

To: World Bank Board of Governors
From: IFI Democracy Coalition

Dear Sir/Madame:

Attached please find a Statement on *Democratizing the World Bank and the IMF* prepared by the IFI Democracy Coalition of US and international civil society organizations and endorsed by many other organizations around the world.

This Statement expresses our overarching concern about the absence of transparency and accountability in the process of selecting the next President of the World Bank. The democratic deficit at both the World Bank and the IMF is glaringly evident in this process and must be addressed – if the legitimacy of these institutions is to be restored.

This democratic deficit is apparent in several notable ways including the unequal distribution of votes on the Boards of the Bank and Fund. The current distribution is based on a formula corresponding to the size of national economies and share of global trade in 1944. To use this metric to determine the size of a country's vote itself challenges democratic principles. Moreover, actions taken by the Board of public institutions are bathed in secrecy. It is not possible to know which Executive Director has taken which decision for which reasons. Finally, the accountability of Executive Directors to elected officials and legislative bodies are often quite tenuous. The world deserves international financial institutions that reflect contemporary realities and standards of good global governance – not the world of six decades past.

We ask you, the Governors of the World Bank, to consider the importance of the process in approving the nomination for the next World Bank President. Consider the more innovative approach adopted to appoint the new chief of the United Nations Development Program (UNDP). Would such an approach not work for the World Bank?

We believe that steps taken to make the process more open, participatory, and accountable are essential. This will ultimately require bold, principled actions from the Board of Governors. We ask for your attention to this matter and for your strong support in addressing the persistent democratic deficit in the World Bank and other international financial institutions.

On behalf of the IFI Democracy Coalition,

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Democratizing the World Bank and IMF ***Statement of the IFI Democracy Coalition***

As James Wolfensohn's term as World Bank president nears its end, we alert the public that world leaders are preparing to appoint the head of a major international financial institution behind closed doors for the second time within a year. Just as we condemned the overtly undemocratic selection of the IMF Managing Director, we now warn that the same is likely to happen again at the World Bank. Recognizing that these institutions remain rooted in an outmoded model of governance, we call on the member governments and the institutions themselves to take responsibility for creating and following a process that is consistent with contemporary standards of democracy.

After World War II, it was widely considered acceptable for technocrats to make foreign aid and development policies in secrecy. But today citizens and civil society recognize an urgent need for greater democratic involvement in and improved governance of global institutions. This demands processes that provide for more transparency, direct civic input, and public accountability. We interpret the fact that over 50 countries have adopted freedom of information laws, with half of them doing so over the last decade, as a sure sign that citizens and civil society organizations are able interlocutors with full intent of meeting the responsibility of active democratic participation.

But it is widely recognized that democratic institutions at the national level alone will not solve the modern "democratic deficit". Today, international financial institutions (IFIs) wield tremendous power over the economies of developing countries in matters ranging from trade policy to the level and composition of public expenditures to the role of the private sector. Yet, the IFIs are stuck in a 19th century model, with a few very powerful people operating as the ultimate authorities by "unwritten agreement." In the 21st century, people demand transparency and accountability. Only by reshaping our global institutions can we accomplish these objectives.

We support the spirit of some recent governance reform proposals at the IFIs, although we recognize that they do not advocate the kinds of systemic changes that we find necessary. In 2000 broad-based public criticism of the undemocratic selection of Horst Köhler as the IMF Managing Director compelled the World Bank and IMF to establish a joint panel of board members to recommend guidelines for the next succession. However, even this limited reform proposal, presented to the IFIs' boards in 2001, was ignored in the 2004 selection process of Rodrigo Rato as the new IMF Managing Director. The closed-door process prompted unprecedented criticism from within the institutions as eleven IMF board members (representing well over 100 countries) issued a public statement calling for a more open process without geographical restrictions. Similarly, recent proposals to improve the "voice and vote" of developing countries on the executive boards of the World Bank and IMF have also not been adopted. While these proposed initiatives would still fall far short of the structural changes required, we support their spirit of reform to bring outdated governance structures of IFIs up to modern democratic standards.

We strongly affirm the need for the public in both borrowing countries, whose citizens are affected by their operations, and rich countries, whose governments exercise disproportionate influence at IFIs, to have a far greater degree of input into the decision making processes than currently exists. As a starting point, we call on the establishment of a transparent and accountable process for the selection of the next World Bank President. . The process should

provide for the selection on the basis of explicit criteria, including the commitment to a genuine democratization of the institution, and be open to candidates from all countries. Furthermore, we call on the IFIs themselves to support such a process. This time around, IFIs will have to demonstrate that they are the appropriate channels for development resources, and one part of proving that is accepting responsibility for their own governance.

This statement was prepared by a group of civil society organizations who are committed to improving governance of the World Bank itself, and who reject perpetuating the “tradition” whereby the US government names the President of the World Bank.

Endorsed by the following organizations and individuals:

- Action for Economic Reforms, Philippines, Filomeno S. Sta. Ana III, Coordinator
- Action Aid International USA
- African Leadership and Progress Network, Michael Isimbabi
- ALOP (Latin American Association of Development Organizations), Jorge Balbis, Executive Director
- Association for Accountancy & Business Affairs, Professor Prem Sikka
- Bank Information Center, Washington, DC, Manish Bapna, Executive Director
- Berne Declaration, Switzerland, Christine Eberlein
- Bread for all – Switzerland
- Bretton Woods Project, UK, Jeff Powell
- Broederlijk Delen, Brussels, Belgium-Europe, Ann De Jonghe, Policy Advisor
- Campagna per la riforma della Banca mondiale, Italy, Antonio Tricarico
- Center of Concern, Washington, DC, James E. Hug, SJ, President
- Centro de Estudios en Cooperación Internacionanl y Gestión Pública, A.C.CECIG, MEXICO, Susana Cruickshank, Executive President
- Christian Aid, UK, Olivia McDonald, Senior Policy Officer: Governance and Poverty
- Citizens for a Better Environment(CBE), KITWE, ZAMBIA, Mr. Peter Sinkamba, Executive Director
- Citizens for Global Solutions, USA, Heather Hamilton
- Citizens Network for Essential Services (CNES), Nancy Alexander
- CIVICUS: World Alliance for Citizen Participation, Ian Plaskett, Research and Policy Analyst,
- Congregation of Sisters of the Good Shepherd, New York, NY, USA, Clare Nolan, NGO representative
- Council of Ethics Based NGO Organizations Associated with The Department of Public Information of the United Nations, CEBO, Mary Beaty, Moderator
- Evangelischer Entwicklungsdienst e.V. (EED, Bonn, Germany, Wilfried Steen, Policy Director
- Financial Policy Forum, Washington, DC, Randall Dodd
- Foreign Policy In Focus
- Foundation For Grassroots Initiatives in Africa, (GrassRootsAfrica), Accra, Ghana, Rudolf Amenga-Etego
- Friends of the Earth, England, Wales & N. Ireland, Hannah Ellis
- Friends of the Earth, Ghana, Accra, Noble Wadzah, IFI Programme Coordinator
- Friends of the Earth, USA

- Global Policy Forum, USA, James Paul, Executive Director
- Global Village, Koueda Kohng Jean, Cameroon.
- Halifax Initiative/L'Initiative d'Halifax, Canada, Michael Bassett, Coordinator/Coordonnateur
- Institute for Agriculture and Trade Policy
- Institute of Human Rights and Humanitarian Law (IHRHL), Niger Delta Region, Nigeria, Anyakwee Nsirimovu, Executive Director
- Instituto del Tercer Mundo, Uruguay
- International Confederation of Free Trade Unions (ICFTU)
- International Rivers Network, USA, Peter Bosshard
- Liberty Now, Nigeria, Innih Archibong
- Maryknoll Office for Global Concerns, USA, Marie Dennis
- Missionary Oblates, Justice/Peace & Integrity of Creation, Séamus P. Finn OMI
- National Coalition Against the Privatization of Water, Accra, Ghana
- National Wildlife Federation (USA), Barbara Bramble
- Network Movement for Justice and Development (NMJD), Sierra Leone, Abu A. Brima
- New Rules for Global Finance Coalition
- One World Trust, Houses of Parliament, London, UK, Simon Burall, Executive Director
- Oxfam International
- Sustainable Agriculture of Louisville (SAL), Andrew Kang Bartlett
- Swiss Coalition of Development Organizations, Bern, Switzerland
- Tax Justice Network, John Christensen, International Coordinator
- TERRA Mileniul III, Buresti, Romania, Ionut Apostol, Executive Director
- UNANIMA International, Catherine Ferguson, Coordinator
- World Confederation of Labor, Paul N. Tennessee
- World Federalist Movement - Institute for Global Policy, International Secretariat
- World Federation of United Nations Associations (WFUNA), New York, Gaia Larsen

Individuals:

- James Riker, Democracy Collaborative, University of Maryland
- Sister Mary Ann McGivern, Sisters of Loretto, St. Louis, MO
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