



# THE BRETTON WOODS COMMITTEE

QUARTERLY NEWSLETTER ♦ VOLUME 1 ♦ ISSUE 4 ♦ FALL 2006

## FEATURE ARTICLE

# Growing Corporate Commitment to Development

**T**here is widespread understanding today that private sector-led development is a powerful engine for growth. At the same time, many international companies have recognized the benefits of public-private alliances and are joining initiatives that combine commercial interests with development goals.

A surprising trend has emerged: a new generation of companies and corporate leaders, dubbed as “Philanthropreneurs” have dedicated their businesses to advancing global development, and some have really taken these issues to heart. Notable examples include Bill Gates (Microsoft/ Bill and Melinda Gates Foundation), Richard Branson (Virgin Records), Pierre Omidyar (eBay) and Jeffrey S. Skoll (eBay and the Skoll Foundation). Issues have been addressed ranging from global health to microenterprise. Companies such as American Express, GAP, Motorola, Converse and Apple are partnering with individuals, such as U2’s lead singer Bono and have utilized

his star power to address important development issues. These corporate leaders have proven their com-



mitment to global issues and have exemplified the positive outcome of merging their corporate interests with global development.

The World Economic Forum, which boasts world’s top 1000 companies such as Coca-Cola, Google, Microsoft, Intel, Nike, Nestle, HP and Citigroup as its partners and members, has created initiatives addressing important development and humanitarian issues: Business Alliance Against Chronic Hunger, Disaster Resource Network, Energy Challenges, Financing for Development, Global Education Initiative, Global Health Initiative, IT Access For Everyone, Water Access, West-Islamic World Dialogue and Humanitarian Relief Initiative. This is an

indication of the multinational corporations increased interest with and

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**The Bretton Woods Committee** is a nonpartisan group of distinguished citizens dedicated to increasing understanding of the World Bank, IMF, WTO and the regional development banks (the so-called Bretton Woods institutions) and efforts to spur economic growth, alleviate poverty and improve financial stability.

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Emerging Markets  
from cover

continued support of global issues that address the question of economic development and humanitarian aid. Multinational companies are also recognizing that social and economic progress and stability are key components to an environment conducive to business.

The changing global economic dynamic has opened up opportunities for businesses in the emerging and developing markets, and it has led to broader understanding and discussion on the topic of “corporate interests” and the role of the private sector in global economic development. A World Economic Forum report on the role of business in advancing economic development and social progress outlines the top ways in which the private sector could contribute to global development:

- The private sector develops new technologies, provides essential goods and services, and manages large-scale operations efficiently. Business competencies can improve the effectiveness of development programs
- Multinationals have a particularly important role to play in upholding and advancing principles on human rights, labor, environmental and anti-corruption practices in countries with weak regulatory capacity
- Public-private partnerships between businesses and other stakeholders, such as NGOs or governments, can apply the resources and competencies of business for social gain
- Corporate philanthropy is growing, but only a small portion of this is directed towards developing countries. Corporate foun-

dations can target more funds towards Millennium Development Goals (MDGs) oriented programs and also help to fill the financing gaps that often constrain public-private partnerships

- Business can help to improve governance for the MDGs. Involving business in policy dialogues also enables stakeholders to work together more effectively on implementation. And businesses can also help build public awareness and support for the MDGs, through media outreach and consumer education

In today’s global economic climate companies are taking a leadership role in global economic and social progress and taking an innovative approach to their business model. It has become increasingly clear that the private sector functions as one of the most influential forces that foster economic growth and development. **BWC**

**SURVEY:**

- Emerging markets’ share of world exports jumped from 20% (1970) to 43% (current);
- Emerging markets consume over half of the world’s energy—accounted for four-fifths of the growth in oil demand (past five years); and
- Emerging markets hold 70% of the world’s foreign exchange reserves.

*(The Economist, September 2006)*

## Mid-Term Elections' Impact on Aid and Trade

Following the U.S. mid-term Elections, Democrats will take control of both the House and the Senate in January. What are the implications of the elections on issues of aid and trade? A survey from the Center for Global Development predicts increased congressional scrutiny over specific development expenditures. There is also a concern that issues relating to Iraq and domestic economy will overshadow other development aid issues. By and large, Democrats have been supportive of most development assistance programs, but many were skeptical about the creation of the U.S. Millennium Challenge Corporation with its focus on rewarding successful countries.

A change in U.S. trade policies is expected and a Democrat-led review of free trade agreements has been added to the political agenda. In July 2007, the expiration of “fast-track authority”—the President’s power

to negotiate trade agreements without Congressional amendments—is expected to bring calls for more fair trade and labor and environmental protections along with development-friendly trade policies. **BWC**

## Foreign Operations Appropriations

On June 9th, the House passed a \$21.3 billion FY07 Foreign Operations Bill by a vote of 373 to 34. The bill is 3% more than the amount approved in FY06 but 10% less than the requested budget of the President. It remains to be seen whether the lame duck session meeting in November will result in final passage or whether this funding will again be wrapped into a continuing resolution. **BWC**

### FY07 Foreign Operations Appropriations

	FY07 Total Request	House	Senate
<b>Multilateral Development Banks (MDBs)</b>			
World Bank Group			
IBRD	-	-	-
IDA	950,000,000	950,000,000	950,000,000
MIGA	-	-	-
IFC	-	-	-
Global Environment Facility	80,000,000* <small>* Amended estimate from 56,250,000</small>	80,000,000	80,000,000
Inter-American Development Bank			
IDB	-	-	-
IDB/FSO	-	-	-
IIC	-	-	-
MIF	25,000,000	15,000,000	15,000,000
Asian Development Bank			
AsDB	23,750,000	-	-
AsDF	115,250,000	57,625,000	57,600,000
African Development Bank			
AfDB	5,018,416	5,018,416	78,600,000
AfDF	135,700,000	135,700,000	135,700,000
European Bank for Reconstruction and Development	-	-	-
North American Development Bank	-	-	-
International Fund for Agricultural Development	18,000,000	18,000,000	18,000,000
<b>Total MDBs</b>	<b>1,328,968,416</b>		
<b>Debt Restructuring</b>			
HIPC TOTAL, of which:			
Bilateral Debt Reduction	182,799,000		
HIPC Trust Fund	-		
Tropical Forest Conservation Act (TFCA)	-		
<b>Total Debt Restructuring</b>	<b>182,799,000</b>		
<b>Other Accounts:</b>			
Technical Assistance	23,700,000		
<b>Total Treasury International Accounts</b>	<b>1,535,467,416</b>		

# The Bretton Woods Institutions Take a United Front Against Corruption

**O**n September 17, a joint framework for combating fraud and corruption was announced during the IMF/World Bank Annual Meeting in Singapore. Parties to the anti-corruption pact included the World Bank Group, IMF, African Development Bank Group, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank Group and the Inter-American Development Bank. World Bank President, Paul Wolfowitz stated, "a unified and coordinated approach is critical to the success of the shared effort to fight corruption and to prevent it from undermining the effectiveness of our work."

This significant step formalizes the sharing of information and discussion between the multilateral institutions on anti-corruption issues. The agreement outlined concrete measures against fraud and corruption:

- Agreement in principle on standardized definitions of fraudulent and corrupt practices for investigating such practices in activities financed by them;
- Agreement on common principles and guidelines for investigations;
- Agreement to strengthen the exchange of information, as appropriate and with due attention to con-

fidentiality, in connection with investigations into fraudulent and corrupt practices;

- Agreement on general integrity due diligence principles relating to private sector lending and investment decisions; and
- Agreement to explore further how compliance and enforcement actions taken by one institution can be supported by the others.

U.S. Senator Dick Lugar, Chairman of the Foreign Relations Committee, praised the cooperative effort: "Ending poverty in the developing world is an important U.S. security goal which these international financial institutions support through their aid and development programs. The joint framework against fraud and corruption they have announced is an important step forward and should help ensure that aid money gets to the intended beneficiaries and is not diverted by corruption."

Senator Lugar also recognized the anti-corruption pact as a positive response to legislation passed by Congress last year; the legislation called for a stronger effort by the multilateral financial institutions towards anti-corruption measures and coordination. **BWC**

## IMF Members Approve First Step in Reform Process

**D**uring the IMF/World Bank Annual Meeting in Singapore, a majority of Fund members voted in favor of management's proposal to increase the voting shares of four badly under-represented countries China, South Korea, Mexico and Turkey. This is step one in a broader effort to improve the governance structure of the IMF and reflect the growing economic influence of developing countries and emerging economies.

Representatives from some countries like India, Brazil and Argentina were reluctant to see shares boosted for some and not all of countries that are under-represented, but the proposal ultimately won support. The next step involves agreeing on a new formula for quota

allocations. This will be difficult, since there are many different notions of how vote shares should be allocated. The biggest problem that looms on the horizon is convincing over-represented governments (mostly smaller European countries) to give up vote share (and board chairs) to make room for the increases to others. For reasons of national pride, the countries concerned have shown reluctance to yield. IMF members also agreed that developing countries as a group will not lose vote share in this reform process. Member governments pledged that the second phase of the reform will follow by the year 2008.

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## WHAT'S NEW AT THE BRETTON WOODS INSTITUTIONS?

IMF Reform Update  
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Rodrigo de Rato, the Managing Director of the IMF, demonstrated management's serious commitment to reform and skillfully shepherded part one through the Board of Governors. He has argued that reform is needed to maintain credibility and to avert the potential weakening of the IMF and other multilateral institutions. Paul Wolfowitz, the President of the World Bank,

pledged a similar World Bank commitment to reform: "Fair weight and voice to all member countries is essential for our credibility and effectiveness, and we recognize we can and must do more."

IMF's initial effort towards reform has been widely welcomed as a step toward making Fund a more representative, effective and relevant global institution. **BWC**

## Pascal Lamy Urges Resumption of the Doha Round

In a speech before the International Trade Committee of the European Parliament in Brussels on October 17, WTO Director-General Pascal Lamy spoke of the difficulties faced in the Doha Round of negotiations. He attributed the stall in negotiations owing to a wide gap among the countries of the G-6, (Australia, Brazil, India, Japan, the EU, and the US) and conceded that despite his hopes, it had been impossible to conclude the Round by the end of this year.

Director-General Lamy explained that the WTO faced two options: 1.) pushing the negotiations forward in a negative climate with the risk of eroding what had already been achieved or; 2.) calling a break in order to give the negotiators time to review their positions and hopefully return to the table with revised proposals and a positive frame of mind. WTO members accepted the suspension of the official negotiating process until the necessary conditions for resumption were established.

Director General Lamy said the prospect of a failed

Round is now seen by many as a serious threat with grave consequences. He stated that the failure would manifest itself "not as a major economic shock that would precipitate any particular market crisis, or a breakdown in trade or in the operating environment in the short-term, but rather as a slowly developing disease that would progressively sap the strength of the multilateral trading system built up over the past 50 years, damaging its economic lungs, its political heart, and its systemic bone structure." He forecasted a weakened global trading system and a damaged relationship between the WTO and developing countries.

The Director General conceded that increasing calls for resumption of talks does not mean negotiating positions have changed, but he expressed a hope that it could reflect a new frame of mind. He urged the revival of the Doha Round by encouraging the resumption of the talks and the quiet negotiations taking place between various coalitions and countries. **BWC**

## OF BUSINESS INTEREST

## Doing Business Report 2007

The World Bank and the International Finance Corporation (IFC) recently released the report *Doing Business 2007: How to Reform*. The report rates countries according to a set of qualitative indicators, which provide a good picture of how easy or difficult it is to open and operate a business in develop-

ing economies. Among the indicators are regulations effecting time required for starting and closing a business, enforcing contracts, procuring required licenses, laws dealing with employment, property, credit, taxes and trade across borders.

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Doing Business Report 2007  
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The Doing Business report was the logical outgrowth of a new understanding within the World Bank that the development of a vibrant private sector is central to promoting wealth creation, jobs, and economic growth and to expanding opportunities for the poor. Encouraging firms to invest, improve productivity and create jobs requires a legal and regulatory environment conducive to business that would include protection of property rights, access to credit and efficient judicial, taxation and customs systems.

The report also allows countries to measure their private sector friendliness against that of neighboring countries and others around the world. The report has been an important impetus for many governments to make sorely needed policy changes, or risk being left behind.

The Doing Business report, now in its fourth year, had pointed in previous years to the complicated business environment of the Sub-Saharan Africa and the region's lack of efforts to reform. This year, however, the report shows that Africa is making rapid reform progress, moving up to third place, ahead of Asia, Latin America and the Middle East; Ghana and Tanzania are among the top ten reformers worldwide.

In the past and especially today, the Doing Business report is proving that "what gets measured gets done."

For further information on the Doing Business Report please refer to the following website: <http://www.doingbusiness.org>. **BWC**

## RECENT BRETTON WOODS COMMITTEE EVENTS

### International Council Annual Meeting 2006

On September 18, 2006, the Committee held its annual International Council meeting in Singapore along the sidelines of the IMF/World Bank meetings. Sir David Walker of Morgan Stanley International chaired the meeting on behalf of the Bretton Woods Committee. Graeme Wheeler, Managing Director of the World Bank, Agustin Carstens, Deputy Managing Director at the International Monetary Fund and Jean-Claude Trichet, President of the European Central Bank led the discussions. Some of the key topics suggested as problems the Council should address include the following:

- In recognition of the importance of the private sector, the IMF and the World Bank should engage in a dialogue with the private sector on issues such as the new contingent finance facility at the IMF
- Harmonizing policies and strategies between all lenders - private sector and multilateral and bilateral institutions
- In the transition from a world that has been government-led to a world that is increasingly market-led,

the work of private financial institutions should be better integrated into the work of the multilateral institutions and mechanisms should be developed to accomplish this

- Government pledges to IDA 15 have been disappointing thus far. Should the International Council attempt to play a role on this issue?
- Helping multilateral institutions solve various "free rider problems" including the provision of new loans to countries following multilateral debt reduction
- Resolving the question of how to finance the provision of public goods by the IMF and the World Bank
- Deciding whether the WTO and growing protectionism should be part of the International Council's mandate

The Council's executive committee is now conferring on which projects to undertake. The next formal meeting of the International Council will be in conjunction with the Annual Meeting of the World Bank/IMF in October 2007. **BWC**

### Tribute to James D. Wolfensohn

**O**n October 25, friends and colleagues of James D. Wolfensohn and the Bretton Woods Committee gathered at the Mandarin Oriental in New York City to honor Mr. Wolfensohn's lifetime of public service and his extraordinary accomplishments. Andrea Mitchell (Chief Foreign Affairs Correspondent for NBC News) presided over the evening's program as mistress of ceremony along with Committee Co-Chair E. Gerald Corrigan and Executive Committee Chair Richard Debs. Senator Chuck Hagel; IMF Managing Director Rodrigo de Rato; and President Emeritus of Harvard University, Lawrence Summers helped honor Jim with testimonial speeches.

Mr. Wolfensohn was presented the Committee's Global Leadership Award, which has only been given once in the past to Paul A. Volcker. Letters of tribute were read from Secretary of State Condoleezza Rice,

Paul Volcker and Alan Greenspan and a video tribute was presented featuring President Bill Clinton, Bono and a dozen other world figures. The evening proved to be a memorable event and a great success.

The Committee was honored to host Mr. Wolfensohn, his wife, Elaine and many of their friends in celebrating Jim's personal and professional achievements. Photos and post-gala information will soon be posted on the Committee's new website. **BWC**



Illustration: Daniel Magalhães, Original: The World Bank

### Multilateral Roundtable Kick-Off Event: A Day at the World Bank

**T**he Committee held its' Multilateral Roundtable kick-off event, a "Day at the World Bank", on November 13, 2006. With the support of the U.S. Executive Director, Jennifer Dorn, the meeting took place at the World Bank headquarters.

The Committee identified select companies representing key sectors and industries to participate in the kick-off event. Among the 30 participating companies were Sony, Mars Pfizer, Siemens, Medtronic, Altria, HSBC, 3M, John Deere, Oracle, Intel, to cite a few.

At the gathering leading executives of the World Bank Group briefed company representatives on programs designed for the private sector. Participating companies had the opportunity to ask questions and provide comments to Bank executives who head divisions offering services or opportunities important to the private sector. Some of the key suggestions that emerged included:

- The World Bank should use its leverage to promote trade liberalization
- Business and the World Bank should cooperatively explore agricultural supply chain constraints
- An examination is needed of the impact of trade agreements on health sectors of developing countries
- Creation of a "Road show" - target/ pilot cities to promote the work of the IFC and other multilateral institutions
- Establishment of an educational program and initiatives for local workers – and the need for World Bank guidance and input on how to proceed with this effort
- A change of US public opinion on the notion of internationalism and international involvement. Post 9/11, the US public and Congress perceive "interna-

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## RECENT BRETTON WOODS COMMITTEE EVENTS

A Day at the World Bank  
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tionalism” and international engagements as negative elements

- Assessment and improvement of the communication between the private sector and the World Bank on procurement issues

Speakers included:

**Jennifer Dorn**, Acting U.S. Executive Director, World Bank

**Juan Jose Daboub**, Managing Director, World Bank

**Lars Thunell**, Executive Vice President, International Finance Corporation

**Simeon Djankov**, Manager of the Indicators and Analysis, Private Sector Development, World Bank

**Laszlo Lovei**, Director, Infrastructure, Economics and Finance, Sustainable Development Network, World Bank

It is anticipated that the Multilateral Roundtable will meet quarterly to address issues important to both business and the multilateral institutions. The Committee will continue to gather inputs and ideas to shape the program of the Multilateral Roundtable. **BWC**

## The Bretton Woods Committee's Multilateral Roundtable

The Bretton Woods Committee's Multilateral Roundtable is a group of private sector organizations that closely follow the work of the multilateral economic institutions - the World Bank, IMF, WTO and the regional development banks. The founding principle of the Roundtable is the recognition that the private and public sector must work more closely together in an era in which the predominate source of flows to developing countries is from the private sector.

The Multilateral Roundtable provides its member organizations a forum in which to explore policies and issues at the multilateral institutions that relate to private sector development, commercial opportunities, global financial stability and social responsibility.

### Objectives

- Increase the capacity of the multilateral institutions to promote open markets and international commerce;
- Increase the capacity of the member companies to promote multilateral efforts and public-private partnership and alliances;
- Deepen the dialogue between the business sector and the multilateral institutions and explore ways to deepen a mutually beneficial relationship;

For further information, please refer to our website [www.brettonwoods.org](http://www.brettonwoods.org).

## Bretton Woods Committee Introduces its New Website

The Committee is preparing to launch a new Web site in the beginning of December to better serve the Committee's membership. Please visit our new Web site at [www.brettonwoods.org](http://www.brettonwoods.org). **BWC**

### The World Bank

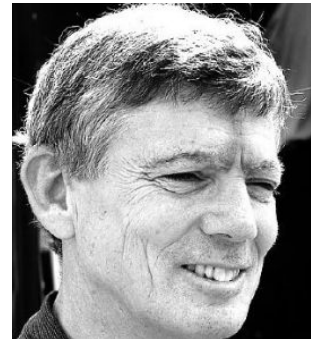
On April 21, the World Bank President, Paul Wolfowitz appointed two new Managing Directors, Juan Jose Daboub and Graeme Wheeler.

Before joining the World Bank in 1997, Mr. Wheeler served as the Deputy Secretary of the New Zealand Treasury and as the Treasurer of the New Zealand Debt Management Office.

Prior to his involvement in the World Bank, Dr. Daboub served both in the public and private sectors. He was appointed as the Minister of Finance of El Salvador and as the Board of CEL, El Salvador's electric utility and also as President of ANTEL, the state owned, telecommunications company. **BWC**



*Juan Jose Daboub*



*Graeme Wheeler*

### IMF

Augustin Carstens, the Deputy Managing Director of the IMF resigned to join the transition team of Mexican President-elect Felipe Calderon. IMF Managing Director, Rodrigo de Rato nominated Murilo Portugal, a former Executive Director from Brazil to replace Mr. Carstens. Mr. Portugal served as an Executive Director of the World Bank between 1996 and 2000. He has also held a number of senior positions in the Brazilian government. **BWC**



*Murilo Portugal*