



August 2000

No. 2/00

Convergence or Surrender on Development? The UN and the Bretton Woods Institutions

In the last year there have been dramatic protests at the power and influence of international institutions, and at their management of the global economy. The dominance of industrialised countries, and the marginalisation of the poorest, is the source of much of the discontent. Questions about how "globalisation" can best be governed equitably are intimately connected to questions about how the development of the world's poorest countries can take place. Central to any answers are the international intergovernmental institutions, such as the UN, World Bank and International Monetary Fund. These institutions are converging in their views on development policies, following an agenda that remains dominated by the industrialised nations.

The views of those setting the development agenda at the highest level have a profound effect on development policies of national governments, non-governmental institutions, and last but not least, on the recipients of those development policies and projects, the world's poor. What appears to be emerging is a single development paradigm, in which the neo-liberal agenda of the Bretton Woods institutions is utilising the human-centred development perspective of the United Nations.

In the last 20 or 30 years, and particularly since the end of the Cold War, the political economy of global trade, finance and development has changed dramatically. Although the International Monetary Fund, World Bank and United Nations system were established at the same time, the UN has struggled to play as full a role as it might in the international financial system. The original mandates of these institutions are summarised below, followed by an assessment of recent events and the impact that these have had on intergovernmental organisations, their activities and the linkages between them. The connections between these institutions and the UN vary greatly, with the strongest linkages at present existing between the World Bank and the UN. The World Trade Organisation (and its predecessor, the General Agreement on Trade and Tariffs,

GATT) traditionally has remained at considerable distance to the UN.

As it was

The division of labour amongst the multi-lateral institutions in areas of international finance, trade and development historically left the UN with responsibility for development. Article 55 of Chapter XI of the UN Charter states that the mandate of the UN in economic and social affairs is to promote "higher standards of living, full employment and conditions of economic and social progress and development." The UN does this through operational activities, undertaken by programmes such as the UN Development Programme, UNICEF or UN High Commissioner for Refugees, and by setting international norms in relevant areas, such as through the International Labour Organisation. Uniquely, the UN has linked social, economic and environmentally sustainable development together, unlike the IMF and World Bank which until recently focused purely on economic development.

The World Bank (properly called the International Bank of Reconstruction and Development, as part of the World Bank Group²) also has a development focus, although different from that of the UN. It was established to promote the flow of international capital for development purposes, now concentrated in developing countries through concessional lending to fund development projects (infrastructure etc.) or to finance governmental reform programmes.

In contrast, the IMF was established to maintain a stable monetary system, by predicting and helping to avert crises, and lending to governments experiencing financial and monetary difficulties.

Finally, the WTO promotes and facilitates international free trade through the negotiation and enforcement of multilateral trade agreements, and settlement of trade disputes.

Some have defined the collective work of these institutions (with the exception of the UN) as the promotion of development through globalisation, defined here as higher levels of trade and investment bringing higher levels of welfare for all. Over the last few years it has become apparent that higher levels of trade and investment do not automatically lead to better welfare for all.

Fallout from the Asian crisis

Much of the blame for the 1998 financial crisis and its consequences has been placed with national governments but the IMF has also been faulted for initial misdiagnoses and for prescribing inappropriate solutions that worsened the crisis and its effects. Since then, the IMF has attempted to reform its operations, and claims that it now places social policy, in particular the provision of social safety nets in times of crisis, at the heart of its policy and lending requirements. The most important reform is the introduction of the Poverty Reduction Growth Facility (PRGF), administered jointly by the IMF and the World Bank, and now the primary source of funding for poverty eradication strategies. To obtain lending from the PRGF, national governments develop strategy papers (essentially macro-economic 'blueprints') together with the IMF and World Bank, in which greater emphasis is placed on the social sector and governance, and which aim at greater national ownership of programmes than was achieved in the past. While many applaud the Fund's belated recognition of the centrality of poverty reduction and social policy to achieving sustainable economic growth, there is concern that this shift will take the Fund even deeper into the domestic affairs of developing countries, on a level that would not be acceptable if applied to industrialised nations.

The UN's Agenda for Development

In 1997 the UN issued an Agenda for Development³, setting out its priorities for achieving social and economic development over the following ten years. Institutional reforms followed, that sought to consolidate the UN bodies which dealt with development and to give these a higher standing within the UN system. Part of the Agenda included a deepening of the links between the UN and other international intergovernmental organisations.

During the 1990s the UN held a series of agenda setting conferences on issues of central importance to development. This series included: children (1990), environment (1992), human rights (1993), population

(1994), women (1995), social development (1995) human settlements (1996) and food security (1996).

In terms of the multilateral institutions under discussion here, the World Summit on Social Development (Copenhagen 1995) had the greatest impact on international views of development. The Summit set a series of measurable targets on education, reducing poverty, status of women etc. Some of these were later adopted by industrialised countries (through the Development Assistance Committee of the Organisation of Economic Cooperation and Development), most famously to reduce global poverty by half by 2015. These targets were reaffirmed at the review conference to Copenhagen, held in June 2000 in Geneva⁴ and again at the UN's Millennium Summit in September 2000.

This type of agenda and standard setting is often cited as the comparative advantage of the UN, in contrast to the Bretton Woods institutions. It has been argued that the UN conferences of the 1990s shifted the international development agenda from economic reforms (as practiced by the IMF and World Bank particularly) to "sustainable human development," and to a more holistic and comprehensive understanding of development.

Changes at the World Bank

In the wake of the crises and contagion of 1997-98, the World Bank has reviewed its approach to development, placing poverty eradication and social development at the heart of its policies and directing more of its lending to the social sector. A reform project, the Strategic Compact, began in 1997 under the leadership of President James Wolfensohn, and sought to increase the "development effectiveness" of the Bank's operations, including expansion into the non-traditional area of social sectors and national institution-building.

In an effort to improve donor coordination, and to improve ownership of its programmes by recipient governments, the Bank has established a Comprehensive Development Framework (CDF). The CDF is a matrix, designed by national governments ("putting countries and their governments in the driving seat," Wolfensohn 1999), which coordinates donor funding and projects, from all the available sources, including bilateral assistance, private sector investment, and multilateral assistance from the Bank, Fund and UN agencies. One difficulty with the CDF is that many countries lack the capacity to convene the necessary consultations to draw up a CDF plan, and continue to still rely on Bank and Fund staff to design their

development. Critics of the CDF argue that it seeks to place all available development finance within one development paradigm, one which remains driven by donor requirements and expectations.

In addition, the development market-place has become increasingly crowded, as the World Bank and the IMF have joined bilateral donor agencies, UN agencies such as UNDP and major NGOs in working toward poverty reduction. In theory, this should be a good thing, focusing the international community's efforts on achieving poverty reduction, but it also generates increased competition for funds, a risk of duplication by donors, and ever-larger burdens on developing countries to fulfill donor requirements.

"If we [BWIs and the UN] exist as separate pillars of development, with each institution having its own distinct expertise but standing ultimately in magnificent isolation, then little of value will be achieved. Today we are much more intertwined and working towards a single, integrated vision of development."

UN Deputy Secretary-General Louise Fréchette

The dominance within the WTO, IMF and World Bank of the Group of Eight industrialized nations (G8)⁵, and the marginalisation of developing countries from the decision-making process, continues to generate concern and even anger. Although some reforms have been implemented, lasting resolution of this issue seems remote. The UN has had difficulty playing a role in this, despite being the most equitable and representative of the multilateral institutions. Despite repeated General Assembly resolutions, and more recently ECOSOC dialogues, calling for UN involvement in the governance of the international monetary and financial system, this seems unlikely to happen. Some feel that the UN position has been undermined, while others believe that there is now a strengthened role for the UN, *particularly* in economic and social spheres.

Meeting face to face

In 1996, the fiftieth session of the GA passed a resolution calling for greater consultation between the UN and the Bretton Woods institutions (A/50/227), as part of wider efforts to revitalise the UN in the economic and social fields. Since then there has been an unprecedented degree of contact between UN agencies and the Bretton Woods

institutions, particularly the World Bank. These include high-level meetings between ECOSOC ambassadors, the IMF and the World Bank, ad hoc meetings between individual officials, and a visit by Kofi Annan to the World Bank. Specifically these have included:

April 1998: The first high-level meeting; IMF Managing-Director Michel Camdessus and finance ministers met with ECOSOC to discuss global financial integration and financial instability, in the light of then current crises in Asia, Russia and Brazil.

May 1998: ECOSOC ambassadors met formally for the first time with the Executive Board of the World Bank in Washington DC.

July 1998: at high-level segment of the annual session of ECOSOC, Secretary-General Kofi Annan, Camdessus, Wolfensohn and UNCTAD Secretary-General Rubens Ricupero promoted increased cooperation between these institutions.

October 1998: The Executive Board of the IMF paid a visit to ECOSOC in New York.

Judging these meetings to have been fruitful, the 53rd GA (1998) passed a resolution calling on the Secretary-General to further support ECOSOC in organising a high-level dialogue in 1999 (A/53/172). Dialogues between the Bank, IMF and the UN continued and deepened in substance in 1999. These meetings included. In **February 1999**, the Executive Board of the WB travelled to New York to meet with ECOSOC. This was followed in **April 1999** by the high-level segment of ECOSOC's annual meeting, where the BWIs joined ambassadors and UN agencies in a discussion on 'The functioning of international financial markets and stability in financing for development.' (A/54/3). In this dialogue, UN Deputy Secretary-General Louise Fréchette stressed that "greater unity of purpose and action among international organisations" was critical. Recent innovations such as the UN Development Assistance Framework and the Bank's Comprehensive Development Framework are intended to improve such cooperation and coordination, at both the policy and the country program level.

At the same meeting the Chairman of the Development Committee of the IMF and World Bank suggested that the Bank had drawn heavily on the UN Conference commitments in the design and implementation of its Comprehensive Development Framework (CDF). These two elements were also, he suggested, the respective strategic advantages of the Bank (developing best practice) and the UN (developing broad overarching principles).

Several key issues emerged from this April 1999 dialogue, including the form of future cooperation between the UN and the BWIs. It is not yet clear how this will play out in practice, though some early indications have suggested that the UN is not able to take full advantage of its experience and expertise, and that it may be pushed aside by its weightier, wealthier partners. Poverty eradication has emerged as the *raison d'être* of almost all stakeholders in development: multilateral institutions, the private sector, civil society and bilateral assistance agencies. A consensus emerged that the UN is the best forum for the development of normative functions, and that developing a 'global consensus on social policy was a key task of this institution.⁶

In **October 1999** the BWIs and the ECOSOC ambassadors met to discuss their to address poverty reduction, and the modalities of their collaboration.

In this dialogue however, criticisms were voiced. Ambassador Insanally of Guyana, the then-Chair of the G77 group, suggested that the IMF has not traditionally been a development agency, and that it needed to be clear on its concepts and philosophy. He also requested greater clarity in the division of labour between the IMF, World Bank, UN agencies and national governments: "It is unclear who is doing what."⁷ Another delegate wondered how the IMF would ensure partnership with the UN in the new Poverty Reduction Strategy Papers

Following the 1999 high-level meeting of the ECOSOC and Bretton Woods institutions, the General Assembly passed a resolution encouraging "the deepening of the dialogue between ECOSOC and the BWIs in order to promote the wide range of reforms needed in an international financial architecture that reflects the global interests of the international community" (A/RES/54/197). The resolution also emphasised that the UN

"plays an important role in the international efforts to build up the necessary international consensus on the continuation of a wide range of reforms needed for a strengthened and more stable international financial system that is responsive to the challenges of development, especially in the developing countries, and to the promotion of economic and social equity in the global economy."

The most recent meeting took place in **April 2000** and addressed the theme of strengthening international financial arrangements and eradicating poverty. Discussion of the roles of each institution continued, with delegates stressing that the World Bank should maintain a key focus on poverty reduction and human-centred development, while

the IMF has a key role in maintaining international financial stability and offering surveillance services to predict, and avert, potential crises. Others however, were less certain of the role of the IMF in providing short-term lending in times of crisis, suggesting that it should maintain its concentration on macroeconomic issues. A number of participants emphasized the key role that the UN has to play in fostering international dialogue and cooperation and global governance, using its comparative advantage in leadership in social policy to "design an international financial strategy with social impact.

The final report of the April meeting (**E/2000/79**) suggested that "collaboration between the ECOSOC and the Bretton Woods institutions reflected the need to deal simultaneously with the economic and financial aspects and social dimensions of development in an era of globalisation...The boundaries between institutions and fields of responsibility had become more open." Some participants in the dialogue suggested that "the time had arrived for a more fundamental coordination and cohesion between the Security Council, ECOSOC and the Bretton Woods institutions" and called to efforts to address the link between security and economic development.⁸

Financing for Development

The current and on-going process, which was initiated by General Assembly resolution A/RES/52/179, will lead to a high-level intergovernmental event focused on Financing for Development, to be held in 2001. The most innovative feature of the preparations for this event has been the inclusion of other intergovernmental organizations, particularly the World Bank and the IMF. For the World Bank, a three-part mechanism for its participation has been developed through close negotiations between senior Bank staff, and the 15-member Bureau for Financing for Development (comprised of senior UN diplomats). The Bank will be involved in official consultations at the senior level, will participate in informal consultations and will second a senior level team of Bank staff to work alongside the UN Secretariat for Financing for Development.

Similar mechanisms are being explored to facilitate the participation of the IMF and the World Trade Organisation, although at present it is unclear what form that participation will take. This may greatly reduce the opportunity for serious dialogue and engagement with these institutions on key issues such as trade and the international financial architecture, both of which feature on the agenda for the FfD final event. This imbalance between levels of participation of crucial stakeholders has been an on-going source of concern for many at the UN. In

the wider development context, the reluctance of the IMF and the WTO in participating in a UN process undermines efforts to coordinate and complement the work of all intergovernmental institutions.

Negotiations around the agenda for Financing for Development reflected differences between the industrialised countries and the G77 (developing countries). Within FfD, industrialised countries would prefer discussions to be limited to fulfillment of the commitments made at the UN conferences in the 1990s. Developing countries would like to see a wider discussion that includes governance of the international financial architecture, such as transparency and participation in international financial governance, or management of financial crises.

Despite this resistance, the innovations established through the preparatory process for Financing for Development have moved collaboration between the global finance and development institutions to a deeper, and hopefully more lasting level. Potentially, the new working modalities among the World Bank, IMF and WTO that are emerging from the Financing for Development process will redefine and realign relations amongst these institutions.

A Better World for All? Has the UN sold its soul?

Collaboration between the three institutions moved to another level in June 2000, with the joint publication of *A Better World For All*. Together, the Organisation for Economic Cooperation and Development, the United Nations, World Bank and International Monetary Fund launched the report on the opening day of the review session of the World Summit for Social Development (Copenhagen + 5). The organisations promote the report as a joint assessment of progress towards poverty reduction goals (the targets from the Copenhagen Social Summit) and as an "outline of a common vision for the way forward." Critics of the report and the collaboration that produced it argue that "This document has been presented as a new consensus between the United Nations, the OECD, the IMF and the World Bank. By doing so it reinforced the perspectives from the North and disempowered the South. It undermined the very concept of political inclusiveness that defines the UN."²

Other criticisms include its failure to acknowledge the role of the policies of the international financial institutions in generating poverty and its failure to acknowledge the persistence of poverty in the North. Others have argued that Kofi Annan has sold the soul of the UN to the Bretton Woods, in the same way that it has been sold to multinational corporations through the UN's Global

Compact - allowing the legitimacy and credibility of the UN to be co-opted by organisations that are not themselves fully representative.

It is not clear, at least not from outside the UN, where this process of convergence, (or co-optation), is leading, or indeed who is driving it. Some see the process as representing a retreat from true multilateralism - i.e. the democratic structure of the UN - to the pseudo multilateralism of World Bank or the IMF, and that this compounds structural imbalances between developed and industrialised countries.

Even if one admits that the arguments of the World Bank, particularly with regard to donor coordination, are pertinent, the nagging doubt remains that the true leverage in this process lies with the World Bank and the IMF (and therefore the industrialised North). As long as the UN remains paralysed by under-funding and conditionality from member states, it cannot hope to engage in a balanced dialogue or partnership with the World Bank or the IMF. The General Assembly can adopt resolutions every year calling for a greater role for the UN in the economic and social spheres, and in the governance of the international financial system, but at present it has little means to persuade the powerful that this should happen.

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1. The institutions discussed here are the International Monetary Fund, the World Bank and the UN.
2. The World Bank consists of five institutions: International Bank for Reconstruction and Development; International Development Association; International Finance Corporation; Multilateral Investment Guarantees Agency; International Centre for Settlement of Investment Disputes. Also in the World Bank Group are the regional development banks, such as the Inter-American Development Bank). See <http://www.worldbank.org/>.
3. UN document A/RES/51/240 *Agenda for Development*
4. See www.un.org/esa/socdev/geneva2000/ or www.iisd.ca/linkages/wssd.html
5. USA, Canada, UK, France, Germany, Japan, Italy, Russia.
6. Az/54/3 p21 para 65
7. Press release, ECOSOC/5877, 28 October 1999
8. E/2000/79 para 63
9. "NGOs call on the UN to withdraw endorsement of A Better World For All document" at <http://www.wcc-coe.org/wcc/what/jpc/ngo-state.html> "A Better World For All" can be found at: <http://www.paris21.org/betterworld>