, vote, and representation reforms in no way meet the needs and reflections of officials within Asia, Africa, and the Middle East. There may well be a structural problem with expected internal incremental change to produce results.
40. The push for significant reform in either the IMF or the World Bank is unlikely to come from emerging economies such as China, Korea, Brazil, Mexico, Argentina and

¹³ The negotiators at Bretton Woods simply ran out of time to plan a separate governance structure for the IBRD.

Turkey who have *de facto* exited from the IMF and are much less reliant on the World Bank. Nor is pressure likely to come from developing countries who rely on the institutions for funding – but who see ‘exit’ as their best option for change. It is also unlikely that the present major shareholders of the institutions will push in a consolidated way for reforms which dilute their own relative power, even if individual members are examining various options. For these reasons, other avenues for reforming the IMF and the World Bank need consideration.

Scenario 2: Pushing reform through the G20 and expanded institutions

41. An alternative scenario would be to push the reform debate outside of the IMF and the World Bank to a more inclusive and consultative forum than the formal structures of the organizations permit. Many propose, for example, that reform discussions should take place in the G8 or some expanded version of that forum.
42. Undoubtedly it is useful to expand discussions about the governance and mandate of the IMF and World Bank. Ideally, small groups permit more frank and creative discussion, opening up a wider range of win-sets to participants. But would this approach really engage those countries who have an incentive to simply ‘go their own way at present’? What evidence do we have that countries outside of the G7 trust such processes?
43. Recall that an expanded G7 grouping has been tried. In the wake of the East Asian crisis in 1997, a G20 Finance Ministers group was set up explicitly to examine the international financial architecture. On one view, the results of that exercise prove success: the G20 spear-headed discussions which led to the reforms details above (in scenario one). However, some analysts note that although the G20 successfully fostered exchanges among some Ministers, in its initial years the Communiqués resulting from G20 discussions seldom went much further than those of the G7.¹⁴ For many emerging and developing countries, the G20 is perceived as lacking legitimate authority, in large part because it deprives so many of formal rights of representation or accountability.
44. The problem with existing forums is that none command sufficient confidence, none have the right balance of authority and legitimacy for transforming the Bretton Woods institutions. There is a strong case for a fresh way forward.

¹⁴ See Leonardo Martinez, “The G20 After Eight Years: How Effective a Vehicle for Developing-Country Influence?”, Brookings Global Development and Economy Working Paper 12 (2007).

Scenario 3: A new Bretton-Woods-style conference as a beginning

45. If the key to transforming the possibilities of multilateralism is fully to engage important new stakeholders at the heart of multilateral initiatives, then perhaps the exercise needs to be built from the ground-up. Key stakeholders have to agree a design of institution which gives them assurance about the neutrality of the forum, the impartiality of judgements, and the lack of bias in advice and information. This requires more than a tinkering. For all members to believe that the institutions have these attributes there must be high degrees of representative, participation, and accountability.
46. An obvious, successful precedent to follow would be the post-war conferences for building and reinforcing multilateralism. A new international conference could be called. The location of the Conference would have crucial symbolic importance, signalling from the start the intent of the exercise: to build a new more global multilateralism.
47. A global conference would permit changes to the Articles of Agreement of each institution to be made. Such amendments require majorities of all members as well as voting power. A conference would permit agreement to be sought not just from powerful countries but also from a plurality of countries.
48. How could such a negotiation be structured so as to be effective and participatory? One route is to structure participation in the Conference into (1) agenda-setting, in which all affected countries would have input: transparency would be crucial; (2) negotiations on the specific design of the institutions, in which 'key stakeholders' would be involved (defined as those countries without whose co-operation implementation would not be possible) with representation and oversight from regional and collective organizations of smaller members.
49. The Commonwealth could contribute much to this fresh approach: advising and bringing to bear its knowledge and research; representing those of its members who might otherwise lose out – in particular small states – and overseeing and monitoring the Conference on their behalf. Last but not least, a new Conference could learn from the legitimacy the Commonwealth enjoys among significant parts of its membership – their trust in its neutrality, impartiality, and lack of bias suggest that the institutional design and structure of the Commonwealth may well have elements relevant to a new multilateralism.

A check-list for Commonwealth Governments

50. Members of the Commonwealth and the wider global community need multilateral institutions which are effective in promoting co-operation and global action to ensure a more inclusive globalization. Specifically, many have made it clear that they are looking to Heads of Government to reform the Bretton Woods institutions so that they more effectively:
 - Prevent the destruction of assets from turbulence in financial markets caused by flaws in preventive surveillance and regulation;

- Address climate change by generating and effectively delivering resources required to import technology, equipment and systems related to the protection of the environment which are additional to existing mechanisms;
 - Strengthen lending instruments in developing country financial institutions to promote entrepreneurship and **Small and Medium Enterprises** (SMEs) crucial for employment generation and innovation;
 - Write off all 'odious debt' to free resources to maintain momentum in reform, debt restructuring and attracting fresh sources of finance;
 - Create more comprehensive instruments to cushion small and vulnerable states against natural disasters which inflict disproportionate damage on these fragile economies, through different windows of catastrophe insurance, rapidly dispersing grants and soft loans;
 - Create financial facilities to cushion small and vulnerable states against extreme escalations in energy, fertiliser and food prices.
51. If the IMF and the World Bank are to deliver on these aspirations, they need the full engagement of major emerging countries, and they need to become more responsive to their smaller, most needy members. Heads of Government need to plan steps to transform each institution into one which countries believe is genuinely multilateral as opposed to owned and operated by the G1 or the G7.
52. This is a major task. It requires institutional reforms relating to location, representation and shareholding/voice, and transparency. It requires clearer incentives for the institutions to support governments, rather to prescribe to them: supporting stable governments to build and deliver their own national strategies for inclusive development, good governance and democratic processes and institutions. It requires incentives for the institutions to act with speed and flexibility during democratic transitions and in countries coming out of conflict. Nothing short of an international conference to build a new multilateralism is likely to succeed in this.