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International Monetary Fund and Civil Society Organisations: A Dialogue

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The International Monetary Fund which remained an exclusive club of central bankers and government officials became an object of increasing public scrutiny in the 1990s in the aftermath of the Asian crisis. The recent economic crisis has reiterated its role in the global economic scenario with an almost threefold increase of its resources. Its policies too seem to be tailored to meet the economic requirements of the countries seeking recourse. The developments in the fourth pillar, wherein the views of the civil societies have been sought on governance issues for the first time, is historic. But the very nature of these entities sets the perimeters of their engagement. Notwithstanding this limitation, an ongoing engagement is essential to facilitate the transition of world economies into a new and higher growth path.

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Introduction

Civil Society Organisations (CSOs) in recent times have become important forces to reckon with, such that they are often dubbed as a third force. With the rapid spread of globalisation of both development and finance, civil societies are seeking to engage in active dialogue with multilateral institutions. The power of civil society has been enhanced by the internet revolution. The Bretton Wood Institutions, International Monetary Fund (IMF) and the World Bank (WB) created in July 1944, engage the imagination of CSOs given the focussed attention paid by these institutions to the maintenance of international economic relations powered by growth and development.

With the IMF dealing exclusively with governments and central banks of its member countries, CSOs and Non-Governmental

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Organisations (NGOs) displayed only sporadic interest in the organisation till the 1990s. The aftermath of the Asian

Crisis, however, raised several questions about the efficacy of the IMF's policy advice. Strident critics like Stiglitz (2002) laid blame on the structural adjustment policies that IMF imposed, as being responsible for the economic hardship of the East Asian population. The following period witnessed activism on the part of NGOs in the activities of the IMF.

The recent economic crisis has witnessed a revamping of the role of the IMF with several countries seeking recourse to its funds for mitigating the economic crisis. It is interesting to note that the IMF too, has structured its loans and accompanying conditionality to the requirements of the countries in a departure from its earlier policies. The resources of the IMF have been increased threefold to help facilitate its lending activities to member countries. But the most remarkable event in the recent times has been the events in the Fourth Pillar. The Managing Director, Strauss Kahn in a historic departure from past tradition, has sought for the first time, the views of the civil societies on governance issues.

Against this background, this paper seeks to examine the issues of engagement between civil societies and the IMF. The paper is divided into four sections with the first section highlighting in brief, the role of the IMF, and the nature of engagment of NGOs/civil societies who are associated with the Fund and its activities. The second section sets out the issues like structural adjustment, dangers of the unmitigated globalisation and issues in governance like accountability and transparency. The third section focuses in detail on the current issues which have gained importance in the aftermath of the crisis including the Fourth Pillar report. Section four while discussing the lessons learned from the engagement seeks to examine the extant limits of the dialogue, if any and includes the concluding observations.

SECTION I

Overview

The IMF promotes international monetary cooperation and provides member countries (187) with policy advice, temporary loans, and technical assistance such that they can establish and maintain financial stability, external viability, while building and maintaining strong economies. The loans provided are in support of policy programs and are designed to solve balance of payments problems in situations where a country cannot obtain sufficient external financing on affordable terms to meet net international payments. While the short-term loans are funded by quota contributions of its members, longer period loans, as well as concessional loans provided to low income members are financed by IMF gold sales and members' contributions. In its work in low-income countries, the IMF's main focus is on how macroeconomic and financial policies can contribute to the central goal of poverty reduction.

A historical review indicates that the Bretton Woods system worked well and facilitated post war recovery. There were no widespread financial crises. A few crises that emerged were country specific. But the increased capital flows in the 1960s and the overvalued dollar led to the eventual collapse of the Bretton Woods system in 1971 and to the emergence of flexible exchange rate regime.

Even though the rationale for the maintenance of fixed exchange rates collapsed, the institution was called upon to mitigate the various crises that emerged in the global economy. The external financial crisis faced by countries was more generalised, with the oil shocks of the 1970s, the global recession and the debt crisis in the 1980s, the Mexican and the Asian crisis in the 1990s. The Fund was actively involved in the transition of the former Soviet Bloc and other economies of Eastern Europe into market economies.

The benign economic and financial conditions that prevailed for most of the noughties seemed to question the effectiveness of the IMF as a lender as well as a guide for the global economic system. Moreover, there was a view that systemically important economies had unmitigated access to foreign capital via market mechanisms. Several countries especially, the Asian countries had amassed large foreign currency reserves. The IMF credit outstanding which peaked at almost $100 billion at the end of 2005 declined to about $10 billion by the end of September 2008. In such an environment, the subprime crisis emanating in the US suburbs, spread quickly and virulently to the other parts of the globe. The increasing globalisation of the world economy and more significantly finance has ensured that no country has been held intact in the crisis and those with questionable macroeconomic policies had been the hardest hit.

As various countries turned to the IMF for help, the Fund moved swiftly to the task. The IMF Executive Board approved of a new short term lending facility which was further revamped and restructured to meet the requirements of the member countries. The resources for this and other facilities have been drawn from a threefold augmentation of resources by $750 billion.

CSOs and the IMF

Many CSOs in industrial countries have been endowed with a cache of financial resources and technical skills. Many of these work on global financial issues. While some of these NGOs seek to inform the public about the inequities/specificities of particular policies and actions, a few others seek to influence the policy makers at the national and international levels through media. These NGOs include Oxfam, Friends of the Earth, Bretton Woods Project in Europe, The Association of Latin American Advocacy Organisations in Latin America, The Forum of African Voluntary Development Organisations in Africa; faith based groups World Council of Churches and Development Organisations, Labour Organisations, Economic Research Institutions as well as politically associated think tanks.

According to the IMF, CSOs refers to the wide range of citizens' associations that exists in virtually all member countries to provide benefits, services, or political influence to specific groups within society. CSOs include business forums, faith-based associations, labour unions, local community groups, NGOs, philanthropic foundations, and think tanks. Usually excluded are not only the branches of government (government agencies and legislators) but also individual businesses, political parties and the media.

Historically, the IMF-CSO engagement can be traced back to the 1980s when the Swiss based coalition of development organisations and other like minded ones like the Overseas Development Institute in London and the Overseas Development Council of Washington questioned the impact of the program prescriptions on the poor. These reactions gathered strength in the light of the revolts witnessed in the program countries. The IMF witnessed the growing public discontent in the large street demonstrations that was witnessed during the 1988 Annual General Meetings.

With the criticisms of the IMF's structural adjustment policies gaining ground, the IMF's relationships with the CSOs began to expand. The Asian financial crisis opened up a new chapter in the IMF's relations with the CSOs, as established academicians and thinkers began to question the rationale of the Washington Consensus on which the structural adjustment programs were based. A classification of CSOs on the basis of their reaction to the Fund's programs indicates that these organisations fall into three broad categories.

The first group comprises of Economic Research Institutes and think tanks, who while broadly agreeing with the macro foundations of the Fund's policies like open international policy of trade and exchange, disciplined macroeconomic policies and market based structural policies question the prioritisation and sequencing of the Fund's prescriptions.

The second group of NGOs, while accepting the need for the IMF, would like to see major changes in the IMF's operating procedures. The environmental and religious groups especially would like the IMF to diversify its activities to include social protection, environmental policies and gender issues. Some others would like to see a more focused IMF working in close coordination with other international organisations. These include Bretton Woods Project and Eurodad. The radical voices of the ultra free markets, nationalists, feminists and religious revivalists seek a reduction in the power and influence of the IMF and those who can be also termed as abolitionists form the third group.

It needs to be borne in mind that the categorisation is not iron clad. The various groups shift their affiliations and positions as warranted by the situation at hand.

Rationale for Engagement

In the early stage, the IMF's engagement with civil societies was at the global level in response to advocacy by groups concerned with economic and social justice issues. Over the years, this engagement has evolved to include engagement in the IMF operations in the low income countries as well. This is a result of the increased focus on promoting poverty reduction through a participatory approach, and the increased emphasis on transparency and good governance, outreach and communication.

The rationale for the IMF's dialogue with CSOs derives firstly from the transparency efforts undertaken by the IMF which entail a dialogue with the CSOs as an important form of communication. Secondly, as CSOs often highlight important issues and supplement official data and provide a perspective which is different from the official views, the dialogues are encouraged as an integral part of the listening and learning efforts at the Fund. Thirdly, constructive dialogue with CSOs provides a platform for the successful implementation of policy reforms by fostering country ownership of the structural and stabilisation policies.

Modes of Engagement

In 2003, a 'Guide for Staff Relations with CSOs' was distributed to the IMF staff and also published on the website to serve as a guide for increased outreach and communications with CSOs. While the issues for dialogue between the Fund and CSOs evolve on the basis of the global economic conditions, certain issues remain central to the dialogue. These include policy advice especially, those relating to low income countries, the social and environmental fall out of the policies, debt relief, program conditionality, trade policy, governance and transparency, and voice and representation of developing countries in the institution.

At the global level the engagement includes:

- Meetings between the IMF management and CSOs in small and larger forums.
- Meetings, seminars and consultations with the staff and Executive Directors in Washington and worldwide fora on specific policy or country issues.
- Invitations extended by the Fund to react and review the papers posted on the external website.
- A Civil Society Policy Forum organised jointly with the World Bank running parallel with the Annual and Spring Meetings covering a wide range of topics including many organised by the CSOs themselves.
- The Independent Evaluation Office (IEO) set up in 2001 maintaining regular contacts with the CSOs which have been active providers of feedback comments and suggestions to its evaluations.

In individual countries, the engagement with CSOs involves:

- Regular Meetings between the Managing Director and the country based CSOs when he visits a member country.
- Staff surveillance missions meeting representatives from labour organisations and think tanks.
- Country missions engaging in a consultative process in the design of poverty reduction strategies in low income countries as well as in the overall program.
- Resident representatives routinely carrying out outreach activities.

The information of relevance, papers and discussions are available on the IMF and Civil Society page on the IMF website.

A mention needs to be made of the initiative of the IMF and the World Bank's External Relations Department to sponsor the CSO representatives and journalists from the developing countries. This initiative is aimed at addressing the skewness in representation of the CSOs, which by a vast majority come from the developed world of Europe and US. The CSOs have been sponsored for the Annual Meetings in Dubai (2003), Singapore (2006), and Washington (2007 and 2008).

For the first time, the sponsorship program was extended to the spring meetings in April 2010. The participants included NGOs from a number of countries like Bangladesh, Bolivia, Ghana, Haiti, Kenya, Latvia, Malawi, etc. These meetings provided a platform for the participants to exchange views on a number of issues ranging from global crisis to climate change.

SECTION II

The Issues of Engagement

Until the 1980s, the IMF programs in the low income countries were limited in policy content and of short duration. The balance of payment problems were sought to be addressed through correction of fiscal imbalances, curbs on credit growth and currency devaluations. Critics of the Fund questioned the emphasis placed on budget deficits and demand compression. The poor performance of many developing countries added weight to these criticisms. The Latin American crisis and the financial difficulties of the African countries drew attention to the structural imbalances that plagued several countries in the developing world.

Structural Adjustment

The concessional Structural Adjustment Facility (SAF) established in 1986 and the Enhanced Structural Adjustment Facility (ESAF) which replaced the SAF became the primary vehicles of the IMF policy programs in the developing world. These initiatives met with mixed reactions with some lauding the Fund for tackling issues which were perceived to be the stepping stones for sustained growth and employment while the critics upbraided the Fund for diminishing the sovereign states ownership of economic reform. Evaluations of the EASF indicated that country ownership along with civil society engagement was crucial to the success of poverty reduction. This resulted in the conversion of the

EASF into the Poverty Reduction and Growth Facility Program (PRGF) in 1999 to support the member countries poverty reduction strategies.

Several European NGOs, Oxfam, Jubilee 2000 with the support of some prominent religious leaders launched efforts for reduction of the multilateral debt burden of low income countries. While the IMF and the World Bank resisted efforts to reschedule debts, the popular demand led to a comprehensive review of the launch of the High Indebted Poor Countries (HIPC) initiative in 1999. The review allowed for strengthening of debt relief, poverty reduction and social policies. The resources for the effort were from the contributions of the member countries as well as the increased value of the gold holdings. Inputs from the CSOs have been critical to the enhancement of the program. But criticisms have continued with Jubilee 2000 calling for total debt forgiveness.

Dangers of Globalisation

The Asian financial crisis highlighted the consequences of the sudden loss of confidence in economies which could lead to flight of capital resulting in large erosion of international capital. The Asian crisis underscored the need for strong domestic policies in an effort to avoid economic crisis. The crisis also highlighted the dangers flowing from the extreme dependence on volatile capital flows. In an effort to strengthen the international financial architecture, the IMF and the World Bank conduct Financial Sector Assessment Programs (FSAPs) in countries and provide technical support in an effort to correct perceived vulnerabilities. Many NGOs are keen to be involved in these efforts and the Bretton Woods Project and the Oxfam have been at the forefront in organising seminars and workshops to discuss the implications of capital account liberalisation for poverty reduction in low income countries.

Transparency and Accountability

Apart from policy changes, the CSOs are also keenly concerned about the working of the IMF. There has been an increasing demand for a greater transparency and accountability of the Fund and its activities. More democratisation through a reallocation of its voting rights among member countries and improving the governance has also been called for.

SECTION III

Aftermath of the Crisis

The global financial crisis witnessed a revamping of the role of the IMF. The financial crisis, which has embraced all the countries of the world has had the world leaders confabulate on the future of the global financial system under the fora of the G-20 which began in April 2009 in London. The IMF which seemed in the recent past to have been relegated to an irrelevance as it failed to modernise its euro centric representation or its arcane government to government lending (Rogoff 2008) found itself being thrust to the forefront as the only agency capable of providing the required support to the various countries seeking resources and support to ride through the crisis.

Augmentation of IMF Resources

At the April 2009 G-20 meeting, it was decided that the available resources of the IMF should treble from $250 billion to $750 billion mainly through temporary borrowing from the G-20 countries under the New Arrangements to Borrow (NAB). This would as such, leave the quotas unchanged. An increase in the permanent resources available to the Fund can be ensured through a revision in the quotas of the members, a general review of which is scheduled to be held in January 2011.The review has been brought forward as it was originally scheduled for January 2013. Describing this as a "very accelerated time table", Tweedie opined that quota review would augment the Fund's general resources and also provide a rebalancing of quota and voting shares towards dynamic emerging markets and other economies- a key element of governance reforms.

The immediate borrowing arrangements that are being put in place is essentially for combating the crisis. These include bilateral borrowing arrangement with Japan ($100 billion), Canada ($10 billion), Norway ($4.5 billion), EU members ($100 billion) and Switzerland ($10 billion). Additionally the IMF would also issue notes which would be subscribed by member countries. The notes would have an initial maturity of three months extendable up to five years. Since then, China has purchased $50 billion of the notes in 2009, India too has purchased US$ 10 billion IMF notes in 2009. Russia and Brazil have committed to $10 billion each. In addition the IMF also plans to sell 404.3 metric tonnes of gold (200 metric tonnes have been bought by India) and has made the $250 billion general allocation of SDRs. The consequent enhancements in the resources sought by these measures would be channelled into the newly instituted Flexible Credit Line (FCL) facility approved in early March 2009. The FCL replaced the Short Term Liquidity Facility (STLF) set up in November 2008 which had no takers. Three countries, viz; Mexico, Columbia and Poland have taken recourse to this facility. The features of the FCL include a prequalification instead of conditionality. The country should in the IMF assessment be a strong performer. The FCL has no limit on the amount of money a country can access. The duration of the facility is either for a short span of six months or for a year. The repayment is over five years.

The precursors to the program, the STLF and the Contingent Credit line (CCL) had to deal with the problem of stigma the fear that financial markets in signatory countries would witness turmoil leading to currency speculation or a sudden seizing of capital flows. While it is too early to assess the scheme it is interesting to note the mixed reactions in Mexico's financial markets as implied by news reports. Even though the G-20 had made a commitment to the doubling of the concessional lending capacity and access limits of low income countries no concrete measures towards this has been initiated which has left several NGOs dissatisfied enough to call for a cessation of the current low income lending framework because of the perceived damaging economic policy conditionality. As of now the concessional loans are sourced from the PGRF-ESF trust which is currently worth $23 billion.

The Jubilee Act, passed by the US Congress in 2008, notes that the IMF gold sales be used to pay for additional debt relief in addition to meeting administrative expenses. The G-20, however, is of the opinion that $ 6 billion from the gold sales should be towards enhancing the pool of concessional lending raising fears among the NGOs that money would be used to fuel debt and not provide debt relief or used as grants for poor countries.

In early March 2009, the IMF Board considered a staff review of conditionality which was initiated by the Managing Director after the outbreak of the financial crisis. In a rare departure from its stance the paper candidly admitted "In the past, IMF loans often had too many conditions that were insufficiently focused on core objectives".

As a follow up of these revelations, the Board eliminated the whole category of conditionality called structural performance criteria, *i.e.*, the conditions placed by the IMF on the borrowing countries during the course of the loan. The IMF will shift focus to the attainment of a set of pre set qualification criteria *i.e.*, an increase in the use of prior actions conditions. This fine tuning has left NGOs a little sceptical. As Vitalice Meja of Eurodad noted "The *ex-ante* approach is a clear indication that conditionalities have well been entrenched in countries' system after the Fund's decades of intervention. The current approach merely places the burden of compliance with the Fund's economic reform programmes on the poor countries thereby making the IMF look good". Several NGOs opine that changes do nothing to impact the quantitative conditions set by the IMF. The Global Campaign for Education in a report prepared in April 2009 criticised the impact of IMF conditionalities on the teachers' wages in developing countries.

It is interesting to note that the US based think tank, Centre for Economic and Policy Research (CEPR) in a paper released in October 2009 highlights that 31 of the 41 IMF agreements require pro-cyclical macroeconomic policies, a restrictive demand reducing monetary and fiscal policies which would naturally aggravate the conditions in the already recession hit countries. CEPR argues that the purpose of the IMF lending during a world recession should be to provide sufficient reserves that the borrowing countries can pursue expansionary macroeconomic policies that the high income countries are capable of in order to minimise the loss of jobs and output, as well as longer lasting damage that can result from cuts in health and education spending.

Notwithstanding a review of the overall conditionality, the IMF's low-income country facilities like the Poverty Reduction and Growth Facility (PGRF), Policy Support Instrument (PSI) and Exogenous shock

Facility (ESF) are under review. The NGOs are, however, aggrieved since their inputs to these exercises have been minimal. The fact that the IMF has been unable to persuade the US to allow it to perform an assessment under the financial sector assessment programme (FSAP) has been an oft discussed matter. The FSAP as already mentioned was launched in the aftermath of the Asian financial crisis and it enables an identification of the risks and problems in the regulation of banks and other financial institutions. While many countries including the developed, allowed FSAPs to be conducted, the US agreed to it only in 2007. The asymmetry of the IMF's influence thus, is the subject of strident criticism of the CSOs as well as the G-24 group of developing countries.

With increased negotiations the world over for a revamp of the international financial architecture, there has been increased focus on the international monetary system, with academics and NGOs calling attention to issues pertaining to an alternate international reserve currency, capital controls and the levy of a financial transactions tax.

Reserve Currency

In March 2009, the Governor of the Central Bank of China advocated for SDRs to be a global reserve currency thus, replacing the dollar as a currency of choice for central bank reserves and commercial trade. The Bolvarian Alliance for Peoples of the Americas (ALBA) grouping of countries in Latin America have firmed up plans to launch a regional electronic currency called the SUCRE. The currency should be in use in 2010, while the option of regional reserve pooling is also being examined.

In a related move China has extended currency swap arrangements worth billions of dollars to South Korea, Hong Kong, Indonesia, Malaysia and Belarus. For Argentina, the $10.2 billion swap arrangement seems to give credence to the view that this arrangement is an alternative to an arrangement with the Fund. These efforts seem to foreshadow the efforts at the establishment of the Asian Monetary Fund. The ASEAN+3 grouping has finalised the arrangements for their regional reserve pooling arrangements the Chiang Mai Initiative (CMIM). The CMIM would have a pool of $120 billion with 80 per cent of the funds coming from China, Japan and Korea. Asian countries would be able to borrow 2.5 to 5 times the amount they put in which is much higher than the 3 times quota norms of the IMF. Also the governance structure is based on the one country one vote norm. An independent surveillance mechanism is proposed to be established to monitor and analyse regional economies and support in decision making. The idea is that the accumulated reserves of the Asian economies will enable them to take care of their needs. But NGOs have in several fora called attention to the need for political will to carry this task forward and have also emphasised the need for the initiative to be independent of the IMF.

The Initiative on Policy Dialogue (IPD), a think tank founded by Joseph Stiglitz, hosted a meeting in November 2009 to discuss the moves towards a world reserve currency system. There in, John Williamson of the Peterson Institute argued that the IMF's SDR could replace the dollar as a reserve system. He carries the argument further to emphasise that such a move would be in the US interests as it would help an orderly shift from the dollar based reserve system.

The International Monetary and Finance Committee (IMFC), the IMF's direction setting body, also called on the Fund to study policy options for ensuring global stability and an orderly functioning of the international monetary system. The IMF in a Staff position paper in mid November 2009, while laying blame on the Fund's governance and conditionality as being responsible for the skewed accumulation of huge dollar reserves by a few countries dismissed the idea of a new global currency.

Capital Controls

With Brazil and Taiwan, introducing regulations on the flow of capital into their economies, the attention has been focused on the role of capital controls. In October 2009, Brazil introduced a two per cent tax on foreign capital flowing into the domestic equity and bond markets to decelerate the flow of hot money as well as slow down the appreciation of the REAL. Taiwan's move was to prevent the foreign investors from putting funds into time deposits to prevent currency appreciation. It is interesting to note that academics like Arvind Subramanian and John Williamson of the Peterson Institute while hailing Brazil's move as symbolic, extort the Fund to adopt an intellectual approach to financial globalisation. They argue that by recognising that in some instances, sensible curbs on inflows might be reasonable and pragmatic. The Fund is in a position to eliminate the market unfriendly stigma that such moves carry. They also point out that the world needs a less doctrinaire approach to foreign capital flows.

The Fund, however, is of the view that capital controls are unorthodox measures and exchange rate should be allowed to appreciate with countries adopting tighter fiscal policies. However, in the recent staff position note of February 2010, it is felt that macroeconomic and prudential measures may warrant capital controls as legitimate component of policy response. Rodrik (2009) of the view that the Fund should not be campaigning for globalised finance but on the contrary support the emerging market economies in designing better prudential controls over capital inflows.

Financial Transaction Tax

A Financial Transaction Tax (FTT) inspired by the proposal for a tax on currencies on the lines of the Tobin tax has also been proposed to slow the process of speculative flows. The proposal involves a small levy on all transactions in financial markets including purchases of equities, bonds, currencies and derivatives. The G-20 had called on the IMF to examine how the financial sector could be made accountable for excesses which required the bailing out of banks by the government. The IMF seemed reluctant to undertake such a study and offered a insurance levy as an alternative. This prompted 60 NGOs from around the world to write to the Managing Director demanding a strong consideration of the FTT as well a formal process of involving the inputs of CSOs and the collaboration with the French led Taskforce on International Financial Transactions for Development. In the face of such requests, the IMF decided to undertake a report delivered in Canada in June 2010.

Fourth Pillar

With a revamping of the IMF, there have been several calls from the CSOs and academics that the resizing should be accompanied by measures at governance reform for the process to be effective. The opinion is that the lopsided European representation at the IMF does not incorporate the emerging new world economic order. Taking cognisance of such a need, the Board of Governors in 2008, approved a resolution to increase the participation of emerging market economies and low income countries. Additional proposals include reassessment of the roles and responsibilities of the IMF Board of Governors, the International Monetary and Finance Committee well as procedures for selecting a Managing Director. An effort to involve CSOs in the process called the Fourth Pillar was set off with the Managing Director writing to several CSOs and also included a video conference between Strauss Kahn and CSOs across three continents. The other three pillars comprise of the reports already submitted; these include (i) Governance of IMF submitted by the IEO in May 2008 (ii) Report of the Working Group on IMF corporate Governance which is under examination by the IMF Executive Board and (iii) The committee of eminent persons on IMF governance reform in March 2009. The final Report of the Fourth Pillar (Civil Society) consultation on IMF governance reform has since been submitted to the Executive Board.

The report was coordinated by the New Rules for Global Finance Coalition a Washington based networking organisation of researchers and policy makers committed to reducing global poverty and inequality. The report was compiled and summarised by Domenico Lombardi a Senior Fellow at Brookings Institution. Recognising that the IMF is a multilateral institution whose success depends on the active engagement of its constituent countries, the Report has emphasised on the governance of the institution. The participants to the discussion have emphasised on the need of the institution to be inclusive as well as accountable. The recommendations, therefore, place emphasis on the set of formal and informal arrangements that underlie the distribution of organisational power including selection of the Managing Director and the Executive Director. The need to rebalance the voting powers to bring more representation of the new economic order has been drawn attention to. A double majority voting to broaden the consensus base has also been highlighted. The report has highlighted the need for merit based selection of the Managing Director and his Deputies structured on a thorough job description than be one on the need to represent a particular geographical region.

Regarding accountability, the participants felt that periodic evaluation of the Executive Board should be performed by external evaluators. Futher, a self assessment of the Executive board should be facilitated by a committee of the Executive Board. This entails a clarification of the dual role performed by the Managing Director as Chief Executive of the Board as well as Chairman of the Board. The committee was of the opinion that the dual role should ideally be performed by two persons. Alternately, the supervisory role and the functional role should be separated. On transparency, the CSOs have requested for a timely disclosure of policy papers at the draft stage such as to be able to contribute to the decision making process. The participants underscored the need to have operational policies and procedures which are Board approved and disclosed to the public such that it facilitates an assessment of the functions of the Fund and its officials.

SECTION IV

Lessons/Limits of the Engagement

The foregoing discussion highlights that the relation between the civil societies and the Fund has come a long way since the Asian Crisis. The recent financial crisis has highlighted and emphasised the mutual benefits of the dialogue and informed discussions. The report of the Fourth Pillar is an important step in the relationship. However, a certain amount of caution needs to be exercised in any evaluation of the relationship. In their dialogue with the IMF, it is extremely important that the NGOs/CSOs conform and adhere to high standards of governance within themselves, be accountable to the stakeholders they represent and not carry forward the agenda of their largest donors. If, however, the IMF were to establish formal standards for association, there is a real danger that only the largest and the well funded ones would have access leaving a large majority of the disenfranchised out of the circle of influence. At worst, such a situation may give a double voice to certain powerful interest groups. Further, the IMF, a cooperative institution, dealing mostly with the governments of its member countries, needs to be careful that it is not accused of engaging in governance avoidance; while interacting with a network of NGOs/CSOs in the face of difficulties in working with the established government structure. While the case for doing so in undemocratic states may exist, in certain fragile emerging democracies, such activities would have negative consequences for the process of democratisation itself (Woods 2000).

The global crisis has questioned the very foundations of the Anglo-Saxon economic thinking and it is interesting to note that John Williamson who is often hailed as the father of the Washington Consensus is calling attention to the study of capital controls. In such an environment, the CSOs have a vital role to play. The think tanks conducting vast amounts of research on the new world economic order should play an active role in influencing the Fund's research and policy making. That apart, CSOs involved in grass root level activities have an increasingly important role to play in the design of programmes and their implementation. And those CSOs, with influence in the local governments should be able to muster significant political will for the implementation of the programmes, such as to ensure country ownership and accountability. CSOs/NGOs given their vast sphere of involvement and participation should help facilitate the IMF in its task of establishing a new robust economic order by covering the entire spectrum of programs and policies from conception to the ultimate implementation. The process of IMF- CSO dialogue, however, needs to be a continuous one and should not be confined to a series of discrete associations. Such an engagement, therefore, becomes a necessary and sufficient condition to ensure the smooth transition of the presently struggling economies to a new and higher growth path.

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