



Parliamentary Briefing: February 2005 International Parliamentarians' Petition for Democratic Oversight of the IMF and World Bank

Extensive analysis has underlined the democratic deficit in the dealings between countries and the IMF and World Bank (the Bretton Woods Institutions – BWIs). As the institutions themselves acknowledge, there is a lack of effective involvement of parliaments, with formal mechanisms for engagement often completely absent, or too weak to be meaningful. Yet proper parliamentary oversight is a key plank of good governance, and there cannot be true country ownership of the conditions attached to loans and debt relief without it.

In light of this a global petition has been launched, with backing from a broad range of parliamentary and civil society groups, which has already been signed by hundreds of parliamentarians from both developed and developing countries. This initiative is a practical way for legislators to assert support for the principle of parliamentary sovereignty, and the role parliaments should play in national policy making on BWI related processes. This would deepen country level accountability and ownership of policies, improve democratic control over BWI operations, and nurture democratic processes in developing countries.

Introduction

The 60th anniversary year of the creation of the IMF and World Bank is an appropriate time to improve the democratic accountability of these organisations to national parliaments. The formal launch of the International Parliamentarians' Petition was at the Autumn Meetings of the IMF and World Bank in October 2004, when the target of getting an average of 60 MPs from 60 countries - 3600 parliamentarians in total - was announced. A group of parliamentarians will present the final petition to the World Bank and IMF at the Spring Meetings in April 2005. The initiative has won widespread support including from the Parliamentary Network on the World Bank (PNoWB), and the Committee of the Parliaments of the Americas (COPA). Hundreds of MPs from over 30 countries have already signed, including over 260 UK parliamentarians. There is also strong civil society support worldwide including from the World Development Movement, REDE Brasil, Christian Aid, Third World Network, Action Aid, Afrodad, the Jubilee Debt Campaign, the Bretton Woods Project, Agir-Ici, BIC, CRBM, and Focus on the Global South.

Undermining developing country parliaments

Poverty Reduction Strategy Papers (PRSPs) were introduced with an explicit statement that development strategies in low-income countries should be “country owned”. Experience shows that imposing policies undermines democratic processes, leads to civil unrest and has left a legacy of economic failure.

Governments are supposed to lead the PRSP process, with the active participation of parliament and civil society. However, parliaments are regularly sidelined and key decisions regarding economic policies are often deliberately excluded from this process. Frequently, parliaments and the public are not even aware of conditions that will have massive implications for their society. Worse still, the World Bank and IMF continue to over ride the express wishes of sovereign parliaments, undermining already fragile democratic processes and public faith in them. For example in 2003, IMF pressure led the Ghanaian government to suspend tariff increases on rice and poultry that had been agreed by the parliament and were fully consistent with the World Trade Organisation.

The failure to adequately involve parliamentarians in the PRSP process has been acknowledged in recent reviews by both the IMF and World Bank, whose Operations Evaluation Department stated that “*The Bank management’s process for presenting a PRSP to the Board undermines country ownership. Stakeholders perceive this practice as “Washington signing off” on a supposedly country-owned strategy*”, and “*The involvement of parliaments has been a particularly weak aspect of the process...*”

It is inconsistent for the IMF and World Bank to claim to support democracy and good governance in developing countries whilst undermining democratically elected parliaments in this way. Whilst the engagement of civil society is also vital, parliamentarians who are elected to represent the public have to be fully involved in the development, scrutiny and monitoring of all relevant World Bank and IMF conditions if country ownership is to be a reality. Parliamentary debate also improves public access to the decision-making process helping ensure better civil society involvement, and improving the chance that policies will be continued even if there is a change of government.

The role of parliaments

Rich country shareholders have far better representation on the boards of the World Bank and the IMF than poor countries. For example the UK, France, Germany, Japan and US have a seat each, but two board members represent 46 African countries. Similarly rich countries hold a majority of the votes, and the head of the IMF is always European, and the head of the World Bank is always American. It also remains a struggle for parliamentarians and the public to hold governments to account for the positions they take at the World Bank and IMF, because votes and statements by the Boards are kept secret.

In this context, parliamentarians in rich countries have a vital role to play, in influencing the votes and decisions of their governments in the World Bank and IMF, monitoring the policies their government support, and calling for governance reforms in these institutions.

International Parliamentary Petition for Democratic Oversight of IMF and World Bank Policies

We the undersigned Parliamentarians;

Noting this is the 60th anniversary year of the creation of the International Monetary Fund (IMF) and World Bank – the Bretton Woods Institutions (BWIs).

Recognising that the IMF and World Bank have voiced a commitment to ensuring individual countries determine their own economic policies.

Noting that key economic policies continue to be imposed by both the World Bank and IMF as conditions for receiving debt relief and new loans, with the Boards of the BWIs retaining the power of veto over all measures including those in Poverty Reduction Strategy Papers.

We therefore call on the BWIs and their principal shareholders to ensure that the democratically elected representatives of recipient nations are the final arbiters of all economic policies in their countries.

It is vital that national parliaments in recipient nations have the right and obligation to be fully involved in the development and scrutiny of all measures associated with BWI activities within their borders, and hold the final power of ratification.

Actions

Parliamentarians in both developing and developed countries can support their colleagues by:

- Signing the Petition (separate copy attached), and faxing it to (+44) 20 7274 8232, email martin@wdm.org.uk
- Passing copies of the Petition to other parliamentarians world-wide
- Urging their Governments to:
 - Ensure developing country parliaments have the right and obligation to be fully involved in developing, scrutinising and agreeing all policies relating to IMF and World Bank activities within their borders
 - Ensure proper parliamentary oversight is possible by making IMF and World Bank policy development transparent and accountable
 - Press for fair representation of developing countries at the IMF and World Bank by reforming their Boards and voting shares, and having a fair and transparent appointment process for the heads of these institutions.

For more information contact:

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