Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Resolution 1288 (2002)[1]

The International Monetary Fund and the World Bank: challenges ahead

Parliamentary Assembly

General considerations

1. The Parliamentary Assembly recalls its Order No. 507 (1995) on the activities of the Bretton Woods institutions, in which it states that a large part of the funding of the Bretton Woods institutions comes from the Council of Europe member states and that the Assembly wishes to strengthen its co-operation with these institutions to monitor their activities through reports at regular intervals.

2. The Assembly believes that this mission takes on added importance at a time of growing instability in world financial markets, and of accelerating globalisation which is creating new opportunities for world economic development but is also tending to widen the wealth gap between countries as well as within them.

3. In spite of a radically changed world economy since their foundation in 1954, the Assembly believes that both the World Bank and the International Monetary Fund (IMF) still have essential functions to fulfil, provided they adapt their activities and pursue internal reform: the World Bank in particular in areas of longer-term social utility for the poor; and the IMF, in preventive action to assist individual countries in exchange for commitments to undertaking domestic reform, especially in cases where the stability of the international financial system is threatened, but also in the event of severe disruption of the financial markets in a given country where IMF assistance may prove necessary and effective.

4. The Assembly supports the new priority given by the World Bank and the IMF to sub-Saharan Africa, as expressed notably in their Heavily Indebted Poor Countries (HIPC) and Poverty Reduction Strategy Papers (PRSP) joint programmes. It welcomes their emphasis on dialogue, long-term development, civil society involvement, stringent evaluation of interim progress reached in reforms and aid to the poorest segments of the population.

5. The modified missions and inner functioning of the two institutions should be defined in a new Bretton Woods conference, which should include a wider set of donor and recipient countries and representatives of civil society, in order better to reflect the realities of today's world economy. Voting rights should mirror not only financial contributions but, increasingly, the needs and wishes of those with no say over the inequitable distribution of wealth that accompanies globalisation.

The World Bank

6. The Assembly welcomes the commitments made at the United Nations Conference Financing for Development held in Monterrey, Mexico, in March 2002. It sees these commitments as providing further support in favour of the World Bank's more recent emphasis on "pro-poor" policies; funding for basic social and economic services such as an improvement in the condition of women, public health, education and environment protection; a fairer distribution of wealth, the strengthening of institutions in developing countries and better access to industrialised countries for exports. In this context it recalls its Resolution 1269 (2002) on

1. Assembly debate on 25 June 2002 (19th Sitting) (see Doc. 9478, report of the Committee on Economic Affairs and Development, rapporteur: Mr Gusenbauer). Text adopted by the Assembly on 25 June 2002 (19th Sitting).

managing globalisation: the role of the World Trade Organisation in the world economy, in which it states that developing countries "must enjoy better, indeed often privileged, access to the markets of richer countries across the whole range of products and services".

7. The Assembly in this regard supports a shift in funding from loans to grants, especially in education projects, and calls on Council of Europe member states to agree to the increase in World Bank resources that such a reorientation would require.

8. The Assembly also welcomes the efforts of the World Bank to bridge the "digital divide" in Information and Communications Technologies (ICTs) between developed and developing countries, notably through the establishment of a "dot force" department. The Assembly stresses the major gains to be reaped by developing countries from investments in ICTs, including in agriculture, public health and social services.

9. The World Bank's work to encourage the introduction of pension systems in developing countries should be promoted, considering the latter's contribution to more stable demographic development and to social security.

10. The Assembly salutes the World Bank's recent decision to place much of its internal documentation on the Internet in order to assist public debate, including its so-called "Poverty Reduction Strategy Papers" for individual countries, draft decisions on projects and evaluations of past projects.

11. The World Bank is encouraged to intensify its current efforts to incorporate requirements for democracy, "good governance", core labour standards and environment protection into its projects and to make funding to recipient countries conditional on their accepting these dimensions.

The International Monetary Fund (IMF)

12. The Assembly recommends that the IMF refocus on its core mission of assisting countries in maintaining macro-economic stability, while ceding to the World Bank the main responsibility for longer-term development projects. This presupposes a greater emphasis on monitoring capital markets and financial flows; early prevention of financial crisis; and a degree of streamlining of reform requirements addressed to recipient countries in exchange for assistance, on the understanding that such streamlining is necessarily limited by the many unique characteristics of each country.

13. The Assembly welcomes the IMF's recent assistance to Turkey and Argentina to help these countries overcome their financial difficulties. At the same time, its asks the IMF to examine why "early warnings" on developments in these countries – of the type recommended in Assembly Resolution 1209 (2000) on democracy and economic development – were not sounded in time to permit early preventive action. The Assembly does, however, see the IMF's recent creation of an International Markets Department as a step in the right direction towards a better surveillance of countries and world regions.

14. As regards Argentina, the Assembly remains deeply concerned about that country's worsening financial crisis. While recognising the major shortcomings of Argentinian policies that led to the crisis and hoping that corrective action will be taken without delay, it asks Council of Europe member states to work in favour of continued IMF and World Bank efforts to help the country out of its difficulties, not least by linking further assistance to the implementation of fundamental reform of Argentina's political and economic structures.

15. Finally, the Assembly views favourably the recent proposal by the IMF for a more orderly procedure for the rescheduling of debt by countries in financial difficulties, including the possibility of adjudication by an international panel. It sees such a procedure as a means of avoiding precipitate reaction by international financial markets and calls on Council of Europe member states to support the IMF in carrying the proposals to fruition.