A Global Credit Club, Not Another Development Agency

by Nancy Birdsall

In 2000 the majority report of the Meltzer Commission[1] called for the World Bank to get out of lending and move to grants and small technical-assistance programs for the poorer countries—to become a "World Development Agency." In one of the essays in this volume, Adam Lerrick makes a similar case—that because private capital is now available to many developing countries, and given that many developing countries are indeed borrowing less from the World Bank, it is time to push the shareholders and management to focus much more on the poorest countries.

In this essay I argue that the last thing the world needs is another development agency. We have a multitude of those—USAID, the British DFID, and the bilateral aid agencies of at least two dozen other advanced economies; UNICEF, UNIFEM, UNDP, and the European Union; the Red Cross, Oxfam, and World Wildlife Fund; and so on.[2] What the world does need is more global clubs of countries—where decisions, as in country-based democracies, are based on shared discourse, and implementation of decisions is effective because the process is viewed as legitimate in reconciling conflicting views. (The word "club" has different connotations in different cultures and settings. I use it in the everyday "American" sense, which implies open membership not exclusivity—for example the local Rotary Club not the country club.)

The World Bank can be thought of as a particular type of global club, with a structure close to that of a credit union in which the members are nations. Its mission is in the common interests of all its country members: broadly shared and sustainable global prosperity.

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(Economists might think of this mission as one of working for convergence—of accelerating the process by which relatively poorer nations converge, through development and transformation, toward the prosperity of their richer counterparts.)

In the light of this (simple) idea of the Bank as a credit club, I review here the challenges the Bank faces, including those set out in the preceding report as "five crucial tasks" for the Bank's newest president (in the report I co-chaired with Devesh Kapur, hereafter referred to as the"Working Group Report"), and those debated and discussed in the 11 essays that follow.

Bretton Woods: Inventing a global credit club

The World Bank is not of course the only global club (the largest in number of members is obviously the United Nations), and it is not the only credit union whose members are countries—there are, for example, the regional development banks, the European Investment Bank, and for some aspects of development there is the International Monetary Fund. However, it is the only truly global club that has the financial structure of a credit union. Let us call it, informally, a "global credit club."

In this global credit club, different members have different amounts of "deposits" and provide different amounts of guarantees. The biggest depositor is the U.S. government and, along with Europe and Japan, the United States is the World Bank's biggest guarantor. It and its rich country colleagues back all the borrowing of this peculiar credit union, whether the credit union makes good loans or bad loans, and whether its member country borrowers pay up or not (though history indicates that only rarely do they fail to pay on time).[3] The guarantees (and perhaps the extraordinarily low default rate) mean that this credit union, even with relatively low deposits in the form of paid-in capital, can borrow outside at good rates, and lend at good rates to its less wealthy members.

The global credit club was the brilliant invention of U.K. economist John Maynard Keynes, along with the American, Harry Dexter White, and their colleagues from 42 other countries who conceived the Bank and the IMF at the Bretton Woods Conference in 1944. They conceived of a global club which, at low financial cost to the big depositors and guarantors (at that time, only the United States for all practical purposes), would reduce

borrowing costs for the poorer members (at that time war-torn Europe) and make the world richer and safer.

The boundaries within which the club would operate were well understood and fully embraced by the club members. This club was established to promote an open and liberal international economic system, based on market-driven growth and trade (in notable contrast to the system espoused by the Soviet Union (then in 1944 a wartime ally). It would do so by helping the war-ravaged countries of Europe and the poorer countries of Asia, Latin America and Africa make the investments that would enable them to prosper as partners in this open system—in the interests of global stability and security.

Note the financing mechanism for this global credit club did not rely on "contributions" to finance "transfers" from rich to poor nations (though later the club members created a separate club for that purpose, called IDA, in which only the rich country contributors have membership rights). Keynes and his colleagues did not invent a development agency, and did not conceive of the resulting financing as a transfer. On the contrary, the borrowers (at that time to be primarily the Western Europeans) were thought of as full members and partners in the club's venture. Today, as is the case with an everyday credit union, the World Bank's capacity to make loans at low costs to borrowers arises because the sum of the membership's credibility reduces borrowing costs for all members below what they would pay on their own. (This would be true even for the rich countries—their cost of borrowing would be reduced slightly because of the lower risk associated with their diversity. Even today, Germany borrows from the European Investment Bank.)

Today: An aid agency?

It is surprising how far the World Bank of today has strayed, in spirit at least, from this original conception. To quote Jessica Einhorn in her recent essay on the World Bank in *Foreign Affairs*: "Over time, the Bank has evolved from an organization focused on growth through trade and investment to an organization set on achieving a world without poverty. *Its core mission is no longer to partner with … countries in their pursuit of balanced and externally oriented growth; it is to alleviate poverty…*" (italics added).[4] And to quote from the Working Group

Report: "The Bank's mission is to reduce poverty in developing countries."[5]

Much of the discussion and debate about the World Bank today—its effectiveness, its relevance, and its legitimacy—is framed by this different way of describing its basic mission. The different conception is not entirely recent. The non-borrowers established the IDA window for lending to the poorest countries on the basis of outright contributions in 1960—creating in effect an "aid agency" inside the existing club. The speech of Robert McNamara, the Bank's fifth president, in Nairobi in 1973 perhaps marks the official birth of the "poverty" mission for the Bank group as a whole, including the IBRD. Up to that time the Bank was primarily a financier of bricks and mortar projects, with investment in infrastructure seen as the key to open, market-based growth. By the time of James Wolfensohn, the poverty objective had matured and was captured aptly in the lobby of the Bank's main building: "Our dream is a world free of poverty," and in a noteworthy increase in the proportion of Bank lending for social programs.

Is there much real difference between a credit club with an objective of shared global prosperity in an open liberal economy, and a development agency to battle poverty, given that market-led growth and poverty reduction are generally mutually reinforcing? The difference is in part between a club with a mission in every member's interest (global security and prosperity in an open system), versus an aid agency in which some parties are "contributing" to further the interests of others. But in terms of what the Bank is meant to do, broadly defined—provide loans to help countries accelerate their growth and development (and reduce poverty)—there is of course no obvious difference.

Where differences do arise, however, is in the specific priorities and choices and the process for making those choices. Thus over the last several decades, the debate about the relative importance of "growth" versus "poverty reduction" at the Bank has been associated with periods of emphasis on lending for infrastructure for "growth," versus health and education for "poverty reduction."[6] Perhaps more in the spirit of an aid agency than a cooperative, the pendulum is now swinging back to "infrastructure," but with the explicit objective of "poverty reduction"! Similarly, recently the pendulum has swung away from

"conditionality" (a process associated with the Bank and often its powerful non-borrowers insisting on their view of what policies would generate development) to the more club-like spirit embodied in the emphasis on "ownership" by member borrowers of their own reforms, and on the importance of "participation" within developing countries of citizens in deciding on reforms.[7]

Three problems, five tasks

The fact is that the distinction between club and aid agency, subtle as it may be, matters for the future of the World Bank. The Bank is under tremendous pressure today. It is assailed from the left for lack of *legitimacy*—for promoting privileged "insider" financial and corporate interests instead of addressing the needs of the voiceless poor. It is assailed from the right for its refusal to admit to its lost *relevance*; with increasing flows of private capital to the developing world (and ample reserves in China, India and many other emerging markets), why use public resources to subsidize loans to those settings—where private markets and private transfers would be more efficient and effective?[8] In the center, from inside as well as outside the Bank, it is criticized for lack of *effectiveness* in attacking poverty in the poorest countries, for its lack of agility in responding to the real demands of its large- and middle-income borrowers (and thus its apparent loss of relevance), and for its loss of institutional focus, as it responds to ever-expanding demands on it from (ironically some would say) its more powerful members: to do everything from assessing needs in Gaza and Iraq, to managing a global program to "fast-track" education gains, to piloting trading across countries in carbon emissions rights.

The pressures have to do with three problems—erosion of the Bank's legitimacy as an institution, loss of faith in its effectiveness (in reducing poverty and in promoting "balanced and externally oriented growth"), and its apparent growing irrelevance. It is these problems in their various forms that authors of the preceding Working Group Report and the essays that follow—all supporters of the Bank's fundamental mission and of its continued existence in some form—address, with proposals for change and reform.

How might the Bank's shareholders, especially the United States, by embracing a vision of the Bank as a

club (rather than as a development agency) be better positioned to address these problems? How might a return to the spirit of Bretton Woods, to the idea of a global credit club, change the outlines of the current debates among the Bank's critics about the institution? How might that conception shape changes in the policies and practices of the Bank, including along the lines of the proposed "five crucial tasks" set out in the report above? I address the "club" question now in the context of the five issues or tasks set out in that report.

1. Governance: Does the Bank have legitimacy?

How did the founders make operational the idea of a global credit club? They agreed that in this club, voting power would be related to members' "dues" (or deposits and guarantees), and the deposits and guarantees would be broadly related to members' financial capacity. However, they were concerned to avoid a perfect one-to-one relationship between financial capacity and influence in the club. On the one hand, members taking greater risk ought to have substantial say in the rules and practices of the club—if only to secure their continued financial commitment. On the other hand, the overwhelming financial capacity of a very few countries to take that risk, if reflected fully in the allocation of votes, would undermine the spirit of a club. As Harry Dexter White noted at the time (referring to the International Monetary Fund), "to accord voting power strictly proportionate to the value of the subscription would give the one or two powers control over the Fund. To do that would destroy the truly international character of the Fund, and seriously jeopardize its success."[9] Therefore in the case of the Bank and the IMF the founders introduced such mechanisms as "basic votes" that were distributed equally to all members (in the Bank each member has 250 votes irrespective of shares, plus one additional vote for each share), and double majority voting (of shares and of member countries) to make certain fundamental changes in the Articles of Agreement.

The idea was that the country taking the main risk—at that time the United States—would define the key boundaries within which the club's operations would work. At the same time, to preserve the spirit of a club and to ensure that the club would be effective, other members, including active borrowers (initially the Europeans) would

have opportunities to influence, within those boundaries, the club's specific priorities, policies and detailed practices, and on some key issues, the ability to resist changes that might reflect only the narrow interests of a few powerful members.

Over time, however, whatever ability and interest the Bank's initial mostly European borrowers had to affect the Bank's priorities, policies and practices have clearly eroded for today's many more numerous borrowers. In 1947–1948 the Bank made loans to six countries (France, the Netherlands, Denmark, Luxembourg, China and India). Today the IBRD and IDA lend to almost 150 countries. And the world has changed in another respect. Political mechanisms of representation and voice in "democracies" and in international "clubs" of nations are now almost universally acknowledged as ideal in their own right (*Development as Freedom*, to use the title of Amartya Sen's book), and as effective in an instrumental sense—for sustainable growth and poverty reduction because they create accountability and produce checks on abuse of power. The idea of political freedom in a democracy is also now closely associated with the Western economic model of open markets, and thus with the original "mission" of the club. International clubs are not immune from these changes in norms.

The result, reflected in the report and essays in this book, is a growing demand for reform of governance at the Bank, especially to ensure much greater representation—in terms of voting power, Board membership, staffing, and so on—of developing country borrowers who are the members most affected by Bank policies and practices. The spirit of an international club is particularly resonant in the proposals for:

- The current president of the Bank to "push the Bank's member governments to make the Bank's governance more representative and thus more legitimate" and commit now to a more open and transparent process for selection of his successor (Working Group Report).
- Use of double majority voting on many more issues to create an incentive for borrowers who now see no point in debating institutional issues over which they have no influence to build coalitions (Ngaire Woods).

- A governance structure for a trust fund for global public goods at the Bank in which the middle- and low-income borrowers would have at least 50 percent of the votes, with the middle-income countries having more power to set the agenda in return for the financing they would be providing by paying higher interest charges on their loans than otherwise (Working Group Report).
- A rethinking of the "framework" for the IDA window, separate from any reconfiguration of IBRD shares (which would have little impact on decision-making in the IDA), so that both donors and recipients would "feel more ownership" (Masood Ahmed).

With a more representative governance structure and broader engagement of borrowers, the Bank would obviously look more like a club, and looking more like a club would command more legitimacy as a global institution. It would still be a credit club, in which the big depositors have more say. But it would also provide much greater incentives for borrowing members to engage on key issues. To quote Harry Dexter White once again: "Indeed it is very doubtful if many countries would be willing to participate in an international organization with wide powers if one or two countries were able to control its policies."[10]

2. The low-income countries: Is the Bank effective? Masood Ahmed in his essay makes the point that without reform of its governance, the Bank risks additional erosion not only of its legitimacy but its effectiveness: "I am persuaded that the World Bank cannot continue to deliver the results we all want over the next decade without substantial governance reform."[11] Ngaire Woods also links the Bank's problems of effectiveness to its inadequate governance: "current arrangements have proven to be ineffective from a corporate governance point of view as well as from a political 'legitimacy' point of view."

Ahmed is referring primarily to the Bank's efforts to end poverty, particularly in the poorest, most aid-dependent countries. On that effort, William Easterly goes further, arguing that the Bank is already failing to deliver results—failing because it lacks mechanisms of accountability for results to the poor people whom it is meant to be helping. For Easterly, lack of accountability is rooted in

the lack of political voice of the poor—of their countries in the Bank, and in many cases of the poor in their own countries.[12] Steven Radelet is equally critical of the Bank's effectiveness in the poorest countries most dependent on the Bank, saying that the Bank encourages recipient governments to "take on way too many issues and activities, leading to no focus, no sense of priorities, and less progress on really key issues."

The Bank, along with virtually all official creditors and donors, is now committed to the principle of "ownership" by developing countries of their own policies and reforms. Yet as long as the Bank itself is not seen as "owned" and legitimate in developing countries, it is too easy for Bank-financed programs to become controversial and difficult for developing country leaders to implement. The plight of Bank adjustment programs (and of the much benighted "Washington Consensus" reforms in general) is a compelling example; Easterly (2002) among others documents their failure in many low- and middle-income countries. Bank programs become controversial not only because they have losers as well as winners (which cannot be avoided), but because they are seen as imposed from outside.

Returning to the spirit of Bretton Woods might help. In a club (but not in an aid agency), the recipients of financing have the power that comes with membership, and their agreement is more obviously required on the broad policies and practices that govern the financing process.

3. China, India and the middle-income countries: Is the Bank still relevant?

It could be argued that since the IDA window for the low-income countries is financed by contributions from the rich countries, IDA is the "aid agency" of the Bank. But that is not the case with the IBRD window, the source of financing for China, India, and most of the world's "middle-income" countries (in World Bank parlance, countries with income above $825 per capita). The club-like nature of the Bank rests largely on its IBRD functions.

Adam Lerrick argues persuasively that the Bank should shift its resources from loans for middle-income countries to grants for the poorer countries, on the grounds of the "irrelevance of lending" in a world of sophisticated private markets. He and others point to the decline in borrowing and the acceleration of loan repayments by

many middle-income countries in recent years. On at least that score, for at least one country right now, he has a point: "China is awash in money."[13] David de Ferranti answers, equally persuasively, noting the volatility of markets, the poor access of some of the smaller and poorer "middle-income" countries and the broad-based analytical knowledge the Bank brings to issues of global importance, such as financial crisis prevention and environmental protection. The Working Group Report adds the argument of the legitimate interest of the rich country non-borrowers in promoting equitable growth in countries where two-thirds of the world's poor live, including in support of their own prosperity and security (pp. 21–22 in this text).[14]

De Ferranti and the Working Group Report make various proposals for retaining the allegiance of middle-income borrowers (and thus retaining access to the net income their borrowing generates), emphasizing the need both for new products to catalyze private flows to countries, and for reduced costs of the "hassle" associated with borrowing from the Bank, be it due to: excessive (or not) fiduciary obligations including to limit corruption, excessive (or not) safeguards against environmental and other costs, or the political and financial costs of excessive (or not) delays between requesting and receiving a loan . Similarly, Jessica Einhorn (2006) suggests that the Bank's members agree to lock in now a 25-year sunset clause for loan disbursements, as an incentive for the Bank management and bureaucracy to adapt itself to the creative challenge of developing a new set of non-loan services for middle-income countries more quickly.

If we conceive of the Bank as a club, managed by its members for their own benefit, then the substantive merits of these arguments and proposals for change, one way or another, yield to the question of whether particular members wish or not to avail themselves of the benefits their membership provides—under existing conditions—and/or use their influence to change the conditions. If China wants to borrow at the cost already agreed to by all the members, for whatever reason (including because China trusts more the technical input of the Bank if it is bundled with a financial commitment), then so be it. If a country (Korea in 1998) that had eschewed borrowing for many years asks the Bank for a loan during an emergency, then so be it. If non-borrowers

wish to limit the subsidy implied in loans to relatively rich or more liquid (in terms of reserves) middle-income members, then they have the option of proposing a policy of smaller subsidies (higher interest charges on loans) for the relatively rich borrowers.[15]

Put another way, let the members of the club decide. In effect that is the current situation—though it reflects as much the inertia of failed cooperation as a positive decision. An interesting issue arises because some members, and particularly the borrowers, have limited influence in changing the conditions (pricing, delays, conditionality, and safeguards) under which they now participate as members. In that sense, the governance question—whether the Bank can return to its roots as a global club—is key to whether it continues to be relevant in its current form for a large group of its members. In the absence of voice, some members may in effect choose the option of exit.[16]

4. Global public goods and independent evaluation: Is the World Bank a "knowledge bank?" Would a "knowledge bank" be more relevant?

The Working Group Report suggests the Bank is uniquely positioned for greater strategic involvement in the production and financing of global public goods. It is so positioned both because of its potential to finance production of such goods (including by others), and because of its combination of a global "macro" perspective on the costs and benefits of such goods with specific technical expertise in relevant sectors, such as agriculture, health and environment. Michael Kremer provides four compelling examples where the Bank ought to be active: health and agricultural technologies for the poor; an African road network (co-financed with the African Development Bank); financial support for countries that take in and integrate refugees; and the development of global knowledge on the impact of various public policies in developing countries.

Certainly, greater involvement of the Bank in global public goods, with agreement on priorities by the members, makes sense. (At the moment, the Bank does have programs in global goods, but they are financed and managed in an *ad hoc* way, often relying on special contributions from one or two rich country members.) A

program of support for global public goods would enliven the "club" spirit at the Bank. That would be particularly so were it supported, as recommended in the Working Group Report, through a large, new trust fund financed by direct contributions from members (presumably mostly non-borrowers), and by pre-agreed annual transfers from net income due to the Bank's loans—implying indirect financing by Bank borrowers. A separate financing and governance arrangement would in effect constitute a new club within the existing club.

The question, however, is whether the Bank as an institution does currently gather and convey useful "knowledge" on development practice. On the one hand, supporters of the Bank increasingly invoke its comparative advantage in generating and disseminating worldwide knowledge and expertise on development policy and practice. The Working Group Report, for example, refers to the Bank as "development's brain trust" and as a global public good (pp. 17–18).[17] On the other hand, others are deeply critical. Devesh Kapur asks whether the Bank's spending on the production and dissemination of knowledge is cost-effective relative to direct spending on other global public goods: "If the Bank's overall budget was cut by a third and the resulting savings (more than one half billion dollars annually) were put into research in those diseases, crops and energy technologies that are *sui generis* to poor countries, would the global welfare of the poor improve or decline?" He links the virtual absence of Bank reliance on researchers based in developing countries to Bank researchers' greater interest in "propositional" knowledge—the search for universal laws of development—and "prescriptive" knowledge, rather than in "a deeply textured knowledge of the circumstances" of a country that could provide guidance on how to build institutions and who might do so.

Levine and Savedoff worry, in a similar vein, that "the Bank rarely creates new knowledge about what works." They describe a track record that is "wanting" on the very sort of program that Kremer calls on the Bank to support: impact evaluation of programs in developing countries.

To address the effectiveness of the Bank as a knowledge bank, Levine and Savedoff call on the Bank to encourage and support much more impact evaluation, including of the programs and projects it finances, and to join in a

collective response to ensure "supply of knowledge, a global public good in the truest sense." Kapur wants more outsourcing of research and knowledge creation to scholars based in developing countries, and more emphasis on the production of country-specific knowledge. Kremer calls for more direct financing of research in agriculture and health likely to have global benefits, presumably including research done primarily outside the Bank. Pierre Jacquet calls on all donors and creditors, including the Bank, to agree on benchmarking of their programs against results of evaluations.

But (as Kapur notes) there are now no incentives for the Bank, as a bureaucracy, to outsource research. Indeed, short of specific contributions for specific programs, the Bank as a bureaucracy has no incentive to "do" global public goods beyond its own in-house "knowledge" activities. And as Levine and Savedoff note, there are disincentives for Bank staff to promote impact evaluation of Bank-financed programs. Under current conditions, it is not clear that the Bank can be an effective "knowledge" bank, even regarding learning about its own effectiveness. (Nor is it clear that under current bureaucratic incentives, Easterly's and Radelet's worries that the Bank is not accountable for results and not able to set priorities in low-income countries, or the complaints of others that the Bank creates too much hassle for middle-income borrowers, will be addressed.)

But perhaps proposals to exploit and to fix the Bank as a "knowledge" institution could be realized in a more club-like environment. The development literature is now replete with invocations of the simple reality that developing countries are ultimately responsible for their own fates. Accountability for results of development efforts must rely ultimately on the political mechanisms by which governments are accountable to their citizens and by which international institutions are accountable to their members. A club might more obviously create accountability of its staff to all its members.

To argue that the Bank explicitly recognize its potential comparative advantage as a "club" is not to suggest that it become less businesslike. Indeed, an alternative metaphor for a more effective and relevant Bank, that of a competitive firm subject to market discipline, leads to much the same conclusions about the need for reform. Mark Stoleson, of a global private investment

firm, makes this point with unusual freshness and clarity in the final essay of the volume "The World Bank: Buy, Sell or Hold."

A concluding note

In any event, it is an over-simplification to call the Bank a club. Yet the implication of the various arguments in this volume is that in the 21st century, the Bank will not thrive as an aid agency and that a continuation of business as usual (a mix of functions and practices and habits responding to multiple and varied demands, summarized as "mission creep") would deprive the global economy of its continuing need for an institution dedicated to shared prosperity.

The Bank is unlikely to achieve "relevance" in this more global system, or "effectiveness" in helping countries transform their economies, without the elusive "legitimacy" it seems to have lost. The one step to furthering all three—effectiveness, relevance and legitimacy—would be to ask how as a club it might better serve all its members—rich and poor.

Notes

1. Allan H. Meltzer, chairman, *Report of the International Financial Institutions Advisory Commission* (Washington, D.C., 2000). Also available at http://www.house.gov/jec/imf/meltzer.pdf.

2. On the burden on developing country officials of dealing with the resulting "cacophony" of donor voices, views and demands, see Arnab Acharya, Ana Fuzzo de Lima and Mick Moore, "The Proliferators: Transactions Costs and the Value of Aid," IDS Working Paper (Sussex, U.K.: Institute of Development Studies, 2003).

3. The relevance of the non-borrowers' guarantees to the bank's ability and cost of current borrowing rate is sometimes questioned, since the bank's financial policies since the early 1970s have included substantial provisioning and reserves, and since it has been so rare that borrowers have delayed repayment let alone

defaulted. Since more than 80 percent of the IBRD's current reserves come from transfers from net income and only a small minority from paid-in capital, there is a sense in which the borrowers can now be said to be contributing to the bank's low borrowing cost and financial solidity. Of course from the beginning the guarantees were, like the nuclear option, only useful when not used.

4. Jessica Einhorn, "Reforming the World Bank," *Foreign Affairs* 84, no. 1 (2006): 18. The full quotation is "Its core mission is no longer to partner with middle-income countries in their pursuit of balanced and externally oriented growth; it is to alleviate poverty in poor countries and in the poorest pockets of middle-income countries." I have omitted words to clarify that the key distinction of interest is between partnership for externally oriented growth and poverty alleviation—not only or necessarily between middle-income and low-income countries.

5. Nancy Birdsall and Devesh Kapur, co-chairs, *The Hardest Job in the World. Five Crucial Tasks for the New President of the World Bank*, in this volume, p. 15.

6. See, for example, the World Bank Operations Evaluation Department (OED), *2004 Annual Review of Development Effectiveness* (Washington, D.C.: World Bank, 2004). The OED has now been renamed the Independent Evaluation Group (IEG).

7. The debate about poverty or growth is often decried as silly; for a good statement see Dani Rodrik, "Growth Versus Poverty Reduction: A Hollow Debate," *Finance & Development* 37, no. 4 (2000). Birdsall refers to "conditionality confusion" and suggests that conditionality and ownership are complements, and not in any way substitutes. See Nancy Birdsall, "The World Bank of the Future: Victim, Villain, Global Credit Union?" Carnegie Policy Brief No. 1 (Washington, D.C.: Carnegie Endowment for International Peace, 2000).

8. See the Working Group Report in this volume for more detail and for citations to these critiques.

9. Joseph Gold, *Voting and Decisions in the International Monetary Fund: An Essay on the Law and Practice of the Fund* (Washington, D.C.: International Monetary Fund, 1972) p. 19. White's statement is referred to in this context by Ngaire Woods, *The Globalizers*: *The IMF, the World Bank and their Borrowers* (Ithaca, New York: Cornell University Press, 2006).

10. Gold 1972, p. 19.

11. Ahmed invokes Kemal Dervis, who provides an extensive discussion and examples of how lack of legitimacy is eroding effectiveness of the Bretton Woods institutions. See Kemal Dervis with Ceren Ozer, *A Better Globalization: Legitimacy, Governance, and Reform* (Washington, D.C.: Center for Global Development, 2005).

12. See also William Easterly, "What Did Structural Adjustment Adjust? The Association of Policies and Growth with Repeated IMF and World Bank Adjustment Loans," CGD Working Paper #11 (Washington, D.C.: Center for Global Development, 2002).

13. See also Jeremy Bulow and Kenneth Rogoff, "Grants versus Loans for Development Banks," Paper for AEA session on New Perspectives on Reputation and Debt, January 7, 2005.

14. In addition to the Working Group Report, in this volume, for a set of arguments see Nancy Birdsall, "The World Bank of the Future: Victim, Villain, Global Credit Union?" Carnegie Policy Brief No. 1 (Washington, D.C.: Carnegie Endowment for International Peace, 2000); and José Angel Gurria and Paul Volcker, *The Role of the Multilateral Development Banks in Emerging Market Economies: Findings of the Commission on the Role of the MDBs in Emerging Markets* (Washington, D.C.: Carnegie Endowment for International Peace, 2001).

15. A key rationale for the recommendation of the Gurria-Volcker commission of differential loan pricing was to encourage graduation of richer borrowers with access to private markets.

16. The risk that China and other Asian nations will set up a regional monetary fund is the key impetus currently for the United States and Europe to agree to some change in IMF quotas. A similar situation might arise at the Bank, though in less dramatic form and creating less immediate pressure on non-borrowers.

17. See, among others, Linn, who refers to the Bank's function as a "transmission belt" to carry low-income countries through middle-income status into the ranks of higher-income countries; Johannes. F. Linn, "The Role of World Bank Lending in Middle Income Countries"

(comments presented at the OED Conference on the Effectiveness of Policies and Reforms, Washington, D.C., October 4, 2004), p. 3; and de Ferranti, in this volume, who refers to the Bank's "broad-based analytical expertise on development policy issues" and its ability to "combine an appreciation of the broad macro perspective with detailed examination of policy issues at the sectoral and micro levels."