

## **INTERNATIONAL FINANCIAL INSTITUTIONS: WORLD BANK AND INTERNATIONAL MONETARY FUND**

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**Abstract:** *This paper is important to advocate for or against the World Bank and International Monetary Fund. What is important that civil society groups to become familiar enough with them to work together to structure their activities in Romania.*

**Keywords:** *World Bank, International Monetary Fund, civil society, neoliberal economic development policies, low wages, low social protection for citizens, endangering the environment.*

### **• GENERAL THEORETICAL CONSIDERATIONS**

Until not so long ago, people knew little attention to the business or the World Bank (WB) and International Monetary Fund (IMF). Now, thousands of people monitor these financial institutions, thousands protested, trying to disrupt meetings of the World Bank and International Monetary Fund, while thousands of civil society groups (trade unions, employers, other organizations) around the world have called for the abolition or two or drastic change in their functioning.

Civil society groups concerned with the environment were the most harsh critics of the World Bank and International Monetary Fund, accusing it of promoting neoliberal economic development policies that lead to lower wages, the level of social protection for citizens and endangering the environment.

The World Bank and International Monetary Fund denies the negative impact of their programs on workers or the environment. They argue the opposite: that economic growth and development that promotes are essential for creating better working and environmental cleaning. At the same time, however, both institutions have taken the criticism seriously enough to alter its procedures, at least in public relations.

This paper is important to advocate for or against the World Bank and International Monetary Fund. Whether we agree or disagree with their politics, none of these institutions will not disappear anytime soon. What is important is that civil society groups to become familiar enough with them to work together to structure their activities in Romania.

### • **World Bank**

World Bank was established in 1944 as a public institution by the Allied World War II, with two main goals: to rebuild Europe following World War II and to lend to poor countries worldwide. It has never been considered a private or commercial bank, because it is associated only with governments.

World Bank is in possession of the member countries (currently over 180) and is managed by a Board of Governors and a Board of Directors, based in Washington. The five main members, the United States, Japan, Britain, France and Germany have, obviously the hardest word in Bank decisions, and among his group, the largest one they affect the United States.

**... World Bank is the largest source of development assistance worldwide, providing almost \$ 30 billion annually as loans member countries. Bank uses its financial resources, highly skilled staff and extensive information base to help each developing country along the path to stable growth, sustainable and equitable.**

But others do not see things the same way. They have brought criticism to the policy of World Bank loans and assistance, saying it put pressure on countries whose economy is weaker redirect their salaries, social investment, services and subsidies so as to adapt the model development free market. It was said that this policy may lead to higher profits in business, but it will create poverty and hardship for many people in developing countries.

World Bank has enormous power, especially in developing countries due to financial resources and its programs:

his is a very appropriate time for civil society groups (employers, trade unions, other organizations) to participate in World Bank programs, for all their criticism in the past have forced her to make their processes more permeable to view society organizations civil.

### • **International Monetary Fund**

International Monetary Fund was established at the same conference that the allied countries and the World Bank was established. The two institutions were seen as two important components of a plan to create a stable global economic environment. If the World Bank would concentrate on loans to developing countries, the International Monetary Fund's main objective would be to keep exchange rates stable financially, to promote international trade. By then, as now, moreover, the United States were the most influential member of the Fund. In its first years of existence, all world currencies were based on U.S. dollar and gold reserves.

70 years, the United States abandoned the gold standard based, national currencies have ceased to relate to this precious metal and the International Monetary Fund has lost practically reason to exist. But not for long. High interest rates at that time forced many private banks to suspend lending to poor countries or developing countries and the Fund's financial resources have become important. This was when the IMF started its programs that would help poor countries finance their debts.

As the World Bank, the IMF is run by a Board of Governors, composed of 182 member countries. United States ditch far the most influential member. I have already said that the World Bank was strongly criticized for its policy of lending and assistance. Such criticisms are even more frequent and tougher for IMF policy. David Driscoll, the International Monetary Fund, describes the organization (in part responding to these criticisms) as follows:

**... (IMF) is neither a development bank or an international central bank as an agency is not able or willing to persuade their members to do**

**essentially one thing. It is rather a cooperative institution, in which 182 countries have voluntarily enrolled who have seen the benefits of mutual consultation in this forum to maintain a stable system of buying and selling of national currencies, so foreign currency payments to be made between different countries, smoothly and without delays.**

But criticism of the IMF focuses on loan programs and assistance, saying that the IMF not only to make resources available to those countries which agree with the conditions. These conditions, sometimes known as the structural adjustment, frequently require countries to reduce social spending, changing legislation and even cancellation of existing wage agreements and other contracts.

For us is important to decide whether the IMF is an institution, "good" or "bad." What is important is that it plays an important role in the economy of developing countries such as Romania. And if it is harder to influence than the World Bank is no less true that civil society groups still have the opportunity to shape the policy of the Fund.

## **WORLD BANK AND INTERNATIONAL MONETARY FUND ACTION**

### **• World bank operation**

Even if the World Bank offers a wide range of programs for developing countries, some programs are specifically for the poorest countries and therefore do not apply to Romania. In Romania, the World Bank granted two loans: loans per project and adjustment loans. They, as all Bank activities, is based on research in the economic. Therefore, before granting any loan, collect information and make detailed preparations.

The primary document is created based on research, "Country Assistance Strategy" or CAS (Country Assistance Strategy). Every three years, developing one CAS for each country based on what the Bank calls' economic and sectoral work (ESW-Economic and Sector Work), which mainly involves a survey of six questions different situation in that country:

- Country Economic Memorandum
- Public Expenditure Analysis
- Sectoral analysis - includes sectors such as transport, agriculture, education, industry, etc..
- Poverty Assessment
- Private Sector Assessment
- National Action Plan for Environmental Protection

At the end of researches made in these six areas formed the basis for the CAS. Hence World Bank's work in a particular country. When deciding whether to grant a loan to Romania, or to fund a project, the World Bank wants to know whether the project or loan usually is in accordance with assistance strategy.

Since strategy is the main document on Romania World Bank involvement in its preparation can be very useful. And because it is based on information from six different areas, civil society groups should seek to be consulted in drafting the reports. The World Bank has said it wants to know public opinion on the reports. Civil society groups must seize the opportunity. For example, between Reports include materials on education, agriculture, transport, manufacturing, etc.. Civil society groups working in these sectors should be consulted when producing reports. And it is important that these consultations to be effective and productive. Organizations of civil society groups must ask that representatives of the World Bank to Romania not only to consult with them, but to provide consultation and feedback on. For their part, civil society groups must be better prepared for consultations. Once developed the first version of the sectoral analysis (ESW), civil society groups should be able to read it, just as with the first version

of CAS. It is hard to believe that the World Bank will provide its own initiative of civil society groups able to see the documents in their original forms, which means that civil society groups will need to ask when consultations. And it will be easier for civil society groups to alter their forms early documents than to have change something in the final versions. In addition to collaboration with World Bank country strategy development, civil society groups can engage in 'adjustment' loans by the Bank of Romania. The process usually go to these adjustments requires visiting a World Bank mission in Romania, to obtain information and develop adjustment program. During the visits of this kind, representatives of civil society groups have the best chance to make their voices heard.

Again, given the current World Bank policy to require those involved say, civil society groups must seize the opportunity. When I hear about a loan or a project you might be interested, they should seek a meeting with local representatives of the Bank and to present their positions. As mentioned, the more well-prepared for such a meeting, the civil society groups have a greater chance that their views are taken into account. And again, civil society groups and the right to request copies of documents prepared before completion programs.

In Romania there is another World Bank project in which civil society groups were already involved and will continue to be involved: the comprehensive development framework. Mostly, it represents an attempt by the Bank, together with the Romanian government to make it more accessible making long-term development strategy of Romania.

Already held several meetings of the 'actors' key to obtain information from a wide range of Romanian organizations, based on the idea that if you enjoy strategy more opinions producers groups in the country, where its chances for to be supported increases as chances of becoming a successful economic strategy.

Civil society groups response to this process has been mixed. They made their views known, but the comprehensive development framework is not a typical World Bank project with a budget and a concrete action plan. Civil society groups should benefit from their involvement but will not see immediate results.

Essentially, the International Monetary Fund in Romania do two things: financial assistance (through loans) and exercise financial supervision and control type. As the World Bank, IMF bases its financial support research activities undertaken.

The cornerstone of this research is Article IV consultation. It includes, in fact, the IMF perspective on the Romanian economy and form the basis of which goes to establish the conditions imposed by the Fund for loans granted to Romania. Using the provisions of Article IV, IMF will prepare a plan for financial assistance to Romania. This plan will be discussed with the Romanian government and then, in these discussions (or negotiations), it is usually a 'letter of intent.' It will contain conditions which must meet Romania in order to obtain money from the IMF. These conditions are called 'benchmarks'. In short, the IMF and the Romanian government a deal: IMF lends money the government provided the government undertakes to perform certain things (performance criteria).

All these documents, Article IV consultation, letters of intent are usually made by the IMF to those interested in that, like the World Bank, the IMF was forced to increase transparency in its transactions. Reading documents in their final version will not be of much help civil society groups, however, they must participate in developing these documents and agreements.

For this, civil society groups should seek to meet with IMF representatives when they are in Romania. Or even to be consulted during the consultation under Article IV to receive copies of documents and have a say in drafting the final version. In addition, it is

hard to believe that they will be invited to participate in the trial, the IMF or by the Romanian government. Civil society groups will be necessary to establish its own contacts.

Negotiations resulting in the cover letter I am not open to the public, but civil society groups can and should make their position known during the process, requiring meetings with both the IMF and government representatives. It is important that these meetings prepared to be solid, concerns and issues set out clear and concrete as it is important to seek feedback and draft copies of documents prepared. Present material focused on how the civil society groups can influence the activities of the World Bank or International Monetary Fund. It is important to remember that both financial institutions work closely with the Romanian government. Signed agreements and arrangements negotiated with the government, not civil society groups.

Sometimes it is useful to government representatives be included in meetings with the World Bank and International Monetary Fund (IMF). Thus, any group of civil society may plead together in the interests of both groups. But this is not always possible or even desirable. You must remember one thing: whatever you press the World Bank or International Monetary Fund, must be notified and the Romanian government. If any of the activities underway or planned to put your problems out in Romania, the government must turn informed, because he is in charge of project implementation.

But experience has taught us that even if civil society groups have a plan and a strategy to engage discussions with the IMF, World Bank and the Government of Romania, even if they come well prepared and armed with evidence, there are no guarantees that all to be heard and listened to, that will achieve the desired results. Maybe it takes a different approach.

Romanian civil society groups know very well the effectiveness of street rallies and movements. Proved able to make their claims heard in the street and persuade the government that those claims are serious. Here are some things worth mentioning when you propose a meeting or demonstration activities related topics World Bank or IMF:

- Have clear requirements and problems. It is better to make a specific activity against World Bank / IMF than against WB / IMF in general.
- Come with a clear claim. What does civil society groups? Who needs to deal with solving it? Why?
- Demonstration to have a precise target: how much the government is involved? Demonstration is in the ministry? A representative of the World Bank or IMF? Before a private company?
- Organize demonstration when the World Bank and IMF missions are in Bucharest, to be sure that the message was perceived.
- Plan your actions carefully to have a satisfactory number of participants.
- Use your release. With conferences and press releases, you can forward the message to the public.

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