ON E ON TRADE DEVELOPMENT

TY-F

New York and Geneva, November 2005

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UNITED NATIONS PUBLICATION

UNCTAD/GDS/MDPB/G24/2005/5

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The *G-24 Discussion Paper Series* is a collection of research papers prepared under the UNCTAD Project of Technical Support to the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development (G-24). The G-24 was established in 1971 with a view to increasing the analytical capacity and the negotiating strength of the developing countries in discussions and negotiations in the international financial institutions. The G-24 is the only formal developing-country grouping within the IMF and the World Bank. Its meetings are open to all developing countries.

The G-24 Project, which is administered by UNCTAD's Division on Globalization and Development Strategies, aims at enhancing the understanding of policy makers in developing countries of the complex issues in the international monetary and financial system, and at raising awareness outside developing countries of the need to introduce a development dimension into the discussion of international financial and institutional reform.

The research papers are discussed among experts and policy makers at the meetings of the G-24 Technical Group, and provide inputs to the meetings of the G-24 Ministers and Deputies in their preparations for negotiations and discussions in the framework of the IMF's International Monetary and Financial Committee (formerly Interim Committee) and the Joint IMF/IBRD Development Committee, as well as in other forums.

The Project of Technical Support to the G-24 receives generous financial support from the International Development Research Centre of Canada and contributions from the countries participating in the meetings of the G-24.

A genuine reform of the IMF would require as much a redirection of its activities as improvements in its policies and operational modalities. There is no sound rationale for the Fund to be involved in development and trade policy, or in bailout operations in emerging market crises. It should focus on short-term counter-cyclical current account financing and policy surveillance. To be effective in crisis prevention it should help emerging markets to manage unsustainable capital inflows by promoting appropriate measures, including direct and indirect controls. It should also pay greater attention to destabilizing impulses originating from macroeconomic and financial policies in major industrial countries. Any reform designed to bring greater legitimacy would need to address shortcomings in its governance structure, but the Fund is unlikely to become a genuinely multilateral institution with equal rights and obligations for all its members, de facto *as well as* de jure*, unless it ceases to depend on a few countries for resources and there is a clear separation between multilateral and bilateral arrangements in debt and finance.*

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The best reformers the world has ever seen
are those who commence on themselves.

There have been widespread misgivings about international economic cooperation in recent years even as the need for global collective action has grown because of recurrent financial crises in emerging markets, the increased gap between the rich and the poor, and the persistence of extreme poverty in many countries in the developing world. Perhaps more than any other international organization the IMF has been the focus of these misgivings. Several observers including former Treasury Secretaries of the United States, a Nobel Prize economist and many NGOs have called for its abolition on grounds that it is no longer needed, or that its interventions in emerging market crises are not only wasteful but also harmful for international economic stability, or that its programmes in the third world serve to aggravate rather than alleviate poverty.[1] Others want the IMF to be merged into the World Bank because they see them as doing pretty much the same thing with the same clientele.[2] Many who still wish to keep the Fund as an independent institution with a distinct mission call for reform of both what it has been doing and how it has been doing it.[3] All these groups include individuals across a wide spectrum of political opinion, ranging from conservative free marketers to anti-globalizers.

The principal rationale for global collective action in financial matters and for institutions needed to facilitate such action is market failure. More specifically, international financial markets fail to

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* Former Director, Division on Globalization and Development Strategies, UNCTAD. This work was carried out under the UNCTAD Project of Technical Assistance to the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development with the aid of a grant from the International Development Research Centre of Canada. An earlier version was presented at a technical group meeting of G-24 in IMF on 16 September 2005. Comments and suggestions by Ariel Buira, Andrew Cornford, Richard Kozul-Wright and the participants of the G-24 Technical Group Meeting are greatly appreciated. The usual caveat applies.

provide adequate liquidity and development financing for a large number of countries, and they are the main source of global economic instability. These have repercussions not only for the countries directly concerned but also for the international community as a whole because of the existence of international externalities. Furthermore, due to cross-border interdependence, pursuit of national interests by individual countries in macroeconomic and financial policies can result in negative global externalities, and preventing conflicts and collective damage calls for a certain degree of multilateral discipline over national policy making as well as economic cooperation.[4]

Such concerns in fact provided the original rationale for the creation of the IMF and the World Bank with a clear division of labour between the two. However, these institutions have gone through considerable transformation in response to changes that have taken place in the world economic and political landscape in the past sixty years. In particular, the Fund is no longer performing the functions it was originally designed for; namely, securing multilateral discipline in exchange rate policies and providing liquidity for current account financing. Rather, it has been focusing on development finance and policy and poverty alleviation in poor countries, and the management and resolution of capital account crises in emerging markets.

This paper argues that there is no sound rationale for the Fund to be involved in development matters, including long-term lending. This is also true for several areas of policy closely connected to development, most notably trade policy which is a matter for multilateral negotiations elsewhere in the global system. On the other hand, while the management and resolution of financial crises in emerging markets constitute a key area of interest to the Fund in the context of its broader objective of securing international monetary and financial stability, there is little rationale for financial bailout operations that have so far been the main instrument of the Fund's interventions in such crises. The original considerations that precluded IMF lending to finance capital outflows continue to be equally valid today since such operations do not correct but aggravate market failures. There are other institutions and mechanisms that can serve better the objectives that may be sought

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protect economic activity and employment, thereby generating negative externalities and frictions in international economic relations.

Arrangements for multilateral discipline over exchange rate policies, provision of adequate international liquidity, and restrictions over destabilizing capital flows were thus seen as essential for international monetary stability and prevention of tensions and disruptions in international trade and payments. The IMF was designed to ensure an orderly system of international payments at stable but multilater-

Keynes during the Bretton Woods negotiations (Dell, 1986: 1207).

The breakdown of the Bretton Woods exchange rate system together with the graduation of the European countries from the Fund pushed it closer to development issues. In this respect the creation of the Extended Fund Facility (EFF) in 1974 marks a turning point. It was established as a non-concessional lending facility to address persistent and structural balance of payments problems.[12] This was followed by the Structural Adjustment Facility and the Enhanced Structural Adjustment Facility, which provided concessional lending to low-income countries for structural change. As a result of increased emphasis on poverty reduction, the latter was replaced in 1999 by a Poverty Reduction and Growth Facility (PRGF), a concessional window for low-income countries.

In perhaps an even more important shift, the Fund has become a crisis lender and manager for emerging markets. This role effectively started with the outbreak of the debt crisis in the 1980s, when many developing countries borrowed heavily from multilateral sources to finance debt servicing to private creditors (Sachs, 1998: 53). And with the recurrent financial crises in emerging markets in the 1990s, crisis lending has become the dominant financial activity of the Fund. The Supplemental Reserve Facility (SRF) was created in response to the deepening of the East Asian crisis in December 1997 in order to provide financing above normal access limits to countries experiencing exceptional payments difficulties, notably in servicing their external debt to private creditors and maintaining capital account convertibility, under a highly conditional standby or Extended Arrangement.

Thus sixty years after its inception, the IMF is now quite a different institution from the one created by the architects of the postwar international economic system. It "has adjusted to the changing economic conditions by sponsoring amendments to its Charter, by liberal interpretations of the Charter's provisions, and in some cases by ignoring limitations imposed by the Charter."[13]

a factor of four (IMF, 2005a). w started out as an institution designed to promote global growth and stability through multilateral discipline over exchange rate policies, control over capital flows and provision of liquidity for current account financing. w has ended up focusing on the management and resolution of capital-account crises in emerging markets associated with excessive instability of capital flows and exchange rates, allocating a large proportion of its lending for financing capital outflows: during the financial year ended 30 April 2004, over 85 per cent of total purchases and loans were accounted for by crisis lending to Argentina, Brazil and Turkey (IMF, 2004a, table II.6). More importantly, originally all members of the Fund had equal

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involved in development issues, providing long-term financing on concessional terms as well as assistance on HIPC: currently the number of low-income countries which are covered under financial arrangements for PRGF and HIPC assistance exceeds the number of countries with standby arrangements by

cluding by George Shultz (1998), former Secretary of the Treasury and Secretary of State of the United States, arguing that their activities are becoming increasingly duplicative even though basically uncoordinated.[16] More recently a former German Executive Director for the World Bank Group and Executive Secretary of the Development Committee (Fischer, 2004) argued that while complete fusion of the BWIs under a new charter would be the optimal solution, politically and practically a more feasible step would be to combine the administration and the boards of the two institutions, and to reshape the single board in such a way as to give greater voice to developing countries. This would reduce extensive duplication at the administrative level, bring greater consistency in policy advice and alleviate the pressure on poor countries with limited administrative capacities in coordinating measures promoted by the Fund and the Bank in overlapping areas of policy. According to one estimate a combined administration with a single board would reduce the personnel and other costs in the administrative budget by at least 25 per cent (Burnham, 1999) – costs which are now effectively paid by debtor developing countries through charges and commission.

While it is often argued that the Fund and the Bank should be merged because they are effectively doing the same thing, what is argued here is that they should remain separate institutions doing different things. In fact there are many areas in which their activities do not and should not overlap. Crisis management and resolution, surveillance over macroeconomic and exchange rate policies, and provision of international liquidity are areas where the Fund should have a distinct role and competence. By contrast, the Fund should transfer development-related activities and facilities to the Bank. This would not lead to a significant retrenchment of Fund lending; at the end of 2004 outstanding PRGF credits were less than SDR 7,000 billion or 10 per cent of total outstanding credits (IMF, 2004a, table II.8). Nor would it entail a major expansion in outstanding IDA credits which currently are around $90 billion. The legal difficulties that might be involved in transferring the resources currently located in the Fund could be overcome once the principle is accepted (Ahluwalia, 1999: 22).

In a recent statement the Managing Director has argued in favour of deepening the Fund's work on low-income countries and expressed his disagreement with the view that the "Fund ought to get out of the business of supporting low-income countries" on grounds that they "need macroeconomic policy advice from the Fund and they often need financial support from us" (De Rato, 2005: 4). However, the issue is not about whether or not the Fund should be involved in policy design in and provision of finance to low-income countries, but the context in which such activities should be undertaken. As discussed in subsequent sections, a major task of the Fund should be to provide counter-cyclical current account financing to low-income countries facing excessive instability in export earnings. Again, macroeconomic conditions that may need to be attached to short-term lending and Article IV consultations would give the Fund ample opportunity to provide macroeconomic policy advice to low-income countries. None of these would require the Fund to be involved in development matters.

The Fund, as a monetary institution, was not to be involved in trade issues even though its Articles, in effect, authorized, through the scarce currency clause, trade measures against surplus countries unwilling to undertake expansionary measures by allowing discriminatory exchange restrictions (Dam, 1982: 233). In the event, however, the Fund has gone in the opposite direction, putting pressure on deficit developing countries to undertake payments adjustment despite mounting protectionism in industrial countries against their exports, forcing them to resort to import compression and sacrifice growth (Akyüz and Dell, 1987: 54). More importantly, as the Fund became deeply involved in development issues, it increasingly saw trade liberalization as an important component of structural adjustment to trade imbalances. As noted in a report by a group of independent experts, IMF surveillance has expanded into trade liberalization, partly as a result of pressure from the United States as part of conditions for its agreement to quota increases (IMF/GIE, 1999: 61). Trade liberalization has also been promoted in certain emerging market economies in response to surges in capital inflows as a way of absorbing excess reserves and preventing currency appreciation (IMF/IEO, 2005: 8–9 and 59, table 3.2).

Although greater openness to foreign competition has also been one of the pillars of the adjustment

financial indicators and with international standards in areas such as transparency and banking supervision. However, this facility discontinued in November 2003 as countries avoided recourse to it owing to fears that it would give the wrong signal and impair their access to financial markets.[22]

There have also been suggestions to turn the Fund into an international lender of last resort with a view to helping prevent crises (Fischer, 1999). It is ar

or liquidity problems – a distinction which is not always clear-cut. The decision for a standstill should be taken unilaterally by the debtor country and sanctioned by an independent panel rather than by the IMF because the countries a

rule cannot address the problem of how to stop financial meltdown, since in a country whose debt is judged unsustainable, currency runs could take place whether or not bondholders opt for litigation.

More importantly, the SDRM proposal does not fundamentally address the problems associated with IMF bailouts. It is based on the premise that countries facing liquidity problems would continue to receive IMF support and the SDRM will apply only to those with unsustainable debt. As part of its promotion of the SDRM the IMF has argued that unsustainable debt situations are rare. That means in most cases business as usual. In any case, it can reasonably be expected that countries with unsustainable debt would generally be unwilling to declare themselves insolvent and activate the SDRM. Instead, they would be inclined to ask the Fund to provide financing. But in most cases it would be difficult for the Fund to decline such requests on grounds that the country is facing a solvency problem. Here lies the rationale for limits on IMF crisis lending whether the problem is one of liquidity or insolvency: with strict access limits creditors cannot count on an IMF bailout, and debtors will be less averse to activating the SDRM and standstills when faced with serious difficulties in meeting their external obligations and maintaining convertibility. This means that to encourage countries to move quickly to debt restructuring, the SDRM should be combined with limits on crisis lending. But this could

While it has to be recognized that money is fungible and in practice it is not always possible to identify the need catered for by a particular loan, it is important to ensure that IMF lending to counter volatility in private capital flows should aim at maintaining imports and the level of economic activity rather than debt repayment to private creditors and capital account convertibility. Such lending should be available to countries facing cutback in credit lines due to contagion as well as those facing currency and debt crises. To ensure that such lending does not amount to bailouts for private creditors, there should be strict limits to IMF crisis lending since otherwise it would be difficult to ensure private sector involvement.

This approach of constraining IMF lending to encourage private sector involvement in the resolution of international financial crises has been supported by some G-7 countries including Canada and England.[34] It has also been supported in a report to the Council on Foreign Relations which argued that the IMF should adhere consistently to normal access limits and that only "in the unusual case in which there appears to be a systemic crisis (that is a multicountry crisis where failure to intervene threatens the performance of the world economy and where there is widespread failure in the ability of private capital markets to distinguish creditworthy from less creditworthy borrowers), the IMF would return to its 'systemic' backup facilities" (CFRTF, 1999: 63). However, exceptions to normal access limits could leave considerable room for large-scale bailout operations and excessive IMF discretion in assessing the conditions under which exceptional access in capital account crises are to be granted.[35] It would also allow room for considerable political leverage in IMF lending decisions by its major shareholders, as was seen in the differential treatment of Argentina and Turkey after the attacks of September 2001. Requiring supermajority for access to exceptional finance, as recommended by CFRTF (1999: 63) and Goldstein (2005a: 299–300) would certainly be an important step, but it may not always prevent large scale bailouts driven by political motivations. In any case, the Fund should provide liquidity to countries facing cutback in private lending in order to support production, employment and trade, and should not be expected to help float imprudent international investors and lenders– a task that should fall on national authorities in creditor countries. On the other hand, the problem of inadequacy of normal lending limits for current account financing should be addressed by reforming quotas and access policy not by making exceptions to access limits.

Exceptional current account financing may be needed at times of a contraction in world trade and growth, and/or sharp declines in capital flows to developing countries, as was the case in the early 1980s and after the East Asian and Russian crises. The Fund's regular resources may not be adequate for dealing with such cases because they are not large or flexible enough. This can be handled by a global countercyclical facility based on reversible SDR allocations, which could be triggered by a decision of the Board on the basis of certain predetermined criteria regarding global trade and output and private capital flows to developing countries. Again countries could be permitted to have access to such a facility on a temporary basis within predetermined limits.

Fund lending in response to trade shocks is needed when financial markets are not willing to provide counter-cyclical finance. As noted the CFF was established in 1963 as an additional low-conditionality facility to help developing countries experiencing temporary shortfalls in export earningsitionality faci

ever, often argued that this does not imply that the size of the Fund would need to be raised considerably in order to keep up with growth in world trade because closely integrated and rapidly expanding financial markets now provide alternative sources of liquidity, and the move to floating together with the universal convertibility of several currencies have reduced the need for international reserves. While this may well be so for more advanced countries, many developing countries continue to depend on multilateral financing since market liquidity tends to disappear at the time when it is most needed. These countries are also more vulnerable to external shocks, be it in trade or finance.

An across the board increase in the size of the Fund may not address the problems faced by many developing countries because of the small size of their quotas. It is known that the current distribution of quotas does not reflect the relative size of the economies of the countries member to the IMF, and a redistribution of quotas based on actual shares of countries in aggregate world output would raise the proportion of IMF quotas allocated to developing countries, particularly if incomes are valued at purchasing power parities (PPP) rather than market exchange rates (Buira, 2003b). However, this would only address a small part of the problem: according to the IMF *World Economic Outlook*, the share of advanced countries in aggregate GDP at PPP is close to 58 per cent while their share in IMF quotas is just over 60 per cent. For developing countries these numbers stand at around 38 and 30 per cent respectively. Moreover, a redistribution of quotas would not produce a tangible increase in the share of low-income developing countries which do not have adequate access to international financial markets.

One way to tackle the problem would be to adopt differential treatment of poorer countries in the determination of their drawing rights. Under existing arrangements quotas determine simultaneously countries' contributions to the Fund, voting rights and drawing rights. But this is not the best possible arrangement and the use of a single quota to serve three purposes was rightly criticised as "both illogical and unnecessary" (Mikesell, 1994: 37). Putting a large wedge between countries' contributions and voting rights by subjecting them to totally different rules may be problematic, but there is no reason why drawing rights should not be based on different quotas from contributions.[36] After all non-reciprocity between rights and obligations for poorer countries has been an agreed principle in multilateral arrangements in other spheres of economic activity, notably trade, and such an approach would also be consistent with concessionality applied to lending to such countries by the Bretton Woods Institutions. This may be arranged by setting different access limits to different groups of countries accord-

ment finance and promotion of structural policies, including in areas affecting government revenues and spending, rather than by IMF lending or macroeconomic policy prescriptions for demand management.

An issue here is whether it would be possible to distinguish between temporary and permanent shocks or between structural and cyclical deficits (see e.g. IMF, 2004b: 10). There are no doubt difficulties in making judgment in these areas, which call for prudence. However, such judgments are also necessary under current arrangements in order to strike a balance between adjustment and financing, and between structural and macroeconomic conditionality. Moreover, the Fund is engaged in making judgments in areas that involve even higher degrees of uncertainty such as debt sustainability and prospects of the country regaining access to private

tional capital flows. The 1977 surveillance decision mentions, among the developments that might indicate the need for discussion with a member, the behaviour of the exchange rate that appears to be unrelated to underlying economic and financial conditions including factors affecting competitiveness and long-term capital movements while the 1995 amendment explicitly refers to "unsustainable flows of private capital" as an event triggering such discussion. In other words surveillance should include sustainability of a country's external balance sheet and hence effective management of external liabilities.[44]

cles in capital flows to developing countries and major international financial crises are typically connected to large shifts in macroeconomic and financial conditions in the major industrial countries. The sharp rise in the United States interest rates and the appreciation of the dollar was a main factor in the debt crisis of the 1980s. Likewise, the boom-bust cycle of capital flows in the 1990s which devastated many countries in Latin America and East Asia were strongly influenced by shifts in monetary conditions in the United States and the exchange rates among the major reserve currencies (UNCTAD, 1998, Part Two, chap. IV; and 2003, chap. II). Again much of the current surge in capital flows to emerging markets is driven by financial market conditions in industrial countries, including historically low interest rates and ample liquidity, rather than by fundamentals in recipient countries, and a reversal of these conditions could trigger serious instability in several emerging markets.

It has often been argued that the problems regarding the quality, effectiveness and evenhandedness of surveillance could be addressed by overhauling and downsizing the Board to make it more representative and effective, and giving greater independence to Executive Directors vis-à-vis their capitals and to the IMF secretariat vis-à-vis its governing bodies.[46] This view has been taken further by a senior British Treasury official who argued in favour of a formal separation of surveillance from decisions about programme lending and the use of IMF resources so as to establish the Fund as independent from political influence in its surveillance of economies as an independent central bank is in the operation of monetary policy (Balls, 2003). It is argued that the current structure of the IMF treats programme design as an extension of surveillance, but the lack of a clear distinction between lending and surveillance activities creates the wrong incentives and diminishes the effectiveness of surveillance. Moreover, there is currently no formal regular mechanism for assessing whether the Fund is providing objective, rigorous, and consistent standards of surveillance across all member countries – programme and non-programme countries. While responsible for ensuring the effectiveness of the Fund’s activities, Executive Directors also have responsibilities to their authorities. This creates a conflict of interest where Executive Directors tend to collude

The debate over governance of the IMF has focused mainly on issues raised by exercise of power by its major shareholders, particularly the United States. The most frequently debated areas of reform include the procedures for the choice of the Managing Director and, more importantly, the distribution of voting rights. Shortcomings in transparency and accountability are also closely related to "democratic deficit" within the governance structure of the Fund resulting from the quota regime.

The postwar bargain struck between the United States and Western Europe for the distribution of the heads of the Bretton Woods institutions between the two shores of the Atlantic has survived widespread public criticism and initiatives taken by developing countries. The latest selection of the Managing Director was again business as usual despite the apparent consensus reached during the previous round by the Board that the decision for selection would be based on a wide and open discussion involving all members of the Fund.[47]

There is a consensus among independent ob-

The proposals for reform for reducing the democratic deficit fall into two categories. First, changes could be made to special majority requirements in order to remove the veto power of the Fund's major shareholders over key decisions. Second, and more importantly, voting rights could be reallocated so as to increase the voice of developing countries. This could be done by increasing the share of the basic votes in total voting rights and/or by reallocating quotas on the basis of PPP. The main loser would be the European Union, which collectively holds almost twice as many votes as the United States, far above the level justified by the share of the region in the world economy. According to a proposal for restoring basic votes to its original share of around 11 per cent of total votes and allocating quota-based votes on the basis of PPP, the share of industrial countries would fall from over 62 per cent to 51 per cent while that of developing countries would rise from around 30 per cent to 42 per cent (Kelkar, Yadav and Chaudhry, 2004, appendix 1).

There can be little doubt that a reform along these lines would constitute an important step in improving the Fund's governance. It would rectify anomalies such as Canada holding the same number of votes as China or smaller European countries including Belgium and the Netherlands holding more

reached on international taxes, including the currency transaction tax (the so-called Tobin tax), environ-

countries drawing on its resources undermine the bargaining power of these countries in multilateral trade negotiations.

- Crisis management and resolution is an increasingly important area of responsibility of the Fund. However, the Fund should not be allowed to bail out lenders and investors since such operations prevent market discipline and create lenders' moral hazard. Accordingly, there should be strict limits to the Fund's crisis lending. Instead, the Fund should help develop orderly workout mechanisms for sovereign debt both to prevent financial meltdown and to restructure debt which cannot be serviced according to its original terms and conditions. Temporary debt standstills and exchange restrictions should thus become legitimate ingredients of multilateral financial arrangements.

- The Fund should focus on lending to finance temporary current account imbalances resulting from external trade and financial shocks as well as from domestic policy imbalances. There should be greater automaticity in meeting

Boughton (2004) and a number of other articles in the same issue of Finance & Development prepared on the occasion of the 60th anniversary of the Bretton Woods Conference. For a review of several reports on the role and reform of the IMF see Williamson (2001). The Group of 24 research programme has produced several papers on the reform of the IMF, now jointly published by UNCTAD and G-24 and placed on their respective websites. There are also many NGOs in the group of reformists demanding profound transformation of both the IMF and the World Bank.

4 For a discussion of the rationale for multilateral financial cooperation and the Bretton Woods Institutions see Akyüz (2005a, section I).

5 According to Raymond Mikesell, who was actually given the task of calculating the quotas: "Assigning quotas in the Fund was the most difficult and divisive task of the conference ... The quota formula was not distributed, and White asked me not to reveal it ... I tried to make the process appear as scientific as possible, but the delegates were intelligent enough to know that the process was more political than scientific." Mikesell (1994: 35–36).

6 For an excellent account of the rationale and evolution of IMF conditionality see Dell (1981). For more recent trends see Jungito (1994), Kapur and Webb (2000), and Buira (2003a).

7 Performance criteria are specific preconditions for disbursement of IMF credit. Quantitative performance criteria include macroeconomic policy variables such as international reserves, monetary and credit aggregates, and fiscal balances. Structural performance criteria vary widely, but could include specific measures to restructure key sectors such as energy, reform social security systems, or improve financial sector operations (IMF, 2002).

8 After the 1969 amendment Article V, Sec. 3(c) stated that the "Fund shall examine a request for a purchase to determine whether the proposed purchase would be consistent with the provisions of this Agreement and the policies adopted under them, provided that requests for reserve tranche purchases shall not be subject to challenge."

9 This distinction is made by Helleiner (1999: 7) in the context of crisis lending. See also Mohammed (1999) who distinguishes between conditional and unconditional liquidity in the same context.

10 See Akyüz and Flassbeck (2002: 98). The last standby agreements with industrial countries were with Italy and the United Kingdom in 1977 and Spain in 1978; see September 2004: 15.

11 In effect from 1974 to 1976, the oil facilities allowed the IMF to borrow from oil exporters and other countries in a strong external position and lend to oil importers; see Mohammed (1999: 53).

12 See Dam (1982: 284). For the implications of this mission creep for Bank-Fund relations see Ahluwalia (1999).

13 Mikesell (2001: 1). For a discussion of mission creep see Babb and Buira (2005).

14 For a view that the Fund does not provide development finance but payments support see Boughton (2005: 10).

15 See Rodrik (1995) and Gilbert, Powell and Vines (1999). However, it is not clear if the Bank really meets these

financial crises includes the Group of 22 (1998), the Council of Foreign Relations Independent Task Force (CFRTF, 1999), the Emerging Markets Eminent Persons Group (EMEPG, 2001) and the High-Level Panel on Financing for Development (Zedillo, 2001). For a discussion of issues in bailouts and reform see Goldstein (2000), Haldane (1999), Akyüz (2002) and Eichengreen (2002).

28 A proposal to apply bankruptcy principles was made by UNCTAD (1986, annex to chap. VI) during the debt crisis of the 1980s. It was subsequently raised by Sachs (1995) and revisited by UNCTAD (1998: 89–93) during the East Asian crisis. For a further discussion see Radelet (1999) and Akyüz (2002). The idea of establishing orderly workout procedures for international debt goes back even further. In 1942, in a report by the United

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