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Panel No. 3: **“Reform of Global Governance”**.

The latest International Women's Day Statement circulated by the Multilateral Development Banks said: “Gender Equality is not only a goal in its own right, but is important for reducing poverty and hunger, ensuring education for all, reducing child mortality, promoting maternal health, combating HIV/AIDS, malaria and other diseases and ensuring environmental sustainability”. I will add to this paragraph that the need to guarantee Global Governance Equality Reform among and between state governments is also a fundamental need and requirement to achieve all these goals.

It has been clearly established that currently the IMF and the WB have a governing structure by which developing countries account for 38% of the votes in the IMF and 39% in the World Bank, while the developed countries account for 62% of the voting shares. In other words 24 executive directors represent 184 members, from those just 16 represent 176 countries and the remaining 8 represents one country each. This scenario reflects the Global Economic Governance in the world, which at the end explicitly shows the huge existing gap power within the few empowered ones and the many disempowered ones

The question is: What do we need to achieve a Global Governance Equality Reform among and between State Governments?

There are several strategies designed to answer this question. The first one would be addressed brilliantly by my NGO partners present at this panel and is related to the IMF/WB Boards, voting

shares, voting procedures, election of members and heads, etc. Strategies that I completely agree with and support. The second one fundamentally deals with democratizing the way in which the IMF and the WB mechanisms operate at the country level and the third one deals with the issue of domestic reforms needed to impel and maintain a Global Governance Equality Reform at the international level. I am going to concentrate on these two last ones.

From my own field experience in monitoring the IMF/WB policies and projects in several countries around the World, and recognizing that there have been huge advancements in transparency, accountability and participation issues, I can say that up until now concrete WB projects, important macroeconomic documents such as the Country Assistance Strategies or the Letters of Intent of the IMF are completely designed, negotiated, and evaluated between these institutions and the financial minister or the Central Bank from each country.

While in some countries the congress or senate has to approve any kind of debt acquired by the country, in others the financial minister or the executive power completely exercise this privilege. This has resulted in the increase of illegitimate debt. More over while each WB project passes through a four stages process, the majority of the projects are approved by some congresses in each country after the Board of Directors of the WB or other MDBs have approved the loan.

This is also the truth in the case of some documents of particular importance such as the Country Assistance Strategies of the WB, in which the macroeconomic conditionalities are well established with timing, costs, and expected outcomes, and the Congress or the Judicial Power were never consulted. More over the inputs needed to design this document as the Public Expenditure Reviews, the Country Economic Memorandum, the Social Assessments and so on, were never published or presented at the Congress either. These documents are also particularly important because from these economic grounds the conditionalities are then designed and exerted. This has brought a consequence that many programs adopted by the Executive Power were not accepted by the Congress, the people or even the judicial power in many countries.

While it is true that the World Bank has developed a consultation process with civil society actors about the Country Assistance Strategy that in many cases has included congressmen or women

our experience shows that the process has not take into consideration civil society recommendations as part of the final document and strategies. In addition to this, the Country Assistance Strategy Paper as the main paper of the WB in relation to a specific country does not need to be approved by the Congress as I have mentioned before, there fore there is no binding obligation for the WB or the finance ministers to be accountable to the peoples representatives. In many countries it is still a confidential document.

In addition to this, the majority of the decision-making processes related to the WB and the IMF are not well known by the majority of the people in each country. While both institutions have made great advancements in disseminating the information regarding some crucial documents, civil society still has some problems finding important documents at the moment we need them. More over, sometimes congresswomen or men have requested some particular documents from the WB or the IMF and the answer has been that they should request them from the Finance Minister.

When my network members in several countries have spoken about these issues with the WB, the IMF staff or even their ministers, the response has been always that the current counterpart of each institution is the Executive Power, and that the IMF Articles of Agreement would need to be changed in order to comply with this demand. In addition the IMF/WB authorities have told us that each country has its own MDB legislation and changing it will be a challenge to sovereignty. In other words: the IMF and WB mechanisms are immersed in a vicious cycle: Governments can not change the laws as the Articles of Agreements would need to be changed, and the IMF/WB can not change the rules either as it will be a challenge to national sovereignty.

During past UN Conferences governments have made several concrete commitments that included many legislative changes. This was done with at the Children's Summit, the Women's Conferences and others. Can the UN impel that some governments commit to start changing the required laws? Finally as it is the executive power which makes proposals to the senate and congress in the majority of the countries, this commitment could be taken here as a starting point to impel the reforms needed.

Recommendation:

To impel the democratization of IMF/WB mechanisms at the country level by consulting the Country Assistance Strategies and all its related documents and inputs, the lending projects and the technical operations with congress, civil society, the unions, the private sector, all important sectors establishing binding mechanisms with congress in each country. The IMF Letter of Agreement and the process that led to it should also be consulted and ratified the Congress.

To reform the IMF Article of Agreement V Section 1, which establishes that, the IMF could just relate itself with the finance minister, the central bank or the stabilization fund. While we recognize the need of the IMF to relate with the most specialized financial authorities in each country, there is a need to establish a mechanism in which the Congress and the Judicial Power are also consulted for some important and decisive issues on macroeconomic issues which affects the entire population.

This led us to the third strategy that we need to develop in order to achieve a Global Governance Equality Reform: the need to impel some domestic changes that improve transparency, accountability and participation at the country level, so global governance is not an unreachable pattern of high level people deciding the lives of the rest in many cases even with out being conscientious about it.

The first and most important requirement in this regard relates to the issue that the current ED or the WB/IMF representative is not publicly elected; the president designates it in the majority of the cases. This is why there is not a binding obligation for him or her to be transparent, accountable or to impel any kind of consultation in some decision making process that perhaps will affect thousands of peoples. Moreover, I would really like to propose a survey to all of you: ask in each one of your countries to your own people: Do you know the name of the IMF/WB representative in your country? You will see that the majority of your population does not know them.

The second issue related to the first one is how the decision making process is developed once this person has been elected? On which grounds are macroeconomic policies, conditionalities, loans and technical operations decided? With whom are they consulted? How do the rest of the executive power ministers participate, particularly in those issues related to their concerns as education reform expenditures, or health reform expenditures?

When we have suggested to our governments that IMF/WB representatives should be elected, the answer has been always that it will be too expensive or complicated.

Recommendation:

That at least the President presents four proposals to the Congress, which in fact elects each one of the MDBs representatives at the multilaterals 50% of which should be women. While again this is a law change that has to be made by each country in accordance to its own rules and procedures, again we strongly recommend that the Governments make a commitment here at the UN by which they compromised themselves to start reforming the decision making processes which are related to the MDBs representatives and procedures.

A Global Governance Equality Reform could only be built if we start by building it at home, at the domestic level, as the main block to build up international governance is still the state government. Some countries have already done some good advances in these regards that could be spread around the rest:

- i) Some EDs have needs to review a loan project one month before its approval at the board; this gives chance to civil society to impel the needed changes.
- ii) Some Congresses have imposed certain restrictions to some WB Bank Health Reform Projects that were charging fees to the poor countries.

Finally, it is also necessary that the governments commit themselves here at the UN to impel new ways of relationship among the ministers that comprise the executive power, and also between

the legislative power and judicial power. As it was well mentioned during the FfD process by the Governments there is a coherence problem among all of these. The latest political phenomena looked at the end of the 20th Century which has been the internationalization of the financial ministers at the MDBs, a process by which several important decision making processes have been carried out in a confidential way in consultation with other financial ministers. This implies that the economic decision-making is no longer a sovereignty issue, as the final conditionalities are negotiated among the rest of the EDs or the IMF/Bank Staff members.

Recommendation:

The internationalization of the economic decision making needs to be open to the public, to be transparent, to be legislated in such a way in which the Congress could monitor the WB/IMF representatives, their work and decision making, impelling that accountability mechanisms are established by their peoples.

By carrying out these recommendations the MDBs would recuperate their lost legitimacy with the majority of the people of the world. One of the main issues discussed at the World Social Forum in which I have participated twice is the fact that MDBs are not seen any more as actors to be respected, they have lost all their legitimacy as they lack of accountability and transparency mechanisms in their relationship with our governments. It is sad to say that they are not allow to speak in public or even to debate with the rest of the civil society members present at the World Social Forum. We have to recognize that this event is the most important gathering of civil society members around the whole world.

At the beginning of the 21st Century what the world needs is to recuperate the legitimacy of our state institutions at the local, national and international level. All levels are now linked due to globalization; therefore a reform from the local ground to core international institutions is needed.

Thank you very much Madam Vice President