PREFACE AND ACKNOWLEDGMENT

International Financial Institutions (IFIs) play a key role in supporting disaster risk reduction to achieve sustainable development and poverty reduction. The World Bank and International Monetary Fund are the vital source of financial and technical assistance to developing countries around the world.

The World Bank's projects and operations are designed to support low-income and middle-income countries' poverty reduction strategies. The Bank provides low-interest loans, interest free credits and grants to developing countries for a wide array of purposes that include investments in disaster recovery and risk mitigation, education, health, infrastructure, financial and private sector development, and environmental and natural resource management. Although the World Bank has traditionally played a key role in post-disaster recovery and reconstruction, it has been increasing its involvement in longer term disaster risk reduction. The World Bank supports development strategies, such as Poverty Reduction Strategies (PRSP), Country Assistance Strategies (CAS), United Nations Development Assistance Frameworks (UNDAFs), and National Adaptation Programmes of Action (NAPAs), to reduce vulnerabilities to natural hazards. This is done through providing analytical, technical and operational support to countries for disaster risk reduction.

It is widely believed that these donor institutions, tend to arm twist the countries to adopt policy that guard their specific interest. Resultantly, the anticipated benefits from the financial and technical assistance are diminished. The impact of three major IFIs namely International Monetary Fund, World Bank and Asian Development Bank has been good in certain economic and social sectors however; it has largely caused stagnation or even deterioration in the governance of the recipient countries.

The roles of the three main institutions have changed over time; in addition, their membership has become nearly universal. All of these institutions were created by the victors in World War II and were intended to help them avoid another global depression. They were designed to help the developed countries create a cooperative and stable world economy in a no globalized world. The IMF was established to support the fixed exchange rate system created at the Bretton Woods Conference in 1944; its role was to aid countries that were experiencing difficulties in maintaining
their fixed exchange rate by providing them with short term loans. It was a lender of last resort and a provider of funds in crisis, enabling countries to avoid competitive devaluations. Ensuring a stable international monetary system to promote trade and growth was its central mission. From an initial membership of 29 countries, it has become almost universal with 184 members. Many countries over the years have received both IMF and World Bank loans, often simultaneously. The World Bank also gives interest-free loans and grants (similar to foreign aid) to the poorest developing countries. This overlap of missions, proliferation of adjustment loans and expansion of conditionality are central issues today.

In terms of the four major functions that theories of international institutions identify, these three global institutions seem to have failed to live up to the expectations of these theories in their impact on the developing countries. They have had a difficult time constraining the large, developed countries; most of the time these countries have bargained hard to maximize their advantage vis-à-vis the developing nations. Perhaps they have left the developing countries better off than if they had to negotiate bilaterally for access to trade, aid, and loans, but it seems as if these institutions could have bargained less hard with the developing countries at little cost to themselves or the developed countries and thus provided more benefits for the poor.

The IMF, World Bank, and WTO have certainly helped provide monitoring and information. But the monitoring and information provision have been asymmetric; it is the developing countries that are monitored and provide more information than otherwise. This action, however, may make the developed countries and private investors more likely to trade with, invest in, and provide loans to the poor countries, but the terms of these agreements have often imposed multiple and powerful conditions on the developing countries that may have impeded their growth.

Facilitating reciprocity has been a central function attributed to international institutions. For these three organizations, reciprocity vis-à-vis the developing world has not been a central mission; trade agreements have often been very asymmetric and the aid and lending programs are one way. Finally, the ability to alter domestic politics by creating support or locking it in for reform has been less studied, but seems to clearly have had an impact. The impact of the international institutions on the developing countries and their domestic situation has been powerful but not always
benign. The difficulties faced by the international institutions in providing benefits for the developing countries have arisen from at least four sources. It may be the case that globalization has simply overwhelmed these institutions and that their impact is minor compared to other factors, especially with a large and open world economy, and it is likely that domestic weaknesses account for part of their poor performance.

But their problems may also lie in the pressures exerted by the large, developed countries and private producers and investors. Both of these groups have shaped the functioning of the WTO, IMF, and World Bank. The powerful, rich countries have bargained hard within these institutions to advance their own interests. Private producers and investors have directly and indirectly affected the performance of the institutions through their central role in the world economy. All of these institutions were established to support and facilitate private trade and capital flows, not to supplant them. Finally, one cannot overlook the claim that part of the problems arises from the internal organization and procedures of the institutions themselves.

A number of feasible and low cost reforms could be enacted that would render these institutions much more helpful to the poor at limited cost to the rich. By the standards posed in global distributive justice arguments, reforming the international institutions is imperative. In addition to policy implications, several ramifications for future research arise from the arguments surveyed here.

This is particularly the case vis-à-vis the developing countries, many of whom do not have the capacity to evaluate the impact of these institutions on their fortunes. Generating greater academic knowledge thus may contribute vastly to producing better policy and outcomes, which may be a moral imperative given the grave problems of the developing countries.

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