

Mr Tom Scholar
UK Executive Director
IMF
700, 19th Street NW,
Washington,
D.C. 20431,
USA.



31 August 2006

Re: RESOLUTION ON “VOICE AND VOTE”

Dear Mr Scholar

As a former technical assistant in the UK Executive Director's office and economic adviser on the IMF to the Foreign and Commonwealth Office, I am frankly appalled by the resolution on “voice and vote” which I believe is to be discussed at the Board today. Once again, the weak voting position of the poorest countries is to be abused to defer dealing with their legitimate claims for greater influence over policies which affect them directly and profoundly, while the concerns of other, less affected but more influential, countries are resolved.

Given the major role that the IMF plays in economic decision-making in low-income countries, especially in Sub-Saharan Africa, the minimal voting power that they have in the institution turns it into little more than a mechanism for neocolonial rule of the poor by the rich. This position is now to be exploited to reduce their share of the votes still further, against their entrenched opposition. (You may have seen the letter from the African Executive Directors to the region's Governors.)

These changes are then to be passed to the Governors for approval without discussion; and the weighted voting system means that they will be passed even if *unanimously* opposed by the Governors representing *all* Sub-Saharan *and* low-income countries, who together have barely half the votes required for a blocking minority in the vote (8.3%) – even including India and South Africa – although they represent more than a third of the Fund's membership and 40% of the world's population.

The weighted voting system may have seemed appropriate when the Fund was founded, given its role as a credit union of a relatively small group of relatively equal countries, with strictly temporary and relatively limited policy influence – particularly in view of the political values of the colonial era when it was established. However, we are no longer in the colonial era; the Fund has become a near-universal institution of global governance, in which membership is almost inescapable; and it now plays a major role in economic policy-making in many of its member countries, extending over a period of decades, but has ceased to play any significant role in the policies of the most over-represented countries.

In these circumstances, the current system of voting is an anachronism. It gives a substantial majority of votes to countries which are virtually unaffected by the decisions they take, while giving the most affected countries insufficient votes to block even proposals requiring the largest special majority, even through unanimous opposition.

These circumstances can be, have been – and tomorrow once again will be – used to disenfranchise the poorest countries still further. A strong case can also be made that they underlie the failures of the IMF in almost every core area of its current responsibilities, including its failure to deal in an effective and timely way with the debt problems of low-income countries over the last twenty years; the widely recognised shortcomings in its response to financial crises in emerging markets; the shortcomings in the PRSP process; and, prospectively, its ability to avoid a potential dollar crisis. These failures have had, and, if they remain unresolved, will continue to have, very considerable human and economic costs.

If the Fund's Executive Board passes the resolution tomorrow, it will highlight more than ever the blatant lack of democracy in its system of governance. Coming hard on the heels of the equally anachronistic, undemocratic and abusive process by which Paul Wolfowitz was appointed as World Bank President (despite the findings of the IMF and World Bank working groups on selection of the President and the Managing Director), this will undermine the credibility of the Bretton Woods Institutions still further.

We would not for a moment contemplate governance processes such as these at the country level; and, as the scandalous political abuse inherent in the system becomes ever more widely recognised, the time is approaching when they will no longer be accepted in global institutions such as the Fund and Bank.

The presentation of the resolution to the Board tomorrow will already bring that time one small step closer. If it is passed, that step will be commensurately larger. Like the appointment of Paul Wolfowitz, it will not only highlight the shortcomings in the formal governance processes, but will also clearly demonstrate the willingness of those given power within the system to abuse it for their own ends – not least to perpetuate their own undemocratic power.

I would therefore urge you, in your intervention at tomorrow's meeting, to oppose the resolution, explicitly on the grounds that it will further dilute the voting power of those countries most affected by the Fund's policies who are already grossly under-represented, and that the limited increase in the basic vote which has been promised is too uncertain, too late and too small to compensate for such a reduction.

Yours sincerely,

David Woodward
Head, New Global Economy Programme

cc: Gordon Brown
Jon Cunliffe, Managing Director, Macroeconomic Policy and International Finance, HMT
Mark Bowman, Director International Finance, HMT
Jonathan Ockenden, Global Policy and Institutions, HMT
Tom Neylan, Global Policy and Institutions, HMT