

# A Stronger IMF and World Bank: Threat to Peoples of Both the South and North

Monday 12 October 2009, by [MILLET Damien](#), [TOUSSAINT Éric](#), [VIVIEN Renaud](#) (Date first published: 12 October 2009).

The annual meetings of the IMF and of the World Bank in Istanbul ended in a climate of repression. For the second consecutive day, the 10,000 policemen who had been called upon for the occasion used water cannons, tear gas and tanks against demonstrators. The same scenario had been played out at the G20 summit in Pittsburgh, where demonstrations against this G8 substitute were also violently repressed by police forces. The IMF and the WB held these controversial meetings only days after the G20's decision to change the voting rights within these two institutions: 5% of the IMF quotas and 3% of the voting rights at the WB assembly are to be transferred to emerging and developing countries by January 2011. The current voting system was challenged both by countries of the South and by social movements: it relies on the "1 dollar = one vote" rule, contrary to the UN General Assembly where each country has only one vote.

For the IMF's Managing Director, the French socialist Dominique Strauss-Kahn, these are "historic decisions". Yet for CADTM, this is but a grim joke. Indeed, this modification does not change the power relationships within the two institutions at all. For instance, China, one of the main beneficiaries of the change, now has about 3% of the voting rights, far behind the United States, which holds over 16%, giving it de facto veto power on all major decisions. The Rwanda group, representing 24 Subsaharan African countries and some 225 million people, holds 1.39 % of the voting rights! No need to be a keen mathematician to understand that these media-hyped pseudo-reforms will not turn the IMF and the WB into democratic organisations. Can they ever become democratic considering that the present system cannot be changed without the US's consent? To make things worse, since 1944, according to a tacit agreement, the WB's President has always been a US citizen while the director of the IMF has always been a European. Such power-sharing combined with a deeply antidemocratic allocation of voting rights is evidence that the IMF and the WB are tools in the hands of Western powers in order to impose self-serving policies upon the rest of the world.

After a severe crisis of legitimacy the WB and the IMF have been given a new lease of life thanks to the global crisis. From 2004 to 2008, a significant rise in commodity prices increased the currency reserves of some developing countries, which could then repay their debts to these creditors in advance and thus shake off their cumbersome guardianship. But since the end of 2008, the global crisis has radically changed the situation. The list of badly hit countries keeps getting longer and the G20 has restored the IMF and the WB as key actors in the global game. Romania yielded to IMF pressure and implemented anti-welfare policies such as a 15% cut in civil servants' incomes, in order to receive a loan to deal with short-term emergencies. The same has occurred in about fifteen countries since 2008. The World Bank has benefited from the environment crisis by setting set up several climate investment funds, though it continues to finance deforestation and mining projects. Over the course of 2008, funds for clean energy were five times lower than those dedicated to non-renewable energy, the amount of which rose by over 165%. [[1](#)]

Next, the G20, a self-proclaimed global regulation authority, played a decisive part in the attempt to

restore the IMF's legitimacy as it trebled the resources made available to this institution at the London summit last April and enlarged its missions as an outcome of the Pittsburgh summit. The IMF has thus been placed at the heart of efforts to monitor the global economy "to promote international financial stability and to strengthen economic growth". At the Istanbul summit it was decided to "reassess the IMF's mandate to include all macroeconomic policies and policies related to the financial industry that influence global economic stability." It will thus have to "recommend economic policies to countries, which will have to take adapted corrective measures". It's easy to guess what the IMF's recommendations will be. In June 2009 the IMF commented on policies implemented in the Euro zone: "measures taken to support shorter working hours and raise social benefits—while important to shore up incomes and keep the labour force attached to the labour market—should have built-in reversibility". [2] The WB report "Doing Business 2010" is even more explicit since it warns countries against social protection programmes and calls governments that develop them 'anti-competitive'. [3] In spite of its repeated failures, the Washington Consensus, a kind of code for neoliberalism, still is the IMF's and the WB's tall order to countries that ask for their 'help'.

Yet the failure of structural adjustment policies implemented in countries of the South since the 1982 debt crisis should have been sufficient to censure them: poverty and inequalities have grown while the issue of debt is anything but solved. Worse still, a new crisis of debt is brewing, which will increase the proportion of national budgets dedicated to repaying creditors. This will happen unless governments decide to suspend payment so as to meet fundamental human needs and to launch a large-scale audit of their debts in order to unconditionally cancel the illegitimate portion of them, which did not benefit the people. An audit of this kind would be a first and crucial challenge to the grizzly policies enforced by the IMF and the WB. We must now demand that they be replaced by institutions that truly care for the people's interest.

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## **P.S.**

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## **Footnotes**

[1] See [The grave ecological destruction sponsored by the World Bank](#)

[2] <http://www.imf.org/external/np/ms/2009/060809.htm>

[3] <http://www.cadtm.org/Doing-Business-2010-World-Bank>