The Bretton Woods Institutions: Governance without Legitimacy?

"Institutions are not …created to be socially efficient; rather they, or at least the formal rules, are created to serve the interests of those with the bargaining power to create new rules" Douglas C. North
Nobel Lecture, 1993

Introduction

Sixty years after their creation, the Bretton Woods institutions face a crisis of legitimacy that impairs their credibility and effectiveness. At the root of this crisis lies the unrepresentative nature of their structure of governance, which places control of the institutions in the hands of a small group of industrial countries. These countries consider the developing countries and economies in transition, as minor partners, despite their accounting for half of the world's output in real terms,[1] most of the world's population and encompassing the most dynamic economies and the largest holders of international reserves[2]. Over time, the effects of the unrepresentative nature of the governance of the BWI s have become aggravated by two trends: Firstly, a growing division among member countries, on the one hand industrial country creditors who do not borrow from the institutions but largely determine their policies and make the rules and on the other, developing country debtors or potential debtors, subject to policies and rules made by others. The second trend is the rapid increase in the economic size and importance of developing countries, particularly emerging market countries in the world economy. This trend, has made the governance structure of the institutions, which reflects the political accommodation reached at the end of WWII, increasingly obsolete.

The first part of the paper will review the existing governance structure of the institutions, the foundations on which it rests, the main formal proposal to reform quotas and a number of important shortcomings and major issues that were not addressed by their proposal.

The second part takes a different approach. Although in their self-interest, the major industrial countries could be expected to favor policies that contribute to the long term success of the institutions, the good performance of the world economy, and the stability of the international monetary and financial system, the policies they pursued in the institutions have often been determined by short term expediency. A brief review of the performance of the institutions in recent times, conducted in the light of their purposes and responsibilities, shows that, despite some conspicuous successes, their limited effectiveness in the pursuit of their objectives has not only not enhanced their legitimacy, but often contributed to their loss of credibility.

1-The Unrepresentative Character of the Governance of the BWI's

In 1944 at the Bretton Woods Conference a compromise solution was adopted between two approaches to the determination of voting power, one which would relate it solely to members contributions or quotas and another based solely on the legal principle of the

[1] i.e. measuring GDP in terms of PPP.
[2] Developing countries accounted for 63%of total international reserves at the end of 2004

equality of states. The compromise based voting rights on a combination of the two: it gave each member country 250 basic votes plus one vote for every $100,000 of quota (later for every SDR100,000). Basic votes, and the voice in decision making they gave smaller countries were considered to be necessary in view of the regulatory functions of the Fund in certain areas. (See J. Gold).

Similarly, Article V section 3(a) of the Bank's Articles of Agreement provides that "each member shall have 250 votes plus one additional vote for each share of stock held". All shares of the Bank's capital are valued at US$ 120,635 per share. Note that in 1979 all members of the Bank were offered to subscribe 250 "membership" shares to avoid dilution of the voting power of the smaller members as a result of the 1979 capital increase. New members are also authorized to subscribe 250 shares.

Because the number of basic votes has not been changed with successive quota increases, the participation of basic votes in total votes has declined from 11.3 percent of the voting power to 2.1 per cent today, despite the entry of 135 new member countries. In fact, as a proportion of the total, the basic votes of the original members declined to one half of one percent, as a result of a 37 fold increase in total quotas. [3] This has substantially shifted the balance of power in favor of large quota countries, and away from the compromise agreement contained in the Articles in order to protect the participation of small countries in decision-making.

Table 1 below shows the relative share of GNI, Quotas and Voting Power of different country groupings, and underscores the unrepresentative nature of current quotas and voting power in relation to shares of world output.

Table 1. GDP, Quotas and Votes as Shares of the Total in 2003

Group of Countries	GDP ppp 2003 (shares, %)	GDP 2003 (%, shares)	Quotas 2003 (shares, %)	Total Votes (shares, %)
G7 Countries	44.1	64.4	46.1	45.3
Other Industrial Countries	8.3	11.9	15.6	15.5
Total Industrial Countries	**52.4**	**76.3**	**61.7**	**60.8**
Africa	3.4	1.5	5.4	5.7
Asia	26.5	10.0	10.3	10.5
Middle East	3.7	2.6	7.6	7.7
Latin America and the Caribbean	7.6	4.8	7.5	7.7
Transition Economies	6.3	4.8	7.5	7.7
Total Developing and Transition Countries	**47.6**	**23.7**	**38.3**	**39.2**
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**

Source*: World Economic Outlook* (2005), IMF.

[3] Consider the power shift that occurs as quotas increase: A country with a quota of ten million would be entitled to 350 votes i.e. 100 votes on account of its quota size and 250 on basic votes for being a member. When the size of quotas is multiplied by ten, the country will have 1000 votes on account of its quota and 250 basic votes, for a total of 1250 votes. Thus the relative share of basic votes declines from over 70 percent to 20 percent of the total. In 1945 there were fourteen countries, almost a third of the membership whose quota was $10 million or less, and twenty eight countries, over half of the total, whose quotas were $50 million or less.

The large differences between the conversion of measurements of GDP measured at market exchange rates and in terms of purchasing power parity are shown in the table. Table1above. The table shows that when properly measured, the output of the developing countries in 2003 approached that of the G7 countries, and the sum of the output of developing countries and economies in transition approached that of all industrial countries. Since the developing countries are growing at a considerably higher rate than industrial countries, the WEO projections indicate that in 2005, developing country output is equal to that of the G7.The share of global GDP accounted for by developing and transition economies will match that of all industrial countries by 2006.

2-The Quota Formulas

Given the role of quotas as the determinant of voting power, any review of governance must consider whether they reflect the relative positions of countries in the world economy, the relevance of the variables included and weights assigned to them and the transparency of the quota determination process.

At the time of the Bretton Woods Conference, quotas were assigned several important roles, i.e. the determination of countries contributions to the Fund, that of access to Fund resources, and their relative voting power. The logic of having only one formula for determining these different roles has often been questioned. As suggested by R.Mikesell (1994) and in keeping with the well known postulate of Prof. Tinbergen(1952), of having one policy instrument for each policy objective, it would make considerable sense to separate the three functions performed by quotas: determination of voting power, determination of contributions to the Fund and access to Fund resources.

However, since at Bretton Woods the membership felt there was merit in having contributions and access to resources based on the same formula, such a far reaching departure from the traditional role of quotas might make an agreement in the discussion of changes in quota formulas considerably more difficult to reach.

The formula developed by R. Mikesell in 1943 had the political objective of attaining the relative quota shares that the US President and Secretary of State had agreed to give the "big four" wartime allies, with a ranking which they had decided: the US was to have the largest quota, appproximately $2.9 billion, the UK including colonies an amount about half the US quota, the Soviet Union a quota just under that of the UK; and China somewhat less. To achieve this result the formula produced by Mikesell[4], after many iterations, was based on: 2% of National Income, 5% of gold and dollar holdings, 10% of average imports, 10% of maximum variation in exports, and these last three percentages to be increased by the ratio of average exports/National Income.

It is worth noting that with variations in the weight given to these variables and some changes in their definition (i.e. GDP for N.I.), the IMF continues to use the original formula; this is combined with four other formulae which include the same variables but

[4] Raymond Mikesell "The Bretton Woods Debates: A Memoir" Essays in International Finance No.192, Princeton University, International Finance Section, March 1994

with different weights. A considerable element of discretion is used in selecting the formula to be applied, and in adjusting the results in estimating member's quotas. Consequently, the determination of quotas lacks transparency.

Moreover, while the structure of the world economy has changed rapidly over the last sixty years, as quota increases over the years have been largely (70%) equiproportional, a considerable element of inertia has tended to perpetuate the initial quota structure. Consequently, present day quotas which at best, represented the economic structure of the world in 1944 are far from representative of the current sizes of economies, of their ability to contribute resources to the Fund or of their importance in world trade and financial markets.

3-The Quota Formula Review Group

As dissatisfaction with the structure of quotas increased over the years, pressures to review the system rose. The Report of the Executive Board to the Board of Governors on the increase in quotas under the Eleventh General Quota Review reaffirmed the view of the Interim Committee that the quota formulas should be reviewed, following the completion of that quota review. Accordingly, in 1999 the Managing Director requested a group of external experts to provide the Board with an independent report on the adequacy of quota formulas, including proposals for changes if appropriate. This Quota Formula Review Group (QFRG)[5] was to be headed by Professor Richard Cooper of Harvard University.

The terms of reference for the study given to the group were broad and included the following main areas:

--"To review the quota formulas and their working, and to asses their adequacy to help determine member's calculated quotas in the IMF in a manner that reasonably reflects member's relative position in the world economy as well as their relative need for and contributions to the Fund's financial resources, taking into account changes in the functioning of the world economy and the international financial system and in the light of the increasing globalization of markets."

--"To propose, as appropriate, changes in the variables and their specification to be used in the formulas."

--"To examine other issues directly related to the quota formulas."

After looking at the history of the formulas, how variables affect the calculated quotas under existing formulas and a number of related issues and undertaking a substantial amount of econometric work, the QFRG decided to take a fresh approach and design a

[5] The Quota Formula Review Group (QFRG) was formed by eight experts, consisting of Richard Cooper (Professor at Harvard University) as chairman; Joseph Abbey (Executive Director, Center for Economic Analysis, Accra, Ghana) Montek Ahluwalia (Member, Planning Commission, New Delhi, India); Muhammad Al-Jasser (Vice-Governor, Saudi Arabian Monetary Agency); Horst Siebert (President ,Kiel Institute of World Economics, Germany); Gyorgy Suranyi (President, National Bank of Hungary); Makoto Utsumi (Professor, Keio University, Japan); and Roberto Zahler (former President of the Central Bank of Chile).

new formula. This formula was supposed “ to reflect the underlying changes in the functioning of the world economy and the international financial system, take account of the increasing globalization of markets, and simplify the existing formulas.” (QFRG Report, page55).

The QFRG state their view that: “any new formula should have a sound economic basis and should reflect changes in the world economy; that the form and content of any new formula should be consistent with the several functions of quotas; that the variables contained should not give members incentives to adjust their policies adversely to IMF principles; that any new quota formula should be more transparent and easier to comprehend than the existing set of formulas and any modification of the quota formulas should be feasible, and where problems of data quality or availability arise, such modification should be contingent on the resolution of these problems.”(op.cit. pages 56-57).

They commented “We recognize that Board discussions have often focused on whether developing countries as a group have sufficient voice in the Fund and any decisions on the quota formula for the future will have impact on this issue. However, since our terms of reference do not make any reference to developing countries as a group, we have not taken this aspect into account in recommending a quota formula.” (op.cit. page 56) Thus, representativeness of Fund governance and the legitimacy of its decisions were not a concern.

After extensive work and lengthy deliberations, the QFRG proposed that the Fund adopt a single formula with two variables which will, in their judgment, best represent: 1) the member’s ability to contribute and 2) the member’s need for IMF resources: i.e. GDP and the variability of current receipts and net long term capital flows, with a coefficient for GDP twice as large as that for variability. In their judgement, these variables are those that best represent countries’ ability to contribute resources to the Fund and the need for financial support by member countries.

While recognizing that original quotas were politically determined and that the resulting quota structure has tended to persist as a result of the relative small size of selective element in quota adjustments (and the gap between calculated and actual shares has persisted over time), the Report does not favor rapid quotas changes, as circumstances of individual members may change from one review to the next. (Report, page5)

The Report recognizes that significant changes have taken place in the world economy since 1944, in particular greater global economic integration, and the rapid expansion of private capital flows and their volatility have made countries more exposed to external shocks.

4-What the QFRG Missed[6]

[6] This section draws on my earlier work, particularly “ A Critique of the Cooper Report on the Adequacy of the IMF Quota Formulas”, Dept. of Economics Discussion Paper Series No.74, Oxford University, 2001

Recall that, taking into account the role of quotas in the IMF, the QFRG was requested to review whether the current quota formulas are adequate and also whether the variables in the formulas reasonably reflect the main features of the world economy.

On the whole, the proposal for the revision of quotas prepared by the QFRG, must be seen as disappointing. Through their choice of variables, the group proposed a formula that does not take fully into account some of the major changes that have taken place in the world economy. In particular, it underestimates the increased participation of the developing countries as a group in world output and trade and the rapid growth of some of the larger economies among them, as shown in Table 1. Additionally, in view of a relative decline in official financing, the volatility of capital flows is important for countries without assured access to private capital markets. However, the report fails to provide for the problems of vulnerability posed by the extraordinary expansion of financial markets and the volatility of short-term capital movements.

Moreover, their judgments, explicit or implicit, on the size of the Fund [7], the question of basic votes, the measurement of GDP, on the issue of vulnerability appear to reveal a bias in favor of the preservation of the status quo, in which a small group of industrial countries holds the majority of the voting rights, limits the growth of the Fund and access to its resources and excludes the majority of Fund members from appropriate representation, contributions and participation in decision making commensurate with their economic size. The quota formula proposed, in addition to being subject to the shortcomings mentioned above, would lead to a further concentration of power in the hands of industrial countries.

Despite some valuable work, the errors and omissions of the QFRG report are noteworthy. The more significant of these are discussed below:

a) The Question of Basic Votes

Since the erosion of basic votes would appear to be a significant issue in the governance of the Fund it is surprising that, despite the broad mandate given to the group, the Report failed to consider the possibility of revising them. The only reference contained in the Report goes to say that:

[7] In the light of the broad terms of reference they received, an important issue not considered that has been the object of discussion both inside the Board as well as outside it and would appear to require consideration is the overall adequacy of Fund resources or total quotas. I will not elaborate on this subject here, other than to note that current quotas are equivalent to only 9/10 of 1 percent of world GDP and have declined from 58 to under 4 percent of world trade. Moreover, recall that the desire by some to limit quota increases and avoid adjusting quota shares to changed conditions in the international economy has led the Fund to seek to supplement its available resources by entering into two borrowing arrangements, the General Arrangement to Borrow and the New Arrangement to Borrow, with a number of countries in a strong international reserve position. These arrangements enable the Fund to resort to them to provide additional financing for Fund operations when required.

”The IMF’s cooperative nature suggests that potential debtor countries should continue to have a significant voice in IMF decision making, a feature that would be dropped by basing quotas solely on the ability to contribute (unless redressed by increasing substantially the fixed or basic votes to which each country is entitled, which now accounts for about 2 percent of total votes-a change that would require amendment of the Articles).With quotas and hence voting power, based solely on the ability to contribute , some feel that the perspective of prospective borrowing countries would not be properly reflected in the management of the IMF.”

Thus while recognizing that the cooperative nature of the international institution calls for having prospective borrowers represented in decision making in the Fund, the authors of the Report appear to believe that with basic votes accounting for 2.1 percent of the total vote, including the vote of developed countries, small potential debtors have a significant voice in decision making! This argument is entirely unconvincing.[8] The authors of the Report appear to have forgotten the reasons for the compromise that led to basing voting rights on a combination of two criteria and the evolution of basic votes over time.

The importance of basic votes for small countries may be seen from the fact that despite their diminished importance, these still account for twenty percent of the voting power of 1/3 of the membership. Nevertheless, quotas *(*shares in the case of the Bank*)* account for some 98 percent of total votes and are virtually the sole determinant of total voting power. Consequently, the voice of small countries in decision making has been reduced to the point of becoming negligible. A similar process of erosion of the role of basic votes has taken place in the Bank over time as a result of successive capital increases.

Restoring the share of basic votes to say the original 11.3 per cent of the total (Op. cit. page 32) would require a more than five fold increase in the basic vote of every member country (from 250 to 1324)[9] In addition, to prevent the future erosion of the share of basic votes in the total, a decision could be adopted by which, in every future quota review, total basic votes increase in the same proportion as total quotas.

The preservation of the share of basic votes in the total would not be an exceptional practice among international institutions. Note that being sensitive to the political dimension of its work, the Asian Development Bank‘s Articles of Agreement provide that the relative importance of basic votes will remain constant over time as a proportion of the total vote (Article 33-1) and that the Articles of Agreement of the Inter-American Development Bank provide that no increase in the subscription of any member will become effective if it would reduce the voting power of certain countries or groups of countries below given percentages of the total. (See External Review of Quota Formulas-Annex, Box 3.1 page 38).

[8] One may ask in what parliamentary body such a small representation would be considered to give a major party an adequate participation in decision making.

[9] Restoring the proportion of basic votes per member to what it was in 1945 would raise the total basic votes to nearly half of total voting power (11.3 x 4.07=46 per cent).An intermediate solution that would partially restore the role basic votes were meant to have, would be to assign to basic votes say 25 per cent of the total voting rights. This would mean raising the basic votes of each member country from 250 to 2,927.

b) The Measurement of GDP and the Ability to Contribute

The QRFG agreed unanimously that the most relevant variable for measuring a country's ability to contribute to the Fund is the country's GDP. However, the group differed as to how GDP measured in domestic currency was to be converted into a common currency to determine the relative ability of the country to contribute. The majority favored conversion at market exchange rates, averaged over several years, but a minority preferred to measure GDP for purposes of the quota calculations using PPP-based exchange rates. They considered that market exchange rates do not necessarily equalize prices of tradable goods across countries, even after taking into account transport costs and quality differences, and that this creates an index numbers problem in which the GDP in developing countries is understated in relation to developed countries if market exchange rates are used.

They noted that while real growth rates in these countries have been significantly higher than in industrialized countries, the increase in relative size of GDP of developing countries is eroded by exchange rate depreciation when converted at market exchange rates.(op.cit. pages 57-58) "The majority view argued that while PPP based conversion rates were appropriate for measuring relative per capita income for comparing economic well being across countries, they were not appropriate for indicating a country's ability to contribute to international endeavors. Second, market prices properly reflect the costs of moving goods from one place to another, and equating prices of equivalent goods regardless of location, as is done in PPP calculations, gives a seriously misleading indicator of the ability to contribute to international undertakings… The IMF is a monetary institution, requiring financial resources for use when members are in financial difficulties in their relations with the rest of the world. A country's ability to contribute is therefore determined by its capacity to provide funds at market exchange rates," (op.cit. page 58).

In the view of the majority, using PPP based GDP, as a measure of a country's ability to contribute would produce serious anomalies, suggesting for example that China could contribute one third more than Japan, or that India could contribute more than France. Are these criticisms valid?

In today's world, where developing country reserves exceed those of industrial countries, in what sense is it meaningful to argue that the ability of Japan to contribute is greater than that of China and that the ability of France to contribute is greater than that of India? Contrary to what is suggested, the relationship between actual contributions as determined by quotas and the ability to contribute as a proportion of GDP is very far from being a binding restriction. Consider firstly that quotas are a very small proportion of GDP, only 1 per cent at the time of the Eleventh Quota Review in 1998 measured in market exchange rates (Table 1) and today at 9/10 s of one per cent, are an even smaller proportion. Secondly, note that since conversions of GDP at market rates produce significantly smaller GDP's than PPP based conversions; the potential contributions by developing countries are such a small proportion of their GDP that the argument loses any significance. Thirdly, note that only 25 per cent of the member's contribution or quota is paid in foreign currencies. Taken together, these facts weaken the ability-to-contribute argument, the main argument against the use of PPP-based GDP, to the point

where it becomes irrelevant. In any case, countries are free to accept or reject quotas proposed and any country that did not feel able or did not wish to accept an increase in its contribution could decline a proposed increase in its quota or accept it at a later date.

Another argument presented against the use of PPP based GDPs is the lack of data. At the time, PPP based GDP estimates were available for only 117 countries representing 95 percent of world GDP….Of course, with effort, data deficiencies can be eliminated over time.[10] (QFRG report, page 58). You might consider that the availability of data for countries accounting for some 95 percent of the total world GDP is not a bad starting point if you can work to extend the coverage to other countries, particularly if you have several years in which to prepare the appropriate estimates.

Recall the situation prevalent as regards balance of payments data at the time of the Eleventh Review of Quotas," when data for current receipts and payments through 1994 were used in the quota formulas. At the time Balance of Payments data supplied for publication in the IMF's Balance of Payments Yearbook were not available for 53 countries (out of the 183 that participated in the quota review).These gaps were filled by information provided by area department desk economists, based on official information, and by staff estimates" (External Review of the Quota Formulas -Annex 7, Balance of Payments Data used in the Quota Formulas, page 77) Could not the same be done for PPP-based GDP estimates?

The recent staff calculations[11] that would purport to show developing countries are over-represented, and developed countries under represented, in relation to calculated quotas, are contrary to common sense and simply show the biases in existing quota calculations, even when GNP is converted at market exchange rates. Some striking examples of this are shown by Table 2, i.e. the quotas of Denmark, Norway and Austria are larger than that of Korea which is a larger economy and trading nation than the sum of the three countries cited above; equally absurd, the Belgian quota is larger than those of India, Brazil and Mexico, which are amongst the worlds ten largest economies. Similar bias obtains when African quotas are compared with those of European countries.

The major bias against developing countries arises from the conversion of measurements of GNP in local currency to US dollars at market exchange rates. By not valuing services and non-tradables at international prices this conversion substantially underestimates the size of their GNP[12]. As is widely recognized by statisticians, due to the volatility of exchange rates[13], and the fact that the exchange rates do not reflect relative prices across countries nor movements in these prices over time, exchange rate conversions of national currency values of GNP yield inconsistent results. "They fail to reflect the true levels of volumes of goods and services in the aggregates being compared" and "fail to reflect the

[10] Under the ICP, a new estimate of GDP converted in terms of PPP is currently under way covering the period 2003-2006; its results could be used in the next quota review to be completed by 2008.
[11] "Quotas-Updated calculations," IMF, August, 2004.
[12] See paper by Sultan Ahmed "Purchasing Power Parity (PPP) for International Comparisons of Poverty: Sources and Methods" in: website:http//webworldbank.org/wbsite/external/datastistics/cpext/o,pagePK
[13] See paper by J. McLenaghan, former Director of the Statistics Dept. of the Fund, "Purchasing Power Parities and Comparisons of GDP in IMF Quota Calculations" in www.g24.org

movements in relative volumes of these goods and services over time". Purchasing power parity conversion eliminates both these inconsistencies[14].

Table 2- Comparison of Quotas and GDP for Selected Countries

	GDP 2003 (SDRs)	GDPppp 2003 (Share in World)	Actual Quota (SDRs)
Small European			
Austria	179,834	0.47	1,872
Belgium	216,136	0.57	4,605
Denmark	151,905	0.33	1,643
Finland	115,535	0.28	1,264
Norway	158,467	0.34	1,672
Sweden	215,119	0.47	2,396
Switzerland	221,320	0.43	3,459
Total	**1,258,316**	**2.88**	**16,910**
Asian			
China	1,008,284	12.69	6,369
India	428,363	5.83	4,158
Indonesia	148,977	1.44	2,079
Korea	432,914	1.86	1,634
Pakistan	49,214	0.64	1,034
Philippines	57,624	0.69	880
Thailand	102,386	0.91	1,082
Total	**2,227,763**	**24.05**	**17,236**
Latin American			
Argentina	92,783	0.85	2,117
Brazil	352,105	2.65	3,036
Chile	51,790	0.31	856
Colombia	55,468	0.57	774
Mexico	447,753	1.82	2,586
Peru	43,633	0.28	638
Venezuela	60,641	0.24	2,659
Total	**1,104,173.40**	**6.73**	**12,667**

Source: The IMF's World Economic Outlook Database and the IMF's Quotas-A Factsheet.

14 S. Ahmed op.cit., "PPP is defined as the numbers of units of a country's currency needed to buy in the country the same amounts of goods and services as, say, one US dollar would buy in the United States".

For the above reasons, both the IMF and the World Bank rely on measurements of GNP or GNI in PPP in all estimates which involve international aggregates, i.e. of performance of the world economy in the World Economic Outlook, and in economic growth projections; indeed measurements of output at market exchange rates are little used in an international context, other than in quota calculations.

c) The Measurement of Volatility of Receipts

Considering the members potential need for financial support from the Fund, the QFRG finds that the single most relevant variable for measuring a country's vulnerability to external disturbances is the variability of its international receipts.

It is proposed that the variability of international receipts be measured as the standard deviation from trend of current account receipts over a 13 year period, with the trend measured by the centered five year moving average. The Report admits the possibility of refining this variable "by adding to receipts some measure of autonomous net inflows of capital, e.g. net long-term borrowing plus foreign direct investment, assuming that reasonably accurate information was available on a timely basis." While these are undoubtedly relevant variables, and this is the traditional way of looking at balance of payments vulnerability, they are not the whole story.

In looking at external vulnerability, one may consider:
a- the degree of openness
b- the composition of exports
c- the concentration of exports
d- the dependence on external financing, particularly on short term capital flows.

The first of these variables, the degree of openness, is estimated in the current quota formula, i.e. openness is measured by the sum of imports and exports as a proportion of GDP. Obviously, a closed economy, say one where the external sector accounts for 6 percent of GDP will be less affected by external developments than a very open one, where external sector represents say 50 percent of GDP. In the first case, a collapse of exports will have a limited impact on the level of domestic economic activity while in the second case an export collapse will have major consequences in terms of output and employment. Thus, since an open economy is more vulnerable than a closed one, the degree of openness should be seen as a separate variable, to be distinguished from the variability of current receipts. While this variable is not considered by the QFRG the appropriate measurement of Vulnerability as a proportion of GDP can take care of this factor, thereby making the inclusion of a separate factor for openness unnecessary.[15]

Export composition is an element of vulnerability since exports of commodities are subject to greater price fluctuations than exports of manufactures. Thus, a country with a high concentration of exports in one or two primary products, say as cocoa, coffee, copper, etc. is subject to wide fluctuations in export revenues. Similarly, the concentration of exports in one or two markets, whether of manufactures or primary

[15] See "Measuring Vulnerability: Capital Flows Volatility in the Quota Formula" by Laura dos Reis in this volume

products will result in substantial cyclical variations in export revenues and in a high degree of vulnerability for the exporting country. While these well known factors are not mentioned explicitly by the QFRG, only the second and third, can be subsumed in the proposal for the measurement of variations in current revenues.

However, trade variables and long term capital flows can not substitute for the consideration of the volatility of short-term capital flows, which as is widely recognized, has been the determining factor in the financial crises suffered by emerging market economies that have dominated Fund financial operations in the last decade. Excluded from consideration by the QFRG is the member's dependence on international financial markets, particularly the volatility of short-term capital flows.

The terms of reference for the QFRG refer to "changes in functioning of the world economy and the international financial system and in the light of the increasing globalization of markets". Since the increasing role of financial markets and their globalization are probably the single most important change that has taken place in the international economy, it is surprising that, the variables proposed exclude the volatility of short term capital movements, whose reversal played a major role in the financial crises emerging markets suffered several years before the QFRG was convened.[16]

d) Adjustment of Quotas for Intra-European Trade

Another important development the QFRG did not consider were the consequences of the emergence of the EU as a major trading block in Europe. This may be surprising since the European Common Market had been in existence for several decades. The IMF recognized the impact of intra EU trade on Quota calculations in its report "External Review of the Quota Formulas" EBAP/00/52 Sup. 1 May 1, 2000 which in paragraph 100 states:

"The effect on the calculated quotas of EU countries of excluding all the intra-trade flows within the EU –i.e., not taking into account any domestic valued added of such trade- is illustrated in table 9.1. The revised calculated quotas would be substantially reduced. In aggregate, the EU-15 countries' share would be reduced by 9.2 percentage points (from about 37.1 percent to about 28.0 percent). The largest declines in percentage points are for Germany, the Netherlands, France, and Belgium".

Partly as a result of the distortion generated by intra-trade, the European Union with 15 members in 2003, and a smaller GDP than the US[17], had 74% greater voting power than the US and is currently represented by 8 to 9 Directors. European countries are over represented in the IMF and World Bank executive boards, both relative to their share of world GDP (Table 1 and 2)and compared with the USA. To these voices is added that of a European Central Bank representative who participates in the Fund board discussion of a number of issues: the WEO, international financial markets and Financial Stability Reports, the role of the euro and consultations with the 25 EU members and those with

[16] i.e. The Mexican crisis of 1994, the Asian crises of 1997 and 1998, and several others.
[17] The GDP of the EU of 25 members is only marginally larger than that of the US at 2003 exchange rates.

prospective members. In contrast, only two African directors represent 46 Sub-Saharan countries, many of which have Fund programs and Bank loans.

Thus, in addition to the problem arising from exchange rate based conversions of GNI, the substantial over representation of the EU members arising from the treatment given to intra-EU trade flows, the intra-trade flows considered in IMF calculation are an under-estimation as they did not consider trade in services.

Following the IMF methodology of the 12th quota review and using OECD data, we have made a new estimate of the required quota adjustments which includes services[18].

Moreover, since trade within a single currency area can not give rise to balance of payments problems it is more akin to domestic trade than to international trade. When a correction is made for trade in the single currency, the calculated quotas for the 12 Euro zone countries decline sharply, falling from 28.3 percent to 16.9 percent, a fall of 11.4 percentage points. See Table 3 below

If one reduced the actual quotas of the euro-zone member countries by the same proportion as the decline in calculated quotas, the quota share of these 12 countries would fall from 23.2% to 13.84%, a reduction of 9.35% percentage points. (or 40.3 %).

Table 3. Current and Adjusted Calculated Quota for the EU-12 countries

	Current Calculated Quota (in millions SDR)	Share (in percent)	Adjusted Calculated Quota (excluding intra-trade in good and services) (in millions SDR)	Share (in percent)
EU-12	**234,860**	**28.3**	**120,926**	**16.9**
Austria	9,572	1.2	4,177	0.5
Belgium	17,709	2.1	6,649	0.8
Finland	4,955	0.6	2,592	0.3
France	38,652	4.7	21,593	2.6
Germany	62,854	7.6	34,872	4.2
Greece	3,087	0.4	2,031	0.2
Ireland	9,323	1.1	6,494	0.8
Italy	30,286	3.6	17,407	2.1
Luxembourg	12,903	1.6	3,580	0.4
Netherlands	24,562	3.0	10,990	1.3
Portugal	4,433	0.5	1,844	0.2
Spain	16,522	2.0	8,697	1.0

[18] The variables modified in order to exclude intratrade in goods and services were payments and receipts. The same data as in the 12th review was used in the case of GDP, reserves and variability of current receipts. OECD data on trade in services was converted from US$ to SDR at the average rate for each year taken from IFS.

United States	**138,060**	**16.6**	**138,060**	**19.3**
Japan	**70,364**	**8.5**	**70,364**	**9.8**
Other countries	**387,271**	**46.6**	**387,271**	**54.0**
Total	**830,556**	**100.0**	**716,622**	**100.0**

5- Recent Discussions on the Formula[19]

During the discussion of the QFRG report by the Board in August 2000 Directors welcomed the simplification and greater transparency of the proposed formula, but expressed the dissatisfaction and concern that its adoption would lead to greater concentration of quotas and power among the major industrial countries and requested further work should be undertaken on the subject.

In their quota discussion of June 2002 Directors favored the simpler and more transparent approach to the specification of variables to be included in quota formulas. They agreed that the number of variables should be limited to no more than three or four at most: GDP measuring economic size as the more important variable, a measures of openness, the variability of current receipts and net capital flows to reflect the vulnerability of members and in the opinion of some, international reserves.

In their 2003 discussion, Directors considered that a package approach should be adopted toward the adjustment of quotas, based on a simplified and transparent formula to determine large selective increases, and that additional "ad hoc" adjustments would be required for countries whose quotas are more out of line. Basic votes should be increased to correct the erosion of the voting power of the smallest countries. Note however, that any change in basic votes in the Fund or Bank require an amendment of the Articles of Agreement.

Recent discussions on governance have shown increasing pressure on the part of developing countries, particularly emerging market economies in favor of reforming the governance of the BWIs. For instance, at the April 2005 meetings of the IMFC and Development Committee, most of the developing country spokesmen pressed the need for reform.

In a recent Communiqué of the G24, stated: [20] "Ministers consider that enhancing the representation of developing countries requires a new quota formula to reflect the relative size of developing country economies. The formula should be simplified to give greater weight to measures of gross domestic product in terms of purchasing power parity, and take into account the vulnerabilities of developing countries to movements in commodity prices, the volatility of capital movements and other exogenous shocks. In addition, basic votes should be substantially increased to restore their original role in relation to total

[19] The quota formula may be modified by a simple majority of the Board.
[20] See paragraph 10, of their Communiqué of October 1, 2004,

voting power and to strengthen the voice of small countries. Ministers are concerned that the updated quota calculations contained in the report to IMFC and DC continue to understate the role of developing countries in the world economy and run counter to the good governance, legitimacy and best interests of the Bretton Woods institutions. "The table that follows shows the distribution of voting power by country groupings that would result from a new quota formula that followed the G24 ministers' view; i.e. a formula based of GDP(ppp) and Volatility. Since quota formulas may be changed by a simple majority of the Board while the increase in basic votes requires an amendment of the Articles, the table below maintains the current level of basic votes. A table restoring basic votes to their original level of 11.3 % may be found in the Appendix.

Table 4: Voting Power Distribution with Different Weights assigned to GDP(ppp) and Volatility with Current Level of Basic Votes.

Country Groupings	GDP(ppp) =.60 V=.40	GDP(ppp) =0.70 V=0.30	GDP(ppp) =0.80 V=.20	GDP(ppp) =0.90 V=0.10	GDP(ppp) =1 V=0
G7 Countries	0.26	0.31	0.35	0.39	0.43
Other Industrial Countries	0.08	0.08	0.08	0.08	0.08
Total Industrialized Countries	0.34	0.38	**0.43**	**0.47**	**0.52**
Africa	0.15	0.12	0.09	0.07	0.04
Asia	0.21	0.22	0.24	0.25	0.26
Middle East	0.08	0.07	0.06	0.05	0.04
Latin America and the Caribbean	0.10	0.09	0.09	0.08	0.08
Transition Economies	0.12	0.10	0.09	0.08	0.06
Total Developing Countries	0.66	0.62	**0.57**	**0.53**	**0.48**
TOTAL	1.00	**1.00**	**1.00**	**1.00**	**1.00**

As shown by Tables 1 and 4, the measurement of GDP in terms of PPP favors an increase in the quota share of all developing countries by eliminating a measurement bias against them. The introduction of *volatility* as a factor in the quota formula also favors developing countries, particularly exporters of primary products. Despite the volatility of capital movements, the inclusion of a volatility factor increases the quotas of primary producers with less diversified exports, more than those of other country groupings. As a result, the relative increases of quotas of Africa and the Middle East.(Table 4). Consequently, the reduction of the weight assigned to the volatility factor favors emerging market countries, particularly those with a larger GDP and diversified exports. As is apparent from the above table, the relative weights assigned in the quota formula to these two variables, has a major impact on the overall distribution of quotas.[21]Since industrial countries' exports are less dependent on commodities than those of developing countries, and industrial countries are less subject to capital account volatility, the greater the weight assigned to volatility, the smaller their quotas.

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[21] The detailed calculations underpinning Table 4 may be found in the Appendix. The Appendix also shows the calculated quotas of individual countries under various assumptions.

In the recent April 2005 meeting of the IMFC, statements made on behalf of major industrial countries suggested more openness to the consideration of the subject than in the past. Thus the US which only a year earlier had taken a negative attitude to the discussion of governance, took the view that "governance should evolve along with the world economy so that countries positions better reflect their global weights and so that all members are more effectively represented…particularly given fast-paced GDP growth in emerging market economies and the advent of currency union in Europe."[22] However, this is to be achieved without an increase in Fund resources through a "rebalancing of quotas" from "over-represented" to "under-represented" countries. This leaves aside the difficulty posed by the fact that a country's quota can not be reduced without its consent.

Japan pressed for the review of the quotas of emerging markets, stressing that unless the Fund responds to the increasing importance of Asia in the world economy it "could irrevocably lose relevance in Asia and ultimately in the world."[23]

European countries that stand to lose quota share, were in a difficult position. They had agreed in 2002 in the Monterrey Consensus to strengthen the voice and participation of developing countries and transition economies in decision making, but with few exceptions, are fighting a rearguard action to avoid structural change and preserve the *status quo* to the extent possible. Thus, they favor token administrative measures[24], and are generally open to a review of basic votes to favor of African countries, which by itself would have limited systemic impact, and appear prepared to consider selective quota increases to recognize the increasing role of a few emerging markets in the world economy. This changing attitude was reflected in the IMFC Communiqué of April 16, 2005 which states that:

"The IMF's effectiveness and credibility as a cooperative institution must be safeguarded and further enhanced. Adequate voice and participation by all members should be assured, and the distribution of quotas should reflect developments in the world economy. The Committee emphazised that the Thirteenth General Review of Quotas provides an opportunity for the membership to make progress toward a consensus on the issues of quotas, voice and participation." Nevertheless, the language is vague enough to paper over many deep differences that remain, and the way ahead is far from clear.

Among pockets of resistance to the review of governance are smaller European countries which being over represented, fear they may lose their chair in the executive board and the committees if a major revision of governance were undertaken. For instance, the Dutch minister[25] expounded the virtues of mixed constituencies as contributing to cooperation between debtor and creditor countries and took the line that the current constituency system, by which countries like Belgium and the Netherlands represent a mixed constituency is a sound, and presumably, better solution than having developing

[22] Statement by Secretary of the Treasury J.W. Snow to the IMFC on April 16, 2005

[23] Statement by the Minister of Finance of Japan, Sadakazu Tanigaki, to the IMFC on April 16,2005

[24] i.e. enlarging the staff in the offices of African Executive Directors and others

[25] Statement by Gerrit Zalm, Minister of Finance of The Netherlands also representing Armenia, Bosnia Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Macedonia, Moldova, Romania and Ukraine to the IMFC on April 16,2005

countries speak for themselves. He omitted to mention that since the Articles do not allow split voting, the executive directors representing mixed constituencies cast the vote of all the countries in a manner contrary to the interests of the developing/borrowing countries, who are minority members of the constituency, on such policy issues as waivers on conditionality, level of access to Fund resources, the size of the Fund, the allocation of SDRs, the need for a precautionary facility to protect countries against financial crises and others.[26]

6- Other Aspects of the Legitimacy Problem

In addition to the erosion of basic votes and the unrepresentative character of quotas, the problem of legitimacy of the governance has grown over time for functional reasons, in particular, the diminished effectiveness of the Fund and Bank. Firstly, it would appear that today, Fund surveillance is only effective over those emerging and developing economies that resort to its financial support, but has little if any impact on industrial countries and on systemic issues. Why did the Fund lose influence over industrial countries and other major economies?

Firstly, the exponential growth of international financial markets has allowed industrial countries easy access to external financing, this access coupled with the growth of their own domestic financial markets and the development of regional monetary arrangements and reciprocal credit lines among them, make it unnecessary for them to subject themselves to the conditionality associated with IMF support. This trend became apparent by the late seventies; as Europe developed its own monetary arrangements; it walked away from the Fund.

As a result there has emerged a growing chasm between shareholders and stakeholders, between those who determine IMF policies and decisions and those to whom those decisions and policies are applied. Thus, instead of a cooperative institution to which all members contribute and from which they may borrow from time to time, a distinction has emerged between creditor countries that have the power to make the rules[27] and debtor and prospective debtor countries, which are subject to those rules.

A second factor that has eroded legitimacy is the rapid economic expansion of emerging market countries, their growing importance in the international economy and their accumulation of international reserves. The growth of emerging markets has not been reflected by changes in the governance structure of the Bretton Woods institutions. This lack of representation made possible the contractionary policy prescriptions required by the Fund as a condition for support during the Asian financial crises of 1997-98, perceived by a number of countries as inappropriate and contrary to their interests.

Consequently, in order to avoid having to rely on Fund support in future, Asian countries decided to build up their reserves and develop regional monetary arrangements as a form

[26] In fact, the vote of developing countries cast by industrial country directors amounts to some 6.9 percent of total voting power.

[27] Note that an agreement reached among G7 members on policy issues turns the Board discussion into a mere formality.

of insurance. The Chiang Mai initiative was established to provide liquidity support to its members faced with contagion and speculative attacks against their currencies. Its expansion to allow multilateral currency swaps and the doubling of the size of these, from $39.5 billion to over $70 billion was agreed by the Finance Ministers meeting in Istanbul on May 5, 2005. Reportedly, a fourfold increase in the size of drawings that may be made without IMF conditionality was also agreed. In the words of Masahiro Kawai, a former Japanese finance ministry official who will head the new regional financial integration office at the ADB, "The Chiang Mai initiative has the potential to become an Asian monetary fund"[28].

By developing a bond market in domestic currencies, the Asian Bond Fund, also aims at reducing the vulnerability of countries to risks of liquidity and currency mismatches that could lead to financial crises.

Thus, in addition to Europe, a growing number of countries in Asia and in Latin American appear to be in the process of moving away from the IMF. To the extent this process advances, the IMF would cease to be a truly multilateral institution of monetary cooperation and become an institution dealing mostly with the payments problems of low income countries in Africa and elsewhere.

The Loss of a Role and of Effectiveness

a-The IMF

When the Fund was established in 1945 the world lived under an international monetary system centered on fixed parities, which gave the IMF a clear role. The IMF was to enforce a code of conduct designed to prevent the competitive exchange rate devaluations and trade restrictions that had given rise to the "beggar thy neighbor "policies in the interwar years. To prevent these, the Fund was to approve exchange rate adjustments only in cases of fundamental disequilibria. Temporary payments imbalances were to be addressed mostly by demand management measures, mainly fiscal and monetary. The support of Fund resources would prevent members from resorting to restrictions on trade and payments or other "measures destructive of national and international prosperity".

Following the abandonment of the "par value" system, which had been at the heart of its role in the international monetary system, the IMF's function was transformed. Since the break down of the par value system in August 1971, when following the inordinate expansion of its liabilities, the US suspended the convertibility of the dollar into gold to protect its gold holdings; the world has lived in a "non-system" in which countries choose whether they wish to have floating or fixed exchange rates. Thus, the Fund's central role as arbiter of exchange rates has largely disappeared.

The Articles of Agreement refer to the general obligations of members regarding exchange arrangements and provide the basis for Fund surveillance:

[28] Financial Times, May 6, 2005

1) Article IV Section 1(i) assigns the Fund a role of promoting a stable system of exchange rates. Observing the 65 percent variations of the exchange rate between two of the world's major currencies, the euro and the US dollar over a small number of years, it can hardly be said to have succeeded. [29]

2) Article IV. Section 1 (iii), places an injunction on members to avoid exchange rate manipulation in order to prevent effective balance of payments adjustment or to gain unfair competitive advantage over other members. A number of countries, mostly in Asia, have pursued an export driven development strategy based on fixing their exchange rate at very competitive levels in order to promote exports and employment. In this process these countries run large trade surpluses and have attracted large flows of foreign investment, leading to the accumulation of very high levels of international reserves.

In the aftermath of the Asian financial crises, reserve accumulation was a deliberate and justifiable policy by these countries to insure themselves against loss of financial market access, the risks posed by volatility of capital flows and the crisis to which they may give rise. Noting that the very high level of international reserves held by some countries goes well beyond the level necessary to ensure stability, the question may arise of whether Fund surveillance has succeeded in promoting international adjustment and preventing exchange rate manipulation.

3) Fund surveillance over major economies has proven to be ineffective in dealing with global imbalances. That cumulative US fiscal and current account deficits pose a serious danger to the stability and prosperity of the international economy:

- The dollar depreciation has precipitated rising trade tensions and calls for protection in Europe, and other countries whose currencies have appreciated. The rapid growth of Asian exports of textiles and other goods has also given rise to calls for protection in Europe and the United States. Thus, pressures for protectionism are rising in response to political pressures in countries whose industries are unable to compete.

- On current trends, if the US deficits persist, there is the growing risk that at some point the demand for dollars as a reserve asset by foreign central banks, mainly in East Asia, will fall as monetary authorities and private investors chooses to hold other reserve assets that maintain their value: euros, yen, or gold. This could take place among the industrial, oil- exporting countries, and emerging countries that cannot justify further buildup of reserves nor capital losses arising from a declining dollar.

- A loss of confidence leading to a disorderly depreciation of the dollar would lead to a sharp rise in dollar interest rates that would put a sharp brake on the U.S. economy and on the growth of Asian and other countries dependent on the U.S. market.

4) The fact that large amounts of capital flow from poor countries to finance the twin deficits of the largest economy, the issuer of the main reserve currency, must be seen as an anomaly and a serious misallocation of resources from a global economic stand point.

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[29] Recall that the euro fell from $1.18 dollars per euro at the launching of the new currency on January 1,199 to a low of $0.82 dollars per euro on October 26, 2000 and peaked at $1.363 on December 28, 2004.

This is a resource misallocation from the standpoint of developing countries whose savings should be invested at home to capitalize and develop their economies. But it is a misallocation of resources also from the US medium term perspective. With a rapidly aging population, instead of borrowing to finance consumption, the US should sustain high rates of investment abroad in order to earn interest, profits and dividends that will increase the income of its population as it ages and the proportion of working population declines.

5)While industrial countries are able to, and pursue counter-cyclical policies to combat recession, emerging and developing countries, which account for half of the world output, measured in terms of PPP, are unable to do so. Given the size of their economies, this hinders global economic recovery. Indeed, emerging market countries are forced to pursue pro-cyclical fiscal and monetary policies by the pro-cyclical behavior of international financial markets, as they find it difficult to borrow to sustain their economic activity in times of recession.

6) The US which was the largest creditor country at the time of the Bretton Woods Conference always favored conditionality.[30] As debtors, the European countries, had resisted conditionality during the first decade of the Fund and favored increasing Fund resources, but as their situation changed, they changed their position. This had far reaching consequences for the character of the institution, since the countries who determine policy and those who are subject to, or governed, by Fund policies, are no longer the same. Thus over time a new situation has emerged, characterized by an increase in conditionality and a relative decline in the resources of the Fund. This has shifted the balance between adjustment and financing in Fund supported programs in favor of more adjustment, increased conditionality and resulted in a high rate of program failures.[31]

Under Article I, Section (v)of the Articles of Agreement, the Fund's purposes include making its resources temporarily available to members under adequate safeguards, providing them with opportunity to correct balance of payments disequilibria "without resorting to measures destructive of national and international prosperity". Thus, the use of Fund resources is intended to mitigate the severity of the adjustment process member countries must undertake. In addressing each case, the Fund should seek to strike a fine balance between adjustment and financing. When a country has unlimited financing, like the United States at present, it is able to resist adjustment, however necessary, for a long period of time. At the other extreme, many developing countries undertake adjustment without adequate financial support; this increases the economic and social costs of adjustment and gives rise to political resistance to the adoption of necessary measures. Consequently, the risk of program failure rises.

To be effective, the Fund must be able to encourage the adoption of adjustment programs in a timely manner by offering a level of financing that limits their contractionary short-term effects. However, with industrial country members no longer resorting to the use of

[30] Note that it has become the largest debtor nation and largest importer of capital.
[31] See A. Buira "An Analysis of IMF Conditionality " in Challenges to the World Bank and the IMF", Anthem Press,London,2003

IMF resources, these were allowed to decline as a proportion of world trade. IMF resources thus fell sharply, from 58 percent in 1944 to under 4 percent at present, and as a result programs are often under financed. Moreover, since systemically and strategically important countries have access to Fund resources well beyond the limits established by access policy, there is a lack of transparency and of uniformity of treatment.

A Fund without adequate financial resources can not perform its role. It can not provide incentives to timely adjustment, nor can it be seen as a friend to whom countries can turn for support and guidance in uncertain times. Indeed, when the Fund puts a premium on the reduction of aggregate demand and acts pro-cyclically, it pursues what Stiglitz called "beggar thyself policies"[32].

7) Surveillance of countries economic, -fiscal, monetary, exchange rate and debt policies, requiring the timely provision of data to the markets as well as the application of standards and codes, and good regulation and supervision of the financial system may be considered necessary precautionary measures. But however helpful, standards and codes are not sufficient to prevent the emergence of confidence crises that give rise to major reversals of capital flows. Since large outflows inflict damage to an economy very quickly, the current policy of IMF lending to the countries after the crisis has caused a large depreciation of the currency, and a deep recession, must be considered unsatisfactory.

The approach to crises that would be consistent with the purposes of the IMF would require it to provide sufficient financial support to sustain or restore market confidence, before the meltdown takes place.[33]

It is clear that the results attained in the management of systemic issues or of the international economy have not gained the Fund greater legitimacy in the eyes of most member countries. Moreover, program results are generally better in terms of improving the external balance than growth and employment. This has been perceived by critics as reflecting the priorities of creditors rather than those of the countries themselves.

b-The World Bank

The Bank was established with a dual mandate: to help finance the reconstruction of the countries ravaged by the Second World War and to assist the developing countries in

[32] Page 242 of "Reexamining the Bretton Woods Institutions" in Nayyar, "Governing Globalization" OUP 2002

[33] This requires an ongoing dialogue between the Fund and the authorities to enable the country to approach the Fund at short notice, and the Fund to respond promptly. Countries whose policies were considered appropriate by the Article IV consultation and had continued to pursue sound policies would be eligible for immediate Fund support. The above procedure could take the place of a formal precautionary or insurance facility, and have the advantage of avoiding the signaling problems of the CCL. Looking ahead, as the cycle matures, countries with substantial external financing requirements and high levels of external debt, will be exposed to reversal of current favorable external financing conditions. Rising interest rates, and a decline in commodity prices could trigger speculative attacks leading to a new round of financial crises, unless action is taken to prevent it.

financing their development.[34] Since capital shares of the World Bank are distributed largely in line with IMF quota shares, the under-representation of the developing world undermines its legitimacy and effectiveness.

As emerging market countries gained access to capital markets they diminished their dependence on the Bank as a source of capital. However, most developing countries do not have ready access to international capital markets, except for short-term trade finance. The provision of longer term financing for development is an important role of the Bank even for emerging market countries with access to capital markets, since capital market flows are pro-cyclical and loans are for shorter terms than required to finance investment projects with long maturities i.e. in infrastructure, health and education and others. In addition, Bank project financing is usually combined with the transfer of technical knowledge. Drawing on its experience of other countries, the Bank is able to provide its knowledge on the policies and institutions that work better, those most conducive to development and poverty reduction, as well as to provide technical assistance for the solution of the problems of development.

Table 4. The Operations of the World Bank

In millions US$

	1999	2000	2001	2002	2003	2004
IBRD						
Disbursements	18,205	13,332	11,784	11,252	11,921	10,109
Repayments (-)	10,082	10,398	9,635	12,025	-19887	-18,479
Net Flows	8,123	2,934	2,149	-773	-7,966	-8,370
Interest & Charges	-7,649	-8,153	-8,143	-6,861	-5,742	-4,403
Net Transfers	474	-5,219	-5,994	-7,634	-13,708	-12,773
IDA						
Disbursements	5843	5177	5492	6601	7,019	6936
Repayments	-898	-1285	-1235	-1255	-1,369	-1398
Net Flows	4945	3892	4257	5346	5,650	5,538
Interest and Charges	-588	-619	-614	-641	-816	-806
Net Transfers	4357	3273	3643	4705	5,650	4,732
Total Net Transfers (IBRD+IDA)	4,831	-1,946	-2,351	-2,929	-8,058	-8,041

Unfortunately, after a period of rapid expansion followed by years of stagnation, the Bank's lending operations have declined in recent years and as a result, net negative transfers rose sharply. See table 4 above. This decline in Bank lending limits the provision of capital and the transmission of knowledge. Moreover, large repayments

[34] Development financing was included in the mandate of the Bank in response to a proposal by the Finance Minister of Mexico supported by Keynes.

suggest that the middle income countries are reluctant to resort to the Bank when they have alternative sources of funding. This is appears to be due to the high non-financial costs of loans both in terms of conditionality and the cumbersome administrative procedures leading to delays of disbursements. Additionally, financial costs are not trivial; since the administrative costs of the Bank exceed $1 billion, the equivalent of over 8 per cent of disbursements, the Bank may be one of the most expensive financial intermediaries in the world.

The Bank has been slow to adapt to changing circumstances, to streamline its procedures to become more agile, to develop new products more suitable than traditional loans to meet the needs of its members for risk management. For instance, it could be of great assistance by developing risk management instruments to reduce the risks arising from volatility of commodity prices and capital flows; it could also reduce currency mismatches by borrowing and lending in the currencies of emerging market countries without putting its capital at risk.[35]

A fundamental issue arises from the comparison of the poor growth performance and the modest reduction in poverty and inequality in economic reformers pursuing orthodox policies and structural reforms in Latin America compared with the high growth rates, employment creation and poverty reduction achieved by Asian countries pursuing heterodox policies. Over the thirty year period ending in 2000 the per capita income of Latin America had risen by 40 percent while that of Asia had increased by 320 percent. This differing performance could not fail to undermine the credibility and confidence in the pro-market reform policies promoted by international financial institutions.[36] Several of the most successful Asian countries relied on public enterprises and utilized industrial policies, including selective intervention in the allocation of credit, export subsidies, tax incentives and protection.[37]

The issue of ownership arises in the context of both Fund supported programs and of Bank loans. There is ample evidence indicating that country ownership is a requirement for success. However a combination of excess conditionality, and lack of pragmatism reflecting the unrepresentative character of the governance of both institutions does not favor adoption of country priorities, nor of a plurality of approaches in recognition that developing societies are distinct and often too complex for standard approaches to their problems.

Last, but not least, the exclusion of the great majority of members in the procedure followed for the selection of the new president of the Bank has certainly raised questions as to the independence and legitimacy of the institution. Note that in a report of April, 2001 the Executive Boards had endorsed a report that called for an advisory group to make short list of potential candidates, and an open selection process with the

[35] See Randall Dodd " Up from Sin: A Portfolio Approach to Salvation" in "The IMF and the World Bank at Sixty" Edited by A.Buira, Anthem Press, London, 2005
[36] See Lora, Panizza and Quispe-Agnoli 2004 "Reform Fatigue: Symptoms, Reasons and Implications" Economic Review,Federal Reserve Bank of Atlanta 89(2)
[37] See Sanjaya Lall "Reinventing Industrial Strategy: The Role of Government Policy in Building Industrial Competitiveness" in The IMF and the World Bank at Sixty edited by A. Buira, Anthem Press, London, 2005

participation of all members, with candidates chosen on their merits, irrespective of nationality.[38]

Conclusion

The structure of the world economy has changed considerably since the Bretton Woods Conference of 1944: the developing countries and economies in transition now account for half of the world's output. China, India, Brazil and Mexico among the world's ten largest economies measured in real terms while other emerging countries also became major economic players without attaining adequate representation in the Bank and Fund. Because these political and economic changes have not been reflected in the decision-making structure of the Fund and the Bank, the governance of these institutions and the legitimacy of their decisions have become increasingly questioned.

The quota formulas should reflect the size of the economies of members, in particular their GDP, their exposure to trade and capital movements as well as their ability to contribute to the Fund. If quotas formulas were determined in accordance with the mandate given to the QFRG [39] and calculated quotas were based on objective measures, i.e. size of GNI, the volatility of receipts, the adjustment of European quotas for intra-trade and trade in the single currency in the euro area, the quota share of developing countries and economies in transition as a group, should be about the same as that of industrial countries. Moreover, given the greater number of countries included in the group, with the addition of basic votes, the total voting power of developing countries and transition economies would be greater than that of industrial countries as a group.

However, the determination of quotas is as much a political as a technical exercise. All participants in the discussion are likely to look at what the effect of any proposal on their relative position in the distribution of power before expressing a view on the matter. The major difficulty lies in persuading industrial countries to agree to reducing their share of quotas and voting power.

Consequently, one could suggest that a realistic approach to the problem of the distribution of power might start from an acceptable overall outcome, one to which most developed and developing countries will agree and then work backwards to define the precise manner in which this may be reached, i.e. the weights to be given to the components of voting power (i.e. basic vote and quotas), that would produce the desired result. While this procedure may seem somewhat lacking in objectivity, it would be far from unprecedented and is probably the only realistic approach to this matter.

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[38] The Bank Working Group to Review the Process for the Selection of the President and The Fund Working Group for the Selection of the Managing Director, Draft Joint Report, April 25, 2001

[39] "To review the quota formulas and their working, and to asses their adequacy to help determine member's calculated quotas in the IMF in a manner that reasonably <u>reflects member's relative position in the world economy as well as their relative need for and contributions to the Fund's financial resources, taking into account changes in the functioning of the world economy and the international financial system</u> and in the light of the increasing globalization of markets" (emphasis added). Terms of reference of the QFRG.

A point of departure for the necessary negotiation leading to the re-apportionment of quotas and revision of basic votes could be an agreement that the groupings of industrial and developing countries, or of prospective debtor and creditor countries, each have about half of the total vote at the Board. A second stage could be the revision of quota formulas, particularly the weight to be given to GNP (measured by PPP) and other variables. But since it would be difficult to come to an agreement on quota formulas without reference to what would happen to the share of basic votes in the total, this would have to be a simultaneous exercise. Consider also that changes in the measurement of GDP and the inclusion of a variability factor in the quota formula will allow any desired result to be attained without having to amend the Articles.

Over the past twenty five years, the Fund's operations have been conducted exclusively with the developing countries and, more recently, also with countries in transition. In recent years, the Fund has extended its conditionality to issues of governance. The explosive growth of international capital markets has given rise to new opportunities and difficult challenges. Thus, while the need for support for emerging market economies rose, the size of the Bank and IMF shrunk relative to world trade, and even more in relation to international capital movements. This situation has widened the divide among member countries. On the one hand is a small group of industrial countries with a majority vote; on the other is the large number of largely debtor developing countries with a minority vote and limited influence on policies. Consequently, major policy decisions on Fund supported programs and Bank policies are often taken outside the institutions on a discretionary basis. This power distribution, which raises questions on the legitimacy, transparency and accountability of Fund and Bank governance, is eroding the relevance of the institutions as Asian and other countries walk away from them.

Short-term self-interest and expediency appear to have blurred the Bretton Woods vision of international cooperation as a means to improve the workings of the world economy. The notion that national goals are best attained through international cooperation tends to be forgotten. If globalization is to work for all countries, the success of the Fund and Bank as multilateral institutions is crucial. For this purpose, the governance of BWIs requires a major reform of the quota and decision-making structures to enable them to meet the new challenges of the world economy. Industrial countries should be aware that legitimacy and participation in decision making are not contrary to the application of sound policies in the exercise of the Bank's and Fund's competences.

Apendix - Towards a New Quota Formula

The G24 Ministerial Communique' of October 1, 2004 indicates that the quota formula should be simplified to give greater weight to measures of gross domestic product in terms of purchasing power parity, and take into account the vulnerabilities of developing countries to movements in commodity prices, the volatility of capital movements and other exogenous shocks. In what follows we have performed some numerical simulations to allow us to visualize the results this approach would lead to.

Since the ministers did not express a view as to the proportion in which these factors should be combined, i.e. the relative weight to be assigned to them, the table below shows the distribution of quotas by country groupings that would result from assigning GDP(ppp) and Volatility different weights, ranging from GDP at 60 percent and Volatility at 40 percent to GDP at 100 percent and Volatility at 0 percent.

Table A 1: Country Distribution of Calculated Quotas with different weights for GDP(ppp) and Volatility, maintaining Basic Votes at current level

G-7 Countries

Country	GDP(ppp) =.60 V=.40	GDP(ppp) =0.70 V=0.30	GDP(ppp) =0.80 V=.20	GDP(ppp) =0.90 V=0.10	GDP(ppp) =1 V=0
Canada	0.0119	0.0137	0.0156	0.0174	0.0192
France	0.0192	0.0223	0.0254	0.0285	0.0315
Germany	0.0270	0.0312	0.0355	0.0397	0.0439
Italy	0.0186	0.0214	0.0243	0.0271	0.0300
Japan	0.0412	0.0480	0.0548	0.0616	0.0684
United Kingdom	0.0195	0.0225	0.0255	0.0285	0.0315
United States	0.1252	0.1459	0.1666	0.1873	0.2080
	0.2626	0.3051	0.3476	0.3901	0.4326

Other Industrialized Countries

Country	GDP(ppp) =.60 V=.40	GDP(ppp) =0.70 V=0.30	GDP(ppp) =0.80 V=.20	GDP(ppp) =0.90 V=0.10	GDP(ppp) =1 V=0
Australia	0.0068	0.0079	0.0089	0.0099	0.0110
Austria	0.0032	0.0036	0.0040	0.0044	0.0048
Belgium	0.0044	0.0047	0.0051	0.0054	0.0058
Cyprus	0.0012	0.0010	0.0008	0.0006	0.0004
Denmark	0.0030	0.0031	0.0032	0.0033	0.0034
Finland	0.0026	0.0027	0.0028	0.0028	0.0029
Greece	0.0037	0.0038	0.0039	0.0040	0.0041
Iceland	0.0007	0.0006	0.0005	0.0004	0.0003
Ireland	0.0075	0.0063	0.0052	0.0040	0.0028
Israel	0.0027	0.0027	0.0027	0.0027	0.0027
Luxembourg	0.0098	0.0075	0.0052	0.0029	0.0006
Netherlands	0.0060	0.0068	0.0075	0.0082	0.0089
New Zealand	0.0020	0.0020	0.0020	0.0019	0.0019
Norway	0.0031	0.0032	0.0033	0.0034	0.0035
Portugal	0.0029	0.0031	0.0033	0.0035	0.0037
San Marino	0.0001	0.0001	0.0001	0.0001	0.0001
Spain	0.0113	0.0129	0.0146	0.0162	0.0178
Sweden	0.0037	0.0040	0.0042	0.0045	0.0047
Switzerland	0.0036	0.0038	0.0040	0.0041	0.0043
	0.0786	0.0799	0.0812	0.0825	0.0838

Africa

Country	GDP(ppp) =.60 V=.40	GDP(ppp) =0.70 V=0.30	GDP(ppp) =0.80 V=.20	GDP(ppp) =0.90 V=0.10	GDP(ppp) =1 V=0
Algeria	0.0035	0.0037	0.0038	0.0039	0.0040
Angola	0.0107	0.0082	0.0057	0.0032	0.0007
Benin	0.0021	0.0016	0.0012	0.0007	0.0003
Botswana	0.0019	0.0015	0.0012	0.0008	0.0004
Burkina Faso	0.0012	0.0010	0.0008	0.0006	0.0004
Burundi	0.0015	0.0012	0.0009	0.0005	0.0002
Cameroon	0.0017	0.0014	0.0012	0.0010	0.0008
Cape Verde	0.0015	0.0012	0.0008	0.0005	0.0002
Central African Republic	0.0018	0.0014	0.0010	0.0006	0.0002
Chad	0.0016	0.0012	0.0009	0.0006	0.0003
Comoros	0.0020	0.0015	0.0011	0.0006	0.0001
Congo, Dem. Republic of	0.0025	0.0021	0.0016	0.0012	0.0008
Congo, Republic of	0.0037	0.0028	0.0019	0.0011	0.0002
Cote d'Ivoire	0.0015	0.0013	0.0011	0.0008	0.0006
Djibouti	0.0082	0.0062	0.0042	0.0022	0.0001
Equatorial Guinea	0.0099	0.0075	0.0051	0.0028	0.0004
Eritrea	0.0064	0.0048	0.0033	0.0017	0.0002
Ethiopia	0.0076	0.0060	0.0044	0.0027	0.0011
Gabon	0.0015	0.0012	0.0009	0.0006	0.0003
Gambia, The	0.0023	0.0017	0.0012	0.0007	0.0002
Ghana	0.0021	0.0018	0.0016	0.0013	0.0010
Guinea	0.0010	0.0008	0.0007	0.0006	0.0004
Guinea-Bissau	0.0022	0.0017	0.0012	0.0006	0.0001
Kenya	0.0024	0.0020	0.0016	0.0012	0.0008
Lesotho	0.0020	0.0015	0.0011	0.0007	0.0002
Liberia	0.0026	0.0020	0.0014	0.0007	0.0001
Madagascar	0.0012	0.0010	0.0008	0.0006	0.0004
Malawi	0.0026	0.0020	0.0014	0.0008	0.0002
Mali	0.0012	0.0010	0.0008	0.0006	0.0003

Mauritania	0.0017	0.0014	0.0010	0.0006	0.0002
Mauritius	0.0016	0.0013	0.0010	0.0007	0.0004
Morocco	0.0019	0.0021	0.0022	0.0023	0.0025
Mozambique	0.0116	0.0088	0.0060	0.0033	0.0005
Namibia	0.0012	0.0010	0.0008	0.0006	0.0004
Niger	0.0013	0.0011	0.0008	0.0006	0.0003
Nigeria	0.0055	0.0049	0.0042	0.0036	0.0030
Rwanda	0.0054	0.0041	0.0029	0.0016	0.0003
Sao Tome and Principe	0.0035	0.0027	0.0018	0.0010	0.0001
Senegal	0.0015	0.0013	0.0010	0.0007	0.0004
Seychelles	0.0021	0.0016	0.0011	0.0006	0.0001
Sierra Leone	0.0019	0.0015	0.0010	0.0006	0.0002
Somalia	0.0001	0.0001	0.0001	0.0001	0.0001
South Africa	0.0059	0.0067	0.0076	0.0084	0.0092
Sudan	0.0019	0.0018	0.0017	0.0016	0.0015
Swaziland	0.0017	0.0013	0.0009	0.0006	0.0002
Tanzania	0.0012	0.0010	0.0009	0.0007	0.0005
Togo	0.0021	0.0017	0.0012	0.0007	0.0003
Tunisia	0.0016	0.0016	0.0015	0.0015	0.0015
Uganda	0.0015	0.0013	0.0012	0.0011	0.0009
Zambia	0.0035	0.0027	0.0019	0.0011	0.0003
Zimbabwe	0.0017	0.0014	0.0012	0.0009	0.0006
	0.1507	0.1227	0.0947	0.0667	0.0386

Asia

Country	GDP(ppp) =.60 V=.40	GDP(ppp) =0.70 V=0.30	GDP(ppp) =0.80 V=.20	GDP(ppp) =0.90 V=0.10	GDP(ppp) =1 V=0
Afghanistan, Islamic State of	0.0007	0.0008	0.0009	0.0010	0.0011
Bangladesh	0.0034	0.0038	0.0042	0.0047	0.0051
Bhutan	0.0019	0.0015	0.0010	0.0006	0.0002
Brunei Darussalam	0.0002	0.0002	0.0002	0.0003	0.0003
Cambodia	0.0016	0.0014	0.0011	0.0009	0.0006
China	0.0763	0.0887	0.1011	0.1135	0.1259
Fiji	0.0012	0.0010	0.0007	0.0005	0.0002
India	0.0351	0.0408	0.0465	0.0522	0.0580
Indonesia	0.0104	0.0114	0.0124	0.0134	0.0144
Kiribati	0.0035	0.0026	0.0018	0.0010	0.0001
Korea	0.0121	0.0137	0.0153	0.0169	0.0185
Lao, People's Dem. Republic	0.0015	0.0012	0.0009	0.0006	0.0003
Malaysia	0.0043	0.0044	0.0046	0.0047	0.0048
Maldives	0.0016	0.0012	0.0009	0.0005	0.0002
Marshall Islands	0.0020	0.0015	0.0010	0.0006	0.0001
Micronesia, Fed. States of	0.0030	0.0023	0.0016	0.0008	0.0001
Myanmar	0.0009	0.0011	0.0012	0.0013	0.0015
Nepal	0.0012	0.0011	0.0010	0.0009	0.0008
Pakistan	0.0046	0.0051	0.0055	0.0060	0.0065
Palau, Republic of	0.0064	0.0048	0.0032	0.0017	0.0001
Papua New Guinea	0.0015	0.0012	0.0010	0.0007	0.0004
Philippines	0.0048	0.0053	0.0059	0.0064	0.0069
Samoa	0.0029	0.0022	0.0015	0.0008	0.0001
Singapore	0.0041	0.0036	0.0031	0.0026	0.0021
Solomon Islands	0.0012	0.0009	0.0007	0.0004	0.0001
Sri Lanka	0.0016	0.0016	0.0015	0.0015	0.0015
Thailand	0.0065	0.0071	0.0078	0.0085	0.0091
Timor-Leste	0.0034	0.0026	0.0017	0.0009	0.0001
Tonga	0.0027	0.0020	0.0014	0.0008	0.0001
Vanuatu	0.0040	0.0030	0.0021	0.0011	0.0001
Vietnam	0.0030	0.0032	0.0034	0.0036	0.0038
	0.2076	0.2215	0.2354	0.2493	0.2631

Middle East

Country	GDP(ppp) =.60 V=.40	GDP(ppp) =0.70 V=0.30	GDP(ppp) =0.80 V=.20	GDP(ppp) =0.90 V=0.10	GDP(ppp) =1 V=0
Bahrain	0.0053	0.0041	0.0029	0.0016	0.0004
Egypt	0.0051	0.0052	0.0052	0.0052	0.0052
Iran	0.0065	0.0072	0.0079	0.0085	0.0092
Iraq	0.0001	0.0001	0.0001	0.0001	0.0001
Jordan	0.0046	0.0036	0.0026	0.0016	0.0006
Kuwait	0.0259	0.0196	0.0134	0.0071	0.0009
Lebanon	0.0023	0.0019	0.0014	0.0010	0.0005

Libya	0.0022	0.0019	0.0017	0.0014	0.0012
Malta	0.0023	0.0018	0.0013	0.0008	0.0003
Oman	0.0013	0.0012	0.0011	0.0009	0.0008
Qatar	0.0041	0.0032	0.0023	0.0014	0.0005
Saudi Arabia	0.0049	0.0051	0.0054	0.0056	0.0058
Syrian Arab Republic	0.0026	0.0023	0.0020	0.0017	0.0013
Turkey	0.0063	0.0071	0.0078	0.0086	0.0094
United Arab Emirates	0.0029	0.0027	0.0024	0.0022	0.0020
Yemen, Republic of	0.0063	0.0048	0.0034	0.0019	0.0004
	0.0827	0.0717	0.0606	0.0496	0.0385

Latin America and the Caribbean

Country	GDP(ppp) =.60 V=.40	GDP(ppp) =0.70 V=0.30	GDP(ppp) =0.80 V=.20	GDP(ppp) =0.90 V=0.10	GDP(ppp) =1 V=0
Antigua and Barbuda	0.0014	0.0011	0.0008	0.0005	0.0001
Argentina	0.0057	0.0065	0.0072	0.0079	0.0086
Bahamas, The	0.0013	0.0010	0.0007	0.0005	0.0002
Barbados	0.0009	0.0007	0.0006	0.0004	0.0002
Belize	0.0016	0.0012	0.0009	0.0005	0.0001
Bolivia	0.0008	0.0007	0.0007	0.0006	0.0005
Brazil	0.0162	0.0187	0.0213	0.0238	0.0264
Chile	0.0029	0.0030	0.0030	0.0031	0.0032
Colombia	0.0040	0.0045	0.0049	0.0054	0.0058
Costa Rica	0.0014	0.0013	0.0012	0.0010	0.0009
Dominica	0.0023	0.0017	0.0012	0.0007	0.0001
Dominican Republic	0.0023	0.0021	0.0018	0.0015	0.0012
Ecuador	0.0035	0.0029	0.0023	0.0017	0.0011
El Salvador	0.0014	0.0012	0.0010	0.0008	0.0007
Grenada	0.0014	0.0011	0.0008	0.0005	0.0001
Guatemala	0.0012	0.0012	0.0012	0.0011	0.0011
Guyana	0.0077	0.0058	0.0040	0.0021	0.0002
Haiti	0.0020	0.0016	0.0012	0.0008	0.0004
Honduras	0.0015	0.0013	0.0010	0.0007	0.0005
Jamaica	0.0028	0.0022	0.0015	0.0009	0.0003
Mexico	0.0115	0.0131	0.0148	0.0165	0.0182
Nicaragua	0.0043	0.0033	0.0023	0.0014	0.0004
Panama	0.0026	0.0020	0.0015	0.0010	0.0005
Paraguay	0.0018	0.0015	0.0012	0.0009	0.0006
Peru	0.0023	0.0025	0.0026	0.0027	0.0029
St. Kitts and Nevis	0.0012	0.0009	0.0006	0.0004	0.0001
St. Lucia	0.0008	0.0006	0.0005	0.0003	0.0001
St. Vincent and the Grenadines	0.0014	0.0011	0.0008	0.0004	0.0001
Suriname	0.0058	0.0044	0.0030	0.0016	0.0002
Trinidad and Tobago	0.0017	0.0014	0.0010	0.0007	0.0004
Uruguay	0.0012	0.0010	0.0009	0.0008	0.0006
Venezuela	0.0026	0.0025	0.0025	0.0025	0.0025
	0.0995	0.0942	0.0889	0.0836	0.0784

Transition Economies

Country	GDP(ppp) =.60 V=.40	GDP(ppp) =0.70 V=0.30	GDP(ppp) =0.80 V=.20	GDP(ppp) =0.90 V=0.10	GDP(ppp) =1 V=0
Albania	0.0093	0.0071	0.0049	0.0026	0.0004
Armenia	0.0015	0.0012	0.0009	0.0006	0.0003
Azerbaijan	0.0039	0.0031	0.0023	0.0015	0.0007
Belarus	0.0023	0.0020	0.0018	0.0015	0.0013
Bosnia-Herzegovina	0.0023	0.0018	0.0014	0.0009	0.0005
Bulgaria	0.0024	0.0021	0.0018	0.0016	0.0013
Croatia	0.0040	0.0033	0.0025	0.0018	0.0011
Czech Republic	0.0037	0.0037	0.0036	0.0036	0.0035
Estonia	0.0020	0.0016	0.0012	0.0009	0.0005
Georgia	0.0012	0.0010	0.0008	0.0006	0.0004
Hungary	0.0037	0.0035	0.0033	0.0031	0.0029
Kazakstan	0.0039	0.0035	0.0030	0.0025	0.0020
Kyrgyz Republic	0.0136	0.0103	0.0070	0.0036	0.0003
Latvia	0.0017	0.0015	0.0012	0.0009	0.0006
Lithuania	0.0018	0.0016	0.0013	0.0011	0.0009
Macedonia, FYR	0.0027	0.0021	0.0015	0.0010	0.0004
Moldova	0.0022	0.0017	0.0012	0.0007	0.0003
Mongolia	0.0019	0.0015	0.0011	0.0006	0.0002
Poland	0.0062	0.0068	0.0073	0.0079	0.0085

Romania	0.0027	0.0028	0.0029	0.0030	0.0031
Russia	0.0159	0.0183	0.0206	0.0230	0.0254
Serbia / Montenegro	0.0023	0.0021	0.0019	0.0018	0.0016
Slovak Republic	0.0029	0.0024	0.0019	0.0014	0.0008
Slovenia	0.0011	0.0009	0.0007	0.0005	0.0002
Tajikistan	0.0070	0.0054	0.0039	0.0023	0.0007
Turkmenistan	0.0063	0.0060	0.0058	0.0055	0.0053
Ukraine	0.0026	0.0022	0.0018	0.0014	0.0009
Uzbekistan	0.0070	0.0054	0.0039	0.0024	0.0008
	0.1183	0.1050	0.0916	0.0783	0.0649