



## There's an urgent need to clean up the World Bank and IMF

Global political leaders convening next week must open up the selection of heads of these institutions to the best candidates, regardless of nationality.

### The Bretton Woods Institutions

1. Something is rotten on 19th Street in Washington DC. And on both its sides, occupied by the Bretton Woods institutions, the World Bank (Bank) and International Monetary Fund (IMF), respectively.
2. Only an American can head the Bank and only a European can head the IMF.
3. The most recent revelations of malfeasance at the World Bank where data was apparently massaged to make at least two major countries — China and Saudi Arabia— look better than they would otherwise have been.
4. International institutions operate in a grey zone of neither clearly being in or outside the realm of formal politics and hence have weaker mechanisms of accountability.
5. It is then even more important to be the right ex-ante, in other words, to get right the selection of the heads of these institutions.



## Roles of IMF and World Bank

### IMF

- Promote global financial stability
- Exchange rate stability (balanced growth of trade)
- Forum for international monetary cooperation
- Temporary financial assistance to members experiencing balance of payments difficulties

### World Bank

- Reconstruction and economic development after WWII
- Long-term economic development
- Project financing, including infrastructure, energy, education, health



## IMF: 3 main functions

- **Surveillance: (economic analysis/advice):** appraise each member's exchange rate policies within overall analysis of general economic situation.
  - **Multilateral:** World/Regional Economic Outlooks; Global Financial Stability Report;
  - **Bilateral:** Annual assessment (Article IV consultation); financial sector (FSAP); standards and codes.
- **Financial assistance:** loans to support countries with BoP problems and **low income countries** (concessional loans, Policy Support Instrument, external shocks facility (ESF)).
- **Technical assistance:** advice/support on technical issues related to macroeconomic policy.

## Purposes of The World Bank

- Granting reconstruction loans to war devastated countries.
- Providing loans to governments for agriculture, irrigation, power, transport, water supply, educations, health etc.
- Promoting foreign investment by guaranteeing loans provided by other organizations.
- Encouraging industrial development of underdeveloped countries by promoting economic reforms.
- Providing technical, economic and monetary advice to member countries for specific projects.



## **Geo-politics of International Organizations:**

1. Contrast this with the growing alarm and anxiety that characterises the rise of China and its attempts to place its own nationals in existing IOs as well as creating new ones.
2. That is one reason why most continue to hobble along as countries place their nationals to head these institutions, both for prestige and to pursue their national interests.
3. And China too is following this strategy: Its own nationals now head four of the 15 UN specialised agencies (it suffered a rare setback to head the World Intellectual Property Organisation last year). The contest between the West (and especially the US) and China to shape the global order is becoming manifest.
4. China's efforts, its success, and more broadly its influence in IOs should certainly raise deep concerns, most notably the suppression of the inquiry into the origins of the coronavirus.
5. Equally, though, Western countries have been anything but an exemplar in their commitment to international organisations (the US neutering of the World Trade Organisation's Appellate Body under both Trump and Biden administrations is another recent example).

So, global political leaders must act with urgency and conviction to stem the rot. They must open the selection of the heads of these institutions to the best candidate, regardless of nationality.