

# **Redesigning the International Financial Architecture: Voting and Power Sharing in the IMF**

Mark W. Zacher, Institute of International Relations University of British Columbia

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## Outline of paper:

### Introduction

The reconciliation of norms in the design of international institutions

- Autonomy
- International order
- Power
- Democracy
- Accountability
- Efficiency
- Transparency

The IMF/World Bank decision-making system: past developments and future prospects

Conclusion

## **Introduction**

This paper addresses one issue with which this conference on the international financial architecture is concerned—namely, rules and practices concerning the sharing of power in the International Monetary Fund. In large part the paper focuses on formal voting arrangements, but it also discusses some non-voting practices that affect the sharing of power. These latter practices are often viewed as being of minor importance, but this is not the case. Changes in practices that enhance the ability of poorer states to understand their interests better and to present their views more effectively can have major impacts.

One of the most notable developments in international relations over the past century and a half has been the growth of international organizations that have been central to rule-making and collaborative activities in international politics. In our modern era of growing international exchanges and interdependencies states have found it necessary to develop rules of the road and joint enterprises to secure a variety of values; and international organizations are basically a prerequisite for the development and supervision of these rules and collaborative endeavors. Because of the growing importance of international institutions states have a strong interest in their formal decision-making arrangements and their informal power-sharing practices; and they, of course, differ on the arrangements that they prefer. Their varied patterns of interests and power shape the institutions that they create. Sometimes their conflicts are intense, and this has been evident at times in the conflicts over voting and decision-making practices in the IMF as the international flow of money and the roles of international financial institutions have increased markedly.

The first section of this paper is a rather long discussion of the framework for analyzing decision-making structures. It focuses on the norms states support that concern their policies toward institutional design. The priorities that different groups of states assign to these norms change with time and influence their policies concerning institutional reform. In the case of the voting rules of international organizations there are clear tensions between state autonomy vs. a concern for international order and between a need to recognize differences in states' power vs. support for democratic egalitarianism. There are other tensions as well, but these are certainly the main ones. Recognition of the centrality of these normative tensions is very helpful in tracing the evolution of international institutions and analyzing how these bodies might be reformed in order to improve their ability to promote certain values and manage international problems.

The second section analyzes the present character of the decision-making arrangements of the IMF, and it also looks at some reforms that might be accepted. It highlights in particular the normative tradeoffs that are inherent in states' acceptance of institutional rules. One thing that is important to recognize is that the battles that are being waged in the Fund are being waged in many international institutional settings. However, the Fund occupies an importance in international economic relations that goes considerably beyond that of almost all other international economic organizations.

The concluding section comments generally about the possible directions and implications of international institutional change.

### **The Reconciliation Of Norms In The Design Of International Institutions**

The design of international institutions, like the making of public policy in a host of areas, involves the reconciliation of different values or norms that are held by political participants. The weight that groups of states assign to different norms, of course, depends on their interests, and the outcome of their deliberations is affected by both their pattern of interests and their power. There are a significant number of norms that are discussed in analyses of the decision-making systems of international institutions. Some of them are in direct conflict with each other, and the politics of designing institutions generally focuses on the relative weight that should be given to these norms. Each of the most important norms is briefly discussed.

1. The autonomy norm: states should not be bound by the decisions of other states without their approval. This has been a foundational norm of the interstate system starting in the 17th century, and it still has important impacts on the design of international organizations and treaties. However, with the development of increased international interdependence and a burgeoning number of international organizations since the middle of the 19th century it is not assigned the weight that it once was. Some of the rules that implement this norm are:
  - Requirement of unanimity for the passage of resolutions (i.e., a veto for all member states);
  - Recommendatory (as opposed to legally binding) status of resolutions passed by international organizations and conferences;
  - Requirement that states ratify or accept a treaty in order for them to be bound by it;
  - Requirement that in order for legal prescriptions to assume the status of customary law they must be judged to be legally binding by the community of states.

2. The international order norm: there should not be serious barriers to the ability of international institutions and conferences to formulate legally binding rules for the society of states (e.g., very high majority requirements for passage of resolutions). In an era of increasing international interdependence states have recognized that in order to realize mutual interests it is necessary to have substantive rules that govern many of their interactions, and in order to do this international institutions must have voting rules that do not require high majorities. Taken to its logical extreme, the international order norm could mean the acceptance of a global government, but it is not taken to its extreme since states still give considerable weight to their policy autonomy. Some of the rules which implement this norm are:
  - Acceptance of majority decisions as legally binding on all organizational members;
  - Requirements of very high majorities for the passage of resolutions;
  - Stipulations in treaties that they enter into force with the acceptance by a “reasonable” number of states;
  - Stipulations in treaties that amendments are binding on states as long as they do not explicitly reject them;
  - Settlement of disputes by arbitration or international courts.
3. The power norm: states’ influence over international decisions should be correlated with their material importance in the issue area. This is based on a realization that decisions will not be implemented as long as the most powerful states do not support them and by the leverage that the most powerful states are able to exert on the weaker states. Rules that implement this norm are:
  - A veto power for great powers;
  - Weighted voting that correlates states’ number of votes with their material importance in the issue area;
  - Special majority requirements (possibly combined with weighted voting) that give powerful states a veto over the passage of resolutions and the entry into force of treaties—and possibly the voting power to secure the approval of resolutions or the entry into force of treaties;
  - Permanent membership of the most powerful states in the executive bodies of the international organizations.
4. The international democracy norm: states should have equal voting status in international institutions, and it should be possible to make legally binding decisions with support from a low majority of states. (Another norm that will not be discussed is what might be called “the popular democracy norm”, i.e., votes should be determined by the size of states’ populations.) Some of the rules that would implement the international democracy norm are:
  - One state/ one vote;
  - Majority requirements in the range of 51-67 percent;
  - Including a significant number of the less powerful states in executive bodies (e.g., requirements that each region is allowed to choose a certain number of members);
  - Assuring that informal negotiating sessions are not confined to the most powerful states;
  - Allowing states to participate in executive bodies even if they are not members

when they have important interests in the issue.

5. The accountability norm: international organizations should communicate openly with different stakeholder groups (e.g., donor states, recipient states, NGOs, local groups influenced by loans) and should take their views seriously. In a sense this norm is a dimension of the international democracy norm, but it focuses on relations with stakeholder groups rather than decision-making rules. Some of the ways in which the norm can be furthered are:
  - Providing states that give and receive loans or grants with thorough information on the objectives and results of those loans or grants;
  - Communicating with NGOs and local groups concerning their views on the impacts of loans and grants.
6. The transparency norm: efforts should be made to improve states' understanding of the nature of international problems and each other's policies. Some of the ways that this could be done are:
  - Making the debates of executive bodies public or open to scrutiny by non-members;
  - Increasing knowledge of problems by producing more studies on issues;
  - Disseminating documents from executive bodies to all member states;
  - Requiring that states report on compliance with treaties.
7. The efficiency norm: states should seek to reduce the time involved in producing organization decisions. Some of the ways that this could be promoted are:
  - Keeping the number of members of negotiating and decision-making bodies small;
  - Improving the quality of information available to participants.

The major tensions in the design of international institutions concern the autonomy vs. the international order norm, the autonomy vs. the international norm, and the power vs. the democracy norm. There is also a lesser tension between the democracy norm and the efficiency norm over the number of states to be involved in decision-making. The following discussion provides further elaboration on the nature of the seven norms and the conflicts between them prior to the analysis of IMF decision-making structures.

### **Autonomy Norm**

The autonomy norm, needless to say, occupies a central importance in states' approaches to international collaboration. Inis Claude notes that traditional international law upheld "the rule that every state has an equal voice in international proceedings; and that no state can be bound without its consent." (Claude 1964, 112) Several writers have pointed out that the more important international issues are to states, the more likely they are to cling to the autonomy norm. (Claude 1964, 115; Zamora 1980, 595) In fact, Stephen Zamora has noted that in the case of international agreements where states apparently have sacrificed significant autonomy, one finds "the highest incidence of voting safeguards." (Zamora 1980, 589) That is to say, states do not stray very far from maintaining a veto over their international commitments. It is because of the continuing import of states' desire to maintain a high degree of autonomy that Robert Keohane has remarked

that “Global governance...will have to be limited and somewhat shallow if it is to be sustainable.” (Keohane 2000, 7)

### **International order norm**

The problem, of course, with states’ insistence on maintaining complete autonomy is that it prevents the development of international institutions and treaties that assist states with realizing mutual interests through adherence to international norms and rules. After all, “differences of interest and judgment make universal agreement a rare phenomenon”, and insistence on unanimity for international collaboration “is to admit that among nations no real organization is possible.” (Claude 1964: 113) States have clearly opted for accepting some incursions on their autonomy, although they have certainly not completely turned their back on their desire to maintain a high degree of independence. Bergsten, Berthoin, and Mushakoji have accurately written that “This tension between, the imperatives of international interdependence and the quest to retain adequate degrees of national autonomy, appears likely to remain the basic issue of international relationships for some time to come.” (Bergsten et al. 1976: 2)

Despite the endurance of this struggle by states to maintain a high level of autonomy, the multitude of international organizations and treaties indicates that states are committed to developing rules that facilitate their realization of mutual interests. This is a manifestation of a significant—but not a blanket—commitment to the norm of international order. Political leaders overridingly realize that “A lesson from the past is that international institutions can make the world safe for interdependence and indeed are necessary to avoid efforts by individual nations to export their international problems to each other.”(Bergsten et al. 1976: v) Such problems encompass issues such as transnational environmental damages and a decline in international comparative advantage of national industries.

Important manifestations of states’ attempts to reconcile the norms of autonomy and international order are the rules governing most treaties. First, treaties are formulated by conferences that require the support of two-thirds of the states in attendance and, second, no states are legally bound by treaties if they do not ratify or accept it. What these rules do is to encourage states to formulate treaties that are acceptable to a large number of states since to do otherwise is to assign treaties to irrelevance and to undermine the realization of some absolute gains through regulated interdependence. Still, the right of states to remain apart from any treaty provides important protection for states sovereign rights to avoid international obligations.

### **Power Norm**

Apart from the tension between states’ attachment to autonomy and their desire to realize gains from international accords, there is another major tension in the design of international institutions—between the desire of the most powerful states to realize a significant control over the rules of international collaboration and the desire of the less powerful states to push for the democratic values of equal voting power and majoritarian voting. There have clearly been tradeoffs between the two groupings of states, and the large grouping of weaker states (especially from the developing world) have made modest gains over time.

Until World War I international institutions and conferences were dominated by the rule “one nation, one vote.” In the interwar era there was a gradual movement toward giving the most powerful states privileged positions—especially permanent memberships on the executive bodies of international organizations (e.g., the League Council and the ILO Governing Body). With the

explosion in the number of international institutions in the post-1945 era, various types of international voting arrangements emerged. The major three ways for bestowing privileged status on the most powerful states are selective representation on executive organs, special majorities, and weighted voting. (Zamora 1980: 590-95) These are often combined. For example, the IMF gives membership on the Executive Board to the countries with the largest economies; it gives different numbers of votes to states on the basis of their financial contributions, and it requires different majorities for different types of votes—giving de facto veto power to the wealthiest countries.

While most such voting arrangements have been strongly supported by the developed countries in global bodies, the most powerful developing countries have pressed hard and successfully for privileged voting power in regional organizations. The wealthiest members of the Asian, African, and Inter-American Development Banks have all secured shares of total votes on the basis of their financial contributions. The same is true for the developing country members of the International Fund for Agricultural Development. In the case of international commodity organizations exporters, and importers are given votes on the basis of their shares of exports and imports, and the major developing exporters and importers have certainly been major advocates of these arrangements. (Zamora 1980: 575-95; Finlayson and Zacher 1988: 1988)

While greater voting power for the most powerful states is generally seen (with some justification) as a product of these states' refusal to join an organization unless they receive greater voting power than other states, it is not the only reason. Others are that support of the major powers enhances the likelihood that organizational decisions will be implemented and that the organization will not be discredited by a lack of success. (Claude 1964, 139) A propos of this latter point, equal voting power "makes for unrealism by masking the tremendous differences in the capacities, resources, interests, and involvements of states, and bestows upon lesser states a disproportionate influence in international agencies which discourages powers whose role is thus artificially minimized from taking the agencies seriously or entrusting important functions to them." (Claude 1964, 113)

There is another issue that should be taken into account in discussing the power norm, namely, it is often viewed as dangerous not to recognize changes in power relations through membership and voting requirements in international organizations. To quote Bergsten, Berthoin, and Mushakoji, "History has shown that the greatest dangers to international stability often arise from those nations whose real power is inadequately reflected in the relevant sets of international arrangements and symbols of status therein." (Bergsten 1976, vi) This problem is, of course, highlighted now by the standstill in negotiations to alter the membership and veto powers of UN Security Council members.

## **International Democracy Norm**

The growth of international institutions and law since the middle of the nineteenth century has occurred simultaneously with the growing acceptance of democratic ideology and institutions, and it would have been very strange if this transformation in political values had not had major impacts on international institutions. Democratic values, of course, have had a major influence on the growing acceptance of majoritarian voting in international organizations and treaty conferences (which generally required two-thirds majorities). They have also led to the inclusion of significant numbers of small and weak states on the executive bodies of international organizations (e.g., WHO, WMO, UNESCO, IMF). In fact, coalitions of both the most powerful and the least powerful have veto power in many bodies.

Of course, what happens at the informal level is that some of the most important decision-making occurs among the most powerful states in particular issue areas and organizations. Twenty-five years ago Bergsten, Berthoin, and Mushakoji proposed a model for negotiations based on three concentric circles. At the center are those major powers who are central to developments in an issue area and have the greatest influence over developments; then there are a good number of states who have moderately important roles; and finally there is a large number of countries who have somewhat minor roles in the issue area. The second group is almost always likely to include some important non-Western states, and of the large number of developing countries within the third concentric ring they have some influence because of their roles in legitimizing international accords. (Bergsten et al. 1976: 27) To quote the three authors: "Such a system can be both effective and legitimate, if implemented through continuous consultations among different countries in the different circles and if individual countries are willing to be represented by others at some levels of discussion." (Bergsten et al., 1976: vi) In fact, negotiations in international bodies with large memberships tend to reflect this model.

It is certainly the case that democratic majoritarianism does not prevail in those areas where voting decisions are legally binding or large sums of money are given as grants and loans. (Claude 1964, 115; Cox and Jacobson 1973, chs. 1 and 11) However, this does not mean that the large majority of poor or weak states are excluded from positions of influence. They often have a veto power if they cooperate and act as a group. In addition, the industrialized nations are often reluctant to impose decisions on the developing states regardless of their respective formal voting powers. They may be willing to veto or block decisions, but they are more reluctant to force resolutions or programs on weaker nations. (Woods refers to resolving the tradeoff between power and international democracy as achieving a "balance between requirements of effectiveness and universality". 2000b: 828)

### **The Accountability, Transparency, and Efficiency Norms**

These three norms do not conflict with other norms as clearly as do the autonomy, international order, power, and international democracy norms. The accountability norm does conflict with the power norm, but the conflict is not as clear as the tension between the international democracy norm and the power norm. The accountability norm relates basically to the responsiveness of an international organization to member states as well as civil society groups. Generally the concern of commentators has been with the responsiveness of the organization to its weaker members as well as civil society, but accountability to richer donor states is also an issue. In fact, the industrialized states are definitely concerned about international organizations' communicating with them about the effectiveness of their financial contributions.

In a sense the transparency norm can be regarded as a component of the accountability norm since it is impossible for states and nongovernmental groups to evaluate organizational programs without adequate information. It is unquestionably the case that the literature on the reform of international institutions refers more to accountability and transparency than anything else. (Woods 2000b, 823) In part, this is the case because it appears that they are values that can be promoted to the benefit of all.

One also often sees references to the desirability of promoting efficiency although its precise meaning is often not provided. At its heart the efficiency norm refers to the desirability of coming to good decisions quickly. In other words there is a concern for minimizing the expenditure of resources in producing the key outputs of organizations.

## **The IMF Decision-Making System: Past Developments and Future Prospects**

The IMF is an excellent institution to study conflicts between groups of states over the importance that they assign to different norms of international decision-making. In international monetary relations the industrialized states assign a very high priority to the international order norm (in particular the need for rules to govern problems of international indebtedness) and the desirability of giving greater voting power to the large donor states. On the other hand, the developing countries are not quite as supportive of the need for a strong regulatory order, and they clearly support democratic egalitarianism over the bestowal of dominant decision-making power on the wealthiest states. An additional interesting feature of the politics of IMF decision-making is that it is certainly possible to see that influence lies not just in voting rules -- but in a host of practices that affect the knowledge and persuasiveness of national delegates. In fact, it is possible that the most meaningful changes for a redistribution of influence lies in these non-voting practices.

The IMF's Articles of Agreement were originally adopted at the 1944 Bretton Woods conference, and they have been amended on two occasions--the First Amendment of 1969 and the Second Amendment of 1978. In these two accords the decision-making provisions of the IMF were only altered in modest ways. In recent decades there have also been some less formal ways that the distribution of influence within the IMF has been changed.

A central aspect of the decision-making structure concerns the distribution of votes on the basis of the size of states' capital subscriptions or quotas that are determined largely by the size of countries' economies. While all states receive 250 votes, they receive an additional vote for every 100,000 SDRs of subscriptions. Originally the 250 votes accounted for 11 percent of total votes; today they account for only 3 percent. Resolutions are passed in the Board of Governors (all member states) and the Executive Board (24 members) by different majorities: originally there were five (??) different majorities for varied issues; and today there are three (50, 70, and 85 percent). Under the Second Amendment there are 53 different issues where special majorities of 70 or 85 percent are required. (Buirra 1996: 44-45) According to Stephen Zamora, "the increase in the number of special majorities dictated by the...Second Amendment of the Fund appears...to be a response to developing country pressure for at least a veto power over decisions taken by the developed country majority." (Zamora 1980, 596) This is certainly the case. The Developed countries as a group have the voting power to block all decisions requiring simple majorities, and subgroups of the developed have the ability to block decisions requiring 70 and 85 percent majorities. (Gold 1984: 404-06)

The IMF Board of Governors meets once a year and approves very general policy directives. The 5 largest economies have 45.47 percent of the total votes (2,166,739) in the Board of Governors. The other members of the Western European and Others Group have 21.42 percent; the Eastern European and Soviet successor states have 7.73 percent; the Latin American and Caribbean states have 7.73 percent; the African states have 6.01 percent; and the Asian states have 11.07 percent. Most of the on-going work of the IMF is supervised by the Executive Board which now has 24 members. The 5 largest economies (United States, Japan, Germany, France and the United Kingdom) have the right to appoint members to the Board. Also, Saudi Arabia, China and Russia have this right as well as a result of Board decisions. The remaining 14 members are elected by the Board of Governors, and within the Executive Board they possess the total votes of the states that they represent. . The distribution of Executive Directors is: 12 from the Western European and Others Group (including the five largest economies); 3 Latin American, 3 African, and 7 Asian. (Gold 1984: 386-89) The Executive Directors from the Western European and



Others Group have 63.36 percent of the votes in the Executive Board; Russia – 2.76 percent; the Latin American and Caribbean – 8.76 percent; African – 7.34 percent; and Asian – 14.15 percent. (IMF website)

Despite the complexity of the IMF voting scheme the IMF members seldom take formal votes. Rather, they generally rely on consensus decision-making. A 1980 study noted that “a formal vote, either in the Board of Executive Directors or in the Board of Governors, is a relatively rare occurrence; most decisions are made by a form of consensus, or ‘sense of meeting.’” (Zamora 1980, 568) The same practice has been noted in a paper written recently. (Evans and Finnemore 2001, 3) Peter Evans and Martha Finnemore note an interesting implication of this attachment to consensus decision-making, namely, it “increases the importance of effective voice since significant opposition undermines consensus claims.” (Evans and Finnemore 2001: 3) By this they mean that the ability of states to articulate arguments well provides a real deterrent to decisions that challenge their interests since other members are reluctant to impose resolutions on them. In fact, the key message of their article is that the best chance for the developing countries to enhance their influence lies in strengthening of their “voice” (as opposed to votes) in IMF deliberations.

Ngairé Woods provides some other perspectives on the prevalence of consensus decision-making. First, she notes that it undermines transparency and accountability in that states and NGOs that do not participate in the deliberations find it very difficult to determine what has transpired. (Woods 2000b, 836) Second, she comments that “Consensus decision-making does not suppress the underlying structure of voting power....Even where formal voting is not used to make decisions, formal powers have an underlying force of which all participants in meetings are aware...” (Woods 2000b, 829) During deliberations the Secretary of the Executive Board or its committees keeps a tally of votes for and against a proposal for the Chair. (Woods 2000b, 829) There is undoubtedly a significant measure of truth to this evaluation, but at the same time there is probably something to Evans and Finnemore’s point about how consensus decision-making gives significant weight to poor states with well articulated arguments.

Turning to the earlier discussion of norms that underline international decision-making structures, it is clear that states’ attachment to the international order norm has been given precedence over the autonomy norm. Equally states’ backing for the power norm has had a much greater impact than the international democracy norm. At the heart of the regime is a commitment by the advanced capitalist states to prevent serious indebtedness by states from undermining the international financial and commercial systems. Of course, over the past three decades these developed countries have not been subject to IMF conditionality packages whereas a great majority of the developing countries have. The constraints of the IMF regulatory regime on the industrialized states (and their banks) have been in the realm of committing financial resources—not having to restructure their economies. At the same time it is important to recognize that the financial elites in many developing countries are cognizant of the value of IMF loans and restructuring programs for their own economies and the global economy.

The progress in implementing the democracy norm in the IMF decision-making system has been modest, but it has occurred. There has been little change in developing countries’ share of votes. However, they have obtained greater representation in the Executive Board—from 5? out of 12 in 1945 to 11 (excluding Russia) out of 24 in 2001. [In 1945 two of the five states with the right to appoint members were India and China; an additional two were American Republics; and 1(?) out of the 5 elected members was a developing country. It has always been true that “voting power is structured so that the Fund is incapable of taking any action that the

industrialized countries feel contradicts their national interest...” (Evans and Finnemore 2001, 13). However, almost a half of the Executive Directors are from developing countries, and they possess the voting power to veto most major decisions if they collaborate. Also, reliance on consensus decision-making enhances their leverage since other states will seek to accommodate poorer states if they have good arguments. In fact, Evans and Finnemore claim that “the consensus process of decision-making on the Executive Board is one of the important democratizing features of Fund governance...” (Evans and Finnemore 2001, 27) At the same time it would be foolish not to recognize that in an organization whose main function is the lending of money, a veto power for the donors is more important than a veto power for the recipients.

As Evans and Finnemore (2001) as well as Woods (2000a, 2000b) have argued, the key strategies for enhancing developing country influence lie in interjecting more people into the decision-making process who are sensitive to developing-country interests and in increasing the information at the disposal of all participants in the IMF decision-making process. Pertinent to this argument, Evans and Finnemore have written that “Having more votes is an empty victory without a well-developed set of policy proposals that can in turn be effectively harnessed to the machinery of policy implementation.” (2001: 2) Third World countries have already achieved some gains in these realms, but more progress can be achieved. Here are some strategies that can be further promoted.

- More IMF officials from developing countries (one-third presently)
- More IMF officials with field experience in developing countries
- Better information on developing countries, e.g., through resident representatives and reports (e.g., the Public Information Notices on states’ economies) (Woods 2000b: 826)
- More IMF officials with training outside of North American and British graduate programs—especially in developing countries
- More access for NGOs to IMF decision-makers
- More staff attached to Executive Directors from developing countries
- More developing country Executive Directors (without changing the number of votes of individual countries)

An interesting dimension of the democracy norm is what is often referred to as accountability. That is to say, international institutions should describe and explain their policies to those who financially support the organizational programs and those who are influenced by them. Of course, real accountability only occurs when organizations are responsive to the interests of the whole range of stakeholders who have financed programs and are influenced by them. This must include responsiveness to the concerns of the donor countries as well as the recipient governments and the local groups influenced by particular programs. With regard to the donor states the IMF has secured agreement by a large number of recipient states to publish information on their economies and their compliance with IMF conditionality programs. Donor states now have a much better understanding of the practices and success of recipient countries than was formerly the case—what Woods refers to as “fiscal transparency”. (Woods 2000b: 825-26) At the same time the IMF, and even more the World Bank, are much more active in consulting with local groups influenced by loans than was formerly the case. In part, their responsiveness has been pushed by nongovernmental organizations (NGOs)—often from the developed world. A serious problem that the IMF and all international institutions face is: how representative are NGOs of the actual concerns of local groups in developing states? A great deal of research has to be done on this matter since NGOs are growing fast and are increasingly strident in making their views known.

The World Bank has initiated a number of efforts to promote greater responsibility, and the IMF can seek to learn from them. On the other hand, it is easier to seek feedback from local groups in the case of specific development projects as opposed to debt rescheduling packages and structural adjustment loans. The key World Bank body was created in 1993, namely, the Inspection Panel which receives complaints from local groups and NGOs. Also, in 1999 the World Bank created the Office of Compliance Adviser/Ombudsman for the International Finance Corporation (IFC) and the Multilateral Invest Guarantee Agency—two components of the World Bank. It was created to respond to environmental and social concerns of local populations and NGOs. It engages in mediation between the IFC and MIGA and local parties, and it reports directly to the president of the Bank—giving him information that is needed in restructuring general World Bank policies. (Woods 2000a: 93-94)

An interesting issue is: how can the IMF adopt greater receptivity to the concerns of local populations in recipient countries? Its clientele for loans is the entire population of developing countries—not a limited number of local groups. It needs to interact with a broad range of civil society groups. This raises the very difficult problem of how seriously it should consider the views of different organizations when they represent very different groups and have very varied levels of expertise. In part, interactions by the IMF must be directed as much to education as to being educated. It has to explain to local and transnational NGOs why it has established different conditionality policies. It cannot leave this role to national governments and NGOs. It must however do this with a commitment to listen hard to the very real social messages that are emanating from social groups. The line between being accountable and promoting greater transparency is a very thin one.

## **Conclusion**

In reflecting on the reform of IMF decision-making it is important to keep several things in mind. First, it is very unlikely that the major donor states (namely, the Western industrialized countries) are going to sacrifice their veto power (15, 30 and 50 percent of total votes depending on the issue) over the amount of money that they contribute or the policies concerning loans and grants to recipient countries. They may be willing to make some modest changes in the distribution of votes and the majorities that are required for particular types of decisions; but they are not going to sacrifice their ability to block decisions that concern contributions to the IMF and the IMF's disbursements of these funds. The industrialized countries are not, in fact, particularly concerned about the developing countries' obtaining a veto power in financial bodies such as the IMF. After all, the developing countries possess a little less than 40 percent of total votes

Second, the major influence of international institutions lies in their impact on states' understanding of their interests and the problems that they are addressing. To quote Robert Cox and Harold Jacobson,

International organizations facilitate the orderly management of intergovernmental relations without significantly changing the structure of power that governs these relations, at least in the short term and somewhat beyond. Over their longer history, the greatest potential for change from international organizations may lie in the opportunity they give the less powerful to influence the climate of opinion and the accepted values according to which action is determined (Cox and Jacobson 1973: 428)

They go on to note that learning best takes place in "oligarchic organizations" where the powerful are involved. Such involvement can lead to "a diffusion of influence." (Cox and Jacobson 1973:

436) What these points imply is that observers concerned with the welfare of the developing countries should not focus on overturning the voting arrangements in the IMF. Rather, they should try to promote the ability of both developing and developed to understand the complexities of the situations that they face and the network of communications linking stakeholders. As noted above, some important steps have already been taken in this direction.

To further understanding of IMF decision-making it is valuable to classify international organizations according to their commitment to international governance (or the relative prominence of the autonomy and international order norms) and the diffusion of power in their voting arrangements (or the relative prominence of the international democracy and power norms). The four types of international organizations are portrayed in Figure 1.

Figure 1

**International Organizations Classified by Commitment to Governance and Diffusion of Influence**

<b><u>Diffusion of Influence</u></b>	<b><u>Commitment to International Governance</u></b>	
	Autonomy Norm	Order Norm
International Democracy Norm	Weak multilateral (ex: UN General Assembly, UNESCO, FAO)	Strong multilateral (ex: International Maritime Organization, International Telecommunication Union, WTO )
Power Norm	Weak oligopolistic (ex: Group of 8, UN Security Council)	Strong oligopolistic -- generally with participation of the less powerful (ex: IMF, World Bank)

The organizations that give considerable weight to state autonomy and international democracy are weak multilateral bodies such as the UN General Assembly. Their decisions are purely recommendatory. The most powerful states will quite simply not give legally binding legal power to an organization with one nation, one vote and a requirement of a two-thirds majority. In fact, many of the less powerful states would not support such bodies.

The international institutions that give dominant weight to the autonomy and power norms are best viewed as weak oligopolistic bodies such as the Group of 8 and the UN Security Council. They do facilitate ad hoc accords on a variety of problems, but they are not generally central actors in the issue areas where they operate.

Next, there are strong multilateral bodies that give prominence to the international democracy and international order norms. That is to say, the voting arrangements tend to be based on two-third majoritarian voting. Yet, they produce legally binding treaties that govern relations in their assigned issue area. The reason that this is possible is that the major powers are generally central to the negotiating process and all participating states recognize that if they want to formulate a treaty that will be effective, they have to elicit the political backing and ratifications

of the major powers as well as a two-thirds majority of the conference. Compromises have to be struck. It would, however, be foolish not to recognize that in an area such as international shipping the consent of the major ship-owning and trading states has to be secured. There is an oligopolistic element in such organizations.

There are finally the strong oligopolistic organizations that give precedence to the international order and power norms. That is to say, there is a clear commitment to effective collective action and a weighting of influence in favor of the most powerful states. Such oligopolies tend to exist where organizational decisions are generally involve financial outlays. Above all else, the most powerful states demand a veto over decisions; they are less concerned with approval power over the passage of resolutions. The IMF and the World Bank are quintessential examples of strong oligopolistic organizations. It is, however, very important to recognize what was noted above: such organizations can be very important learning institutions for both the most powerful countries and the majority; and it is probably to the features of the decision-making process where our attention should be focused.

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