

SECTION 9

INTERNATIONAL INSTITUTIONS

Aspects of institutional reform

142. Our terms of reference required us to give attention to “reform and where necessary the restructuring of international institutions concerned with the management of international trade and finance and whether means could be found to increase the effective share of the developing countries in the decision-making process of major international financial institutions”. We consider this to be an important issue; and in fact at several points in our discussion, the structure and policies of international institutions concerned with trade and finance emerged as major constraints to progress and change.

143. However, it has not been possible in the limited time at our disposal to consider the many and complex aspects which have a bearing on the restructuring of these institutions. Nevertheless the question of institutional reform is an urgent one; and at this stage we would like to stress certain basic considerations which would need to be accepted by the international community.

144. In dealing with international institutional reform, it is necessary to distinguish between the functional and structural aspects. The former relates to operational effectiveness and covers questions such as the clearer definition of functions and the avoidance of duplication. These issues have received attention recently in the Report of the Group of Experts on the Structure of the United Nations System, and the recommendations are under consideration in the United Nations.

Voting structure

145. The structural aspects however are even more important and urgent. The present serious imbalance between developed and developing countries in the control and management of international financial institutions needs to be corrected without delay. This imbalance is a consequence of transplanting to the sphere of international institutions the principle of voting rights being proportional to financial contribution. This principle, which may be appropriate in the corporate sector in an industrial society, is not necessarily valid in relation to the purposes of international institutions. For this reason the capital structure and voting rights in the regional development banks which were established later are different. A similar approach needs to be adopted in the case of the IBRD and the IMF. We note the discussions that have so far taken place and recommend that, at the next meetings of the Board of Governors of the IBRD and IMF which are scheduled for September this year, Finance Ministers take up the question of securing changes in the voting rights in both of these institutions, that will give the developing countries a greater say in decision-making. Here, as elsewhere, we urge that the international community search diligently for methods of advance implementation which could yield desired results on a *de facto* basis while the necessarily longer process of negotiating formal institutional changes is completed.

Management

146. Restructuring of the voting rights will not by itself be enough. Poverty is a world problem, but it is more directly and intimately the problem of the developing world. In order to ensure that the international institutions are more effectively able to cater to the needs and aspirations of the developing countries, a larger share in the management structure for persons with direct experience of the problems of these countries is necessary. In this context, it will be desirable for the developing world to make available for such international assignments persons with requisite expertise and experience, even at the cost of some temporary inconvenience.