Global Governance, Poverty and Inequality

Edited by
Jennifer Clapp and Rorden Wilkinson

Routledge Global Institutions

Global Governance, Poverty and Inequality

In the first decade of the twenty-first century the world experienced a series of crises that have combined to exacerbate already profound conditions of global economic inequality and poverty in the world's poorest countries. In 2007, the unsound lending practices that caused a collapse in the US housing market ushered in a broader economic crisis that reverberated throughout the global financial system. This economic shockwave had a global impact, triggering not just instability in other industrialized countries, but also in their developing counterparts, also highlighting deficiencies in the current structures of global governance to protect the world's poorest and most disadvantaged.

In these times of crisis, it is important to question the capacity and the appropriateness of existing global governance approaches to address both poverty and inequality. This work seeks to critically evaluate the role of global governance mechanisms for dealing with these pressing issues. With a focus on both formal and informal governance mechanisms, and drawing leading scholars together from a range of disciplines, this collection offers sharp analyses of the successes and failures of the global system in tackling the pressing problems of poverty and inequality.

Jennifer Clapp is the Centre for International Governance Innovation (CIGI) Chair in Global Environmental Governance and Professor in the Faculty of Environmental Studies at the University of Waterloo, Canada.

Rorden Wilkinson is Professor of International Political Economy in the School of Social Sciences and Associate Director of the Brooks World PovertyInstitute(BWPI)atthe.

Routledge Global Institutions

Edited by Thomas G. Weiss
The CUNY Graduate Center, New York, USA
and Rorden Wilkinson
, UK

About the Series

The "Global Institutions Series" is designed to provide readers with comprehensive, accessible, and informative guides to the history, structure, and activities of key international organizations as well as books that deal with topics of key importance in contemporary global governance. Every volume stands on its own as a thorough and insightful treatment of a particular topic, but the series as a whole contributes to a coherent and complementary portrait of the phenomenon of global institutions at the dawn of the millennium.

Books are written by recognized experts, conform to a similar structure, and cover a range of themes and debates common to the series. These areas of shared concern include the general purpose and rationale for organizations, developments over time, membership, structure, decision-making procedures, and key functions. Moreover, current debates are placed in historical perspective alongside informed analysis and critique. Each book also contains an annotated bibliography and guide to electronic information as well as any annexes appropriate to the subject matter at hand.

The volumes currently published include:

43 Global Governance, Poverty and Inequality (2010)
Edited by Jennifer Clapp (University of Waterloo) and Rorden Wilkinson ()

42 Multilateral Counter-Terrorism (2010)
The global politics of cooperation and contestation
by Peter Romaniuk (John Jay College of Criminal Justice, CUNY)

41 Governing Climate Change (2010)
by Harriet Bulkeley (Durham University) and Peter Newell (University of East Anglia)

40 The UN Secretary-General and Secretariat (2010)
Second edition
by Leon Gordenker (Princeton University)

39 Preventive Human Rights Strategies (2010)
by Bertrand G. Ramcharan (Geneva Graduate Institute of International and Development Studies)

38 African Economic Institutions (2010)
by Kwame Akonor (Seton Hall University)

37 Global Institutions and the HIV/AIDS Epidemic (2010)
Responding to an international crisis
by Franklyn Lisk (University of Warwick)

36 Regional Security (2010)
The capacity of international organizations
by Rodrigo Tavares (United Nations University)

35 The Organisation for Economic Co-operation and Development (2009)
by Richard Woodward (University of Hull)

34 Transnational Organized Crime (2009)
by Frank Madsen (University of Cambridge)

33 The United Nations and Human Rights (2009)
A guide for a new era, second edition
by Julie A. Mertus (American University)

32 The International Organization for Standardization (ISO) (2009)
Global governance through voluntary consensus
by Craig N. Murphy (Wellesley College) and JoAnne Yates (Massachusetts Institute of Technology)

31 Shaping the Humanitarian World (2009)
by Peter Walker (Tufts University) and Daniel G. Maxwell (Tufts University)

30 Global Food and Agricultural Institutions (2009)
by John Shaw

29 Institutions of the Global South (2009)
by Jacqueline Anne Braveboy-Wagner (City College of New York, CUNY)

28 International Judicial Institutions (2009)
The architecture of international justice at home and abroad
by Richard J. Goldstone (Retired Justice of the Constitutional Court of South Africa) and Adam M. Smith (Harvard University)

27 The International Olympic Committee and the Olympic System (2009)
The governance of world sport
by Jean-Loup Chappelet (IDHEAP Swiss Graduate School of Public Administration) and Brenda Kübler-Mabbott

26 The World Health Organization (2009)
by Kelley Lee (London School of Hygiene and Tropical Medicine)

25 Internet Governance (2009)
The new frontier of global institutions
by John Mathiason (Syracuse University)

24 Institutions of the Asia-Pacific (2009)
ASEAN, APEC, and beyond
by Mark Beeson (University of Birmingham)

23 UNHCR (2008)
The politics and practice of refugee protection into the twenty-first century
by Gil Loescher (University of Oxford), Alexander Betts (University of Oxford), and James Milner (University of Toronto)

22 Contemporary Human Rights Ideas (2008)
by Bertrand G. Ramcharan (Geneva Graduate Institute of International and Development Studies)

21 The World Bank (2008)
From reconstruction to development to equity
by Katherine Marshall (Georgetown University)

20 The European Union (2008)
by Clive Archer (Manchester Metropolitan University)

19 The African Union (2008)
Challenges of globalization, security, and governance
by Samuel M. Makinda (Murdoch University) and Wafula Okumu (McMaster University)

18 Commonwealth (2008)
Inter- and non-state contributions to global governance
by Timothy M. Shaw (Royal Roads University)

17 The World Trade Organization (2007)
Law, economics, and politics
by Bernard M. Hoekman (World Bank) and Petros C. Mavroidis (Columbia University)

16 **A Crisis of Global Institutions? (2007)**
Multilateralism and international security
by Edward Newman (University of Birmingham)

15 **United Nations Conference on Trade and Development (UNCTAD) (2007)**
by Ian Taylor (University of St. Andrews) and Karen Smith (University of Stellenbosch)

14 **The Organization for Security and Co-operation in Europe (2007)**
by David J. Galbreath (University of Aberdeen)

13 **The International Committee of the Red Cross (2007)**
A neutral humanitarian actor
by David P. Forsythe (University of Nebraska) and Barbara Ann Rieffer-Flanagan (Central Washington University)

12 **The World Economic Forum (2007)**
A multi-stakeholder approach to global governance
by Geoffrey Allen Pigman (Bennington College)

11 **The Group of 7/8 (2007)**
by Hugo Dobson (University of Sheffield)

10 **The International Monetary Fund (2007)**
Politics of conditional lending
by James Raymond Vreeland (Georgetown University)

9 **The North Atlantic Treaty Organization (2007)**
The enduring alliance
by Julian Lindley-French (Center for Applied Policy, University of Munich)

8 **The World Intellectual Property Organization (2006)**
Resurgence and the development agenda
by Chris May (University of the West of England)

7 **The UN Security Council (2006)**
Practice and promise
by Edward C. Luck (Columbia University)

6 **Global Environmental Institutions (2006)**
by Elizabeth R. DeSombre (Wellesley College)

5 **Internal Displacement (2006)**
Conceptualization and its consequences
by Thomas G. Weiss (The CUNY Graduate Center) and David A. Korn

4 **The UN General Assembly (2005)**
by M. J. Peterson (University of Massachusetts, Amherst)

3 **United Nations Global Conferences (2005)**
by Michael G. Schechter (Michigan State University)

2 **The UN Secretary-General and Secretariat (2005)**
by Leon Gordenker (Princeton University)

1 **The United Nations and Human Rights (2005)**
A guide for a new era
by Julie A. Mertus (American University)

Books currently under contract include:

Global Poverty
byDavidHulme( )

The International Labour Organization
by Steve Hughes (University of Newcastle) and Nigel Haworth (University of Auckland Business School)

The Regional Development Banks
Lending with a regional flavor
by Jonathan R. Strand (University of Nevada)

Peacebuilding
From concept to commission
by Robert Jenkins (The CUNY Graduate Center)

Non-Governmental Organizations in Global Politics
by Peter Willetts (City University, London)

Human Security
by Don Hubert (University of Ottawa)

UNESCO
by J. P. Singh (Georgetown University)

Millennium Development Goals (MDGs)
For a people-centered development agenda?
by Sakiko Fukada-Parr (The New School)

UNICEF
by Richard Jolly (University of Sussex)

The Organization of American States (OAS)
by Mônica Herz (Instituto de Relações Internacionais, Pontifícia Universidade Católica do Rio de Janeiro)

FIFA
by Alan Tomlinson (University of Brighton)

International Law, International Relations, and Global Governance
by Charlotte Ku (University of Illinois, College of Law)

Humanitarianism Contested
by Michael Barnett (University of Minnesota) and Thomas G. Weiss (The CUNY Graduate Center)

Forum on China-Africa Cooperation (FOCAC)
by Ian Taylor (University of St. Andrews)

The Bank for International Settlements
The politics of global financial supervision in the age of high finance
by Kevin Ozgercin (SUNY College at Old Westbury)

International Migration
by Khalid Koser (Geneva Centre for Security Policy)

Global Health Governance
by Sophie Harman (City University, London)

Think Tanks
by James McGann (University of Pennsylvania) and Mary Johnstone Louis (University of Oxford)

The Council of Europe
by Martyn Bond (University of London)

The United Nations Development Programme (UNDP)
by Stephen Browne (The International Trade Centre, Geneva)

Human Development
by Richard Ponzio

The Human Rights Council
by Bertrand G. Ramcharan (Geneva Graduate Institute of International and Development Studies)

The Group of Twenty (G20)
by Andrew Cooper (Centre for International Governance Innovation, Waterloo, Canada) and Ramesh Thakur (Balsillie School of International Affairs, Waterloo, Canada)

For further information regarding the series, please contact:

Craig Fowlie, Senior Publisher, Politics & International Studies
Taylor & Francis
2 Park Square, Milton Park, Abingdon
Oxon OX14 4RN, UK

+44 (0)207 842 2057 Tel
+44 (0)207 842 2302 Fax

Craig.Fowlie@tandf.co.uk
www.routledge.com

Global Governance, Poverty and Inequality

Edited by
Jennifer Clapp and Rorden Wilkinson

Routledge
Taylor & Francis Group
LONDON AND NEW YORK

First published 2010
by Routledge
2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

Simultaneously published in the USA and Canada
by Routledge
270 Madison Avenue, New York, NY 10016

This edition published in the Taylor & Francis e-Library, 2010.

To purchase your own copy of this or any of Taylor & Francis or Routledge's collection of thousands of eBooks please go to www.eBookstore.tandf.co.uk.

Routledge is an imprint of the Taylor & Francis Group, an informa business

© 2010 Editorial selection and matter, Jennifer Clapp and Rorden Wilkinson; individual chapters, the contributors

All rights reserved. No part of this book may be reprinted or reproduced or utilized in any form or by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission in writing from the publishers.

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

Library of Congress Cataloging in Publication Data
Global governance, poverty, and inequality / edited by Jennifer Clapp and Rorden Wilkinson.
p. cm.—(Global institutions)
1. Poverty—Government policy. 2. Equality—Economic aspects.
3. International agencies. 4. Economic assistance. I. Clapp, Jennifer, 1963– II. Wilkinson, Rorden, 1970–
HC79.P6G662 2010
339.4′6—dc22 2009045144

ISBN 0-203-85213-3 Master e-book ISBN

ISBN 978-0-415-78048-3 (hbk)
ISBN 978-0-415-78049-0 (pbk)
ISBN 978-0-203-85213-2 (ebk)

Contents

List of illustrations xiii
Notes on contributors xv
Foreword by the series editors xix
Foreword by Louise Fréchette xxi
Acknowledgements xxix
List of abbreviations xxx

Introduction: governing global poverty and inequality 1
RORDEN WILKINSON AND JENNIFER CLAPP

PART I
Development and the governance of poverty and inequality 25

1 Global governance meets development: a brief history of an innovation in world politics 27
ERIC HELLEINER

2 What type of global governance would best lower world poverty and inequality? 46
ALBERT BERRY

PART II
Bretton Woods and the amelioration of poverty and inequality 69

3 IMF rhetoric on reducing poverty and inequality 71
BESSMA MOMANI

4 The effect of IMF programs on public wages and salaries 90
IRFAN NOORUDDIN AND JAMES RAYMOND VREELAND

5 Reforming the World Bank 112
CATHERINE WEAVER

PART III
Promising poverty reduction, governing indebtedness 133

6 Governing global poverty? Global ambivalence and the Millennium Development Goals 135
DAVID HULME

7 The Paris Club, debt and poverty reduction: evolving patterns of governance 162
THOMAS M. CALLAGHY

PART IV
Complex multilateralism, public-private partnerships and global business 185

8 Commonwealth(s) and poverty/inequality: contributions to global governance/development 187
TIMOTHY M. SHAW

9 The global elite, public-private partnerships and multilateral governance 209
BENEDICTE BULL

10 Business, development, and inequality 235
ANANYA MUKHERJEE REED

PART V
Horizontal inequalities and faith institutions 263

11 Global aspects and implications of horizontal inequalities: inequalities experienced by Muslims worldwide 265
FRANCES STEWART

12 Governance and inequality: reflections on faith dimensions 295
KATHERINE MARSHALL

Index 314

Illustrations

Figures

3.1	Survey views on relevance of PRGFs	80
4.1	Descriptive statistics of changes in public wages and salary by UNSC and IMF status	98
6.1	Cox's representation of an historical structure	136
11.1	Economic performance of Muslim-majority provinces relative to Thailand as a whole	274
11.2	Malaysia mean incomes relative to national average	275
11.3	Horizontal inequalities between north and south in three West African countries	277
11.4	Human development in Muslim and non-Muslim countries	278
11.5	Direction of some of the major connections	282
11.6	Differences in perceptions, Muslims versus others	286
11.7	Proportion saying they were Muslims first and national citizens second	287

Tables

4.1	The impact of IMF participation on public wages and salaries	100
4.2	Marginal effects of IMF participation and UN Security Council service under democratic regimes	102
4.3	Selection-corrected marginal effects of IMF participation and UN Security Council service under democratic regimes	103
9.1	Types of partnerships (based on goals)	220
10.1	Levels and dimensions of structural inequality	241
10.2	Ten principles of the UN Global Compact	249

11.1 Philippines, ARMM—socioeconomic indicators, 2000 274
11.2 Income HIs in Indonesia 276
11.3 Comparative performance of Muslim and non-Muslim countries 279
11.4 Inequalities between Israel and Palestine 280

Boxes

6.1 Have the MDGs contributed to more effective poverty reduction? 151
10.1 What is the history of the GSB initiative? 243
10.2 Letter from Corporate Accountability International to UN Secretary-General Ban Ki-moon 248

Contributors

Albert Berry is Professor Emeritus of Economics at the University of Toronto. His main research interests, with a focus on Latin America, are labor markets and income distribution, agrarian structure, the economics of small and medium enterprise, and the impacts of international economic integration on the developing countries. He has worked with the Ford Foundation, the Colombian Planning Commission and the World Bank.

Benedicte Bull is Associate Professor at the Centre for Development and the Environment (SUM), University of Oslo, and leader of the Norwegian Latin America Research Network (NorLARNet). Her research focuses on development theory, international financial institutions, and the political economy of Latin America. Among her publications are *Aid, Power and Privatization* (Edward Elgar, 2005), *Issues in Global Governance* (Routledge, 2007 with Desmond McNeill) and *International Development* (Sage, 2010 with Morten Bøås).

Thomas M. Callaghy is Professor Emeritus of Political Science at the University of Pennsylvania. With a Ph.D. from the University of California, Berkeley, he also taught at the Pennsylvania State University and Columbia University. He has written extensively about politics and economic change in Africa, the cross-regional politics of attempted economic reform, and international governance processes involving debt and development. Currently, he is working on a major study of the political economy of sovereign debt and the Paris Club from the early 1950s to present.

Jennifer Clapp is Centre for International Governance Innovation (CIGI) Chair in Global Environmental Governance and Professor in the Faculty of Environmental Studies at the University of Waterloo. Her recent books include *Corporate Power in Global Agrifood Governance*

(MIT Press, 2009, co-edited with Doris Fuchs), *Corporate Accountability and Sustainable Development* (Oxford University Press, 2008, co-edited with Peter Utting) and *Paths to a Green World: The Political Economy of the Global Environment* (MIT Press, 2005, co-authored with Peter Dauvergne). She is also co-editor of the journal *Global Environmental Politics* (MIT Press).

Louise Fréchette is Distinguished Fellow at the Centre for International Governance Innovation (CIGI). After a career in the Canadian public service, including as Canada's Ambassador and Permanent Representative to the United Nations and Deputy Minister of National Defence, Louise was Deputy Secretary-General of the United Nations from 1998 to 2006. She currently chairs the Board of the Pearson Peacekeeping Centre and serves on many other boards of not-for-profit organizations. She is an Officer of the Order of Canada and holds many honorary degrees from universities in Canada and abroad.

Eric Helleiner is Centre for International Governance Innovation (CIGI) Chair in International Political Economy at the Balsillie School of International Affairs, and Professor in the Department of Political Science at the University of Waterloo. He is author of *Towards North American Monetary Union?* (2006), *The Making of National Money* (2003), *States and the Re-emergence of Global Finance* (1994), as well as co-editor of *The Future of the Dollar* (2009), *Economic Nationalism in a Globalizing World* (2005) and *Nation-States and Money* (1999). He is currently co-editor of the book series *Cornell Studies in Money.*

David Hulme is Professor of Development Studies and Director of the Brooks World Poverty Institute (BWPI) at the University of Manchester. He was Founder-Director of the Chronic Poverty Research Centre (CPRC) and has worked on rural development, microfinance, the role of NGOs in development, poverty dynamics and social protection with a particular focus on Bangladesh. Most recently he has been trying to understand why the idea of global poverty eradication entered the international policy agenda in the 1990s. Recent books include *Global Poverty* (Routledge, 2010), *Poverty Dynamics* (Oxford University Press, 2009, with T. Addison and R. Kanbur), *Social Protection for the Poor and Poorest* (Palgrave, 2008, with A. Barrientos) and *Challenging Global Inequality* (Palgrave, 2007, with A. Greig and M. Turner).

Katherine Marshall is Senior Fellow and Visiting Professor at Georgetown University, following a long career at the World Bank, working on Africa, Latin America, East Asia, and the Middle East. Since

2000 her focus has been on ethics, religion, and development. Her books include *Development and Faith: Where Mind, Heart and Soul Work Together* (World Bank, 2007) and *The World Bank: From Reconstruction to Development to Equity* (Routledge, 2008).

Bessma Momani is Associate Professor at the University of Waterloo and a Senior Fellow at the Centre for International Governance and Innovation (CIGI). In addition to specializing on IMF decision-making, organizational culture, and reform, she examines economic liberalization in the Middle East. She is the author of *IMF-Egyptian Debt Negotiations* (American University of Cairo Press, 2006); co-author of *Twentieth Century World History* (Thomson-Nelson, 2002), and the co-editor of *Canada and the Middle East*. In addition to her books, her articles have also appeared in over a dozen economic and political science journals.

Ananya Mukherjee Reed is Associate Professor of Political Science and Development Studies at York University in Toronto, Canada. She is also Director of the International Secretariat for Human Development (ISHD) at York. Her most recent book is *Human Development and Social Power: Perspectives from South Asia* (Routledge, 2008). Her earlier publications include *Corporate Capitalism in Contemporary South Asia: Conventional Wisdoms and South Asian Realities* (Palgrave, 2003); *Perspectives on India's Corporate Economy: Exploring the Paradox of Profits* (Macmillan, 2001); and a number of articles in international journals.

Irfan Nooruddin is an Associate Professor of Political Science at Ohio State University. He is the author of *Coalition Politics and Economic Development* (Cambridge University Press, forthcoming). His research has appeared in, among others, *Comparative Political Studies*, *International Organization*, *International Studies Quarterly*, *Journal of Conflict Resolution*, and the *Journal of Politics*.

Timothy M. Shaw is Professor and Director of the Institute of International Relations at the University of the West Indies in Trinidad. Previously he was Director of the Institute of Commonwealth Studies at the University of London and for three decades Professor of Political Science and International Development Studies at Dalhousie University in Nova Scotia. Tim is a Senior Fellow at the Centre for International Governance Innovation (CIGI). He is also a Visiting Professor at Mbarara University of Science and Technology and Makerere University Business School in Uganda, and at the University of Stellenbosch in South Africa.

Frances Stewart is Director of the Centre for Research on Inequality, Human Security and Ethnicity (CRISE) in the University of Oxford, and President of the Human Development and Capability Association. Books include (as co-author) *Horizontal Inequalities and Conflict: Understanding Group Violence in Multiethnic Societies* (Palgrave, 2008); *Adjustment with a Human Face*, (Oxford University Press, 1987); and *War and Underdevelopment: The Economic and Social Consequences of Conflict* (Oxford University Press, 2000).

James Raymond Vreeland is Associate Professor at the Georgetown University School of Foreign Service. He has published extensively on global institutions, notably the International Monetary Fund. He formerly served as Assistant and Associate Professor of Political Science at Yale University, and has held visiting positions at universities around the world, including the University of California, Los Angeles (UCLA), the Swiss Federal Institute of Technology (ETH), Bond University in Australia, the University of São Paulo in Brazil, and most recently Korea University.

Catherine Weaver is Assistant Professor at the L.B.J. School of Public Affairs and the Director of the Global Program for the Robert S. Strauss Center for International Security and Law at the University of Texas at Austin. In addition to several articles, she is the author of *Hypocrisy Trap: The World Bank and the Poverty of Reform* (Princeton University Press, 2008). She also currently serves as co-editor of *Review of International Political Economy.*

Rorden Wilkinson is Professor of International Political Economy in the School of Social Sciences and Associate Director of the Brooks World PovertyInstitute(BWPI)atthe.Hiswork
focuses on international trade, global governance, development and globalization. He is author of, among other things, *The WTO: Crisis and the Governance of Global Trade* (Routledge, 2006) and *Multilateralism and the World Trade Organisation* (Routledge, 2000); editor of *The Global Governance Reader* (Routledge, 2005); and co-editor of *The WTO after Hong Kong* (Routledge, 2007) and *Global Governance: Critical Perspectives* (Routledge, 2002). He also co-edits (with Thomas G. Weiss) the *Global Institutions Series* for Routledge.

Foreword by the series editors

The current volume, dealing with the thorny issues revolving around the role of international institutions in the pursuit of reductions in global poverty and inequality, and edited by Jennifer Clapp and Rorden Wilkinson, launches the inclusion in the series of a growing number of first-rate research volumes that examine crucial global problems and possible global policies and solutions. *Global Governance, Poverty and Inequality* consists of specialized and critical chapters by world-class analysts, which provides a desirable and useful complement to what has now become recognized as a dynamic and well regarded series on "global institutions." In addition to these research volumes, the series strives to provide readers with user-friendly and short (usually 50,000 words) but definitive guides to the most visible aspects of what we know as "global governance" as well as forensic accounts of the issues and debates in which they are embroiled. Soon we will have 50 books that act as key reference points to the most significant global institutions and the evolution of the issues that they face. Our intention has always been to provide one-stop shopping for all readers—students (both undergraduate and postgraduate), interested negotiators, diplomats, practitioners from nongovernmental and intergovernmental organizations, and interested parties alike—seeking information about most prominent institutional aspects of global governance.

The new research stream incorporates lengthier works by key authors as well as edited compilations, in which the collective wisdom will help push out the envelope on important topics linked to global institutions. Ideally, these volumes will be used as suggested readings in courses in which other specific titles in this series are pertinent (in this case we point readers to books on the World Bank, the World Trade Organization, and the International Monetary Fund, to name but a few). Our aim is to enable topics of importance to be dealt with exhaustively by key authors as well as enabling collected works to address issues in ways

that bring more than the sum of the individual parts, while at the same time maintaining the quality of the series.

As always, we look forward to comments from our readers.

Thomas G. Weiss, The CUNY Graduate Center, New York, USA
RordenWilkinson,,UK

April 2010

Foreword

The United Nations and the fight against poverty: does it make a difference?[1]

Louise Fréchette

Poverty and inequality are profound problems facing the world today, and are only made more pronounced by the current global economic crisis. Institutions and mechanisms of global governance have made the alleviation of poverty one of their primary goals in the post-war era. But how have these efforts fared? This book seeks to address this and other related questions with contributions on a range of global governance initiatives aimed to tackle poverty and promote development. In this foreword, I provide my own reflections on the role of the United Nations in the fight against poverty. Let me start by stating some fundamental facts.

1 The role of external actors in reducing poverty and inequality in a given country is only one factor in a complex process in which endogenous factors are equally if not more important. If I have learned one thing in my eight years as Deputy Secretary-General of the UN, it is humility. People everywhere want to be masters of their own destiny. Societies make their own choices. Strategies elaborated by outsiders may be momentarily embraced, especially if they come accompanied by big checks, but their impact is typically of short duration unless governments and societies truly "own" them.
2 Of all the external factors at play in the fight against poverty and inequality, two stand out as particularly important: the financial and trade rules within which countries must operate and the amount of outside assistance that is available to them. On both these counts, the United Nations is a small if not marginal player.

The trade and financial rules that govern the world are clearly the domain of the Bretton Woods institutions and the World Trade Organization (WTO). Developing members of the UN (or at least their

foreign ministries) would much prefer to see the General Assembly and/or the Economic and Social Council of the UN (ECOSOC) play that role because they hold the majority of votes in these two bodies. But this is not likely to happen any time soon. The pronouncements emanating from the General Assembly and ECOSOC on financial and trade rules have rarely had more than a marginal influence. UNCTAD, the UN Conference on Trade and Development, has been somewhat more influential and has served a very useful (if sometimes contested) role as a brain trust for developing countries in trade matters since there is no organization outside the UN capable of supporting developing countries' trade agenda in the way the OECD does for developed countries.

The UN Conference on Financing for Development held in Monterrey in 2002 did reach a number of useful conclusions on this vast subject and was hailed as a major achievement. In reality, the conference broke little new ground. Its main accomplishment was, finally, to put to rest some old debates, particularly with respect to the relative roles of private and public investment in development. It also set the parameters of UN deliberations along more contemporarily relevant lines. In other words, Monterrey allowed the UN's discourse to catch up with reality! There were several other attempts to strengthen the UN's voice on financial and other systemic issues through various ministerial level dialogues in the time that I was with that organization. They did not amount to much and left participating ministers from both North and South equally frustrated.

As for financial flows, those channeled through the UN amount to approximately US$10 billion per year, nearly half of which is for humanitarian assistance. US$5 billion for development programs is not an insignificant amount, but it represents a very small share of total Overseas Development Assistance (ODA) which now stands at close to US$120 billion per year. To the extent that influence is commensurate with the amounts of money involved, the World Bank is clearly the giant external player in the poverty reduction field. This said, the United Nations is, in many other respects, a central player in the fight against poverty and inequality. To put it in a nutshell, I would say the UN contributes to that fight by being:

- a provider of peace
- a provider of norms
- a provider of knowledge
- a provider of assistance
- a provider of inspiration (for lack of a better term).

Provider of peace The connection between the UN's action in peace and security—in conflict prevention, in mediation, in peacekeeping and post-conflict peacebuilding—and poverty is plain to see. Conflicts may enrich a few people but they surely impoverish the vast majority. There can be no progress in poverty and inequality reduction when guns are blazing. Since the end of the Cold War, the UN has become much more engaged in situations of civil conflict and its interventions have served to mitigate their impact on civilian populations and kick-start the rebuilding of societies after conflict.

The number of people deployed in peace operations under the UN flag is currently close to 110,000—the highest ever. They are helping to create minimum conditions of safety and channel international efforts to tackle the numerous problems, including poverty and inequality, faced by countries emerging from conflict. To be sure, the UN's performance in the many peacekeeping operations created since the end of the Cold War has been uneven and the massive presence of foreign soldiers, police officers and civilian staff, along with armies of bilateral aid officers and NGOs, has often created its own sets of problems, abuses and distortions in the local economy. But, on the whole, poorer populations have been better off with these interventions than without them.

The UN and other international actors still have a lot to learn when it comes to supporting social and economic development in post-conflict situations. The recent establishment of the Peacebuilding Commission is a welcome signal of the member states' readiness to remain engaged once the immediate crisis has passed and the attention of the Security Council is called to address other pressing issues.

Provider of norms The UN is a provider of norms, among which the human rights norms are of particular relevance to the issues of poverty and inequality. As is the case for most internationally agreed norms, enforcement mechanisms are weak or non-existent except in the cases of genocide, war crimes and crimes against humanity over which the newly created International Criminal Court (ICC) has jurisdiction. Although international human rights treaties lack enforcement mechanisms, they are tools that can be and are used within countries, legally and politically, to challenge policies and practices that generate poverty and inequality. The international convention on women's rights, for instance, has been used repeatedly in that fashion.

The UN also produces what I would call "soft norms," by which I mean internationally agreed strategies, programs of action and other non-binding decisions. Such agreements often commit states to report on action taken and the results achieved, thus generating pressure on

governments—at least those with reasonably open systems—to show progress. These agreements establish a baseline of accepted standards and principles that guide governments and can be invoked by civil society groups. The 1995 World Summit on Social Development and the Cairo Conference on Population offer good examples of the way in which the United Nations seeks to influence policies at the national level.

Provider of knowledge When I speak of the UN as a knowledge provider, I have two things in mind. The first is the organization's work in the statistical area, an essential tool for effective action at both the national and international levels. The UN's statistics offices work with national statisticians to develop common standards and collect information on a worldwide basis. They provide a vital service to the international community that is not sufficiently understood outside expert circles. The second is the analytical work of the UN Secretariat and its many agencies, funds and programs. Year in and year out, thousands of reports are produced. Many of them are of little utility and are often mandated by member states to satisfy a variety of concerns; some more legitimate than others. But many UN analyses are of top quality and are considered works of reference in numerous fields, from AIDS to drugs, and from education to private investment in developing countries. And I would be remiss if I did not mention the widely praised pioneering work of the UN Regional Commission for Latin America and the Caribbean in the area of poverty and inequality.

Provider of assistance The contribution of the UN as a provider of assistance in poorer countries is better known. The UN is at present in practically every developing nation in the world. In the world's poorest countries in particular, the UN Development Programme (UNDP) and other agencies work very closely with national authorities to develop policies, legislation and programs, many of which are in the social development area. With the adoption of the Millennium Development Goals (MDGs), the focus on poverty has sharpened significantly in UN field activities.

The UN's effectiveness in the assistance function is often questioned: too many agencies competing for too few resources, providing advice of marginal utility in an uncoordinated and wasteful manner. The reality as I have observed it is more complex. In some places, the UN family does a competent job in a reasonably well-coordinated fashion. In some others, it does not. The quality of individual members of a UN country team makes an enormous difference. Strong resident coordinators have managed to inject real coherence at the country

level, overcoming the challenges of an inherently fragmented system in which each agency, fund and program has its own independent budget and receives independent guidance from its own governing body.

Many modest steps were taken in the last decade to strengthen coordination among the various humanitarian and developmental entities of the UN system. The creation of the post of Deputy Secretary-General was one of those steps, as was the move of UN entities to common premises, the preparation of joint country assessments and development frameworks for example. But the bottom line was simple: when real commitment at the very top of the various organizations was in evidence, performance improved. When it let up, bad habits quickly returned.

Rebuilding the UN system from the ground up to rationalize its structure and clarify responsibilities seems an almost impossible task at this point in time. But it should surely be possible to reform the current approach to funding which is the source of a great deal of competition and duplication.

Provider of inspiration I kept for last what may be the most valuable contribution of the UN in the fight against poverty, and it is its capacity to draw attention to, and mobilize, governments and public attention around a cause. It is one of the most important functions of the Secretary-General, one that requires vision, leadership and at times, more than a little courage.

I will never forget the visit I received from Patti Stonesifer, who was then the co-chair and chief executive officer of the Gates Foundation. What she came to tell me was that the global effort against HIV/AIDS needed a leader and that, in their opinion, only the Secretary-General of the UN could play that role. Kofi Annan took this appeal to heart and significantly raised his own profile on the issue. You can trace back to that moment the dramatic ramping up of the international campaign which led to the establishment of the Global Fund and a huge increase in resources devoted to HIV/AIDS.

The MDGs, another UN product, have put poverty on the radar screen of ordinary people around the world in an unprecedented way. I know the MDGs are not popular with many experts, but as an advocacy tool, they have proved to be extraordinarily effective, sensitizing public opinion and governments alike.

A more recent example is the burgeoning food crisis. I would argue that, at least in Canada, it became a real issue for the media and public opinion when Secretary-General Ban Ki-moon stepped in front of a camera surrounded by his senior team and rang the alarm bell. It is much too early to tell whether the UN will be able to get its act

together and lead the response to the crisis in the way it did in the case of HIV/AIDS. My impression, watching the results of the recent Rome World Food Conference, is that the challenge in this case is much more complex, with deep divisions among member states and evident tension within the UN team.

My last example of the UN as a source of inspiration has to be the initiative taken by UNDP to issue the first Human Development Report, the brainchild of the remarkable Mahbub Ul-Haq. These reports and their ranking of countries according to various indices—health, poverty, education—contributed in a powerful way to shifting the debate on development from gross domestic product and other financial measures to people-centered concerns, much to the displeasure of many countries whose performance was suddenly seen in a different light.

The same report produced by any other organization would not have had the same impact. Why? Because the universal nature of the UN gives it unequalled legitimacy and credibility in the eyes of governments and world public opinion. Indeed, the ability of the UN to perform the various roles I have described here effectively depends to a large extent on the perceived legitimacy of its interventions and of its prescriptions. It is a precious commodity that has endured through the 60-year history of the organization, with ups and downs to be sure, but it endured nevertheless.

Whether we are talking of the authorization to use force, the validity of human rights norms, the credibility of statistics and analysis, the acceptability of intrusive advice or the UN's capacity to inspire and mobilize public opinion, perceived legitimacy is the key ingredient. So long as the community of nations recognizes itself in the United Nations, so long as it sees its decisions as the expression of the common will, the organization has a potential for effectiveness that no other organization has.

Much has been said in recent years on the need to improve UN management, to streamline its work program, to render it more cost-effective. This is all well and good and I would be the last one to stand in the way of further reform in that direction. But frankly, my biggest worry about the UN lies elsewhere. It lies in what I see as an erosion of the UN's perceived legitimacy. This erosion stems in my opinion from three distinct factors.

The first is the now widely accepted view that the current composition of the Security Council is no longer representative of the world's reality at the beginning of the twenty-first century. The risk is that the failure to reform the Council will be used with increasing frequency to ignore its decisions and challenge its interventions. The resentment towards the Council is compounded by the General Assembly's pathetic

failure to make itself more relevant. More and more issues end up on the Council's agenda, instead of the General Assembly's where they belong, because the Council is the only organ that seems capable of making real decisions in real time. But the net result is further alienation of the vast majority of member states whose turn to sit at the Council's table may come once every 20 or 30 years, if ever.

The second threat to the UN's legitimacy is the perception in a number of developing countries, particularly in the Muslim world, that the United Nations is just a tool of the United States and of the West. This is a perception that the late Sergio Vieira de Mello encountered in Iraq when he had to explain to many of his interlocutors that the UN was *not* a Christian organization. This is a perception that motivated Al-Qaeda to bomb the UN office in Algiers on 17 December 2007, killing 17 UN staff members. The fact that the UN Security Council refused to sanction the American intervention in Iraq obviously has not registered with the most radical groups. What they see is an organization that is in their eyes insufficiently supportive of the Palestinian cause and seems, again in their eyes, to be ganging up on Muslim countries from Sudan to Afghanistan and from Iraq to Iran, at the behest of American imperial power.

Conversely, we have heard in the United States and elsewhere similar challenges to the organization's legitimacy on the grounds that its debates are often dominated by non-democratic countries. Some are toying with the notion of new organizations, like US senator McCain's League of Democracies, to supplement if not to replace the UN entirely.

The third threat to the UN's perceived legitimacy is what I would charitably describe as benign neglect by almost all its member states. The memory of the misery visited upon hundreds of millions of people by the Second World War is fading fast and with it, a visceral understanding of the raison d'être of the organization. Nowadays, the UN is almost always described as something outside and distant from individual countries. It is always talked about as "they" where it should be "we."

An attack on the UN elicits no more than passing interest even though UN staff are "our" public servants. How many of us were aware of the number of people killed in Algiers in December 2007? A similar attack against any Canadian Embassy would have provoked revulsion, anguish and a good deal of soul searching as to the implications of the event for our country. As far as I know, nothing of the sort happened in New York other than yet another review of security measures around UN compounds. Perhaps the investigation under way under the leadership of a seasoned and outspoken former UN senior official will succeed in drawing attention to the profoundly disturbing implications of this attack on the UN.

For all the noise about UN reform, the organization does not rank very high in the foreign policy priorities of most member states. For reasons of protocol, I had to be in attendance in the General Assembly hall every time a head of state or government addressed the Assembly. I was struck by how little attention the whole issue of UN reform received. With the exception of Security Council enlargement, about which many leaders held strong views, UN reform was evoked only in the most general terms, and only a handful of countries seemed to have formed a coherent vision of their aspirations on this subject.

Meanwhile, the impression is left with the public that the UN is a hopeless mess, thus further eroding its legitimacy and credibility. The Secretary-General is expected to explain and defend the UN almost by himself. Public opinion will never be convinced to care about the UN if political leaders around the world show indifference at best.

Coming back to the question of poverty alleviation and the role of the UN, I would argue that yes, the organization's interventions do make a difference, both directly and indirectly. Could it do more? Certainly. Could it do better? Of course. The UN has obvious limitations: it is an intergovernmental organization whose member states have hugely different interests, priorities and concerns and where politics is never absent. But it also has a unique legitimacy that allows it do some things that others—not the World Bank, not the IMF, not the European Union (EU), not any bilateral donor no matter how generous or disinterested, not even a League of Democracies—can do. This is an asset worth preserving. A vibrant United Nations capable of curbing conflicts, promoting human rights and mobilizing international energies to solve the challenges of our times is in the interest of everyone, above all the poorest among us.

These reflections provide a springboard for the contributions to this volume. Together, they speak to a broad conception of global governance, including and also beyond the UN and its institutions, to address the pressing problems of poverty and inequality in the world today. While we can point to facts and figures regarding the state of poverty and inequality in the world today, we must also step back to reflect on how processes of global governance intervene on these issues. Without such a reflection, we will have little by way of a guiding light for improving the way in which the global community addresses the extreme poverty facing a significant portion of humanity.

Note

1 Based on keynote address at the BWPI/CIGI workshop "Poverty, Inequality and Global Governance," 6 June 2008.

Acknowledgements

This book emerges out of a joint Brooks World Poverty Institute (BWPI) and Centre for International Governance Innovation (CIGI) workshop on Global Governance, Poverty and Inequality held in Waterloo, Canada from 6 to 8 June 2008. We are grateful to BWPI and CIGI for their support and for co-funding the workshop. Our deliberations and the subsequent chapter revising that took place benefited not only from our intellectual exchanges during and subsequently to that workshop but also from the insight and assistance of a number of other key individuals to whom we are also grateful: Kim Burnett, Briton Dowhaniuk, Margo Groff, Gerry Helleiner, Michele-Lee Moore, Craig Murphy, David Norris, Sylvia Ostry, and Linda Swanston. For their support and encouragement, we would like to thank Tony Addison, Andy Cooper, John English, David Hulme, Uma Kothari, and Michael Woolcock. We would also like to thank Craig Fowlie and Nicola Parkin and the team at Routledge for their hard work and professional effort. Last, but not least, we are indebted to our families for their support throughout this and other projects: Eric, Zoe, Nels, and Claire, Holly and Ewan.

Jennifer Clapp and Rorden Wilkinson
Waterloo and Manchester, March 2010

Abbreviations

AFL/CIO	American Federation of Labor/Congress of Industrial Organizations
AOSIS	Alliance of Small Island States
ATI	Appropriate Technology International
BRICS	Brazil, Russia, India, China, South Africa
BWFA	Better World For All
BWPI	Brooks World Poverty Institute
CCC	Corporate Code of Conduct
CEO	Chief executive officer
CGD	Center for Global Development
CGIAR	Consultative Group on International Agricultural Research
CHOGM	Commonwealth Heads of Government Meeting
CIA	Central Intelligence Agency
CIGI	Centre for International Governance Innovation
ComSec	Commonwealth Secretariat
CPA	Commonwealth Parliamentary Association
CSR	Corporate social responsibility
CVI	Children's Vaccines Initiative
DAC	Development Assistance Committee (of the OECD)
DDI	Diamond Development Initiative
DFID	UK Department for International Development
ECOSOC	UN Economic and Social Council
EMS	Environmental management system
ETI	Ethical trade initiative
EU	European Union
FAO	Food and Agriculture Organization (of the UN)
FDI	Foreign direct investment
FFD	UN Finance for Development
FIS	Front Islamique du Salut

FUNDES	Fundación para el Desarrollo Sostenible
G-8	Group of 8 Industrialized Countries
GATT	General Agreement on Tariffs and Trade
GAVI	Global Alliance for Vaccines and Immunization
GCSE	General Certificate of Secondary Education
GDP	Gross domestic product
GFATM	Global Fund to Fight AIDS, Tuberculosis, and Malaria
GSB	Growing sustainable business
HDI	Human Development Indicator
HI	Horizontal inequality
HIPC	Heavily indebted poor country
HIV/AIDS	Human immunodeficiency virus/acquired immune deficiency syndrome
IAB	Inter-American Bank
IARC	International Agricultural Research Center
IBRD	International Bank for Reconstruction and Development
ICC	International Criminal Court
IDA	International Development Association
IDGs	International Development Goals
IEO	Independent Evaluation Office (of the IMF)
IFC	International Finance Corporation
IFIs	International Financial Institutions
ILO	International Labour Organization
IMF	International Monetary Fund
INGO	International non-governmental organization
KP	Kimberley Process
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MILF	Moro Islamic Liberation Front
MNC	Multinational corporation
NGOs	Non-governmental organizations
NIC	Newly industrialized country
ODA	Overseas development assistance
OECD	Organization for Economic Cooperation and Development
OFC	Offshore financial center
OIC	Organization of the Islamic Conference
OPEC	Organization of Petroleum Exporting Countries
PAC	Partnership Africa-Canada
PPP	Public-private partnership
PRGF	Poverty Reduction and Growth Facility

PRSP	Poverty Reduction Strategy Paper
PSI	Poverty Support Instrument
R&D	Research and development
RMB	Results-based management
SIDS	Small island developing states
SME	Small and medium size enterprise
TDR	Special Program for Research and Training in Tropical Diseases
UDHR	Universal Declaration of Human Rights
UN	United Nations
UNASUR	Union de Naciones Suramericanas
UNCLOS	UN Convention on the Law of the Sea
UNCTAD	UN Conference on Trade and Development
UNDP	UN Development Programme
UNESCO	UN Educational, Scientific and Cultural Organization
UNFCCC	UN Framework Convention on Climate Change
UNGC	UN Global Compact
UNSC	UN Security Council
URI	United Religions Initiative
USA	United States of America
WBCSD	World Business Council on Sustainable Development
WCC	World Council of Churches
WCRP	World Conference of Religions for Peace
WFP	World Food Programme
WHO	World Health Organization
WTO	World Trade Organization

Introduction

Governing global poverty and inequality

Rorden Wilkinson and Jennifer Clapp

A series of crises unfolded in the latter part of the first decade of the twenty-first century which combined to exacerbate already profound conditions of global economic inequality and poverty in the world's poorest countries. In 2007, unsound lending practices caused a collapse in the US housing market which ushered in a broader economic crisis that reverberated throughout the global financial system. The consequences were many and varied, with a huge reduction in the availability of credit, the collapse of major banks, significant and extensive defaulting on mortgages, and the onset of global recession being among the most significant. This economic shockwave had a global impact, triggering not just instability in other industrialized countries, but also (and in some cases more acutely) in their developing world counterparts.

As financial markets became increasingly unstable in the run up to the collapse, oil prices also increased markedly. From the mid-1980s to the middle of 2003 oil prices had maintained a steady inflation-adjusted price of somewhere below US$25 a barrel (US Energy Information Administration, 2009). However, worries over the extent of existing petroleum reserves, concerns that the point of maximum petroleum extraction was close to being reached (after which the rate of production would enter terminal decline), oil price speculation, and tensions in the Middle East (including those between Israel and Lebanon, the US-led invasion of Iraq and its aftermath, and perceptions about Iran's nuclear ambitions) fueled huge price rises. By October 2006 the price of crude oil had reached US$92 a barrel. Over the course of 2007 and the first half of 2008 prices rose further, reaching a peak of US $147.30 a barrel in July 2008 (BBC News, 2008a; 2008b). The result was to dramatically increase transportation and energy prices and to usher in serious financial hardship across the globe.

Rising oil prices and collapsed financial markets were matched by sharp rises in food prices. Between 2006 and 2008 prices of wheat, corn,

soya, maize, and rice—staple foodstuffs for much of the world's population—increased dramatically. The average world price for rice rose by 217 percent; for wheat the rise was 136 percent; for corn 125 percent; and for soybeans 107 percent (Steinberg, 2008). The causes of the food price rises are multiple and subject to much contestation (ranging from biofuel production, stagnating production, changing diets, and commodity speculation—see Heady and Fan, 2008). Nevertheless, and inevitably, these dramatic increases hit the most vulnerable hardest. Unsurprisingly civil unrest erupted in over 40 developing countries as the poor's ability to access food rapidly diminished. The World Food Programme (WFP) was forced to make an emergency plea for an additional US$755 million in funding to meet the food needs of the world's most vulnerable people (UN Press Release, 2008), as an additional 100 million people joined the ranks of the undernourished. Although international food prices eased when the financial meltdown intensified later in 2008, food prices in the world's poorest countries remained high and volatile as credit sources dried up and hindered the ability of developing countries dependent on food imports to finance international food purchases (Clapp, 2009).

In addition to economic turmoil, much higher than expected rainfall in 2007 caused widespread flooding and wreaked havoc in a number of developing countries. In November 2007, flooding ravaged much of South Asia, Africa, and Central America. In Bangladesh, India, Nepal, and China as many as 20 million people were displaced and tens of thousands killed by the flooding, which at the same time destroyed crops and exacerbated the spread of disease (BBC News, 2007a). Similarly, flooding across central Africa resulted in displacement, food shortage and disease, with Ghana, Burkina Faso, Togo, and Mali faring among the worst (BBC News, 2007b). Floods also left 300,000 stranded in Mexico and affected as many as 1 million people (CBC News, 2007), while the previous month saw severe disruption throughout much of Central America (Reuters, 2007).

These crises placed increasing pressure on already impoverished populations across the developing world. They also further highlighted deficiencies in the current structures of global governance to protect the world's poorest and most disadvantaged. Despite the emergence over the past decade of what appears to be a global consensus on the necessity of tackling human immiseration (Hulme, 2010), even before these crises hit, the number of people living in poverty was persistently high, and the gap between those that have, and those that do not, had increased markedly. Indeed, the recent national and global action to repair a fundamentally moribund system of economic governance in

response to the financial crisis stands in stark contrast to the limited efforts that have been taken to improve the well-being of much of the world's population. While it is the case that efforts to address human deprivation were stepped up in the late 1990s and early 2000s following decades of decline in conditions for many of the world's poorest people, these have not succeeded in providing a concerted, extensive, coordinated, and substantial response to poverty and inequality. Even the additional pressure brought to bear by the agreement in 2000 of the Millennium Development Goals (MDGs)—with the aim of drastically improving basic development indicators for poverty and hunger, education, health, and gender equity for the world's poor by the year 2015—has failed to result in substantive and concerted action.

The crises described above have no doubt exacerbated the plight of the world's poor, and have led to much lamenting, particularly within the UN system, about the capacity to meet the MDGs (see, for instance, UNDP, 2009). The recent crises, and their impact on the poor, have also underscored the salience of questioning the capacity and indeed the appropriateness of existing global governance approaches to the tackling of poverty and inequality. Our aim in this book is to offer answers to questions raised about the role of global governance in the attenuation and amelioration of world poverty and inequality. Our concern with the role of global governance in the attenuation and amelioration of poverty and inequality is an important one. Not only are we interrogating the role of systems of governance at a time of global economic crisis and continuing environmental degradation, we do so against a backdrop of an acceleration of the increase in inequalities within and between communities and across the globe. We ask three questions, to which each of the contributions that follow respond:

1 What role do existing institutions and systems of global governance play in the alleviation of poverty and in reducing inequality in income and wealth, and health and well-being?
2 What are the key successes and failures of existing institutions and systems of global governance in the areas of poverty and inequality?
3 And how might existing institutions and systems of global governance be reformed or redesigned to be more effective at addressing issues of poverty and inequality?

Each of the contributions hereafter investigates one aspect of contemporary global governance highlighting those issues pertinent to that area. We discuss each of the contributions later in this chapter. Our task in the opening sections of this chapter is to set the scene for the

investigation that follows and highlight the themes that emerge from the project. Before we proceed it is worth pointing out that we cannot and do not claim to cover all aspects of global governance or all aspects of poverty and inequality, albeit that we believe our endeavor to be both comprehensive and compelling. Our focus is on global governance broadly conceived—that is, one that includes, but also goes beyond, those formal institutions that lie at the heart of contemporary global governance—and comprises less visible forms of global governance that have a dramatic and substantial impact on the way in which global life is organized. There are, however, areas that we do not cover and which in themselves require further interrogation (of which the role of global governance institutions, mechanisms and machineries in conflict situations, and dealing with the environment, provide just two of a number of pertinent areas). Moreover, our analysis of the relationship between institutions and mechanisms of governance and global poverty and inequality does not pretend to be the last word on the subject. Our aim, instead, is to kick-start the process of investigating the role of global governance in attenuating and ameliorating poverty and inequality, raising questions that have seldom been asked, and encouraging further research.

A snapshot of global poverty and inequality today

In some respects we have seen remarkable progress toward improving the human condition in recent decades. Globally, average per capita income has grown at a rate over 2.2 percent per year since the 1960s (Lucas, 2004). As a result of this growth in income, both the proportion of the world's population living in extreme poverty and the absolute numbers living in extreme poverty, has fallen. According to the World Bank, in 1981, 1.9 billion people lived in extreme poverty (that is, those living on less than US$1 per day). By 2005 the number of people living below the extreme poverty line had fallen to 1.4 billion. Moreover, the proportion of the world's population living below the poverty line in the developing world had dropped from 52 percent in 1981 to 26 percent in 2005 (Chen and Ravallion, 2008). Much of this decrease in poverty is linked to high economic growth rates in parts of the developing world, and in China and India in particular, over the past decade—average developing country growth rates were approximately 7–8 percent in recent years (DFID, 2009: 6). Nonetheless, when evened out as a per capita measure (one which inevitably hides inequalities and growths therein), substantial progress appears to have been made.

Progress has also been made with respect to other indicators of human well-being. Life expectancy at birth in developing countries, for example rose, from 42 years to 65 years between 1962 and 2008 (DFID, 2009). Infant mortality in the same period was cut by half. The average per capita consumption of food in developing countries increased. And adult literacy rates in developing countries increased dramatically in recent decades (UN, 2008).

These data show promising trends in terms of improvements in human well-being and the reduction of poverty on a global scale. Yet, while they show both proportional and absolute improvements in income and living conditions, these data do not show the full extent of disparity and inequalities in distribution that still exist. Indeed, while there has been phenomenal economic growth over the past 50 years, inequality with respect to income and wealth has in fact become more pronounced. Gains in poverty reduction and inequality amelioration, for instance, have stagnated and, in some cases been rolled back, in parts of Africa, Southeast Asia, and Latin America. Moreover, improvements in life expectancy and well-being have not occurred, and have actually been negative, in large swathes of the developing world. And while it is the case that improvements have been made in some of the newly industrialized countries—notably in the BRICS (Brazil, Russia, India, China, and South Africa)—they obscure a stagnation and, in some cases, a deterioration in other developing states.

The extent to which inequality is present in the global economy is subject to much debate, as we outline below. Still, there are some basic facts on the current state of global inequality that are widely recognized and warrant mention here. The world's wealth is divided in a highly uneven fashion. The richest 2 percent of the world's population owns over half the world's wealth, while the poorest 50 percent owns only 1 percent of that wealth (Davies et al., 2006). It is a similar situation with respect to income: the top 10 percent of the world's population receives half of the world's income, while the bottom 10 percent receives only 0.7 percent of the world's income. The distribution between countries is striking, with the 10 richest countries holding some 42 times the income of the 10 poorest in 2002. The same ratio in 1987 was only six times the income of the ten poorest (Milanovic, 2006: 9). Moreover, progress in terms of the numbers living in extreme poverty varies widely by region. In China the number living in extreme poverty dropped dramatically from 835 million in 1981 to 207 million in 2005. However, in that same period sub-Saharan Africa saw little progress and some countries actually experienced an increase in the number of people living in extreme poverty. Indeed, the proportion of people living in

extreme poverty in sub-Saharan Africa is the same today as it was in 1981, while the absolute numbers of extremely poor people have risen from 200 million to 390 million (Chen and Ravallion, 2008: 23). As Amartya Sen (1999) observes, growing inequality along these lines only heightens people's sense of their own deprivation.

Even with these widely accepted figures available, there is still debate over the extent, impacts, and trends in global inequality. Some scholars, such as Robert Wade (2001; 2004), have argued that inequality has become more pronounced in recent years, especially across countries. In other words, the gap between the richest and the poorest countries appears to be widening. For Wade, the growth in inequality is linked to processes of economic globalization, and threatens political and social stability not just within poor countries, but internationally. Indeed, the growth in inequalities between groups within and across countries has become a much cited contributing factor to growing radicalization. Other economists, such as David Dollar and Aart Kraay (2002), argue that inequality has been reduced in an age of globalization. They argue that highly populated countries such as India and China have seen very high rates of economic growth which have reduced poverty for large numbers of people in those regions, making a significant contribution to reducing inequities globally. This difference in how one looks at inequality has a large bearing on whether one sees the situation improving or worsening over time (Ravallion, 2003) and the kind of action that results therefrom. For institutions like the World Bank, claims that improvements have actually occurred are essential for the further justification and perpetuation of programs that have clearly shown themselves to be problematic.

Regardless of debate over whether inequality trends are improving or not, the absolute numbers facing severe deprivation in the world today are important; and although the absolute figures may have dropped for some indicators, such as numbers living in extreme poverty, the number of people in this situation remains deeply worrisome and the fallout from the current financial crisis and its combination with rapid increases in food and oil prices, as well as the fallout from climate events such as flooding, are likely to overturn these absolute gains. We have already mentioned that 1.4 billion people live in extreme poverty—that is, they live on less than US$1 per day. The number of people on this planet living on less than US$2 per day is around 2.5 billion (Chen and Ravallion, 2008). Put another way, one third of humanity lives in severe poverty. Further, over 1 billion people in the developing world are now chronically undernourished, a trend that has, in recent years, been rising, rather than falling (FAO, 2009).

In addition, one-half of the population of the developing world (2.5 billion people) lack access to proper sanitation (UN, 2008).

These figures indicate that significant numbers of people are living without access to very basic needs. These conditions are cause for alarm regardless of what proportion they represent or the extent of the inequality that is present. As formal global governance institutions and a host of other non-state actors (as well as various combinations of both) are self-statedly involved in the pursuit of poverty reduction, and have been so for at least the past quarter century (and in the area of development for much longer), and because these bodies represent the bulk of international efforts to deal with human immiseration, it is clear that questions need to be asked of their role in addressing poverty and inequality.

We also do not know whether the limited progress made to date on the indicators of poverty is likely to hold. The current global economic crisis may be putting the progress that has already been achieved at risk, and may also exacerbate existing inequalities. As noted above, there is a widespread concern, for example, that the global economic downturn that emerged in the fallout of the converging crises outlined above has seriously threatened the ability to meet the MDGs—goals that, almost from the outset, looked to be difficult to achieve. It is expected that 90 million people or more may be pushed into poverty as a result of the financial crises of the closing years of the first decade of the twenty-first century, while over 100 million have already been pushed into the category of chronically hungry as a result of food price rises (DFID, 2009). What is especially troubling is that the high numbers experiencing poverty, hunger, and deprivation remain despite the fact that the cost of addressing these conditions for the world's poor is miniscule compared to the amounts of money being allocated to bailing out major banks in industrialized countries in the face of the current economic downturn and the appearance of much international effort to address human deprivation.

Assessing the global governance of poverty and inequality

Beyond economic arguments over methods of measurement and the implications of poverty and inequality trends, there has, to date, been little analysis in the literature on poverty and inequality that specifically addresses the interface of these issues with the processes of global governance. In other words, there has been little reflection on the ways in which global institutions, mechanisms, machineries, norms, rules, and networks have attempted to address issues of poverty and inequality

and how those strategies have fared in political as well as economic terms. The lack of analysis of the global governance of poverty and inequality is surprising, given that the major institutions of global governance have made poverty reduction a key goal going into the twenty-first century. It is even more surprising when one considers that the promotion of "development" generally has been a goal of global institutions since at least the creation of the UN system, and organizations like the World Bank and the International Monetary Fund (IMF) have been actively engaged in propagating policies that are, rhetorically at least, designed to promote growth as a panacea for deprivation.

It is thus important to study the ways in which global governance addresses poverty and inequality. If processes of global governance are the principal global-level means by which we address stark inequities and absolute deprivation in the world, there needs to be a proper assessment of, and reflection on, how those processes are designed, the ways in which they influence behavior, and whether these strategies work. In other words, we need to ask: What are the principal means and methods of addressing poverty and inequality by structures of global governance? Do they make a difference? If so, how, and if not why not? And how can the global governance of poverty and inequality be improved?

A better understanding of these issues is important if we aim to improve the performance of global governance mechanisms in their quest to reduce world poverty and inequality. Our analysis suggests that global governance has been far from successful; moreover, we find that the various actors that combine to constitute contemporary global governance have actually perpetuated, entrenched, and extended a socio-economic model that privileges the market and facilitates the accumulation of wealth and resources among a small elite, that remains wedded, despite evidence to the contrary, to the idea that "liberalization = growth = development," and that is recalcitrant in the face of mounting evidence that much more needs to be done.

Two dimensions of the way in which we conduct our analysis require mention from the outset and underpin the way in which we approach our core questions. First, our understanding of global governance, and its interaction with issues of poverty and inequality, is not limited to formal public institutions at the international level (that is, those visible aspects of what Craig Murphy calls "what world government we actually have" (Murphy, 1994: 1)). Other forms of global governance such as hybrid collections of actors and networks of governance, less formal arrangements, and private sector involvement have also sought to address and have a role in poverty reduction and the amelioration of inequality, and have a bearing on the questions that we ask in this

book. As James Rosenau (2005: 45) puts it, global governance consists not just of formal world organizations but of "systems of rule at all levels of human activity—from the family to the international organization—in which the pursuit of goals through the exercise of control has transnational repercussions."

It is important in this sense to see global governance initiatives as unfolding along two axes—public to private and formal to informal—but also radiating out in concentric circles of partnership, collaboration, and organization. If we understand global governance in this way we then see that there is a wide variety of ways in which poverty and inequality might be, and are, addressed at the international level through processes of global governance. Thus while it is easy (and of course important) to focus primarily on those formal global institutions that we expect to be accountable to the public—such as the UN, the IMF, and the World Bank—it is important to keep in mind that less formal networks—that is, those networks that bring together, in various combinations, elements of the NGO community, the private sector, and other non-state actors with or without more formal governmental bodies and financial institutions—are also an important means by which poverty and inequality are governed at the global level. While formal public institutions at the global level may feel compelled to provide a level of transparency and accountability with respect to their activities to address global poverty and inequality, private and less formal forms of global governance do not necessarily live up to the same standards.

Second, there are multiple ways in which institutions and other forms of global governance address and influence not just the rates of poverty and inequality experienced around the world but also our broader understanding of these issues and their importance. Accordingly, a study of the global governance of poverty and inequality must marry an examination of efficacy with one that explores the role of vested interests, underlying ideas and ideologies, intended and unintended consequences, institutional dynamics, agency (of institutions, collectives, groups, and individuals), capacity and capability (material and otherwise), as well as how the various aspects of global governance relate to each other. At the same time, it is also important to note that our analyses themselves are, quite inevitably, influenced not just by our collective (and differing) conceptual traditions, but also by the practice of global governance. One example of this is that by highlighting the importance of *reducing poverty* over the goal of *ameliorating inequality*, global institutions such as the World Bank influence broader understandings of the relative significance of what is an appropriate target in addressing human immiseration.

Outline of the book

Our aim is to begin answering the questions that we set out earlier in the chapter through a first examination of the role of global governance—public and private, formal and informal—in the eradication of poverty and the amelioration of inequality within and across the globe. Mindful that a great number of the efforts that contribute to a global effort (in terms of both its success and failure) emanate from not only those institutions designed with these specific purposes in mind but also those that play a supporting role (whether that includes a specific mandate to tackle poverty and inequality or a more general claim to be addressing underdevelopment, the absence of growth, a redistribution of resources, and the like), our first cut offers an insight into a swathe of the most significant actors, mechanisms, and processes involved in the global governance of poverty and inequality.

The book is divided into five parts, dealing with: (i) *development and the governance of poverty and inequality*; (ii) *Bretton Woods and the amelioration of poverty and inequality*; (iii) *promising poverty reduction and governing indebtedness*; (iv) *complex multilateralism, public-private partnerships and global business*; and (v) *horizontal inequalities and faith institutions.* In Part I, which looks at broad dimensions of the global governance of poverty and inequality, we include two contributions that locate the efforts to address poverty and inequality in post-war attempts to promote economic development, and which ask questions about the efficacy of the institutional architecture set up to achieve this aim under the UN umbrella and the kind of institutions which might be more suitable for this purpose. In Chapter 1, Eric Helleiner provides a meticulous account of the emergence of the concern with promoting living standards in poorer countries (what begins as a focus on "development," "freedom from want," and inequality between states and which morphs into a focus on poverty reduction) in the UN system, by exploring the way in which ideas of international development were an important feature of the Bretton Woods negotiations. Here, Helleiner's purpose is to offer an answer to the first of our questions by determining why global institutions have come to be concerned with issues of development, poverty, and inequality. He finds that the emergence of the concern for raising living standards in poorer countries in the Bretton Woods institutions was the result of (i) a burgeoning interest among US policymakers for an international expression of the New Deal that would assist in the promotion of international peace and stability and which would, at the same time, advance US interests; and (ii) the rising aspirations and growing political assertiveness of poorer countries.

In exploring the emergence of international development as a concern for global institutions, Helleiner offers two correctives to the literature that have a bearing on how we think about the role of—to return to Murphy (1994: 1)—"what world governance we actually have" in poverty reduction and inequality amelioration. First, he argues that a concern with international development was a key part of, rather than peripheral to, the Bretton Woods negotiations. As such, international development did not emerge by happenstance; rather it was included from the very outset and a specific way of dealing with "underdevelopment" was envisioned and put into operation. Second, Helleiner argues that the institutional genesis of the idea of international development resides in efforts to negotiate the Inter-American Bank (IAB), wherein a shared concern for the raising of living standards emerged among the Latin American countries and the USA. Aspects of this shared concern were, in turn, carried over into the Bretton Woods negotiations and consolidated attempts to make international development a core concern of the International Bank for Reconstruction and Development (IBRD) and the IMF.

Chapter 2 moves the focus on from locating the first institutional expression of a concern for raising living standards to the actual performance of global institutions, as well as bilateral aid regimes, and non-state actors in reducing poverty and lessening inequality. Here, Albert Berry tackles simultaneously our three questions: What role has global governance played? What have been its successes and failures? And how might existing institutions and system of governance be reformed? Berry's account of the global governance record in this field is scathing. He argues that acting through a range of global mechanisms—not just international financial institutions (IFIs) like the World Bank and the IMF and their trade counterpart the World Trade Organization (WTO) but also bilateral aid agencies, NGOs, and foundations—the record of industrial country assistance in reducing world poverty has been poor and even worse in ameliorating global inequality. He argues that while some positive contributions to eradicating poverty and attenuating inequality have been made—largely in fostering support for small agricultural production in developing countries—these have been canceled out by a dearth of policies (and material resources) to promote land reform, support small-scale technological enterprise, and facilitate the transfer of non-agricultural technology. Moreover, policies have often been inappropriately suited to local needs and/or pursued with greater regard for ideological dogma than for their impact; and those policies that would actually make a substantial difference have often been dealt with inadequately (particularly in the areas of migration and technology transfer).

Berry's account is compelling, and the proposals he puts forward for reform both sensible and realizable. He argues that much can be done to address inequalities within and between states that is beneficial to the promotion of economic growth (and as a result has positive effects on poverty eradication). Such measures might include: (i) improving access to the (particularly non-agricultural) technology of the industrial countries and facilitating its transfer to poorer countries; (ii) improving the allocation of aid (to enhance its effectiveness), showing greater flexibility toward developing country trade policy, and agreeing upon a way of controlling short-term flows of capital to poorer states; (iii) stopping the fostering of wars through a combination of buying minerals without concern for who controls them and selling arms, and penalizing multinational corporations for engaging in socially destructive behavior; and (iv) the pursuit of a more enlightened and cooperative approach to international migration by the industrial countries. Yet, while these policy reforms are far from revolutionary, their implementation is hampered by a lack of consensus on their necessity, the persistence of a blanket liberalization agenda, short-term strategic interests, the strength of various political lobbies (particularly in agriculture, but also in manufacturing and pharmaceuticals), and an absence of political will.

Part II moves the focus on from a macro look at global governance to explore more intimately the role of the Bretton Woods institutions in their attempts at the amelioration of poverty and inequality. Here we offer two chapters on the IMF—an institution that receives comparatively little attention in discussions about poverty and inequality compared with the World Bank yet whose role is equally important—and one on the World Bank (an organization whose role in poverty reduction and inequality amelioration is also discussed throughout the book). The section begins with Bessma Momani's incisive look at IMF resistance to come to terms with its role and responsibility in reducing poverty and inequality. Momani argues that despite concerted efforts to reorient the IMF in ways that would more appropriately address poverty and inequality, initiated under the stewardship of Michel Camdessus, the organization's culture has proven to be tenacious to the extent that it has been reticent to adopt any substantive reforms. The result has been the appearance of a greater role for the Fund in poverty and inequality through an increase in the use of language consistent with these issues, but little substantive movement and, more worryingly, a continuation with "business as usual." Indeed, Momani finds that the long-held claim that the IMF does not have a role in the social consequences of its programs persists, with staff continuing with the belief that the institution is in the business of promoting medium- to long-term

growth rather than addressing any "adjustment costs" associated with its programs.

In developing her argument, Momani speaks directly to our three core concerns—the role of the IMF in poverty reduction and inequality amelioration, its successes and failures, and options for reform. With regard to the latter, she argues that many of the often touted proposals for Fund reform are themselves problematic and would be unlikely to provide an adequate solution in the absence of a fundamental overhaul of IMF staff. As she suggests, it is IMF staff, and the recruitment of economists from a narrow ideational and education pool, that underpins the institution's reluctance to "own" its responsibilities in dealing with poverty and inequality. And until employment practices are changed to the extent that the staff as a body are more sensitive to the social consequences of IMF programs, the institution will persist with its "business as usual" approach.

Chapter 4 moves the focus on from a look at the reticence of the IMF to reform to look at the specific effects of the participation in an IMF program on national poverty and inequality. Here, Irfan Nooruddin and James Vreeland speak directly to the first of our core questions—that is, what role do institutions and mechanisms of global governance play in the alleviation of poverty and the amelioration of poverty—and examine the effect that a developing country's role in global governance (by which they mean the intersection of participation in an IMF program with non-permanent membership of the UN Security Council—UNSC) on the distribution of income during times of financial crisis. They argue that when faced with dire economic circumstances and the conditions imposed by the receipt of an IMF loan, developing countries are often faced with having to cut public spending on public wages and salaries. Since the recipients of these salaries and wages represent key political constituencies for political parties in democracies to stay in power, developing countries seek to do this only as a last resort. What they find, however, is that if a developing country is a temporary member of the UNSC they are able to exercise a leverage that enables them to stave off public expenditure cuts of this type by negotiating favorable terms with the IMF in return for support of those UNSC resolutions that matter to the permanent five members and the USA in particular.

The implications of Nooruddin and Vreeland's insightful analysis are worrisome. For them, IMF programs have a negative impact on incomes for developing country democracies when those countries are not members of the UNSC; but when they are, the effects are greatly lessened. The corollary of this argument is that it is not sufficient simply

to assess the impact of global governance on poverty and inequality by looking at single institutions, mechanisms or machineries alone; rather, we must also look at the way in which various aspects of global governance intersect as well as the relations of power that prevail and underpin these systems. While this is inevitably a difficult and complex task, it is one that clearly warrants further research.

Chapter 5 follows logically from the two explorations of the IMF to look at the second and more obviously studied of the two Bretton Woods institutions: the World Bank. Here, Catherine Weaver tackles head on the third of our core questions—how might existing institutions and systems of global governance be reformed to be more effective in addressing issues of poverty and inequality. The focus of Weaver's chapter is on efforts to reform the World Bank at a time when accusations of irrelevance, illegitimacy, and ineffectiveness have combined with criticisms that Bank policies may actually have had a negative impact on poverty and inequality amelioration, and that successive failures at reforming the institution create a compelling case for a root-and-branch overhaul. She argues that one of the problems in reforming the Bank actually lies with the type of reform that is most often touted as necessary. Much of the discussion on Bank reform, she argues, centers on democratizing the institution (although worthy in and of itself) when it is not clear that such a process will actually result in realizable gains in tackling poverty and attenuating inequality.

Weaver argues that the democratization debate in which the World Bank has become embroiled belies a much more entrenched and sticky problem. Like Momani, Weaver argues compellingly that substantive reform of the Bank will not come without a fundamental change in the personnel and recruitment practices of the institution that enables a different approach to development to come to the fore. As with the IMF, World Bank staff tend to be drawn from a small intellectual, educational, and ideational pool. This has the effect of consolidating the hegemony of neoliberal ideas about development in the Bank, when incoming recruits ought to be one source through which new ideas are able to percolate through the institution. Moreover, Weaver notes that an organizational culture has emerged in the Bank that not only acts to socialize new recruits (including those non-economists who have been appointed) into a particular way of thinking and speaking about development, poverty reduction, and inequality, but which has also learnt to respond to consecutive reform efforts through a change in rhetoric rather than one in substance. Ultimately, then, and as with the IMF, reform of the World Bank, and by extension developing a more appropriate and effective means of tackling poverty and inequality, requires not just

a fundamental overhaul of the institution's staff, but one that is designed to promote a profusion of ideas and approaches, while at the same time enhancing the effectiveness of Bank programs and policies, rather than one which simply appears more relevant through the improvement of headline indicators that profess to point to greater staff diversity (such as greater decentralization, more recruitment of staff from developing countries, and the like).

Part III of the book turns to look at the contradictions between international promises to tackle poverty and inequality on one hand, and growing international indebtedness on the part of poor countries on the other. In Chapter 6, David Hulme tackles our first question head on—asking what role existing institutions and systems of global governance play in the alleviation of poverty and in reducing inequality in income and wealth, health and well-being—with an examination of the processes that led to the negotiation of the Millennium Development Goals (MDGs). Herein, Hulme charts the evolution of the MDGs (what he calls "the world's biggest promise to reduce poverty and human deprivation at historically unprecedented rates through collaborative multilateral action") and examines the changing historical structure that has shaped their form, content, application, and achievements. In so doing, he argues that the MDGs were the outcome of a fragmented negotiation between elements critical of neoliberal approaches to development and non-fundamentalist neoliberals committed to a softer, more socially sensitive post-Washington Consensus approach to poverty alleviation.

Hulme's chapter poignantly illustrates how complex processes of negotiation between actors of varying capability, influence, and resources involving competing ideas and approaches come to produce a framework for the reduction of poverty that appears achievable but which by even the most optimistic measures is unlikely to succeed. He also describes succinctly the role that various forces, often apparently but deceptively less powerful, can play in shaping the outcome of a deal—in this case the capacity of conservative forces represented by a coalition of faith institutions (the Vatican and certain Islamic states) to shape the content of the MDGs as they related to sexual and reproductive rights. On a more positive note, Hulme's forensic analysis enables him to see that the value of the MDGs lies not necessarily in whether the goals are themselves likely to be met, but rather in their contribution to nurturing a global consensus around poverty reduction as the primary goal of international development and instilling a series of concomitant norms. In this way, Hulme offers an insightful answer to the second of our core questions on the key successes and failures of existing institutions and systems of global governance.

Like Chapter 6, Chapter 7 explores the role existing institutions and systems of governance have played in the alleviation of poverty and in reducing inequality as well as documenting their successes and failures. Here, focus shifts away from the MDGs to examine one of the least understood but most significant intergovernmental mechanisms for the restructuring of developing country debt. In this chapter, Thomas Callaghy explores the role of the Paris Club—a self-avowed "non-institution"—as a mechanism for collecting and rescheduling developing country debt. In so doing, Callaghy also documents the fundamental transformation in the governance structure that the Paris Club has undergone—from one centered around state-to-state discussions to one that draws from a "triple helix" of actors: NGOs, members of an epistemic community involved in debt relief, and a sovereign debt regime of creditor states and international financial institutions (principally the IMF and the World Bank).

Callaghy's insightful analysis is noteworthy not just for its careful examination of the evolution of the Paris Club, but also for its detailing of how non-state actors—and particularly think-tanks like the Center for Global Development (CGD)—exercise influence in the ongoing development of the sovereign debt regime as well as how leading "next 11 states," like China, can disrupt this evolution through direct bilateral engagement with debtor states (primarily in Africa). He also offers an analytical insight into the shortcomings of two mechanisms of the sovereign debt regime that have an important bearing on poverty and inequality in developing countries—the Heavily Indebted Poor Country Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI)—as well as the way in which geopolitics is played out within, and mediates the operations of, global governance institutions, mechanisms, and machineries.

Part IV of the book moves away from formal institutions as the core focus, toward more novel, complex, and hybrid forms of global governance. The chapters range from an exploration of a mutation away, but not a wholesale departure, from an intergovernmental institution through the coming together of non-state forms of organization with the Commonwealth, through the role of public-private partnerships in multilateral organizations, to the role of business actors in global development. Chapter 8 begins the analysis in this section with an examination of how the Commonwealth has been at the cutting edge of international action in emerging areas. Here, Tim Shaw examines how the development of a Commonwealth nexus bringing together distinct international and non-state dimensions has both enabled, as well as been reflected in, the development of novel approaches to key

issues. He illustrates, by exploring two case studies—the Kimberley Process (KP) on conflict diamonds and the Small Island Developing States (SIDS) network—how the Commonwealth*s* (pluralized to indicate both inter- and non-state dimensions as well as Commonwealth-centered and highly diverse global networks) have been able to address a traditional focus on vertical inequalities between states as well as, more controversially, horizontal indicators. Both of these case studies are explored with reference to two key Commissions that have taken place under Commonwealth auspices bringing influential epistemic voices into the institution's orbit—the first led by Manmohan Singh and the second by Amartya Sen.

Shaw is candid about the limitations of the Commonwealth*s*' efforts in tackling poverty and inequality—as such, he addresses, head on, our concern with the role that existing institutions and systems of global governance play in the alleviation of poverty and in reducing inequality as well as their record in the field. But his concern is more with the capacity of the Commonwealth*s*' approach to serve as an example of what can be achieved through innovation in organizational form. In this way, Shaw speaks directly to our third concern of understanding how global governance might be reformed. It is not just, however, organizational innovation that Shaw puts forward as a candidate for consideration in reforming global governance. His careful analysis also points to the importance of an ideational and normative structure that informs the operation of an aspect of global governance which, in this case, enables the Commonwealth*s* to be at the cutting edge of progressive thinking in world politics.

Hybrid and complex forms of multilateralism are, of course, not without their own problems. The complex constellations of actors they bring together often serve to obfuscate intentions and interests, thereby creating as many problems as they solve. This is the case with the kind of subcontracting arrangements that the UN has engaged in when attempting to overcome organizational and capacity overstretch in conflict situations as well as in creating similar arrangements with "service providing" NGOs (see Weiss, 1998; see also O'Brien et al., 2000) as it is when the UN attempts to regulate the activities of multinational corporations through an informal and legislatively "lite" arrangement as with the Global Compact (see Hughes and Wilkinson, 2001), or when financial markets are either left alone to self-regulate or else subject to forms of regulation that fail to keep up with "market-innovations" allowing a gulf to open up that allows nefarious activity to go unabated—illustrated most poignantly by the financial crisis of the latter years of the first decade of the twenty-first century, noted at the outset

of this chapter. These forms of governance are becoming an increasingly familiar feature of the global landscape and they have a clear and increasing impact on issues of poverty and inequality.

Chapter 9 subjects one type of these forms of global governance—public-private partnerships (PPPs)—to critical scrutiny. Here, Benedicte Bull explores whether the formation of PPPs between multinational corporations and UN organizations threatens the legitimacy of those organizations by disproportionately serving the interests of business at the expense of the capacity of UN institutions to address issues of poverty and inequality, among other democratically agreed goals. Bull argues that PPPs reflect a fundamental change in the distribution of global wealth and power, and a form of decision-making that eschews formal, legal decision-making based on fixed democratic principles in favor of more flexible, ad hoc ways of making decisions. This transformation, she argues, is wresting decision-making, and thus influence, away from member states toward a set of actors whose interests are often quite different.

Bull's argument is compelling. She is careful not to treat PPPs as a homogeneous group, but instead distinguishes between PPPs that are "elite initiated" and those that reflect "partnerships of convenience." Her argument is that partnerships of convenience, while still smuggling actors into a role in decision-making that is often contrary to established democratic principles, are much less significant than elite-initiated PPPs. Elite-initiated PPPs, she notes, often remove decision-making power altogether from a UN organization and locate it in a third location in which elite interests are disproportionately represented. But this is not a simply wresting of decision-making power into a forum wherein business interests are reflected in a unified way. It is one in which elites, acting as individuals, rather than on behalf of a transnational capitalist class, operate. The result, Bull argues, is nevertheless worrisome and one that is unlikely to be favorable for the pursuit of reductions in global poverty and inequality. As a result, Bull's analysis simultaneously dissects transformations in global governance and the impact of these transformations for dealing with issues of poverty and inequality, and, in so doing, deals specifically with the first two of our core questions.

Chapter 10 takes the analysis on a stage further, as well as away from formal global institutions, and explores the role of business in development. Here, Ananya Mukherjee Reed juxtaposes business "solutions" to global governance problems, exemplified in recent endeavors to bring the large corporations more closely into the UN orbit, with social movements' claims for just development. Mukherjee Reed's aim is to

develop a comparison between alternative proposals for corporate accountability and legal responsibility and those endorsed by the UN. She argues that major—indeed, seemingly intractable—differences exist in the way in which the two approaches conceive of development with UN–business solutions favoring the more individualized human capabilities approach, while critical social movements highlight horizontal inequalities and the necessity of structural change. Mukherjee Reed's purpose is not simply to critique UN–business initiatives, though she offers a powerful account of just this; but rather, it is to reconcile these two seemingly intractable positions. In this way, she speaks directly to the third of our core questions—how to reform global governance institutions, mechanisms, and processes.

Finally, Part V of the book turns the focus of attention toward issues that are seldom explored in literature and policy on global governance, poverty, and inequality, but which are pressing in their need for redress. The section begins with a look at the impact of horizontal inequalities (HIs)—that is, inequalities among groups—globally, the influence this can have on violent political mobilization, and its implications for global governance; whereas the subsequent chapter explores the role of faith groups in global governance and their actual and potential impact on poverty and inequality. In Chapter 11, Frances Stewart argues that vertical inequalities—that is, inequalities between individuals, and, at the global level, between countries—consume much of the analytical industry both intellectually and among policymakers. Such a focus is perhaps unsurprising given that the dominant development paradigm is concerned with individual, rather than group, empowerment. However, Stewart argues, there are good reasons to also consider the impact of horizontal inequalities, both nationally and globally, in order to better understand how the disadvantages particular groups encounter and perceive might be addressed both to promote development generally but also to stem the prospect of violent political mobilization.

Stewart explores data on Muslims worldwide both to illustrate her argument that HIs matter, but also because Muslims as a group represent among the most salient of encounters with such inequalities. In so doing, she poignantly illustrates that the HIs Muslims face globally are not just social and economic, they are also political and cultural. This has, she argues, important implications for global governance, not only because HIs are all-too-frequently ignored by core global institutions, but also because they point to the necessity of developing specific and targeted policies that are quite different from those designed to address vertical inequalities. Stewart's contribution thus speaks directly to the third of our core questions—concerning the manner in which global

governance institutions, mechanisms and machineries might be reformed to be more effective in addressing issues of poverty and inequality. Her contribution is not, however, one that deals with specific proposals; that would be a step too far. Rather, it is about refashioning how ideas of inequality are conceived by global governance actors to more directly take account of HIs.

Chapter 12 builds upon this theme by exploring how faith groups are, and can, have an impact on poverty and inequality, and in so doing, address a gulf in the ideas and practice of global governance. Here, Katherine Marshall addresses all three of our core questions—she explores the role that faith groups have in global governance, surveys the costs and benefits of their involvement, and offers a pertinent commentary on how global institutions, mechanisms, and machineries might be reformulated to take account of the potential for addressing poverty and inequality that they hold. In her insightful account, Marshall notes that existing accounts of global governance have tended to overlook the role that faith/religious institutions play. This neglect, she suggests, is because the dominant mode of looking at international politics—through a focus on the state—coupled with a pre-occupation with a separation between church and state and a residual perception that modernization would steadily negate the importance of religion, has relegated the role of faith ideas and institutions to the private sphere. Marshall sets about correcting this lack of attention. She does this by exploring the terrain wherein development and faith intersect, offering a schematic history of recent encounters and research in the context of international development. In so doing, Marshall highlights both the tensions and potential of faith institutions in addressing issues of poverty and inequality.

Conclusions: moving forward

Our combined efforts are intended merely as a first cut at exploring the intersection of the processes of global governance with poverty and inequality. This first cut, however, offers a powerful insight into the field, particularly in these times of multiple and crosscutting crises. We find that contemporary global governance has been concerned with promoting policies designed to alleviate human deprivation since at least the creation of the UN system. But we also find that, in spite of this historical concern, the performance of international organizations in this area has been far from rosy. Some advances have been made in tackling poverty in the past 60 years but very little attention has been directed toward dealing with either vertical or horizontal inequalities. We find that resistance to substantive reform to address these weaknesses

in core global governance institutions resides deep within key institutions and that the development of a more appropriate approach to tackling human immiseration is made problematic by the persistence of particular employment policies as well as the reticence of organizational cultures to substantive change.

We also find that the way in which institutions of global governance interact, and the significance of broader global power relationships, matters in deciding which countries implement policies that are potentially detrimental to poverty and inequality programs, and which are protected from this. We also see that complex negotiations can produce global goals regarding the reduction of poverty and inequality that are often rhetorically attractive but ultimately unrealizable and that the content of those goals can be influenced by small, though quite powerful, special interest actors.

That said, there are clearly examples of complex forms of multilateralism and global governance that offer prospects for more innovative and tailored approaches to issues of poverty and inequality in specific contexts. The Kimberley Process and the Small Island Developing States initiative conducted under the auspices of the Commonwealth provide two useful examples of this. We also find that other groups previously obscured from analytical view can offer potential in tackling poverty and inequality, particularly in the field of faith. However, these novel forms of organization also present a number of problems that are as worrisome as they are imaginative. We see this clearly in the rolling back of democratic decision-making that takes place in elite-initiated PPPs and the role of business interests in relations with the UN system.

More generally, we find that a mixture of institutional dynamics, vested interests, and ideological and conceptual incongruity have combined to make problematic the way in which the global community currently addresses issues of poverty and inequality. And while it is the case that more research is needed on how poverty and inequality are addressed in processes and institutions of global governance, it is also the case that a more compelling and successful approach is likely only to come about in the wake of a comprehensive overhaul of global governance as currently conceived. Our hope is that the chapters that follow offer the first step toward this broader task.

Bibliography

BBC News (2007a) "Devastating Floods Hit South Asia," 7 August. Available at: http://news.bbc.co.uk/1/hi/world/south_asia/6927389.stm (accessed 10 August 2009).

——(2007b) "Millions Hit By Floods in Africa," 17 September. Available at: http://news.bbc.co.uk/1/hi/world/africa/6998651.stm (accessed 10 August 2009).
——(2008a) "Oil Price Hits Yet Another Record,' 3 July. Available at: http://news.bbc.co.uk/1/hi/business/7486764.stm (accessed 10 August 2009).
——(2008b) "Oil Hits New High on Iran Fears." Available at: http://newsvote.bbc.co.uk/1/hi/business/7501939.stm (accessed 10 August 2009).
CBC News (2007) "300,000 Stranded by Flooding in Mexico," 2 November 2007. Available at: www.cbc.ca/world/story/2007/11/02/mexico-flooding.html (accessed 10 August 2009).
Chen, Shaohua, and Martin Ravallion (2008) "The Developing World is Poorer Than We Thought, But No Less Successful in the Fight against Poverty," World Bank Policy Research Working Paper 4703 (Washington, DC: World Bank). Available at: http://siteresources.worldbank.org/JAPANINJAPANESEEXT/Resources/515497-1201490097949/080827_The_Developing_World_is_Poorer_than_we_Thought.pdf (accessed 8 August 2007).
Clapp, Jennifer (2009) "Food Price Volatility and Vulnerability in the Global South: Considering the Global Economic Context," *Third World Quarterly*, 30(6): 1183–96.
Davies, James B., Susanna Sandstrom, Anthony Shorrocks, and Edward N. Wolff (2006) "The World Distribution of Household Wealth," *International Association for Research in Income and Wealth Papers*, 5 December.
DFID (UK Department for International Development) (2009) "Eliminating World Poverty: Building Our Common Future," background paper, DFID Conference on the Future of International Development, 9–10 March (London: DFID). Available HTTP: www.dfid.gov.uk/Documents/pdf_misc/conference-paper-eliminating-poverty.pdf (accessed 8 August 2009).
Dollar, David, and Aart Kraay (2002) "Spreading the Wealth," *Foreign Affairs*, 81(1): 120–133.
FAO (Food and Agriculture Organization) (2009) "1.02 Billion People Hungry," *FAO Newsroom* (Rome, Italy: FAO). Available HTTP: www.fao.org/news/story/en/item/20568/icode/ (accessed 8 August 2009).
Heady, Derek, and Shenggen Fan (2008) "Anatomy of a Crisis: The Causes and Consequences of Surging Food Prices," *Agricultural Economics*, 39(1): 375–91.
Hughes, Steve and Rorden Wilkinson (2001) "The Global Compact: Promoting Corporate Responsibility?" *Environmental Politics*, 10(1): 155–60.
Hulme, David (2010) *Global Poverty* (London: Routledge).
Lucas, Robert E. (2004) "The Industrial Revolution: Past and Future," 2003 Annual Report Essay. May (Minneapolis, Minn.: Federal Reserve Bank of Minneapolis). Available HTTP: www.minneapolisfed.org/publications_papers/pub_display.cfm?id=3333 (accessed 8 August 2009).
Milanovic, Branko (2006) "Global Income Inequality: What It Is and Why It Matters," World Bank Policy Research Working Paper Series 3865, Washington, DC: World Bank. Available HTTP: http://ideas.repec.org/s/wbk/wbrwps.html
Murphy, Craig N. (1994) *International Organization and Industrial Change: Global Governance since 1850* (Cambridge: Polity Press).

O'Brien, Robert, Anne Marie Goetz, Jan Aart Scholte, and Marc Williams (2000) *Contesting Global Governance: Multilateral Economic Institutions and Global Social Movements* (Cambridge: Cambridge University Press).

Ravallion, Martin (2003) "The Debate on Globalization, Poverty and Inequality: Why Measurement Matters," World Bank Policy Research Working Paper 3038, April (Washington, DC: World Bank).

Reuters (2007) "Torrential Rains, Floods Kill 20 in Central America," 14 October 2007. Available at: www.reuters.com/article/homepageCrisis/idUSN14283451._CH_.2400 (accessed 10 August 2009).

Rosenau, James N. (2005) "Governance in the Twenty-First Century," in Rorden Wilkinson (ed.) *The Global Governance Reader* (London: Routledge).

Sen, Amartya (1999) *Development as Freedom* (Oxford: Oxford University Press).

Steinberg, Stefan (2008) "Financial Speculators Reap Profits from Global Hunger," *Global Research*, 24 April. Available HTTP: http://globalresearch.ca/index.php?context=va&aid=8794 (accessed 17 July 2009).

UN (2008) *The Millennium Development Goals Report: 2008* (New York: United Nations). Available HTTP: www.un.org/millenniumgoals/2008highlevel/pdf/newsroom/mdg%20reports/MDG_Report_2008_ENGLISH.pdf (accessed 8 August 2009).

UNDP (2009) *United Nations Development Programme Annual Report 2009: "Living Up to Commitments"* (New York: UNDP).

UN Press Release (2008) "A Unified United Nations Response to the Global Food Price Challenge," 29 April. Available at: www.wfp.org/news/news-release/un-press-statement-unified-united-nations-response-global-food-price-challenge (accessed 10 August 2009).

US Energy Information Administration (2009) "Cushing, OK WTI Spot Price FOB (Dollars per Barrel)." Available at: http://tonto.eia.doe.gov/dnav/pet/hist/rwtcD.htm (accessed 10 August 2009).

Wade, Robert (2001) "Winners and Losers," *Economist*, 359(8219) (26 April): 93–97.

——(2004) "Is Globalization Reducing Poverty and Inequality?" *World Development*, 32(4): 567–89.

Weiss, Thomas G. (ed.) (1998) *Beyond UN Subcontracting: Task-Sharing with Regional Security Arrangements and Service Providing NGOs* (Basingstoke: Macmillan).

Part I

Development and the governance of poverty and inequality

1 Global governance meets development

A brief history of an innovation in world politics[1]

Eric Helleiner

In this chapter, I explore the origins of the practice of assigning international organizations a mandate to promote rising living standards in poorer countries. Today, this "international development" task represents a very important part of the activities of a wide range of international organizations. But it was a marginal part of the focus of the first two generations of international organizations: the pre-1914 Public International Unions and the interwar League of Nations. I demonstrate that it was only at the birth of the United Nations system—and especially during the negotiations that led up to the 1944 Bretton Woods conference—that this mandate came to be seen as an important part of global governance. Among the catalysts for this innovation in world politics, I argue that two were most important: the new interest of US policymakers in the idea, and the rising "development" aspirations of poorer countries at this time.

These arguments are intended to correct two common historical assertions.[2] The first is that the architects of the Bretton Woods international economic system had little interest in international development issues. In my view, this argument overlooks the commitment of many of the Bretton Woods architects to development issues, as well as the fact that these individuals pioneered a number of ideas about how international organizations could promote development. Second, this argument challenges the view that the "international development" project was born instead with US president Harry Truman's 1949 Point Four program and driven by US strategic and economic goals in the Cold War. In my view, that case not only ignores the centrality of development issues during the Bretton Woods negotiations, but also underestimates the role of both the US New Deal and lower-income countries in this transformation of global governance.

More generally, my chapter attempts to provide some historical perspective for the analysis in this volume on the relationship between

global governance, poverty and inequality. Because I am concerned solely with the role of international organizations, this chapter takes a narrower perspective on global governance than others in this volume. The focus on addressing "poverty" is also restricted to the promotion of rising living standards in poorer countries. As we shall see, the idea of assigning international organizations the task of addressing global "inequality" was also conceptualized at this time primarily in inter-country—rather than intra-country—terms. Despite these caveats, the chapter offers insights into how international development concerns were first integrated into the policymaking within the formal institutions of global governance.

When did international organizations assume a development mandate?

The birth of modern international organizations is usually identified with the creation of the Public International Unions of the late nineteenth and early twentieth centuries. Between 1864 and 1914 over 30 such unions were created, and many of today's specialized UN agencies trace their origins back to them. The majority of the unions were focused on facilitating cross-border commerce by standardizing regulations, cutting tariffs, and providing infrastructure for transportation and communications. Others sought to address peace and conflict issues or promote scientific and cultural cooperation. Still others were concerned with the promotion of economic and social welfare through cooperation on issues relating to labor, health, and agriculture (Murphy, 1994).

Because most of the members of the unions were European countries, they focused mostly on issues of interest to wealthier countries. The fact that much of the non-industrial world was colonized in this period also helps to explain the lack of interest in development issues relating to poorer countries. Even the unions concerned with economic and social welfare largely neglected poorer countries of the world, with the exception of the Anti-Slavery Union established in 1890. This is not to say that there was no attention to the idea of an international development institution. Within such circles as the Saint-Simonians, there had been some interest during the nineteenth century in the idea of a public international bank that could promote economic development in poorer countries (Rich, 1994: 51, 216–20; Nustad, 2004). However, the notion failed to find a champion among those who built the Unions in the late nineteenth and early twentieth centuries.

The creation of the League of Nations represented a much more ambitious effort to establish an international institutional framework

for world politics, but international development issues remained quite neglected in its formal mandate. Some might consider Article 22 of the League Covenant to be a partial exception. This article dealt with the management of the mandate territories which had been colonies of the defeated powers. These territories were now handed over to the victors of the war to be managed because they were considered to be "inhabited by peoples not yet able to stand by themselves under the strenuous conditions of the modern world." But the administrators of mandates were subject to certain rules, one of which was that "principle that the well-being and development of such peoples form a sacred trust of civilization." Article 22 continued: "the best method of giving practical effect to this principle is that the tutelage of such peoples should be entrusted to advanced nations who, by reason of their resources, their experience or their geographical position, can best undertake this responsibility" (quoted in Rist, 1997: 60).

As the wording above makes clear, this commitment to "the well-being and development" of people in the mandates was deeply influenced by colonial ideologies about the superiority of some peoples over others. The precise meaning of "well-being and development" was also left very unclear. The upholding of "well-being" came to be associated with League norms such as the ban on slave trade and forced labor, or commitments to improved public health and education, while the word "development" was increasingly used in colonial administration at the time to highlight how colonies were to be made more productive rather than simply conquered and exploited (Murphy, 1994: 210–11; 2006: 33; Arndt, 1987: 22–29; Cowen and Shenton, 1996: 294–95). A further limitation was that the implementation of this principle was entirely delegated to the administering country. To be sure, the League's Mandates Commission—which included experts in colonial administration—could receive petitions from peoples in the mandates. However, the Commission had no right of independent inspection and petitions were usually dismissed in practice (Rist, 1997: 63). More generally, it is important to recall that this commitment to promote development applied to only a very small number of territories.

Interestingly, in their practical activities, institutions such as the International Labour Organization (ILO), the International Institute of Agriculture (predecessor to the Food and Agriculture Organization, FAO, of the United Nations) and the Health Committee of the League made greater efforts than the Public International Unions to address issues relating to economic and social welfare in poorer countries (Murphy, 1994: 211). In response to Chinese government requests, the League also sent many experts to that country between 1929 and 1941 to help

with its modernization in areas such as health, education, transportation, and the organization of rural cooperatives (Rist, 1997: 65–66). These various activities of the League emerged, however, in an ad hoc fashion and were not part of any new comprehensive official international commitment to promote rising living standards in lower-income countries (Murphy, 1994: 211).

It was at the founding of the United Nations system that we see this commitment emerge more fully. The UN's Charter mandates the institution "to achieve international co-operation in solving international problems of an economic, social, or humanitarian character, and to promote higher standards of living, full employment and conditions of economic and social progress and development." The Charter also noted the need to employ "international machinery for the promotion of the economic and social advancement of all people." At the time of the UN's establishment, a specific international machinery to promote development had already been negotiated. At the 1944 Bretton Woods meeting, an international institution had been created for the first time whose central purpose included that of directly promoting rising standards of living in all poorer countries: the International Bank for Reconstruction and Development (the IBRD).

Some scholars have questioned whether policymakers at this time were in fact committed to the idea that the international community had a new responsibility to promote economic development in lower-income countries. Richard Peet (2003: 111), for example, has suggested that "the IBRD was a mere afterthought. What little exchange there was concerning the IBRD centred on its possible role in the post-war reconstruction of Europe."[3] Even very knowledgeable historians of the World Bank have suggested the lead architects of Bretton Woods were largely uninterested in the development function of the Bank. In their words, "development arrived almost by accident and played a bit role at Bretton Woods" (Kapur et al., 1997: 68). This general view is also supported by Gerald Meier (1984: 9), who argues: "The political power lay with the United States and Britain, and from the outset it was apparent that issues of development were not to be on the Bretton Woods agenda." He goes even further to suggest that even the poorer countries at Bretton Woods were not really committed to a broad new international development agenda: "At Bretton Woods, the developing countries tended to view themselves more as new, raw-material-producing nations and less as countries with general development problems. Comprehensive strategies of development and policies to accelerate national development were yet to be identified."

This attempt to downplay the development content of Bretton Woods has been reinforced by another body of literature which claims that the

international development project was ushered in by US president Truman's 1949 speech announcing his Point Four program. In that speech, Truman famously declared that "we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas" (quoted in Rist, 1997: 71). According to this literature, Truman's popularization of the term "underdevelopment" was a key strategic move that justified the large-scale international intervention in poorer countries which followed in the 1950s and afterwards. As Gilbert Rist puts it, "Point Four inaugurated the 'development age'" (Rist, 1997: 71; see also Sachs, 1990; 1992; Esteva, 1992; Escobar, 1995). The "post-development" literature invokes this history in order to suggest that international development has been from the start "a top-down, ethnocentric, and technocratic approach" which has been designed largely to serve US economic and strategic interests during the Cold War (Escobar, 1995: 44). This literature does not see the Bretton Woods negotiations (or the content of the UN Charter) as terribly significant to the history of the origins of international development.

In my view, both of these bodies of literature incorrectly downplay—or worse, ignore—the significance of the Bretton Woods negotiations during the early 1940s. The international promotion of rising living standards in poorer countries was in fact a central objective of the policymakers involved in the negotiation of the Bretton Woods institutions. They—rather than Truman—deserve the title of being the pioneers of the practice of international development. Moreover, when we examine their role, we arrive at a rather different understanding of the content and motivations behind this innovation in world politics. Who were these pioneers, and what explains their support for international development?

US support for international development: assuring freedom from want

To begin with, US policymakers played a central role. It is often forgotten that, from the earliest stages of post-war planning, US president Franklin Roosevelt made the goal of "freedom from want" *everywhere in the world* one of the central pillars of his thinking about the world that the United States would try to build after the war. This objective was set out very clearly in the Atlantic Charter that he signed with Winston Churchill in August 1941. The sixth point of their eight-point statement declared the goal of a peace "which will afford assurance that all men in all the lands may live out their lives in freedom from

fear and want." The fifth point, although less well known, was equally relevant, declaring their "desire to bring about the fullest cooperation between all nations in the economic field, with the objective of securing for all improved labor standards, economic development, and social security" (quoted in Borgwardt, 2005: 304).

After their meeting, Churchill distanced himself from the notion that the Atlantic Charter applied everywhere in the world. But Roosevelt was strongly committed to this idea. In his mind, the universal commitment to "freedom from want" was tied to the New Deal idea that one of the effective ways to guarantee political stability was to protect individuals' economic security (Borgwardt, 2005: 30, 34–36, 48–51). Roosevelt began at this time to envision a kind of "internationalization" of this New Deal principle: that is, that a commitment to promote the economic security of individuals throughout the world could help boost post-war international political stability. In press conferences after the Atlantic Charter, Elizabeth Borgwardt (2005: 5) notes how he even started to compare "the aspirations articulated in the Atlantic Charter to those of the U.S. Constitution, the British Magna Carta, and even the Ten Commandments."

This lofty goal to alleviate poverty everywhere in the world had a clear influence on the initial US drafts of the Bretton Woods agreements. These drafts were written by Harry Dexter White, who justified support for the development of poorer countries on the same grounds that rising standards of living worldwide would help boost "political stability and friendly international collaboration."[4] In White's very first draft written just a few months after the announcement of the Atlantic Charter, he even raised the idea that all members of his proposed Bank would need to "subscribe publicly to a 'Magna Carta of the United Nations'" which would act as "a bill of rights of the peoples of the United Nations" that set forth "the ideal of freedom for which most of the peoples are fighting the aggressor nations and hope they will be able to attain and believe they are defending." Justifying this idea, he wrote: "The inclusion of that provision would make clear to the peoples everywhere that these new instrumentalities which are being developed go far beyond usual commercial considerations and considerations of economic self-interest. They would be evidence of the beginning of a truly new order in the realm where it has hitherto been most lacking—international finance" (quoted in Oliver, 1975: 319).

White followed up these sentiments with a number of innovative proposals outlining how his proposed International Fund and Bank could help to promote rising living standards in poorer countries. These proposals in fact built on some ideas he had already developed in late

1939 and early 1940 when he had been the lead drafter of a proposal for an Inter-American Bank (IAB). That proposal had emerged in the context of US efforts to cultivate closer ties with Latin American countries at the outbreak, in September 1939, of the Second World War. Fearing German influence in Latin America and economic chaos in the region with the loss of its export markets in Europe, US policymakers had supported the creation of a bank with US$100 million capital funding that could extend short-term currency stabilization loans as well as long-term loans to support the development objectives of Latin American governments (Helleiner, 2006).

The importance of the "development" orientation of the proposed IAB had been made very clear by US policymakers at the time. Contrasting the IAB with the Bank for International Settlements (the only existing international financial institution at the time), Sumner Welles—the top US official on the inter-American committee that developed the IAB proposal—noted that "its principal importance will lie in investigating and facilitating rather long-term development projects in other American republics."[5] Similarly, undersecretary of state Adolf Berle trumpeted the fact that the IAB was designed to replace "the old very speculative forms of finance" with capital movements that "could be made to serve national needs" and were "following the more careful plans of the various governments involved with a view to the steady development of the country" (quoted in Oliver, 1975: 96–97).

US support for Latin American development goals did not just reflect the strategic goal of cultivating Latin American alliances in wartime. US officials also hoped that financial support for Latin American development could boost US exports to the region and help minimize the risk of dangerous shifts in Latin American economic policy. At the time, Latin American governments were increasingly turning toward more inward-looking statist economic policies aimed at boosting domestic markets, national ownership of natural resources, and industrialization. By supporting moderate versions of these new developmental strategies in Latin America, US policymakers helped to deflect more radical ideologies that threatened US economic interests in the region.

In addition to these security and economic interests, it is worth noting that US support for Latin American development also had some roots in the ideology of the New Deal. Many US New Dealers were quite sympathetic to Latin American experiments with state-regulated capitalism at an ideological level. International development goals also appealed to their sense of social justice. Their sense of solidarity with the region was also boosted by the sentiment that Latin America had been exploited in the past by the same US financial elite that they

blamed for American economic problems (Gardner, 1964; Green, 1971; Grow, 1981; Pike, 1995; Gellman, 1979).

White took the lead role in writing the charter of the IAB. He had already emerged as one of the earliest and strongest supporters within the US government of public lending to Latin American countries as early as 1938, and had been deeply involved in various bilateral loans that the US government had extended to Latin American governments from 1938 onwards. After White had finished drafting the IAB charter, the proposals had been backed by Latin American officials and announced publicly in April 1940. But the IAB had then been opposed by isolationists, conservatives and financial interests who succeeded in blocking its approval by the US Congress (Helleiner, 2006; Green, 1971).

Despite this defeat, White carried his concern for development issues—as well as some of the specific features of the IAB—into his first official US drafts of the Bretton Woods institutions in late 1941. From the very start, his proposed Bank was designed to provide large scale public international loans not just for "reconstruction" but also to "raise the standard of living of the peoples of the member countries" (quoted in Oliver, 1975: 297). Development concerns were also clearly central to the vision of his boss, treasury secretary Henry Morgenthau. When presenting the initial drafts of the IMF and IBRD charters to Roosevelt in May 1942, Morgenthau noted these organizations were required "to supply the huge volume of capital that will be needed abroad for relief, for reconstruction, and economic development essential for the attainment of world prosperity and higher standards of living" (quoted in Oliver, 1975: 135).

In addition to providing loans, White also suggested that his proposed Fund and Bank could help foster development in poorer countries in several other ways (see Helleiner, 2006; 2008). During the IAB discussions, White and other US officials had become interested in the size of Latin American flight capital in New York and had explored ways of curtailing it. When developing his initial draft of the Fund, White highlighted how poorer countries could stop flight capital with capital controls which were to be permitted—even encouraged—under the IMF's proposed charter. White also suggested that the Fund and Bank could facilitate the restructuring of international debts of poorer countries. In justifying this idea, he highlighted his frustrations with the inflexibility of US private creditors to accept restructuring of Latin American debts during the 1930s. White also empowered the Bank "to help stabilize the prices of essential raw materials and other important commodities" and even suggested that it could finance an "International Commodity Stabilization Corporation to stabilize the price of important commodities"

(quoted in Oliver, 1975: 291, 293). Finally, he backed the idea of infant industry tariffs for poorer countries, arguing strongly that free trade thinking "grossly underestimates the extent to which a country can virtually lift itself by its bootstraps in one generation from a lower to a higher standard of living, from a backward agricultural to an advanced industrial country, provided always it is willing to pay the price" (Horsefield, 1969: 70).

By the time of the final Bretton Woods agreements, White's trade provisions had been removed because they were beyond Bretton Woods' financial mandate and his debt restructuring ideas had disappeared because of some complicated disagreements within the Roosevelt administration. But his support for capital controls had remained intact. The most important enduring development provision of Bretton Woods, however, was the one also at the core of the IAB proposal: the commitment to build an international public lending institution that could assist the economic development of poorer countries.

Given the arguments about the lack of commitment to development goals at Bretton Woods, it is important to emphasize how deep and widespread this commitment was among US officials during this time. Between 1939 and 1942, at the same time that White was developing the IAB and initial Bretton Woods proposals, the powerful Council on Foreign Relations also discussed and published various ideas for international institutions that could lend for an "international development programme" or for "the development of underdeveloped regions" (quotes from Staley, 1939: 282; Oliver, 1975: 108; see also Shoup and Minter, 1977: 166; Oliver, 1975: 105–8). In 1943 the State Department also put forward a detailed outline for "International Investment Agency" that could not only extend short- and long-term loans to lower income countries but also offer recommendations for debt restructuring.[6] Within the Office of Strategic Services (the precursor to the Central Intelligence Agency, CIA), chief economist Charles Kindleberger (1943: 353–54) also strongly favored "large-scale intergovernmental development loans" to boost living standards and industrial development in "underdeveloped countries." And from the Federal Reserve, Arthur Bloomfield echoed these sentiments: "There are still larger undeveloped areas of the world, to mention merely China, Latin America and much of Asia, where such large-scale developmental projects could be undertaken to the benefit not only of the countries concerned—in the form of increased productivity and higher living standards—but to the world as a whole."[7]

There was a widespread consensus among US officials that international support for development needed to include extensive *public*

lending because private investors could not be trusted to lend in sufficient quantities or for the right purposes. And once again, these various supporters cited a mix of motives for their backing of international development. Humanitarian impulses were one, particularly as awareness of low standards of living in poorer countries grew with the publication of Colin Clark's 1939 worldwide national income estimates as well as of ILO and the League statistics from the 1930s concerning hunger, malnutrition, and consumption levels throughout the world (Arndt, 1987: 34–36). Economically, loans to poorer countries would help boost US exports and provide a productive outlet for savings. And strategically, the commitment to improve standards of living in poorer countries was seen as helpful for solidifying wartime alliances as well as an investment in peace for the future.

Support from poorer countries: reducing international inequality

Kindleberger (1943: 348) perceptively tied this last strategic case to the growing recognition of international inequality by poorer country officials who he argued were now "almost without exception determined to raise that standard," especially through industrialization. In this new political context, he suggested that a durable international order could be built only if international support was provided to assist their development efforts. He was certainly correct about the new determination in many poorer countries to address the gap in international inequality that was widening as industrialization accelerated in Europe, North America and Japan. The determination stemmed from concerns not just about living standards but also about power. Those who failed to keep up risked being dominated either formally or informally by the successful industrializers. The commitment to "development," in other words, reflected what Arndt (1987) has called a kind of "reactive nationalism."

In the nineteenth century, the national state was seen as the central agent that would direct national efforts to "catch up" economically with Britain and other industrializing countries. The most popular strategy then was the kind of state-supported "late" industrialization approach advocated by Frederich List, Alexander Hamilton, and other "economic nationalists" (Helleiner, 2002). In the twentieth century, however, the task of catching up appeared ever more daunting and some policymakers in poorer countries began to look to the possible role that international institutions could play in assisting national development strategies. Their proposals for international institutions to assume a development mandate in fact long predated US thinking about this issue.

One of the earliest and most prominent proposals came from China's Sun Yat-sen at the time of the founding of the League of Nations. In a book titled *The International Development of China* first published in 1918, he called for an international institution that could provide capital, technology, and expertise to China as a way of boosting living standards in the country. At the core of his case was the argument that China required international assistance because of the magnitude of its development challenge. While China had not even entered the first industrial revolution, he noted that the United States and Europe had already reached the second. As Sun put it, "so China has to begin the two stages of industrial evolution at once" (Sun, 1922: 5). In order to leapfrog into the modern age, he argued that China needed foreign support.

Sun asserted that an international institution should be the channel for this support because this would enable more attention to be paid "to the [Chinese] people's will" (Sun, 1922: 22) than foreign private bankers had paid in the past. An international institution would also help eliminate the kinds of inter-imperialist rivalries which had afflicted China. Indeed, by preventing a future war from breaking out over China, Sun suggested that his proposed "international development scheme" would promote world peace and become "the keystone in the arch of the League of Nations" (Sun, 1922: 231, 9). He noted that his scheme would also benefit other countries if it enabled China to become an important export market and investment location.

Sun's proposal generated attention abroad, and it served as an inspiration for the League's technical assistance missions to China later in the 1930s (Arndt, 1987: 17; Murphy, 2006: 51). During the Bretton Woods negotiations, Chiang Kai-shek's government continued to support this vision, strongly backing US proposals for an international bank to promote long-term development (Eckes, 1975: 91). Some US policymakers in the early 1940s also saw their efforts to guarantee "freedom from want" as paralleling Sun's support for the "principle of livelihood" (Borgwardt, 2005: 133–34).

Support for an international development institution emerged not just from China but also from Latin America well before the Bretton Woods negotiations. At a Pan-American conference in Montevideo in December 1933, a number of Latin American governments called for the creation of an Inter-American Bank that could lend capital in the wake of the collapse of international private lending in the early 1930s. Latin American countries had experienced a severe economic shock in the early 1930s when foreign lending had collapsed at the same time as the revenue from their commodity exports had dropped like a stone. Most of them had responded by defaulting on external loans, abandoning

the gold standard, and/or introducing exchange controls. These policies made it even more difficult to raise new funds in New York or other private financial markets abroad. From a Latin American perspective, an Inter-American Bank might help not just to mobilize capital but also "improve the onerous conditions in which many of the Latin American countries negotiate their foreign loans."[8]

The Mexican government even asked the conference to explore "the possibility of establishing public international organizations to take care of debts negotiations and agreements, in order to exclude thereby the intervention of Bankers' Committees and to look for the interest of both debtors and creditors."[9] At a time when many governments in Latin America had defaulted on their external debts, Mexican officials were suggesting a way that these debts could be restructured in a manner that avoided the kind of heavy-handed creditor interference that had, in the words of one Peruvian delegate, "brought the American countries of small means to exhaustion, ruin and economic slavery."[10]

Some of these specific proposals—especially Mexico's—were controversial among Latin American delegates as well as US officials. The conference chose in the end to pass a resolution (unanimously) that called for an IAB to be considered at the next Pan American Financial Conference, but the purposes of the Bank were left unspecified and the US delegation stated that it could not commit to participate in a future IAB. The planned Pan-American Financial Conference never took place, but some Latin American governments continued to press the idea throughout the 1930s. It was in fact Mexico's raising of the issue one more time, with strong Latin American support, at a September 1939 meeting of foreign ministers of the Americas that acted as the catalyst for the United States to finally take the lead in developing the IAB proposal. Most Latin American governments then supported and participated in the drafting of the IAB, hoping that it would provide new funds and end the practice of private lending which was, in the words of one Chilean official at the time, "for the mere exploitation of the resources of Latin America by absentee capital" (quoted in Oliver, 1975: 95).

After the IAB proposal died, White began work on initial drafts of the Bretton Woods institutions and Latin American officials continued to be very supportive of his initiatives. This is hardly surprising since many of the development provisions in his initial 1942 drafts echoed their own ideas (including not just Mexico's 1933 debt restructuring ideas but also efforts to stabilize commodity prices which they had been promoting). White also went out of his way to cultivate Latin American support, even suggesting to other US officials that his first

public drafts should be presented at an Inter-American meeting of foreign ministers in Rio in January 1942. At the 1944 Bretton Woods conference, Latin American countries—who comprised almost half of the countries represented at the conference—continued to strongly back US initiatives. To be sure, they did raise some questions about why the conference was not addressing the question of commodity price stabilization. But the key issue for them was the IBRD's "development" focus. When the USSR attempted to make IBRD loans focus mainly on reconstruction, Latin American officials successfully blocked this maneuver and ensured that the Bank's development mandate would have at least equal standing (Helleiner, 2006).

The delegates representing India also strong backed the IBRD's development focus at the Bretton Woods conference. Indeed, they went further to ask why the IMF also was not giving more attention to the development aspirations of poorer countries (Kapur et al., 1997: 60).[11] In advance of the conference, they noted that the IMF's draft charter spoke only of the objective of "high level of employment and real income" without mentioning development issues that might be more pressing for poorer countries. When they suggested that the Fund could be mandated to "assist in the fuller utilization of the resources of economically underdeveloped countries" (quoted in Gold, 1971: 272), US officials became concerned that the Fund's activities might overlap too much with the Bank. In the end, a compromise was reached under which the Fund was mandated "to facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy" (quoted in Gold, 1971: 270–76).

Support for the new development mandate of international institutions also came from scholars from one other lower-income region of the world during the Bretton Woods negotiations: Eastern Europe. As Joseph Love (1996: 5) has noted, thinkers from this region were among the first who "extensively theorized the problem of backwardness" during the interwar period. Many governments in this region had shifted quite strongly toward economic nationalist policies aimed at rapid industrialization during the 1930s. These policies had been justified by theorists such as the Rumanian Mihail Manoilescu, whose ideas about state-directed import substitution industrialization predated the better known thinking of Raúl Prebisch and other Latin American structuralists. A number of economists trained in Central and Eastern Europe migrated abroad during the 1930s and went on to play prominent roles in the emergence of development economics (Love, 1996).

Among the most famous was the Polish-born Paul Rosenstein-Rodan (1984: 207) who had taught in the UK since 1930 and who then led a study group at Britain's Royal Institute of International Affairs between 1942–45 that focused on the problems of "underdeveloped countries," paying special attention to Eastern and Southeastern Europe. In a widely read article published in 1944, he noted how international economic inequality had grown rapidly over the past century but that there was no international equivalent of the domestic redistributive role that the state was now playing within wealthy countries. Echoing Kindleberger's analysis, he argued that this situation needed to be addressed not just for moral reasons but also because poorer countries were increasingly "impatient" with it (Rosenstein-Rodan, 1944: 158). If a stable peace was to be maintained in the post-war world, he suggested that it would be necessary to support "international development investment action" involving large-scale capital flows to poorer countries to assist their industrialization.

Rosenstein-Rodan's article did not have much influence on British policy toward the Bretton Woods negotiations. Keynes had already signaled his support for some kind of international development lending as far back as his very first drafts of his "Clearing Union" in late 1941 (Keynes, 1980: 94), although he was less interested in development issues than US officials and he left most of the subsequent drafting of the IBRD charter to them. But Rosenstein-Rodan's thinking provides yet another piece of evidence of the breadth of the interest in the international development project at this time.

Conclusion

When and why did the task of promoting rising living standards in poorer countries first come to be seen as an important part of the mandate of international institutions? I have suggested that this innovation in world politics took place at the origin of the United Nations system, and especially during the Bretton Woods negotiations of the early 1940s. I am not the first to date the birth of the international development project to this moment. My analysis reinforces the conclusions of several other authors who have conducted detailed historical work on different aspects of this period (Arndt, 1987; Borgwardt, 2006; Murphy, 2006; Staples, 2006). Taken together, our body of work poses a serious challenge those who have downplayed the development content of Bretton Woods or who highlight Truman's 1949 speech as the start of the international development age.

My analysis attempts to go beyond this other work by showing in more detail the specific ways that policymakers began to think about

how international institutions could support economic development in lower-income countries during the Bretton Woods negotiations. These included not just international financial assistance but also support for debt restructuring, the control of capital flight, infant industry protection, and commodity price stabilization. Many of these ideas soon became fixtures on the agenda of North–South economic negotiations in subsequent decades. It is noteworthy that these ideas are united by the notion that the role of international institutions is to assist the national state to promote economic development. In other words, few thinkers during the 1940s envisioned international institutions directly intervening within poorer countries to alleviate poverty or address issues of domestic inequality. Instead, the national state was seen as the principal agent generating rising standards of living within the country, and the role of international institutions was simply to assist it by creating favorable international conditions.

My analysis also differs from some other authors in its explanation of the emergence of the international development project. Most scholars who have focused on this period have pointed to changes in the attitudes of policymakers within industrialized countries during the war, especially US policymakers who were driven by a mixture of strategic, economic, and ideational motivations to support international development for the first time. My research supports this view, but also highlights the significance of US–Latin American relations in the late 1930s/early 1940s as the crucial incubator for this interest (see also Cobbs, 1992: 2–3).

I have also given more emphasis to the role of poorer countries themselves in promoting this innovation in world politics. If US officials were concerned primarily with poverty alleviation ("freedom from want"), policymakers in poorer countries were driven to support this innovation more by a desire to address international inequality. As the industrial revolution generated wider and wider differences in the standards of living of countries, they hoped international public support for their development efforts might help to narrow the gap. They proposed this innovation well before US policymakers did, and then played an important role in lobbying for its importance during the wartime discussions.

The role of poorer countries calls into question those arguments which have suggested these countries were either unimportant or uninterested in pushing a development agenda during the Bretton Woods negotiations. It also challenges the "post-development" critique that the international development project was entirely a top-down invention of Truman and other US policymakers driven by various strategic and

economic motivations. Poorer countries had greater agency than these accounts suggest.[12] Even the motivations of US policymakers were wider than "post-development" accounts imply. To be sure, US officials supported international development in the early 1940s for a number of strategic and economic reasons. But they were also influenced by the ideology of the New Deal with its interest in social justice, poverty alleviation, and interventionist economic policy. This history suggests that a rather different interpretation is needed to understand the politics and content of the international development project at its origin.

Notes

1 I am grateful for their helpful comments to Manmohan Aggarwal, Gerry Boychuk, Jennifer Clapp, Patricia Goff, Derek Hall, Bessma Momani, Craig Murphy, Andrew Thompson, Jose Ricardo Tranjan, and Rorden Wilkinson. For their research support, I am also very grateful to the Social Sciences and Humanities Research Council of Canada.
2 The sources for these arguments are described in the next section of the chapter.
3 Peet (2003: 11) continues: "Indeed, such were the preoccupations of the Europeans and Americans at the time that labels such as 'poor countries,' or the more critical term 'underdeveloped countries,' did not exist as functional geographical categories—countries outside Europe and North America were referred to as 'the colonies.'" This claim is very difficult to square with evidence of discussions during the Bretton Woods negotiations, particularly vis-à-vis Latin American countries.
4 H.D. White, "Proposal for a Bank for Reconstruction and Development of the United and Associated Nations, Sept. 3, 1943", pp. 4–5, United States Record Group (RG) 82, International Subject Files, Box 55, File: Bretton Woods Institutions, IBRD, Plans, US Treasury (White) 1942-September 8, 1943.
5 Sumner Welles to William Lancaster, p. 3, June 11, 1940, RG 59, 710.BANK/193.
6 Division of Economic Studies, State Department, "Proposal for an International Investment Agency", p. 4, Sept 28, 1943, RG 82, International Subject Files, Box 55, File: Bretton Woods Institutions, IBRD, Plans, US Treasury (White) 1942-September 8, 1943
7 Arthur Bloomfield, "The Proposed United Nations Bank for Reconstruction and Development", p. 2, RG 82, International Subject Files, Box 57, File: Bretton Woods Institutions, IBRD, Plans. For broader support for large-scale public development assistance in the US government in 1943–44, see Green, 1971: 123–36.
8 Fourth and Ninth Committees: Minutes and Antecedents [no date], p. 49, RG 43, International Conference Records, US Delegation to the Seventh International Conferences of American States, General Records, 1933–34, Reports of Delegates, Committee on Initiatives, 7–9, Minutes and Antecedents of Final Act, Box 7.
9 "VII Conference Internatíonal Americana, Delegacíon de México" [no date], p. 2, RG 43 Records of International Conferences, Commissions and

Expositions; International Conference Records, US Delegation to the Seventh International Conference of American States, General Records, 1933–34, Reports of Delegates, Comm. On Initiatives, 2–4, Box No.5, File: 4th Committee Economic and Financial, no.1

10 Fourth and Ninth Committees, p. 51.

11 Because India was not yet independent from Britain, its delegation included both Indian nationals and British citizens.

12 The neglect of this agency is particularly ironic given Escobar's (1995: 8) criticism that development literature sees poorer countries as "lacking in historical agency."

Bibliography

Arndt, H.W. (1987) *Economic Development: The History of an Idea* (Chicago: University of Chicago Press).

Bloomfield, Arthur (1943) "The Proposed United Nations Bank for Reconstruction and Development," United States Record Group 82, International Subject Files, Box 57, File: Bretton Woods Institutions, IBRD, Plans (Washington, DC: National Archives and Records Administration).

Borgwardt, Elizabeth (2005) *A New Deal for the World: America's Vision for Human Rights* (Cambridge, Mass.: The Belknap Press of Harvard University Press).

——(2006) "'When You State a Moral Principle You Are Stuck With It': The 1941 Atlantic Charter as a Human Rights Instrument," *Virginia Journal of International Law*, 46(3): 501–62.

Cobbs, Elizabeth (1992) *The Rich Neighbor Policy: Rockefeller and Kaiser in Brazil* (New Haven, Conn.: Yale University Press).

Cowen, M. and R. Shenton (1996) *Doctrines of Development* (London: Routledge).

Eckes, Alfred (1975) *A Search for Solvency: Bretton Woods and the International Monetary System, 1941–1971* (Austin: University of Texas Press).

Escobar, Arturo (1995) *Encountering Development: The Making and Unmaking of the Third World* (Princeton, N.J.: Princeton University Press).

Esteva, Gustavo (1992) "Development," in W. Sachs (ed.) *The Development Dictionary* (London: Zed Books).

Gardner, Lloyd (1964) *Economic Aspects of New Deal Diplomacy* (Madison: University of Wisconsin Press).

Gellman, Irwin (1979) *Good Neighbor Diplomacy: United States Policies in Latin America 1933–1945* (Baltimore, Md.: Johns Hopkins University Press).

Gold, Joseph (1971) "'To Contribute Thereby To … Development … ': Aspects of the Relations of the International Monetary Funds with its Developing Members," *Columbia Journal of Transnational Law*, 10(2): 267–302.

Green, David (1971) *The Containment of Latin America: A History of the Myths and Realities of the Good Neighbor Policy* (Chicago: Quadrangle Books).

Grow, Michael (1981) *The Good Neighbor Policy and Authoritarianism in Paraguay: United States Economic Expansion and Great-Power Rivalry in Latin America During World War II* (Lawrence: The Regents Press of Kansas).

Helleiner, Eric (2002) "Economic Nationalism as a Challenge to Neoliberalism? Lessons from the 19th Century," *International Studies Quarterly* 46(3): 307–29.

——(2006) "Reinterpreting Bretton Woods: International Development and the Neglected Origins of Embedded Liberalism," *Development and Change* 37(5): 943–67.

——(2008) "The Mystery of the Missing Sovereign Debt Restructuring Mechanism," *Contributions to Political Economy* 27(1): 91–113.

Horsefield, J. Keith (1969) *The International Monetary Fund 1945–1965: Twenty years of International Monetary Cooperation—Volume 1* (Washington, DC: International Monetary Fund).

Kapur, Devesh, John Lewis and Richard Webb (1997) *The World Bank: Its First Half Century* (Washington, DC: Brookings Institution Press).

Keynes, John Maynard (1980) *The Collected Writing of John Maynard Keynes—Volume 24*, ed. D. Moggridge (Cambridge: Cambridge University Press).

Kindleberger, Charles (1943) "Planning for Foreign Investment," *American Economic Review* 33(1): 347–54.

Love, Joseph (1996) *Crafting the Third World* (Stanford, Calif.: Stanford University Press).

Meier, Gerald (1984) "The Formative Period," in G. Meier and Dudley Seers (eds.) *Pioneers in Development* (Oxford: Oxford University Press).

Murphy, Craig (1994) *International Organization and Industrial Change* (Oxford: Oxford University Press).

——(2006) *The United Nations Development Programme* (Cambridge: Cambridge University Press).

Nustad, Kurt (2004) "The Development Discourse in the Multilateral System," in Morten Bøås and Desmond McNeill (eds.) *Global Institutions and Development: Framing the World?* (London: Routledge).

Oliver, Robert W. (1975) *International Economic Co-operation and the World Bank* (London: Macmillan).

Peet, Richard (2003) *Unholy Trinity: The IMF, World Bank and the WTO* (London: Zed Books).

Pike, Frederick (1995) *FDR's Good Neighbor Policy* (Austin: University of Texas Press).

Rich, Bruce (1994) *Mortgaging the Earth* (London: Earthscan).

Rist, Gilbert (1997) *The History of Development*, translated by Patrick Camiller (London: Zed Books).

Rosenstein-Rodan, Paul (1944) "The International Development of Economically Backward Areas," *International Affairs* 20(2): 157–65.

——(1984) "Natura Facit Saltum: Analysis of the Disequilibrium Growth Process," in G.M. Meier and D. Seers (eds.) *Pioneers of Development* (New York: Oxford University Press).

Sachs, Wolfgang (1990) "The Archeology of the Development Idea," *Interculture* 28(4): 2–32.

——(ed.) (1992) *The Development Dictionary* (London: Zed Books).

Shoup, Laurence and William Minter (1977) *Imperial Brain Trust: The Council on Foreign Relations and United States Foreign Policy* (New York: Monthly Review Press).
Staley, Eugene (1939) *World Economy in Transition* (New York: Council on Foreign Relations).
Staples, Amy (2006) *The Birth of Development* (Kent, Ohio: Kent State University Press).
Sun Yat-sen (1922) *The International Development of China* (New York: G.P. Putnam's Sons).

2 What type of global governance would best lower world poverty and inequality?

Albert Berry

What would it take over the next 50–100 years to bring world poverty and inequality down to the level of a typical industrial country, say the United States or Canada, or even better to that of a low inequality country like one of those in Scandinavia?[1] In particular, how could international governance contribute to such an outcome? Since the developing countries are a heterogeneous group—some now middle income and some low income, some substantially industrialized and others not—what they need to progress and reduce poverty varies considerably among them. Poverty reduction has been occurring rapidly in Asia over the last few decades, but not in Sub-Saharan Africa. Accordingly the optimal set of policies to further that goal has with time become more Africa-specific. As for inequality, most pronounced in Latin America but increasingly evident in parts of Africa and in China, the needs are rather different. Some policies are beneficial on both of these fronts, others only on one.

The main argument of this chapter is that the industrial countries have, on average, done a weak job in fostering those changes that would have been most helpful in the alleviation of poverty and a very weak job in helping with the reduction of inequality. Positive contributions on some fronts have too often been canceled out by negative ones on others. Clearly the benefits conferred have been far less than they might have been. This unhappy outcome is in part because of inadequate levels of some useful types of support, but at least as often due to bad choices as to what to focus on. Industrialized country support has been inadequate in the areas of land reform, technology for small scale agriculture, support for small scale non-agricultural enterprise, and non-agricultural technological transfer. Policies on international capital flows, trade, and migration have also been largely unsupportive of larger goals of reducing poverty and inequality. Overall, the record is an embarrassing one. Turning it into a good record would not require "rocket science," but simply sober consideration of what the evidence tells, and has told, us.

The chapter begins with brief comments on the trajectory of growth and inequality (national and global) over the last few decades. It then looks at policy performance in the key areas of growth, inequality and poverty outcomes, with attention to the role of the main international actors who affect that performance. Finally, it examines the implications of the findings for reform of the structure of global governance.

Determinants of growth and of the levels and trends in poverty and inequality, national and international

World economic growth slowed somewhat between the rapid third quarter of the twentieth century and the slower last quarter, with the 1990s registering the slowest growth of any decade since mid-century at 2.5 percent, but with a recovery thus far (2000–2006) during the present decade to 3.1 percent and unusually strong growth of 3.8 percent over 2004–6, equal to the 1970s average. As of early 2009 the world is bracing itself for the negative fallout from the US financial crisis. Though average world growth has typically remained in the range 2.5–3.0 percent since 1980, the 1980s and 1990s saw several significant changes both in the nature of economic interaction among countries and in the economic and political fortunes of certain regions and countries. The slowdown of the 1980s and 1990s reflected the fact that at least one major region was doing badly in each, to the point where per capita GDP was falling. This was not the case in the 1970s, nor has it been for the first decade of the twenty-first century.

As for income or consumption poverty, the record has been positive over the last half century or more in most countries and in the world as a whole. In terms of inequality, most studies indicate approximate constancy of such indicators as the Gini and Theil coefficients at the world level for at least 50 years (Berry and Serieux, 2007: 83–84).[2] Although inequality has risen in more countries than it has fallen over recent decades, the fact that average incomes in the world's two largest low income countries have been rising much faster than in richer countries has had the effect of offsetting the impact of the frequent increases in intracountry inequality. World level inequality has thus remained relatively stable, but at a very high level that is obviously indefensible morally and implies many practical problems as well.

Since poverty defined by income is affected both by economic growth and by income inequality, analyzing how to reduce it calls for a look at each. With both growth and inequality, it is easy to identify certain "proximate" sources, but much harder (and hence a matter of more persistent debate) to nail down some of the underlying causes,

including the policies that matter. The proximate sources of growth are increases in the factors of production (natural resources, labor, skills, and physical capital), improvements in technology, better allocation of resources among possible uses, and fuller utilization of the resources. It then becomes self-evident that whatever encourages capital formation, technological improvements, fuller resource utilization, and so on, will, *ceteris paribus*, raise outputs and incomes. Another broad factor worth mentioning is inertia (positive or negative); other things being equal, it is often true that this year's growth rate will be similar to last year's. There are good reasons that this be the case, though the pattern does get interrupted by crises and the exits from them.

No figures are required to know that inequality is extreme in many countries and in the world as a whole. Figures are necessary to get a reasonably precise reading on its degree and, since inequality tends to vary only slowly over time, they are essential if one is to detect whether it is changing or not (for example, whether the income ratio between the top 10 percent and the bottom 10 percent has risen from its 2000 level of 66:1 up to say 70:1 or fallen to say 60:1), and to have the informational tools to help judge how and why it is changing.

The broad factors that underlie the extreme income and consumption inequality witnessed in so many countries are:

1 The unequal distribution of income earning (presumably productive) factors of production—mainly natural resources, labor and human capital. This affects people's incomes both through the relative amounts of a given factor that they control and through the relative price of factors (for example, the ratio of wages to returns to capital);
2 Differences in the payoff to any given resource depending on who controls it, for example, a situation in which financial assets yield much higher returns to some groups than to others. Often such differences in returns reflect the fact that certain asset holders have market power while others do not; and
3 The redistributive effects of the public sector budget.

Each of these three broad determinants is always at play. Categories (1) and (2) determine the primary or pre-tax and transfer distribution of income. The third is the least important of the three in most developing countries, but takes on major significance in Scandinavian-style industrial countries.

The distribution of producing assets is the dominant factor in most countries. In the early stages of economic development the key asset is

land; later it is education and non-agricultural capital. Differing returns across asset-holders, a factor that under perfect markets would not exist, may or may not have an important general impact but usually does account for much of the income concentration at the top, with many of the political mechanisms that help to shape the pattern of inequality working through it by favoring certain asset holders over others (as in "crony capitalism"). In most countries "political capital" matters a good deal by giving some people favored access to directly productive resources or by rigging markets so that the assets they hold give better returns than do those of others. An extreme version is the power to steal and expropriate/grab either from other individuals or from the public domain.[3] In some countries the politically determined control of mineral resources has led to great inequality. Where governments are corrupt, this usually favors the rich who control them.

Each of the broadly defined proximate determinants of growth and of inequality identified above invites the question, "can policy work through this mechanism to reduce inequality and/or poverty?" We consider the main ones below, though sometimes under a broader umbrella defined by a sector—like small agriculture, or a policy—like that on international trade. In so doing we bear in mind the three main sources of evidence on how growth and inequality can change—the historical records from industrial and developing countries and what we may call "economic theory." Those proximate sources of either growth or inequality that appear to have been much more linked than others to global governance issues and to policies related to international economic interaction naturally get more attention. Others appear to be more important per se, so special attention is also given to them. The main asset-redistribution policy with potential to reduce inequality and poverty has been land reform. The main types of technological advances with such potential have been support for small agriculture and for other small enterprises, and support for labor intensive industries in general.

Judging the performance of global actors vis-à-vis world poverty and inequality

How have international institutions affected growth and inequality within developing countries and in the world as a whole? The main players are the International Financial Institutions (IFIs), whose relatively strong funding gives them leverage to back their policy preferences, the General Agreement on Tariffs and Trade and the World Trade Organization (GATT and WTO) and the bilateral aid agencies, along with the (American) foundations and the non-governmental organizations (NGOs).

The need to deal with potential conflicts among industrial countries led to the creation of the International Monetary Fund (IMF) and the GATT. In contrast, the World Bank and United Nations agencies such as the Food and Agricultural Organization (FAO), the World Health Organization (WHO), the United Nations Educational, Scientific and Cultural Organization (UNESCO) were not a legacy of the need to resolve conflicts but rather had their logic in one or another aspect of development. Technological transfer and migration are two major areas of economic interaction among nations without a strong institution designed to assure that these processes benefit the developing countries. The former is often assumed to be reasonably well taken care of by the private sector and hence under its aegis. The latter is controlled by the individual receiving countries. To the extent, therefore, that major misfortunes or lost opportunities have occurred in these domains, critique would be less directed at an international institution for malfunction and rather at the absence of such an institution or of the needed collaboration among countries.

Creating a thriving small-scale family farm system

In the early stages of development, when a country is still mainly agricultural, the most promising poverty and inequality reduction policies involve this sector. Land reform (redistribution) can have a powerful impact by itself under certain circumstances, and good policies—mainly research and development (R&D) to raise small farm productivity—almost always do. Together they constitute the optimal remedy against poverty. Not only does rising productivity on small farms directly lower poverty and inequality, it also tends to be an effective growth-producer, with positive spill-over effects first on rural non-agricultural activities and then on other sectors as well (Mellor, 2001). Growth and equity are strongly complementary objectives when pursued by this route and the great success stories of the twentieth century, the most notable of all being Taiwan, were built around this recipe.[4] But, for obvious political reasons, few countries have undertaken broad-ranging land reforms in recent history. More, but still a distinct minority, have at one time or another had reasonably effective support systems for small farms.

Both land reform and R&D for small agriculture have low resource costs. In the former case the phenomenon involves a resource transfer from one group to another. When well executed its real economic costs (transaction costs and the like) are somewhere between modest and trivial. The rate of return to expenditure on R&D is notoriously high and the needed complementary investments (infrastructure, communications,

and so on) are also of modest dimensions. Of all the policies considered here, only this small farm approach could by itself have propelled the great majority of the developing countries onto a path of strong, equitable growth. The cost would, with little doubt, have been much less than the modest amounts that have actually been expended by the industrial countries on aid. Pressure would have been required to nudge candidate countries toward an equalizing land reform. While most other forms of conditionality (for example, macroeconomic) have had at best mixed and debatable benefits and have certainly imposed net costs under some circumstances, pursuing a shift toward a decent land distribution would certainly have brought huge net benefits to the countries in question. Strong financial incentives in the form of funds available to those willing to undertake this step would have been an excellent way to allocate aid. In short, both in the allocation of resources and in the way conditionality has been used, this area has been disastrously underemphasized.

The reasons for the failure to grasp the opportunities are various, and differ as between the land reform and the pro-small farm policy dimensions. Only gradually over post-war decades did it become clear that small farmers systematically achieved higher land productivity in developing countries than did larger ones. Even now many participants in discussions of agricultural policy are either unaware of the evidence or misunderstand its economic and policy implications. Such resistance and reluctance is partly an unsurprising result of the fact that large landholders have dominated politics in most developing countries, so land reform must come from strong internal political pressures or strong outside pressure. Forcing land redistribution has the air of a more drastic "intervention" than many other reforms. The neoliberal revolution strengthened opposition to such policies, both by raising opposition to government intervention in general by emphasizing the importance of strong property rights and, more generally, by de facto downgrading the broader concern with income inequality.

How helpful have global actors been in support of countries that pursued these high payoff policies? The answer is mixed. On the count of land reform we have early post-Second World War contributions by the United States in Taiwan and Korea and in a more marginal (some would say palliative) way in Latin America in the context of the Alliance for Progress and its support for very limited land reforms. The World Bank got around to supporting "market-based" land reform in a marginal way by the 1990s, but by then the greatest potential of this instrument lay well in the past when nearly all developing countries were agriculture-based. The FAO's contribution has been marginal; it

is now several decades since it has placed any serious emphasis on land reform and its intellectual leadership on agricultural policy in general has been modest.

Support for productive small agriculture has been much more important and effective than that for land reform. In particular, the research that led to the Green Revolution in rice (especially), in wheat and to a lesser degree in some other products is arguably the biggest positive contribution from the industrial world to the developing countries. It has been a major factor in poverty reduction in most of the Asian countries, exemplifying outside assistance at its best—tailor-made to help many low income people, and based on the sort of research which could not at the time have been successfully undertaken in the developing countries themselves. Interestingly, this contribution did not originate with a UN agency, an IFI or a bilateral aid agency but rather with the American foundations, beginning with Rockefeller. The World Bank came in the 1970s to recognize the merits of support for small agriculture and provided important leadership in the creation of the Consultative Group on International Agricultural Research (CGIAR) in 1971. In an authoritative study, Evenson and Gollin (2001) highlight the importance of the International Agricultural Research Centers (IARCs) at the core of the Green Revolution and as a powerful complement to national agricultural research programs; the negligible role of developed country contributions; and the small private sector contributions. They conclude that the Green Revolution's varietal improvements were especially important in the output increases achieved since 1980. This effect was initially much smaller in Sub-Saharan Africa than elsewhere, but has recently been increasing and is now significant.

Though agricultural R&D remains the most promising avenue toward poverty reduction, there is too little traffic on this particular highway. Trends contributing to this perverse outcome include: stagnation or decline in public sector investment in agricultural research and development at a time when that sector's strategic leadership role should be strong (Spielman, 2006: 189); the related increasing privatization of agricultural research and development, especially in molecular biotechnology, whose application has thus far been limited to a small number of traits of interest to commercial farmers, and mainly developed by a few companies operating at a global level (Byerlee and Fischer, 2002: 931); the increasing application of intellectual property protection for crop varieties thereby restricting the diffusion of technology (Falcon and Fowler, 2002); and the growth of agricultural markets which raises the returns to commercial farming more than to smaller scale operations.

There is little disagreement that the real challenge involves the future of public agricultural research (Tripp, 2002: 244). The CGIAR was supposed to work itself out of a job by developing the capabilities of the national systems but the latter have too often foundered under declining funding from domestic and donor sources, severe organizational problems in the national agricultural research institutes (inadequate management and poorly paid and motivated staff), and donor projects that exacerbate the problems by favoring short-term external projects rather than long-term internal development. Meanwhile the CGIAR has also faced a declining budget as Development Assistance Committee (DAC) aid has largely shifted away from the productive sectors in recent decades, particularly agriculture. CGIAR's budget as of the early years of this decade was something under half a billion dollars—about 0.5 percent to 0.75 percent of all aid (depending on the definition employed), and less than one thousandth of the cost recently incurred by the United States in the Iraq War according to high-end but probably realistic estimates—the war thus costs more per day than the annual CGIAR budget.

In summary, family agriculture has seen both the biggest contribution by the West to developing countries and, arguably, the biggest lost opportunity as well. Well executed land reform can be capable of reducing inequality a good deal and leaving a legacy of greater equality, but this has only happened under very special political conditions and the land reform needs to be complemented and followed by the development of new technologies. The experiences of Mexico and Bolivia illustrate how promising land reforms can run afoul of the lack of such follow-up.

International support for land reform on a scale necessary to leave a significant impact deserves a grade of 0–1 out of 10. On support for small agriculture, the American foundations score well, but the other relevant agencies do not. Although the World Bank and other institutions have recorded some successes, after belatedly recognizing the key importance of small-scale agriculture in the 1970s, the damage wrought by their failure to discourage the dismantling of public sector R&D systems probably offset much of the benefits of their positive support efforts through the CGIAR and other channels; their net grade would not be too far from zero. Weak performances in these two crucial policy domains, without which many other types of support cannot be as productive, dooms the overall assessment of the international agencies to at best a very modest score.

Support for non-agricultural, small-scale, labor intensive enterprises

This area to some extent parallels that of small agriculture, being more labor intensive and hence poverty-reducing than is larger enterprise.

But there has here been nothing comparable to the Green Revolution. There are many reasons for this. A major one is that whereas research to improve varieties has historically been mainly a public activity in the West (and in developing countries as well) there has been no effort of comparable scope made outside agriculture, where most R&D directed toward improving technologies is carried out by large enterprises with some degree of market power, thus constituting more of a parallel with the recent domination of agricultural research by the large-scale private sector. While programs do exist to support smaller firms in almost all countries, they generally leave these firms in a far less advantageous position than their larger counterparts. Only in a few countries (like Taiwan) have such support systems been really strong, a fact contributing to the "missing middle" in the size structure of many countries' manufacturing and other sectors, that is, there is the tendency for a few large firms to control the great bulk of the capital but hire relatively few workers while many small and micro-enterprises at the other extreme control little capital but provide large amounts of relatively poorly paid jobs. The coming of "microfinance" over the last 30 plus years has been an important step in the right direction in terms of the financing of very small firms. It was an indigenous innovation in Bangladesh while the more or less simultaneous development in Latin America was a collaborative venture, with the outside involvement, as in the case of the Green Revolution, being initially from smaller non-IFIs. Since a comparable breakthrough in the financing of small and medium-sized firms has yet to emerge, overall success in this area remains modest relative to the needs, with the contribution of the larger Western actors quite limited and lacking in major innovations. IFI support for microfinance has been praiseworthy but it developed after the innovation had proven itself.

On the technology front many smallish actors have done very good work but with what are, comparatively speaking, tiny budgets. Appropriate Technology International (ATI) is a smallish NGO that dedicates itself to fostering good intermediate technologies for developing countries. Fundación para el Desarrollo Sostenible (FUNDES), a Swiss-based organization, has undertaken much useful applied research of benefit to the small and medium business sector and to governments wishing to foster it. Other aid agencies and NGOs also participate constructively. Though quantification is harder than for agriculture, it is clear that the total effort in this area has always been far too small (probably less than 5 percent of what would be desirable) to keep small and medium-sized enterprises' (SME) productivity advancing at the rate which would be needed to have a major impact on poverty and

inequality. The task is inherently much more challenging than in the case of agriculture, in part because of the much greater number of goods and services for which productivity should be increased. One important role for international institutions and NGOs is to act as clearing house for the flow of information across countries. Another is as supporters of research, training, diffusion and related elements of the support system.

The weakness of policy and support systems in this area is shared by most national governments and by the international institutions. Since mounting effective policy is a daunting challenge, relative failure is not a surprise. Vigorous support for SMEs has sometimes come up against opposition from the politically powerful large firms but the bigger problem seems simply to be lack of recognition of how important this sort of support can be. That recognition has been slow to develop, partly because of the only gradual recognition that some technology transfer does not benefit this sector (see next section), and partly because of the relative absence of R&D directed toward the improvement of intermediate technologies in the industrial countries themselves. Clearly the international assistance effort in this area has been less than modest and deserves a score of perhaps one out of ten.

Technology transfer

Given the dominant role of technological change in economic growth, and the continuing high concentration of technological research in the industrial countries, it is not surprising that the amount and types of technology transferred to developing countries and the conditions of the transfer are central aspects of the interaction between the industrial and developing worlds. One of the first conceptualizations of what developing countries needed was "better technology," at the time viewed as synonymous with "our technology." Within a couple of decades, probing looks at technology's role in development emerged (Stewart, 1977; Bruton, 1987) and it became clear that transfer from industrial countries was not the silver bullet. One reflection is the fact that technology assistance in the two key sectors for rapid poverty and inequality reduction just discussed—small-scale agriculture and micro, small and medium-sized enterprises outside agriculture—does not, in the main, take the form of transfer but rather of assistance in the generation of technology that fits local needs.

The above notwithstanding, technology transfer is undeniably an important phenomenon. The benefits of specific transfers of technology are sometimes obvious, as in the case of important remedies for diseases, but in the aggregate their effects are hard to assess since advances

made in the industrial world are not always an unmitigated boon to developing countries: the patenting system slows the flow of new technologies to the latter; some technologies developed in rich countries are inappropriate in poor ones[5]—at worst their introduction can both lower GDP and worsen inequality. Qualifications notwithstanding, it is a reasonable guess that the impact of technological transfer on developing country economic growth has normally been positive; but that on inequality has usually been negative because of the labor saving character of most of the technologies involved, so the impact on poverty is ambiguous.

It has often been suggested that technologies that are outmoded in industrial countries would be appropriate in developing ones, and to some extent the considerable purchases of used machinery from industrial countries reflect this fact. This trade is likely to be especially beneficial to middle income countries where recently used technologies from the industrial countries are not excessively capital intensive for the receiving countries. But often appropriate technologies cannot simply be borrowed, or transferred, from industrial countries, since what is required is a combination of recent environmental advances and/or elements of technology related to the current tastes of the buying public *together with* labor intensity. A good example of this was the development of the small tractor by Japan to fit a degree of mechanization to the small farm setting in that country.

The role of a truly effective support policy in this area would involve both positive support for the development of appropriate technologies and, in some cases, assistance to countries on how to block the transfer of damaging technologies. Success on the former front has been low and in the latter virtually non-existent. Although the World Bank and some other influence-wielding international institutions came to recognize the problems of inappropriate technology, neither it nor they have had a major positive impact in this difficult area. Again, the score must be a low one.

Physical investment

Although investment is one of the two key factors contributing to long-run growth, it is likely that international capital flows have, overall, had much less impact on developing country economies than have technology flows. Until very recently such capital flows have been small in relation to those economies, so unless its timing has tended to be very strategic in releasing otherwise repressed growth potential, its overall net impact must have been modest.[6] Its concentration in the

"emerging economies" and in natural resource export situations in other countries constitute two powerful reasons to doubt its potential for poverty or inequality reduction. Further, since countries do have the capacity to save and invest on their own, sometimes all that a capital inflow does is raise the capital stock somewhat sooner than would otherwise have happened, or even substitute for domestic savings. It is less clear that developing countries could, or would, have been able to develop an independent technological trajectory, at least without an inordinately long wait.

As with technology, there is no question that inflows of foreign capital can and often have been beneficial to the receiving country, but it is also very clear that they can be damaging. The most easily quantifiable damaging effects have been those related to speculative capital flows, which have cost a number of countries several percentage points of GDP over the decade or longer than it took them to recover from the resulting crises.

Most empirical tests of the effects of foreign direct investment (FDI), recently the dominant form of capital flow to developing counties, have focused on the impact on output. Nunnenkamp and Spatz (2003: 39–40) note the ambiguous results of earlier tests. Their own analysis finds, inter alia, that positive effects are more likely when the technological gap between host and home country is small. They conclude that the central policy challenge is not to attract FDI but to assure that the context is one in which that flow can produce benefits. Consistent with this, Moran (2001) concludes, on the basis of an extensive review of the case study literature, that there is an important role for FDI to play but also a vital role for host country authorities to design appropriate policies in order that FDI live up to its potential. The conclusions of these two studies, which appear to sum up current frontier views on this issue, should not be surprising when one notes that on the one hand Singapore has achieved excellent growth with a heavy dose of FDI, while on the other its presence has been central to many exemplars of the Natural Resource Curse.

The industrial world's institutional performance in this domain has been especially poor. While providing some useful capital, it has exercised virtually no effort to increase the likelihood of that capital being socially beneficial in the receiving countries, and worse, has pushed countries to get rid of their barriers to the free flow of short-term capital, with the sometimes disastrous results noted above. This latter error was much less defensible intellectually than was the pressure for freer trade, since on average capital markets work much less well than do goods markets. It did not reflect the best thinking going on in the

IFIs, in particular the IMF, assuming it to be the case that that institution's decision to push for free capital movements was made by its board of governors against advice from many of its technical staff, who could hardly be unaware of the obvious dangers this posed. In this area a low mark must be assigned; many countries lost many years of growth because of this egregious mistake.[7] Further, the traditional institutions have done essentially nothing to curb the negative side of private FDI—including its contributions to the Natural Resource Curse (including civil wars) and to Dutch Disease. With respect to the flow of short-term capital, where most of the recent damage has been the result of overly simplistic beliefs by, inter alia, members of the IMF's board of governors with respect both to the interests of developing countries and of international capital, it might appear more reasonable in the context of the current international financial crisis to expect that improvements would be forthcoming in the form of agreement on an appropriate type of constraint, whether like the much-discussed Tobin tax or of some other form. But optimism would be premature. To what extent the lack of clearly defensible controls on capital flows primarily reflects incompetence as opposed to the self-perceived interest of rich countries is unclear. It may also be that the "incompetence" that exists reflects personnel choice by institutions acting on the basis of their vested interests.

International trade

The weight of evidence, empirical and theoretical combined, suggests that relatively high levels of trade promote growth under many conditions. But it also seems likely that, within the normally relevant range from moderate trade barriers to none at all, the gains from static reallocation of resources as an economy opens further are typically not very important, whereas the impacts on investment, technical change, degree of resource utilization and the effects, positive or negative, of inertia may be. So policies should focus mainly on these "dynamic" mechanisms. That there is no very interesting purely economic argument for developing countries to pursue free trade (as opposed to "much trade") follows from the importance and the complexity of the dynamic mechanisms connecting trade and growth. The main valid argument for free trade is related to politics and administration rather than to economics. Countries that do not have the modest governance skills needed to implement a decent trade policy may be better to leave things totally to the market.

Meanwhile, static theory suggests that in developing countries with a comparative advantage in labor intensive goods and services trade

should lower inequality. A few manufacturing exporters, most notably Taiwan and Korea, seem to have borne this out reasonably well, but the number of examples is small. Those whose exports are produced by small farms or enterprises are also likely to benefit on both the growth and employment/equality fronts (Bourguignon and Morrisson, 1990). Exporters of minerals exports or other capital or land intensive items (soybeans, cattle) run a greater risk of both not growing (the Natural Resource Curse)[8] and of suffering an increase in inequality (Berry, 2008a). Income inequality has risen somewhat in many developing countries at some point over recent decades, most importantly in India and China, and often more or less simultaneously with their processes of liberalizing and increasing involvement in world markets.

The most positive contribution the industrial countries could make on the trade front would be to (i) free or nearly free their own imports of developing country products (perhaps retaining some barriers to such developing countries as are already more competitive but not for those that have more learning to do in order to be competitive), while (ii) allowing the developing countries considerable discretion to use tariff and other barriers to advance their learning/search for competitiveness.[9] Tolerating without complaint the use of tariff barriers in developing countries has little or no overall cost to industrial countries (though of course some of their companies do lose while others gain), but giving free rein to imports from the developing countries does have significant direct costs, at least in the short run, for the domestic factors of production engaged in their production, and has generated a corresponding amount of political opposition. Viewed with a professional and benevolent eye, many of these conflicts could be worked out without major loss to important groups in either type of country. Among the most obvious win-win situations would be the lowering of industrial country trade barriers and/or the cutting of subsidies to products of large farms that compete with small farmers in the developing world. This is the case with cotton, which is heavily subsidized in the United States to the benefit of large high-income producers and to the detriment of small farmers in West Africa and elsewhere. Probably a modest amount of additional benefits could be achieved by lowering industrial country barriers and/or subsidies, though they would be of great importance to a few exporting countries. Potential benefits from allowing developing countries greater discretion in managing their trade policy are much harder to judge.

How have the stances of important international actors on developing country trade policy compared to the ideal just described? The GATT was formed with a view to curtailing industrial country restrictions on

trade with each other, and the differences of economic situation and needs of developing countries were never factored seriously into the thinking involved (Wilkinson, 2006). Meanwhile the World Bank in practice accepted developing country preferences on trade policy (Kapur et al., 1997) until the 1980s when the debt crisis reduced the bargaining power of many of them and the neoliberal wave of thinking within economics strengthened the view that protection was deleterious to the interests of the countries themselves, even if they did not recognize it. This oversimplification of the issue left little room for serious thinking or for nuanced policymaking. The free-traders had the support of industrial country business aspiring to greater access to expanding developing country markets.

WTO (the GATT's successor organization) rules evolve out of the bargaining among countries, where the benefits accruing to developing countries are bought by opening their markets to rich countries. The populations of the generally small, low income countries that Collier (2007: 170) describes as the "Bottom Billion" do not have much to offer in this sort of exchange. An ideal scenario for these and other developing countries would be one in which a professional and competent WTO had significant influence over trade policy and took serious account of the needs of different groups of developing countries.

Industrial country performance, directly and through the IFIs has, as in the other areas reviewed, fallen far short of the optimal, deserving perhaps a score of one or two out of ten. Accepting that freeing their import markets often had net costs for LDCs, one could even conclude that the WTO is in effect an anti-development agency or institution, getting in the way of the sort of trade policy that would be best for the developing countries. But, while the failures of trade policy vis-à-vis the developing countries have probably had high costs for many small and medium-sized countries, it is unlikely that the resulting losses are in total anywhere close to those from the failings in agricultural R&D support.

International migration

With respect to international migration from developing to industrial countries, laissez-faire among industrial countries has dominated. Since free borders are unlikely to emerge for a long time (unless world inequality diminishes radically) the challenge in this area is to better assess the effects of differing levels and types of migration and to achieve a flow that is well managed by the party countries. This will be a tall order, and one where there has been little progress and little international

cooperation. Bhagwati's (2003) proposal for a World Migration Organization could be an interesting step in the right direction.

In the simplest of economic calculuses, the potential gains to world income and in particular to the current population of the developing countries from freer migration are undeniably enormous. Whereas the great bulk of the potential gains from trade is probably already being reaped, the fact that migration has been tightly contained means that the same cannot be said of it. All serious estimates (for example, World Bank, 2005) show the gains to developing countries as large, both in absolute terms and relative to other sources of benefits, such as aid. Even for considerable magnitudes of migration, the aggregate economic effects on receiving countries, positive in most estimates, are small in relation to existing gross domestic product (GDP).[10]

There is no doubt that, in simple income terms at least, some sorts of migration benefit both the developing countries and the host industrial countries, as when low income migrants go abroad, earn money and take or send it home, while filling a gap in the supply of such labor in the industrial countries. Thus emigration has almost certainly been beneficial to countries like Mexico, which have sent large numbers of relatively unskilled workers to the United States, helping to pull up the wage rate in Mexico while also receiving large remittances from the emigrants. The substantial flow of migration that involves highly skilled people is a different story and here it has been argued that rich countries harm the developing countries where these skills may be socially important albeit less highly paid than in the industrial ones. But the common sense intuition that this would have serious costs to the losing country has been questioned in the case of health personnel by Clemens (2007: 1), whose statistical analysis suggests that emigration from African countries does not lower the number of health workers, because of a positive elasticity of labor supply in relation to the expected wage increases afforded by the emigration option. Clearly this issue will require more detailed analysis before any clear understanding is approached. Industrial country performance in the migration area is open to criticism on the grounds of thoughtlessly poaching human skills from low income countries which can ill afford the loss, although as just noted, the outcome may be better than the motivation.

Best bets for the future

A reasonable presumption is that most countries, well managed and well supported by international institutions and a buoyant world economy, could grow at 6–8 percent. We also know that in most

settings there are no basic economic inconsistencies between equality and growth, in the sense that much can be done for equality which is either beneficial to growth or at least not harmful to it, and that much can be done for growth which is either beneficial to equality or not harmful to it. The main reason these two objectives come into conflict in the real world is political rather than technical. High priority considerations, whether for developing country governments, for the industrial world and the international institutions, or for both, include the following:

1 Improving the processes of technological change and transfer by

   - Scaling up support for the R&D directed to raise the productivity of small family farmers in developing countries, especially in Sub-Saharan Africa.
   - Attacking the technology challenge outside agriculture as well so as to provide more benefits to lower income consumers and smaller firms through more research, development and dissemination of appropriate technologies, together with training of smaller entrepreneurs to undertake technological upgrading.
   - Reforming patent practices for environment-related technology so that better practices can be adopted quickly around the world.

2 Exercising a higher level of competence and demonstrating greater concern for the welfare of developing countries' populations in the areas of trade, capital flows and aid. In each of these areas the time should be past when debates range around whether the phenomenon is good or not; rather these should be concerned with the conditions necessary to provide maximum benefits to developing countries. This should lead to greater international flexibility with respect to developing country trade policy, to an agreed-upon form of controlling the flow of short-term capital, and to improved allocation of aid.
3 Addressing the greatest "sins of commission" by the industrial countries in the developing countries. Doing so usually has no net cost to the industrial countries.

   - Most obvious is stopping the fostering of wars through a combination of buying minerals without concern for who controls them and selling arms. This calls for banning arms sales and developing a Charter for Natural Resource Revenues, for example, along the lines proposed by Collier (2007: 140). This latter would be designed to curb the exploitation of low income countries

through one-sided negotiations and bribery to monopolize the rents from natural resource exploitation.

- Penalizing multinational corporations that engage in other socially destructive activities such as the sale of cigarettes and unhealthy foods and the disposal of radioactive materials. The unacceptable irony that industrial countries let their multinational corporations (MNCs) victimize other populations after taking steps to prevent their victimizing our own must be ended.[11]

4 Taking seriously the potential benefits from a more organized and cooperative approach to international migration, one which looks for ways to bridge the gap between the enormous potential economic benefits and the common distaste on the part of host country populations for high levels of immigration, especially from countries perceived as being "different."

The technically easiest of the reforms which, judging by the above discussion, could be potentially important, involve reversal of the sins of commission—the fostering of wars and of welfare-reducing aspects of life style. The political challenges would be large, involving both the vested interests of those who gain from the practices and the argument that free enterprise is being constrained, particularly powerful in the United States. Since, however, the damaging impacts of these practices are transparently obvious, a strong political case can be made.

The easiest "reform" overall, taking account of both technical and political aspects, would be to strengthen the international public support apparatus for technological improvement in small-scale agriculture. A system is in place, and although it could probably benefit from some restructuring, the way ahead is rather straightforward—the insertion of many more resources.

Improving the flow of "environmentally green technology" is like curtailing the flow of cigarettes in that the benefits are transparently obvious. In this case it involves the welfare not just of the developing countries but of the whole world. The institutional side, however, requires innovations not necessary, for example, to improve performance in support of agricultural technology. It is necessary to combine strong financial and other incentives for productive R&D with a system that facilitates quick dissemination.

In the areas of trade and capital flows, opposition to serious reforms will, once again, be based both on vested interests and ideology-based misinterpretations of the benefits of unimpeded flows of goods and of capital. The current decision-making apparatus includes no way to

allow for the interests of developing countries. To work well, new or reformed institutions would not only have to have a good deal of autonomy in order to rectify that failing, but also to have a good level of technical expertise, a level that institutions like the World Bank and the IMF have sometimes but not always attained, and which is not part of the WTO's design. It remains to be seen whether the current world financial crisis will open the doors for significant reforms.

Conclusion

Thus far the industrial world and its IFI creations have, despite spots of light, done a generally poor job in facilitating the reduction of poverty and inequality and the associated improvements in economic welfare in the developing world. Most blatant and inexcusable has been the unwillingness to curtail the pernicious effects of the arms trade, bribery of local officials, the sometimes socially ill-advised exploitation of natural resources, and other obviously damaging impacts of industrial country activities. Even more serious, probably, have been the combined effects of misdiagnosis and of ideological bias and the resulting misfocus of the industrial country efforts to help the developing world. Land reform was ruled out for ideological reasons. Strong support for small farm agriculture got off to a good start with new Green Revolution technology but was then thrown off course by the downgrading of public sector activities, even though the requisite R&D was quintessentially public sector in nature. Especially with the arrival of the neoliberal revolution in economic thinking and the associated Washington Consensus, the benefits of liberalization were overstated and the potentially damaging effects (such as financial crises brought on by freeing of international capital movements) disregarded until it was too late to avoid many of the costs. This over-optimism helped to "crowd out" the needed efforts in the really important areas like agricultural technology. Finally, there has been very little coherence in the industrial country efforts, not surprising given the varied institutions involved and the lack of adequate institutions of global governance that might push for and enforce such coherence. Thus some of the benefits of improving agricultural technology have been lost through such industrial country policies as protection of their own agriculture and the espousing of free capital movements with resulting price instability in the developing countries. Turning this sad performance into a good one would perhaps require somewhat more resources, though this is unclear and certainly less important than refocusing the effort into those areas that can really pay off.

Notes

1 In the world spectrum of intra-country inequality, Canada and the United States are in the middle ranks. The ratio of average income of people in the top decile to that of people in the bottom decile is about 12:1–14:1 whereas in the Scandinavian countries it is 6:1–8:1 and in the world as a whole it is about 65:1. World Bank data online and Berry and Serieux, 2004: 168.
2 Near constancy of such single-number indicators does not mean that the whole distribution was unchanged. There is some evidence that the share of the top percentage or less of people has risen substantially in many countries and in the world.
3 There have been few careful estimates of the income accruing to such political power. Depending on its exact definition, it could probably reach as high as a quarter of national income in some countries. In other words, it is quantitatively significant.
4 The merits of this approach were laid out in detail by Lipton, 1989, among others.
5 For an extensive discussion of this problem see Goulet, 1977.
6 As of 2000, FDI stocks in developing countries were about 28 percent of GDP, an approximate peak for that ratio, which has since declined a little. If the average annual return to the host country per unit of FDI were 10 percent, that FDI would account for 2.8 per cent of national income and its effect on growth of that income would be small (United Nations, 2008).
7 It may well be, and in fact probably is the case, that free capital movements will at some point be optimal for the great majority of developing countries. The issue is whether they were optimal under the conditions prevailing in the 1980s.
8 For an interesting quantitative analysis see Woolcock et al., 2001.
9 In other words, to follow the path taken in the great success stories of East Asia, and the impressive experiences of the larger Latin American countries like Brazil, Mexico, and Colombia.
10 Thus the 51 billion dollars gain estimated by World Bank (2005) would be 0.16 percent of industrial country GDP, i.e. less than one-fifth of 1 percent. See Pritchett, 2006: 4.
11 A good guide to the issues within this area is Richter, 2001.

Bibliography

Berry, Albert (2008a) "Growth, Employment and Distributional Impacts of Minerals Dependence: Four Case Studies," *South African Journal of Economics*, 76: S2 (August).

——(2008b) *Taking Off Into Sustained, Equitable Growth: Lessons from Successes and Failures*, Unpublished manuscript.

Berry, Albert, and John Serieux (2004) "All about the Giants: Probing the Influences on Growth and Income Inequality at the End of the 20th Century," CES*ifo Economic Studies*, 50(1): 133–70.

——(2007) "Riding the Elephants: The Evolution of World Economic Growth and Income Distribution at the End of the 20th Century," in K.S. Jomo with

Jacques Baudot (eds.) *Flat World, Big Gaps* (New York: United Nations Department of Economic and Social Affairs).

Bhagwati, Jagdish (2003) "Borders Beyond Control," *Foreign Affairs*, 82(1): 98–104.

Bourguignon, Francois and Christian Morrisson (1990) "Income Distribution, Development and Foreign Trade: A Cross-Sectional Analysis," *European Economic Review*, 34(6): 1113–133.

Bruton, Henry (1987) "Technology Choice and Factor Proportions Problems in LDCs," in Norman Gemmell (ed.) *Surveys in Development Economics* (Oxford: Blackwell).

Byerlee, Derek, and Ken Fischer (2002) "Accessing Modern Science: Policy and Institutional Options for Agricultural Biotechnology in Developing Countries," *World Development*, 30(6): 931–48.

Collier, Paul (2007) *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It* (Oxford: Oxford University Press).

Clemens, Michael (2007) "Do Visas Kill? Health Effects of African Health Professional Migration," Working Paper 114 (Washington, DC: Center for Global Development).

Evenson, Robert E. and Douglas Gollin (eds.) (2001) *Crop Variety Improvement and its Effect on Productivity: The Impact of International Agricultural Research* (Wallingford: CAB International).

Falcon, Walter P. and Cary Fowler (2002) "Carving Up the Commons—Emergence of a New International Regime for Germplasm Development and Transfer," *Food Policy*, 27(3): 197–222.

Goulet, Denis (1977) *The Uncertain Promise: Value Conflicts in Technology Transfer* (Washington, DC: Overseas Development Council).

Kapur, Devesh, John P. Lewis and Richard C. Webb (1997) *The World Bank—Its First Half Century* (Washington, DC: Brookings Institution Press).

Lipton, Michael (1989) *New Seeds and Poor People* (London: Unwin Hyman).

Mellor, John (2001) "Faster, More Equitable Growth—Agriculture, Employment Multipliers and Poverty Reduction," paper prepared for USADD/G/EGAD.

Moran, Theodore H. (2001) *Parental Supervision: The New Paradigm for Foreign Direct Investment and Development* (Washington D.C.: Institute for International Economics).

Nunnenkamp, Peter and Julius Spatz (2003) "Foreign Direct Investment and Economic Growth in Developing Countries: How Relevant Are Host-Country and Industry Characteristics?" Kiel Working Paper 1176 (Kiel, Germany: Kiel Institute for World Economics).

Pritchett, Lant (2006) *Let Their People Come: Breaking the Gridlock on Global Labor Mobility* (Washington, DC: Center for Global Development).

Richter, Judith (2001) *Holding Corporations Accountable: Corporate Conduct, International Codes and Citizen Action* (New York: Zed Books).

Spielman, David J. (2006) "Pro-Poor Agricultural Biotechnology: Can the International Research System Deliver the Goods?" *Food Policy*, 32(2): 189–204.

Stewart, Frances (1977) *Technology and Underdevelopment* (London: Macmillan).

Tripp, Robert (2002) "Can the Public Sector Meet the Challenge of Private Research? Commentary on 'Falcon and Fowler' and 'Pinglai and Traxler'," *Food Policy*, 27(3): 223–238.

United Nations (2008) *World Investment Report: 2008* (New York: United Nations).

Wilkinson, Rorden (2006) *The WTO: Crisis and the Governance of Global Trade* (London: Routledge).

Woolcock, Michael, Lant Pritchett, and Jonathan Isham (2001) "The Social Foundations of Poor Economic Growth in Resource Rich Countries," in Richard M. Auty (ed.) *Resource Abundance and Economic Development* (New York: Oxford University Press).

World Bank (2005) *Global Economic Prospects; Economic Implications of Remittances and Migration* (Washington, DC: World Bank).

Part II

Bretton Woods and the amelioration of poverty and inequality

3 IMF rhetoric on reducing poverty and inequality

Bessma Momani

At the end of World War II, the International Monetary Fund (IMF) was created by Western powers as part of the global governance architecture to create economic stability in the international system. The post-war global architecture promoted a development orthodoxy: economic liberalism would lead to economic growth that would then trickle down to poorer segments of society. As global poverty and inequality have continued to grow, however, the wisdom of this development orthodoxy has been repeatedly questioned. As the IMF and the World Bank are at the center of the global governance architecture that continues to defend this mainstream approach to development, their responsibility in furthering and perhaps exacerbating poverty and inequality via their policies has also been pointed out. Moreover, as the IMF and World Bank profess to have the expertise and knowledge to solve poverty and inequality, their role in changing the debate and discourse on how to address and think about this global humanitarian dilemma is important to unpack.

The purpose of this chapter is to trace the Fund's organizational discourse and resistance to coming to terms with its role in reducing poverty and inequality and to suggest how the Fund can be reformed to better meet the needs of its poorest clients. By examining IMF management studies and speeches as well as IMF staff studies and reports on the issue of poverty and inequality, this chapter process-traces how the internal discourse evolved in reaction to external events and circumstances. By opening up the "black box" of the IMF, this chapter aims to show how the Fund's internal thinking on these issues changed as Michel Camdessus took the helm and yet in many ways the organizational culture of the Fund shaped internal thinking to keep things "business as usual." The chapter concludes with an assessment of current proposals to reform the Fund to enable it to be more receptive to the needs of its largest clients: the developing world's poor.

The IMF, an international organization initially designed to promote global monetary cooperation among the industrialized countries, has been often accused by its critics of being ill-suited to meet the needs of developing countries. Since the IMF started lending exclusively to developing countries in the late 1970s, debate over its role with respect to poverty and inequality in these countries has continued to surface in academic and policy circles. The Fund, for most of its history, has proclaimed that its role and expertise in facilitating programs that promote economic growth has made it well suited to advising developing countries and that economic growth will eventually help in reducing poverty and inequality. Throughout the debt crisis and periods of structural adjustment policies, academic and IMF debate waxed and waned over the question of whether Fund programs helped or hindered economic growth, and often the early empirical results rested in the Fund's favor (Vreeland, 2003: 3).

As the IMF was commemorating its 50-year anniversary in 1994, pressure from the non-governmental organizations (NGOs) started to mount on the continued plight of low-income countries that had unsustainable debt burdens and its effect on the world's poor. The IMF tried to justify its preferred creditor status and advance the notion that low-income debtors had a temporary liquidity problem that could be solved through their financing arrangement and that low-income debtors were not actually insolvent (Evans, 1999: 267–79). After significant internal IMF debate on how much and how wide to apply multilateral debt relief to poor countries—with progressive forces in the UK, Canada, and the United States against conservative positions in France, Germany and Japan—the IMF initiated the Heavily Indebted Poor Countries (HIPC) initiative in 1996 that would give phased-in debt relief to select countries (Momani, 2008: 3). The HIPC process required all low-income debtor countries that wanted to receive debt relief to borrow from the Poverty Reduction and Growth Facility (PRGF) fund (formerly the Enhanced Structural Adjustment Fund) and to comply with the Poverty Reduction Strategy Paper (PRSP) initiative. The PRSPs required low-income countries to "take ownership" of their own policies by consulting with stakeholders and crafting their own programs.

The financial crises of the late 1990s, however, put serious doubts in the minds of not just academics and civil society actors, but also policymakers in the industrialized countries who questioned whether Fund policies also hurt economic growth (Vreeland, 2003: 3). Policymakers in the industrialized countries joined in the debate with academics over the merits of IMF policies; and earlier evidence suggesting that Fund

programs were distribution-neutral began to be seriously questioned by policymakers. In addition to mounting external criticism of the "Washington Consensus," the IMF was also criticized for its callousness toward the poor, particularly in Africa, by being out of touch with the local needs of its clients (Evans and Finnemore, 2001). The basis of the Fund's earlier argument for why it was well suited to advise developing countries was now a shaky one.

Management comes to terms with addressing poverty and inequality

The IMF staff had argued for many years that measuring the effect of its lending programs on what it calls the "social dimension"—which includes poverty, unemployment, and social services—was objectively difficult to carry out considering the lack of data. Moreover, the IMF had pointed out that there were a number of counterfactual arguments that could be made to explain why perhaps IMF programs produced negative social costs; in particular, the lack of implementation or government "slippage," the short-sighted nature of measuring social costs, the condition of borrowing countries before taking on Fund loans, and global economic pressures. Nevertheless, IMF thinking on poverty and inequality, particularly among its management, had evolved over the past 20 years. With mounting criticism over the IMF's structural adjustment policies and its central role in managing the debt crisis, the IMF started to discuss the issue of poverty and inequality in the early to mid-1980s. Fund staff, however, tended to avoid using the terms "poverty" and "inequality" as social factors; instead, economic growth and income distribution were discussed in macroeconomic terms (Vetterlein, 2008).

A number of countries that undertook IMF programs throughout the 1970s had seen—by the IMF historian's own account—"violent and deadly protests" that the IMF could not ignore despite arguing that these were not because of IMF programs per se (Boughton, 2001: 689). The 1977 "bread riots" in Egypt, for example, were high in the minds and memory of IMF management and the Executive Board (Boughton, 2001: 689; Momani, 2005c). On the one hand, according to an IMF staff study, the institution believed that these protests were often guided by a politicized urban middle class and not the rural, or "really poor," who did not benefit in the same way from government subsidies (Khan and Knight, 1986: 32). On the other hand, the IMF felt it could no longer ignore the public connection being made between IMF programs, poverty and inequality. Moreover, some of this external criticism came from across the street, at the World Bank, which made IMF

staff and management keen to discover whether there was indeed some connection.

IMF managing director Johannes Witteveen directed his staff thus: "It seems important for us to follow these [World Bank] studies closely. The IBRD [International Bank for Reconstruction and Development] seems to be on a risky and debatable course that could easily lead to some conflict with Fund policies. I wonder whether we should not do some research of our own in this field" (Boughton, 2001: 696, fn 13). In response to the managing director's request, two IMF economists undertook a study of four countries with Fund programs and argued that "measures taken as part of stabilization programs inevitably have repercussions on the distribution of income," but that effects on poverty and inequality were more dependent on the particulars and characteristics of borrowers' economies than on the Fund programs (Johnson and Salop, 1980: 2). Although this study "grew to be considered by academics as the Fund's response" to the question of a connection between Fund programs, poverty and inequality, external criticism from academia and the World Bank continued to mount (Boughton, 2001: 696, fn 13).

At the request of the IMF Executive Board, in 1986, the IMF staff produced a series of working papers to answer some of the external criticism of the Fund's ideology and prescriptive for developing countries. The principal staff study maintained that there was no simple empirical way to test whether IMF programs had a negative distributional effect on borrowers. More importantly, staff argued that Fund programs were implemented by borrowing countries who chose the policy mixes that could negatively affect particular social groups. Since the IMF must respect a country's political independence, "the Fund position on distributional issues remains that distributional policies are entirely a sovereign issue" (IMF, 1986: 4). Several of these studies were further published in a March 1986 issue of the Fund's *Finance and Development* journal to disseminate their findings to a wider community. IMF Fiscal Affairs Department economist Charles Sisson (1986: 36) would again hit home the point: "distributional issues have always been an inherent, if unspecified, element in [IMF] programs. However … the Fund has generally maintained that distributional issues are primarily an internal political concern." For many years, IMF staff maintained that distributional issues, such as inequality, were normative issues that concerned Fund staff, but that were out of the staff's control as this was ultimately up to the country policymakers. This is a position that effectively allowed Fund staff to separate poverty and inequality in its analysis and discussions. Specifically, the Fund

discussed poverty in its studies, but veered away from discussions over income distribution and inequality.

IMF staff also argued that it would not be a surprise to find that its borrowers might experience increased inequality and poverty, but this was because these countries were already undergoing difficult economic times before they accepted IMF financing. Charles Sisson suggested that one could not determine the effect of Fund programs on borrowing countries without a cross-comparative analysis of borrowing and non-borrowing states. Keeping this in mind, Sisson argued that it would be difficult to assess the impact of IMF programs on poverty and inequality because economic models are not available to do this accurately, comparisons with non-borrowers were difficult because of differing circumstances, and data are often lacking in many developing countries (Sisson, 1986: 33–36). In the same March 1986 issue of *Finance and Development*, the IMF's Khan and Knight (1986: 32) added that Fund programs spur economic growth in the medium term and criticism of Fund programs is simply short-sighted. In his article, Sisson (1986: 33) concluded that "the debate over some Fund-supported adjustment programs may be more a reaction to the required adjustment, organized affected groups, than an indictment of the type of adjustments measures implemented under Fund-supported programs." In other words, the debate over the Fund's involvement in exacerbating poverty and inequality had more to do with an IMF public relations problem and using the IMF as a scapegoat than with the fundamentals of IMF advice (Heller, 1988).[1]

Michel Camdessus took over the helm in 1987 and ushered in a new understanding of poverty and inequality that moved the IMF one step closer to acknowledging responsibility in these issues. Under Camdessus the IMF had a norm champion within the organization who wanted to think seriously about the ways in which the IMF needed to take responsibility for its role in developing countries' social as well as economic development (Mallaby, 2004: 105–14).[2] In a 1990 speech before the United Nations Economic and Social Council (ECOSOC), Camdessus (1990: 11) stated: "We are striving to improve the design of our programs to ensure a better blend of adjustment, growth, and equity and, in particular, to ensure that the plight of the poor is properly recognized." The goal would be, in Camdessus' words, "high quality growth" whereby the Fund would maintain its objective of designing programs that promoted overall economic growth, but these programs would be mindful of and steer away from potentially negative social and distributional effects (Camdessus, 1990: 11). Thus, Camdessus brought equity concerns onto the IMF agenda, marking a change in

previous internal arguments that the IMF staff had no business in what had previously been considered a sovereign matter. Moreover, Camdessus' view of how to improve equity was in keeping with the World Bank's view that spurring economic growth was part of the remedy to inequality.

One year after introducing the term "high quality growth" into Fund parlance, Camdessus requested all IMF department heads to consider the effect of IMF programs on the poor in all Fund lending programs (Boughton, 2001: 698, fn 144). Here the IMF would begin to learn more about measuring the effects of its programs on the poor from the World Bank. Through joint IMF-World Bank cooperation on the Policy Framework Papers (renamed the Poverty Reduction Strategy Papers in 2000), the IMF staff would be involved in assessing the effect of lending programs on the poor, in designing social safety nets to protect them, and "drawing on the [World Bank's] extensive experience in this area" (Gupta and Nashashibi, 1990: 13). Fund staff would also begin to "build a data base to construct brief profiles of the poverty situation for many of the member countries" and "quantify the impact of policies on the poorest groups" (Gupta and Nashashibi, 1990: 14). This was an attempt by management to shift IMF staff thinking, where less than five years earlier IMF staff had suggested the near impossibility of measuring and verifying the poor and IMF program impact. Under Camdessus' reign, Fund management initiated a top-down effort to have the Fund come to better terms with the concern that IMF programs might be negatively affecting the poor.[3]

Throughout the 1990s, the IMF maintained that for countries to alleviate poverty and inequality, they needed to increase domestic economic growth. IMF staff had also argued that Kuznets' theory regarding the relationship between economic growth and inequality was no longer supported by empirical evidence. Kuznets' theory proposed that in developing countries one might find that, in the short term at least, economic growth could exacerbate inequality, but that as growth continued, it would gradually lesson (Kuznets, 1955). This relationship was shown in the Kuznets Curve, which showed inequality worsening in the early stages of economic growth, but leveling out and even declining as growth continued over the longer term. IMF staff disputed Kuznets' theory and argued that the empirical evidence suggests that in developing countries economic growth could concur with improved income distribution. Examining 20 developing countries, World Bank staff had found economic growth was uncorrelated to changes in income distribution—refuting the premise of the Kuznets Curve (Bruno et al., 1999). Subsequently, Fund research suggested that

economic growth could help alleviate poverty when combined with an effective social policy that targeted lower income groups (Tanzi, 1997). Following an IMF conference in 1995 on income distribution and sustainable development, the IMF formulated its new thinking on the interrelationship between poverty, growth and inequality:

> (1) *policies that promote equity can enhance growth prospects* … (2) *economic growth may not necessarily lead to a strong reduction in poverty, particularly in the short run*, unless supported by appropriate policies and institutions that incorporate the poor in the growth process; and (3) *the provision of social safety nets may be conducive to long-term growth*, given that the protection of vulnerable groups from the potentially adverse effects of economic reform may help garner political support for economic reforms.
>
> (Tanzi, 1997)

By the late 1990s, the IMF recognized that fiscal policies prescribed in its programs were not just macroeconomic tools, but also had implications for income distribution and economic growth (IMF, 1998). The Fund also maintained its previous assumption that borrowing countries were still free to choose appropriate policy mixes to meet IMF program objectives. The question would be how to make borrowers promote the kinds of policy mixes that the Fund believed would meet the objective of economic growth while not exacerbating distribution gaps and harming the poor. The IMF still maintained that its prescription for macroeconomic adjustment was sound and that country failures were often at the implementation stage when borrowers chose inappropriate policy mixes.

In response, the IMF and the World Bank would require low-income countries (including 78 of the poorest IMF member states) to commit to PRSPs, a set of documents that laid out government plans for meeting debt restructuring and poverty alleviation, and which were described by Fund staff as "the centerpiece of the international community's new assault on poverty" (Ames et al., 2002). Since 1999, low-income members borrowing funds from the IMF have been required to craft PRSPs that build broad domestic coalitions to "own" the policy mixes that explicitly achieve "a comprehensive country-based strategy for poverty reduction" (IMF, 2008).

Organizational and cultural challenges to IMF change in policy

Since 1999, the IMF's approach to reducing poverty and inequality has been through the PRSPs. Borrowing states would be "in the driver's

seat of their own development" and "own" their policy mixes through domestic political dialogue with civil society, parliamentarians, and the wider public (IMF, 2001: 47). The IMF also recognized that this "requires a shift in the [Fund] organizational cultures and attitude" (IMF, 2001: 48). However, the IMF has had a difficult time in providing the expertise required to adequately monitor the kinds of changes needed. In a 1998 address to Seton Hall University on the issue of poverty, social justice, and debt relief, Camdessus (1998) noted, "we recognize a need to continue to deepen our attention to social policies in partnership with the authorities and with other official agencies and the NGOs. *But we are mainly economists, particularly attentive to macroeconomic realities*" (emphasis added). The IMF management, and at times the Executive Board, would soon realize that there was a problem with the Fund having almost exclusively macroeconomists on its staff.

Viewed as a setback for civil society actors who had made some headway with Michel Camdessus, a new managing director (Horst Kohler) took office in May 2000. As the head of the Jubilee 2000 noted, Camdessus was morally moved by the issue of poverty as he was "face to face with the hostility of world Catholic leaders toward the institution he led and its economic policies" (Pettifor, 2006). The new managing director took stock of the growing criticism surrounding the IMF. On the one hand, there was growing external criticism from prominent economists, the US Congress, and powerful emerging market economies for IMF failures in predicting and handling financial crises at the turn of the century and for the expanding purview of IMF staff who imposed intrusive loan conditions, or staff "mission creep" (extending the scope of work beyond what was originally mandated or delegated by management and state capitals). On the other hand, borrowing countries cried foul for intrusive IMF conditionality that transcended the traditional areas of IMF expertise, monitoring, and advising on exchange rate cooperation. Kohler came to the IMF with a fresh perspective on changing the Fund from within and directed a number of studies to see what could be done to address the concerns over mission creep and intrusive Fund advice (Momani, 2005b: 142–63). The internal staff findings raised more questions than answers and called into question the ability of the IMF staff to manage Fund programs that ensured timely payback of IMF funds while encouraging so-called country ownership. Moreover, the IMF studies argued that IMF staff did not have the skill-set or "toolkit" to measure or determine country ownership, and that reaching political consensus on reforms was almost impossible to achieve and measure in many countries (Policy Development and Review Department, 2001).

The Independent Evaluation Office (IEO), an independent arm of the IMF mandated to give objective assessment of Fund policies and activities, conducted an evaluation of the Fund's role in the PRSPs in 2004. The report was prompted by the managing director's questioning of country ownership and Fund staff mission creep that was a growing concern among borrowers. While the report noted that it was premature to judge whether the PRSPs helped in reducing poverty (with one passing reference to inequality), they did point out some concerns with the breadth of country ownership among debtors using PRSPs (IEO, 2004: 7). Similarly, academic studies of the PRSPs noted the "challenge of institutionalizing participation" where governments control participation of civil society, rural poor are ignored, governments remain suspicious about the motives of civil society, and elected parliamentarians remain omitted from the PRSP process (Cheru, 2006: 355–76). Civil society groups echoed similar concerns. The Bretton Woods Project argued that ownership was not being achieved, but rather that countries agreed to Fund conditions for "tactical reasons" (Wood and Lockwood, 1999). Eurodad argued that many government authorities in borrowing countries do not have the capacity to implement prescribed policies which are imposed rather than owned (Eurodad, 2006). Finally, Oxfam International (2004) argued that many sectors of society were ignored in the so-called country consultation process that is meant to lead to ownership. As one IMF staff member noted in a personal interview, the PRSP process was "a joke" where debtors asked Fund staff to help them write in the "ways to own their policies."[4] Country officials were motivated to engage in the PRSP process to fulfill the requirements for debt relief and did not internalize the process in a normative way (IEO, 2004: 24).

The IEO 2004 report also noted that there was a lack of clarity within the IMF on its actual role in this new process. The report observed that the IMF staff did not see the PRSPs "as implying fundamental changes in the way the IMF would contribute to a broad-based policy debate on the macroeconomic aspects of countries strategies" (IEO, 2004: 24). In fact, based on an IEO survey of Fund staff, only 20 percent had believed that the PRSPs changed policy discussion with country officials (IEO, 2004: 7). Part of the challenge was that Fund staff were still expected to achieve macroeconomic results when the agreements expired in two to three years and consequently the Fund prescriptive remained virtually unchanged (IEO, 2004: 63). In an IEO survey in 2007, all of the IMF mission chiefs (who lead negotiations on terms and conditions of IMF loan programs with country officials) surveyed believed that PRGF programs did influence government

policies on macroeconomic stability, the majority agreed that PRGFs did influence government policies on growth, but only 45 percent viewed PRGFs as instruments to reduce poverty and only 20 percent believed PRGFs to be instruments to meet the United Nations (see Figure 3.1) Millennium Development Goals (MDGs) that focus on targeted goals to uplift the world's poor (IEO, 2007: 28–30).

IMF staff were put in awkward positions to talk and act like a development institution, borrowing much of the language used in the World Bank, while at the same time holding to the institution's informal motto of "It's Mainly Fiscal!" As Graham Bird aptly noted, "On its website, the IMF clearly states that it is 'a monetary not a development institution' … It is difficult to imagine more important development issues than poverty and growth. This implies something of a split institutional personality and a potential—and one suspects actual—cause of internal ambiguity and tension" (Bird, 2004: 621). Herein was an internal organizational challenge for the IMF: the technocratic impulse of the organization to prescribe fiscal conservative policies and the top-down, external pressure to factor in social policies in the design of its programs. This incongruity led to increased IMF rhetoric on combating poverty and inequality while the IMF modus operandi remained unchanged.

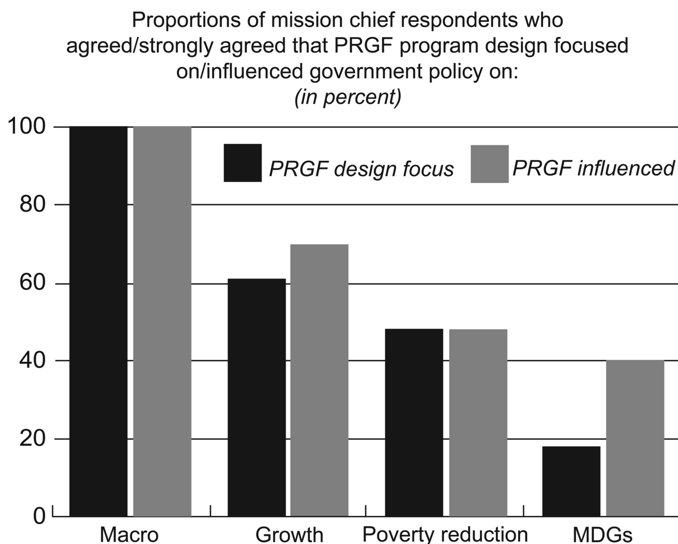

Figure 3.1 Survey views on relevance of PRGFs.
Source: IEO (2007), p. 28.

The IEO's 2007 report on the IMF relationship with Sub-Saharan Africa highlighted this grave disconnect between rhetoric and reality. It noted,

> When the PRGF was introduced, it was meant to be more than a name change. It set out a new way of working, grounded in the PRS [Poverty Reduction Strategy] process, with programs based on specific country-owned measures geared to poverty reduction and growth, and an ambitious vision of the IMF's role on the analysis and mobilization of aid, working in close partnership with the Bank. But in the face of a weakening consensus in the Board and a staff professional culture strongly focused on macroeconomic stability—and, most important, changes in senior management and a resulting lack of focused institutional leadership and follow-through—the IMF gravitated back to business as usual.
>
> (IEO, 2007: 1)

The disconnect between IMF rhetoric and reality was fueled, according to the IEO report, by then managing director Michel Camdessus' emphasis on "high quality growth" where he made poverty reduction and economic growth conceptually inseparable (IEO, 2007: 33). While the IMF communication policy, particularly in the External Relations Department, needed to fall in line with the managing director's new message, the same would not hold true among the IMF staff. Fund staff were not internalizing management directives and as noted above, operated under "business as usual" auspices. The consequence of this lack of staff internalization of the "high quality growth" message was, in the words of the IEO: "reinforced cynicism about, and distrust of Fund activities in SSA [Sub-Saharan Africa] and other low-income countries" (IEO, 2007: 33). This raises questions about how the Fund can be reformed to better meet the needs of poor countries.

Reforming the IMF for its poorest members

There is no panacea for the IMF's woes in dealing with the endless amount of criticism leveled against it. Yet, there is a near cottage industry devoted to IMF reform proposals around the Washington beltway. This section tries to assess whether some of these proposals will help meet the needs of the IMF's poorest members.

One of the more popular proposals by far is to move 78 countries identified by the IMF as low-income countries (eligible for concessional lending) out of the IMF's jurisdiction and into the World Bank.

Academics and analysts had become more vocal in pointing to the World Bank as a more appropriate institutional forum for dealing with the development of low-income countries. Pundits have argued that the IMF should move away from lending and focus on its core areas of expertise: providing bilateral and multilateral surveillance (Truman, 2006). Simply put, the PRGF should be moved from the IMF to the World Bank (Birdsall and Williamson, 2002). As discussed above, the IMF has leaned heavily on the World Bank for know-how on measuring and assessing poverty and inequality. The World Bank clearly has the comparative advantage to offer the services and staff skills needed by many poor countries that access the PRGF. Shifting responsibility for the PRGF from the Fund to the Bank has received some support from officials in the US Treasury Department (Adams, 2006). But is it practical to expect the Fund to relinquish its lending to low-income countries to the World Bank? I would argue that this is highly unlikely because of a number of factors.

First, IMF officials point out that the low-income countries of today may become the emerging market economies of tomorrow; it would thus be short-sighted for the IMF to give up its institutional involvement in low-income countries (Boughton, 2009, forthcoming). Second, the IMF argues that it is has a unique staff skill-set that is still able to offer policy advice on improving governance, increasing revenue, and controlling spending (Boughton, 2005: 27–46). Finally, moving the PRGF to be held exclusively at the World Bank will be rejected by the Fund for self-interested reasons. It appears that in the short term, at least, the IMF will have few if any clients seeking funding beyond the low-income countries. Emerging market economies are no longer interested in borrowing from the Fund and are creating regional alternatives (Helleiner and Momani, 2008). There are calls to augment the Fund's role in its traditional areas of expertise—exchange rates and surveillance—but these do not generate income for the organization and one cannot underestimate the bureaucratic motivation to continue to serve low-income countries.

Another set of proposals that have been considered include electing a managing director from the developing world and increasing the relative quota shares of low-income countries. Former Fund executive directors that have represented poor country constituencies have argued that their low voting share in the organization has been to the detriment of the members that they represent. They have argued that if their voting rights were enhanced, then they would be able to more forcefully reject the Fund staff prescriptive that has at times harmed their constituents. Similarly, the offices of the executive directors representing

poor countries are often understaffed and under-skilled. With so many constituents to represent, poor countries have weak voices at the Executive Board and are less capable of resisting Fund staff pressures to liberalize (Rustomjee, 2004; Rustomjee, 2005; Buira, 2003; Mirakhor and Zaidi, 2006). These proposals are morally persuasive, but it is not clear how these changes to Fund governance will materialize into substantive changes in Fund policies and behavior toward poor countries. Changes in Fund governance to give low-income countries more say in IMF decision-making may not translate into changes in day-to-day prescriptions that are designed by IMF staff.

Consequently, as I have argued elsewhere, perhaps the IMF should think about reforming its staff to encourage substantive policy changes; in particular, promoting political-economy training that is sensitive to the needs of Fund borrowers (Momani, 2007: 39–57). As discussed in the previous section, the IMF's technocratic organizational culture is focused on meeting macroeconomic stability goals—at times at the expense of political-economic ones. This has had devastating political consequences for many of the IMF's poorest clients. Fund staff have often tried to wish away the political realities of the poorest countries, particularly in Africa, but a lack of understanding of their needs has resulted in unintended political consequences that have harmed many poor countries' polities (Woods, 2006). There is no substitute for local political knowledge in furthering economic reforms in many poor countries (Evans and Finnemore, 2001). The problem, however, is that IMF staff are trained as macroeconomists with little to no training in political economy. The Fund recruits neoliberal economists who are trained in similar perspectives and paradigms from a small pool of accepted universities and training backgrounds (Chwieroth, 2007: 443–63; Momani, 2005a). Moreover, while it could be argued that political economy sensitivity is a skill gained on the job through participating in numerous missions, it has also been shown that often the poorest countries and regions (most notably in Africa) get the most inexperienced of IMF staff (Woods, 2006: 157). Moreover, there is an internal organizational preference to work in mainly non-borrowing departments (such as the Western Hemisphere and European departments).[5]

Michel Camdessus (2000: 10) once noted an often cited analogy: "[b]laming the IMF for the pain of adjustment is a bit like blaming a doctor because all the people he visits seem to be sick!" Well, it is one thing to say poor countries do not want to take their medicine because it tastes bad or it is politically inconvenient—as many have implied—it is entirely another to say that the medicine is thrown-up because it cannot sit in the stomach of the body politic. I am not doubting the

IMF's economic and theoretical logic (or to take the medical analogy further—the scientific composition of the medicine), nor the country's determination and "ownership" to improve (the patient's desire to get better); but rather there is serious doubt about the ability to implement the policy advice (that is, the ability to digest the medicine and not have the body reject it). Fund staff could better serve the needs of its poor members with greater political-economic sensitivity in the design of its loans. *Governance* reforms, which have dominated IMF reform debates today, without *functional* reforms would do little to serve the needs of the IMF's poorest clients.

Conclusion

The IMF has been blamed for many of the economic, political and social ills of its poorest members. Over the years, it has taken greater interest in addressing these criticisms, particularly as there has been growing pressure from civil society and industrialized country taxpayers to force the Fund to become more transparent and accountable for its activities and policies (Cotarelli, 2005). IMF management has also shown sensitivity to this external criticism. Michel Camdessus, and Kohler to a lesser extent, took a personal interest in understanding the connections between IMF programs and poverty and inequality. Although Fund managers did come to recognize the importance of reducing poverty and inequality and made this a top-down communication directive, two realities contradicted management's rhetoric. First, country ownership soon became a facade that governments were willing to adopt to get through the Fund's internal bureaucratic process. Second, Fund staff resisted attempts to internalize these changes and continued to operate along "business as usual" lines, designing programs that would meet the objectives of macroeconomic stability. So, while IMF staff suggested varying responses to the question of whether IMF programs could hurt the poor, there remained an underlying organizational agreement that IMF members were ultimately responsible for the policy mixes they chose.

The IMF in many ways devolved its liability to borrowing governments and the PRSPs would, it was believed by the Fund, ensure that borrowing states through wide consultations with domestic stakeholders would come to "own" their policies and thereby improve their economies. This became "a joke," in the words of a Fund staff member, because country officials could not own the painful policies asked of them and unofficially asked Fund staff to help them devise their PRSPs. IMF staff did not have the political-economic toolkit to

monitor and assess this as well, and reverted to measuring progress of the PRGF programs on the basis of macroeconomic stability. The Fund staff would operate with a "business as usual" approach.

The result of this ratcheted-up rhetoric about reducing poverty and enhanced country ownership on the one hand, with the policy reality of little change in the working of the Fund, was a further loss of the IMF's legitimacy and reputation (Best, 2007: 469–88). The Fund's failure to deliver on poverty reduction, however, has been incorrectly interpreted as an example of IMF callousness toward helping the poor. From an organizational perspective, because they are macroeconomists IMF staff do not have the skill-set, and simply do not know how to reduce poverty beyond economic theory that links poverty reduction with growth. It is no surprise, then, that the Fund's organizational culture resists attempts to incorporate poverty reduction in its work objectives by reframing the issue into measurable macroeconomic variables and objectives. Despite attempts by management and, at times, the Executive Board, to have IMF staff internalize poverty reduction in its programs, the Fund's technocratic organizational culture regurgitates this directive into the same old IMF lending arrangements that emphasize macroeconomic stability and growth—at times, at the expense of societal factors.

At the heart of the problem is the lack of organizational know-how and expertise in dealing with the needs of many poor countries. In particular, the IMF is unskilled at providing politically sensitive reform policies that do not have the unintended consequences of harming borrowing countries' polities. It has been suggested that the IMF consider letting go of the PRGF and handing it over to the World Bank, but this appears to be politically difficult to implement in a time when the Fund's only remaining clients are the low-income countries. The Fund needs substantive changes to the way things are done, and this requires bottom-up reform of the organization's staffing resources. Without any serious challenge to the IMF's organizational dynamics, as the PRSPs have shown, things will remain "business as usual" and the rhetoric–reality gap will continue to widen.

Notes

1 Another IMF staff study was done in 1988 to measure the effect of fund-supported programs on poverty in seven cases. Heller et al. came to similar conclusions: poverty and inequality were determined by the "policy mixes" used by program countries and not by Fund conditionality per se.

2 World Bank president James Wolfensohn took the helm on 1 June 1995, and in trying to find his own raison d'être Wolfensohn started with progressive stances on issues related to poverty and inequality as well.

3 Based on an interview with a Canadian executive director on 24 January 2008 in Ottawa, Canada.
4 Based on an interview with a former staff member and advisor to the Executive Board on 3 March 2004.
5 Based on personal interviews with former senior Fund officials conducted in Washington, DC on 3 and 5 May 2006.

Bibliography

Adams, Timothy (2006) "Statement by the Under Secretary for International Affairs in Advance of Meetings of the G7, IMF, and World Bank," April 19 (Washington, DC: Department of the Treasury). Available HTTP: www.treasury.gov/press/releases/js4193.htm (accessed 17 July 2009).

Ames, Brian, Gita Bhatt, and Mark Plant (2002) "Taking Stock of Poverty Reduction Efforts," *Finance and Development*, 39(2): 1–5. Available HTTP: www.imf.org/external/pubs/ft/fandd/2002/06/ames.htm (accessed 17 July 2009).

Best, Jaqueline (2007) "Legitimacy Dilemmas: The IMF's Pursuit of Country Ownership," *Third World Quarterly*, 28(3): 469–88.

Bird, Graham (2004) "Growth, Poverty and the IMF," *Journal of International Development*, 16(4): 621–36.

Birdsall, Nancy, and John Williamson (2002) *Delivering on Debt Relief: From IMF Gold to a New Aid Architecture* (Washington, DC: Center for Global Development and Institute for International Economics).

Boughton, James (2001) *Silent Revolution: The International Monetary Fund 1979–89* (Washington, DC: IMF).

——(2005) "Does the World Need a Universal Financial Institution?" *World Economics*, 6(2): 27–46.

Boughton, James and Domenico Lombardi (eds.) (2009) *Finance, Development, and the IMF* (Oxford: Oxford University Press).

Bruno, Michael, Martin Ravallion, and Lyn Squire (1999) "Equity and Growth in Developing Countries: Old and New Perspectives on the Policy Issues," World Bank Policy Research Working Paper no. 1563, 30 November (Washington, DC: World Bank). Available HTTP: http://ssrn.com/abstract=604912 (accessed 17 July 2009).

Buira, Ariel (2003) *The Governance of the International Monetary Fund* (Washington, DC: Group of 24). Available HTTP: www.g24.org/imfgover.pdf (accessed 17 July 2009).

Camdessus, Michel (1990) "Aiming for High Quality Growth," *Finance and Development*, 27(3): 10–11.

——(1998) "Addressing Concerns for the Poor and Social Justice in Debt Relief and Adjustment Programs," Address to a Conference on the *Ethical Dimensions of International Debt*, Seton Hall University, South Orange, New Jersey, 22 October. Available HTTP: www.imf.org/external/np/speeches/1998/102298.htm (accessed 17 July 2009).

——(2000) *The IMF and Human Development: A Dialogue with Civil Society* (Washington, DC: IMF).

Cheru, Fantu (2006) "Building and Supporting PRSPs in Africa: What Has Worked Well So Far? What Needs Changing?" *Third World Quarterly*, 27(2): 355–76.

Chwieroth, Jeffrey (2007) "Neoliberal Economists and Capital Account Liberalization in Emerging Markets," *International Organization*, 61(2): 443–63.

Cotarelli, Carlo (2005) "Efficiency and Legitimacy: Trade-Offs in IMF Governance," Working Paper 05/107, June (Washington, DC: IMF). Available HTTP: www.imf.org/external/pubs/ft/wp/2005/wp05107.pdf (accessed 17 July 2009).

Eurodad (2006) "World Bank and IMF Conditionality: A Development Injustice," *Eurodad Report*, June (Brussels, Belgium: Eurodad).

Evans, Huw (1999) "Debt Relief for the Poorest Countries: Why Did It Take So Long?" *Development Policy Review*, 17(3): 267–79.

Evans, P., and Martha Finnemore (2001) "Organizational Reform and the Expansion of the South's Voice at the Fund," G24 Discussion Paper Series, no.15, December (Geneva, Switzerland: United Nations Conference on Trade and Development). Available HTTP: www.unctad.org/en/docs/pogdsmdpbg24 d15.en.pdf (accessed 17 July 2009).

Gupta, Sanjeev, and Nashashibi, Karim (1990) "Poverty Concerns in Fund-Supported Programs," *Finance and Development* 27 (September): 12–14.

Helleiner, Eric, and Momani, Bessma (2008) "Slipping into Obscurity: Crisis and Institutional Reform at the IMF," in Alan Alexadroff (ed.) *Can the World Be Governed?* (Waterloo, Canada: WLU Press/CIGI).

Heller, Peter, Catsambas, Thanos, Chu, Ke-young, Shome, Parthasrathi, and Bovenberg, Ary Lars (1988) "The Implications of Fund-Supported Adjustment Programs for Poverty: Experiences in Selected Countries," IMF Occasional Paper no. 58 (Washington, DC: IMF).

IMF (International Monetary Fund) (1986) "Fund-supported Programs, Fiscal Policy, and Income Distribution: A Study by the Fiscal Affairs Department of the International Monetary Fund," IMF Occasional Paper no. 46 (Washington, DC: IMF).

——(1998) "The IMF and the Poor," Pamphlet Series no. 52 (Washington, DC: IMF). Available HTTP: www.imf.org/external/pubs/ft/pam/pam52/3.htm

——(2001) "External Relations Department. What Is the International Monetary Fund?" (Washington, DC: IMF).

——(2008) "Factsheet—Poverty Reduction Strategy Papers" (Washington, DC: IMF). Available HTTP: www.imf.org/external/np/exr/facts/prsp.htm (accessed 17 July 2009).

IEO (Independent Evaluation Office) (2004) *Evaluation of the IMF's Role in Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility* (Washington, DC: IMF).

——(2007) *The IMF and Aid to Sub-Saharan Africa* (Washington, DC: IMF). Available HTTP: www.ieo-imf.org/eval/complete/pdf/03122007/report.pdf (accessed 17 July 2009).

Johnson, Omotunde, and Joanne Salop (1980) "Distributional Aspects of Stabilization Programs in Developing Countries," *IMF Staff Papers*, 27 March (Washington, DC: IMF).

Khan, Mohsin, and Malcom Knight (1986) "Do Fund-Supported Adjustment Programs Retard Growth?" *Finance and Development*, 23(1): 30–32.

Kuznets, Simon (1955) "Economic Growth and Income Inequality," *American Economic Review*, 45(1): 1–28.

Mallaby, Sebastian (2004) *The World's Banker: A Story of Failed States, Financial Crises and the Wealth and Poverty of Nations* (New York: Penguin Press).

Mirakhor, Abbas, and Iqbal Zaidi (2006) "Rethinking the Governance of the International Monetary Fund," IMF Working Paper (Washington, DC: IMF).

Momani, Bessma (2005a) "Limitations of Streamlining Fund Conditionality: IMF Organizational Culture," *Journal of International Relations and Development*, 8(2): 111–41.

——(2005b) "Recruiting and Diversifying IMF Technocrats," *Global Society*, 19(2): 167–87.

——(2005c) *IMF–Egyptian Debt Negotiations* (Cairo, Egypt: American University of Cairo Press).

——(2007) "IMF Staff: Missing Link in Fund Reform Proposals," *Review of International Organizations*, 2(1): 39–57.

——(2008) "Internal or External Norm Champions: The IMF and Debt Relief," Paper presented to the ISA Annual Conference "On Owning Development Workshop," San Francisco, 25 March.

Oxfam International (2004) "From 'Donorship to Ownership?' Moving Towards PRSP Round Two," Oxfam Briefing Paper 51, January (Oxford: Oxfam International).

Pettifor, Ann (2006) "The Jubilee 2000 Campaign: A Brief Overview," in C. Jochnick and F. Preston (eds.) *Sovereign Debt at the Crossroads: Challenges and Proposals for Resolving the Third World Debt Crisis* (New York: Oxford University Press).

Policy Development and Review Department (2001) *Streamlining Structural Conditionality: Review of Initial Experience*, 10 July (Washington, DC: International Monetary Fund).

Rustomjee, Cyrus (2004) "Why Developing Countries Need a Stronger Voice," *Finance and Development*, 41(3): 21–23.

——(2005) "Improving Southern Voice on the IMF Board: Quo Vadis Shareholders," in Barry Carin and Angela Wood (eds.) *Enhancing Accountability in the International Monetary Fund* (Aldershot: Ashgate).

Sisson, Charles (1986) "Fund-Supported Programs and Income Distribution in LDCs," *Finance and Development*, 23(1): 33–36.

Tanzi, Vito (1997) "The Changing Role of Fiscal Policy in Fund Policy Advice," Paper presented to the World Bank/IMF Annual Meetings, Hong Kong, 19 September. Available HTTP: www.imf.org/external/np/apd/asia/tanzi.htm (accessed 17 July 2009).

Truman, Edwin (2006) *A Strategy for IMF Reform* (Washington, DC: Institute for International Economics).

Vetterlein, Antje (2008) "Lacking Ownership: The IMF and Its Engagements with Social Development as a Global Policy Norm," Paper presented to the

ISA Annual Conference "On Owning Development Workshop," San Francisco, 25 March.

Vreeland, James (2003) *The IMF and Economic Development* (Cambridge: Cambridge University Press).

Wood, Angela, and Matthew Lockwood (1999) *The "Perestroika of Aid"? New Perspectives on Conditionality* (Washington, DC: Bretton Woods Project). Available HTTP: www.brettonwoodsproject.org/topic/governnance/poa2.pdf (accessed 17 July 2009).

Woods, Ngaire (2006) *The Globalizers: The IMF, the World Bank and Their Borrowers* (Ithaca, N.Y.: Cornell University Press).

4 The effect of IMF programs on public wages and salaries

Irfan Nooruddin and
James Raymond Vreeland

In developing countries, governments often face strategic incentives to devote public expenditures to public wages and salaries, and such expenditures can play a vital role in fostering economic progress and reducing income inequality. The means available to the government of a developing country to do this, however, may depend on the role it plays in global governance. In this chapter, we explore how the role a developing country plays in global governance impacts upon government policies that affect the domestic distribution of income, particularly when the country faces a financial crisis. We consider the effect of International Monetary Fund (IMF) programs of economic reform on public wages and salaries. We show that their effect is contingent on the role a country plays in international institutions—particularly whether the country is a member of the United Nations Security Council (UNSC).

In general, the dire economic circumstances that governments face when turning to the IMF typically lead them to cut public wages and salaries. This is not surprising. Governments turning to the IMF suffer from problems of excess demand. They may have large government budget deficits, high public debt, low levels of foreign reserves and an overvalued exchange rate. As a result, they are forced by their economic circumstances, along with conditions prescribed by the IMF in return for loans, to slash public spending, particularly the wages and salaries of civil servants. Developing countries often use the civil service to provide both public and private goods to constituencies to maximize their chances of surviving in office. Cutting expenditures on the wages and salaries of civil servants thus puts governments in jeopardy. But economic crises leave them little room other than to make the tough choice of cutting public spending.

This may not be the case, however, for countries that are serving as temporary members of the UNSC. The UNSC is perhaps the most powerful arm of the United Nations, imbued with the responsibility of

maintaining world peace and the power to take military action. Its governance structure gives it legitimacy because the most powerful members have veto power over resolutions and also because these resolutions need support from the weaker temporary members who are elected for two-year terms. Representation is thus incorporated into the governance of the UNSC, and developing countries who serve have a privileged voice on the international stage. Therefore, if a country is serving on the UNSC, it has international political leverage to negotiate favorable treatment from the IMF. This is because the major shareholders of the Fund—notably the United States—can influence the terms of an IMF loan, and they are willing to do this favor because they care about how the country votes on the UNSC. Most developing countries face pressure to protect civil servants during economic downturns but typically lack the resources to do so. Yet developing democracies serving on the UNSC are exceptional—they have the same domestic incentives to protect civil servants as their non-UNSC counterparts *and* the international leverage to obtain the means to do so. IMF participation actually increases their budget allocation for public wages and salaries.

Our argument brings together three ideas from the broader literature in international and comparative political economy, and we review each in turn, proceeding with the following sections. First, we discuss how governments use the civil service as a means to protect the middle class and why this is important for the survival of the government. We then turn to the role the IMF plays during an economic crisis. Thereafter, we explore connections across international institutions by considering how the governance of the UNSC is affected by the governance of the IMF. Armed with the implications of these three ideas, we put forth our principal hypothesis: the impact of IMF participation on public wages and salaries depends on UNSC participation. We then test this hypothesis before discussing our results in light of domestic political institutions, speculating as to why we might observe differential effects in democracies and dictatorships. The final section presents our concluding comments.

Government survival, the middle class and the civil service

Public expenditure on the wages and salaries of civil servants is one way in which governments, whether democracies or dictatorships, pay off vital constituencies. Autocrats, who depend on a small coalition of loyal supporters to survive in office (Bueno de Mesquita et al., 2003)[1] use their resources to provide "private goods" to this small group, but they also maintain a powerful internal security apparatus, as repression and fear are common methods of keeping the larger population in

check (Boix, 2003). Thus, they devote resources to the wages and salaries of their loyal clique, of the military, and of other security forces. Autocrats also employ favored constituents in large public sector bureaucracies that are typically immune to public accountability.

Democratic leaders, hoping to win re-election, target as large a portion of the electorate as possible and use their resources to provide "public goods," such as economic policies that will benefit the economy in the aggregate (Bueno de Mesquita et al., 2003; Nooruddin and Simmons, 2006). They also target swing voters, particularly the small but growing middle class (see Chhibber and Nooruddin, 2004). Building on Rudra (2008), Nooruddin and Rudra (2009) argue that in the face of the economic vagaries of globalization, developing democracies have used the civil service as a way to protect the electorally vital middle class. Openness increases uncertainty about future job security in the private sector (even as it might increase employment opportunities) leading citizens to reward politicians who can offer stable employment in the form of civil service positions (see also Nooruddin and Simmons, 2009). Thus, public wages and salaries are doubly beneficial to the government. They allow the government to provide more public services by increasing expenditures on public works projects such as infrastructure development, which should benefit the electorate as a whole, and they enable the government to protect a crucial political constituency, the middle class. So, while dictatorial governments use public expenditures to benefit small and specific loyal followers as well as the military and security forces, and democracies use public expenditures to provide public goods and protect the growing but vital middle class, both regimes provide wages and salaries to key constituencies to maximize the chances of surviving in office.

This calculus changes when a government enters into a financial crisis, facing a shortfall in foreign exchange. Such a situation may result from large government budget deficits, high public debt, trade deficits, and an overvalued exchange rate. In short, the country suffers from excess demand, leaving the government little room but to impose unpalatable reductions in public expenditures. Most developing countries would prefer to protect the wages and salaries of civil servants during economic downturns, but they simply lack the resources to do so. To generate the resources required to weather the crisis, developing countries often turn to the IMF.

The IMF and income distribution

The IMF was founded precisely to provide loans of foreign exchange to governments facing a financial crisis.[2] The loans are designed to

help soften the blow of economic adjustment, but the IMF attaches stringent economic conditions to ensure that the loans do not allow the continuation of the excesses that led to the financial problems in the first place. So even with access to an IMF loan, governments reduce spending, using the loans to bring down national debt, fortify the stock of foreign reserves or defend the currency. Thus economic austerity and accompanying reform are expected to be part of the IMF package. Yet this relies on the IMF actually enforcing the conditions it attaches to loans. In principle, the IMF disburses a loan over time, provided the government complies with specific conditions of economic adjustment, such as cutting government expenditures. What if the IMF provides loans despite noncompliance? This is a possibility to which we will return.

First, it is important to understand that the IMF gets its resources from member contributions. Each member—these days, nearly every country in the world—holds a set amount of currency on reserve with the IMF, and the IMF uses this pool of reserves for its lending operations. The size of a country's contribution—called a "quota"—depends on the economic size of the country. In recent decades, approximately 17 percent of the resources come from the United States, with Japan, Germany, France, and the United Kingdom providing around 5 to 6 percent each. Governance of the IMF is tied to these contributions, with vote shares tied to quota size. While they lack a majority of the votes, it is widely believed that the IMF tends to be beholden to these five members, especially on matters they care a great deal about and especially when they agree (see Copelovitch, 2007).

Do the programs of economic reform sponsored by the IMF have distributional consequences? Previous studies indicate that they do (Pastor, 1987; Garuda, 2000; Vreeland, 2002; 2003). Even after accounting for the poor economic circumstances of countries turning to the IMF for assistance, they appear to experience an increase in overall income inequality and a decrease in labor's share of income. Presumably, if IMF programs have such an effect, the mechanism is through conditionality.

Note, however, that the precise mechanisms by which IMF conditions have an impact upon income inequality are unclear from a theoretical point of view. The direction and magnitude of the effects depend on the particular characteristics of the economy and the details of how policy reforms are structured.[3] Staff at the Fund have acknowledged that "Domestic political considerations will largely determine who bears the burden of reducing and restructuring aggregate demand" (Johnson and Salop, 1980: 23), and "the choice of policy instruments will be influenced by the political power of various income groups" (Johnson and Salop, 1980: 12).

One straightforward distributional consequence of IMF conditionality may be the cutting of public wages and salaries. The reduction of public expenditure is perhaps the most common feature of Fund-supported programs. In an analysis of 94 programs from 1980 to 1984, for example, Sisson (1986: 34) reports that 86 of them involved some restraint of central government current expenditure. As Johnson and Salop note,

> the brunt of any downward adjustment of government expenditure to GDP is most commonly borne out by public sector employees engaged in projects that come to be postponed, together with the private domestic suppliers of services associated with such projects. These tend to be highly capital-intensive ventures in construction and public utilities.
>
> (1980: 12)

Wage freezes, limits on employment, and reduced benefits for public employees are also common. Sisson (1986: 34) reports that over three-fifths of programs involved wage restraint.[4]

Is IMF conditionality, however, always binding?[5] A growing literature on the international politics of IMF lending suggests that this is not always the case. Stone (2002; 2004) suggests that countries favored by the largest shareholder of the IMF, the United States, are likely to receive light punishments for noncompliance with policy conditionality and that loans are eventually disbursed despite noncompliance. A large and growing literature suggests that politically important developing countries are likely to be rewarded with loans from the IMF (Thacker, 1999; Barro and Lee, 2005; Dreher and Stürm, 2006; Reynaud and Vauday, 2007). If the IMF arrangement is supposed to be a reward, presumably economic austerity does not come with it. Indeed, Dreher and Jensen (2007) find that countries closer to the United States receive fewer conditions than other countries when they participate in IMF programs. International politics may thus condition the impact of the IMF, as the Fund's major shareholders use IMF loans to buy or reward favors provided by politically important developing countries.[6]

Global governance across international institutions: the Security Council and the IMF

Not all developing countries hold the same importance to the major shareholders at the IMF, and favoritism is strongest when all major shareholders can agree (Copelovitch, 2007). We contend that one

particular type of country is potentially important to all major shareholders: the temporary member of the UNSC.[7]

Most research on the UNSC focuses on the five permanent members—China, France, Russia (formerly the Soviet Union), the United Kingdom and the United States—who have veto power over all resolutions. Less attention is given to the 10 elected members of the UNSC, as their votes are not as crucial (see O'Neill, 1996). Yet governments like the United States and Japan have shown that they care a great deal about these seats. Japan has spent a great deal of resources to become elected to the UNSC more than any other country in the world (for their quest to get a permanent seat see Weiss, 2008). The United States has been known to increase the direct foreign aid it provides a temporary UNSC member when it wants that country to vote a certain way on a resolution (see Kuziemko and Werker, 2006).

One reason temporary members matter is that, while not individually pivotal, their votes certainly count. Resolutions require nine out of the fifteen potential votes to pass. So, the votes of at least four temporary members are required, and if permanent members abstain, as is often the case, even more votes may be required. The vote-buying literature shows that seeking oversized coalitions is common (see, for example, Volden and Carrubba, 2004).

Second, votes matter for reasons of legitimacy: both moral and informational legitimacy.[8] From a moral point of view, while it is obviously important that the most powerful countries agree on matters of international peace and security before military action is taken, the UNSC is also designed to incorporate representatives from all around the world. Before 1966, there were only six elected members of the UNSC. The issue of representation was central in its enlargement. The current 10 seats represent clearly defined regional caucuses: one country from Eastern Europe; two countries from the Western European and Others Group; two for the Latin America and Caribbean Group; and five from Africa and Asia. In practice, the Africa and Asia region has always been split into two groups, with three seats for Africa, two seats for Asia, and exactly one of the five seats going to an Arab country.

From an informational point of view, temporary members of the UNSC have access to sensitive documents and private discussions regarding the importance of taking international action. Indeed, adjacent to the public meeting room of the UNSC is a private room where many of the real negotiations take place. So regional representatives have greater access than their neighbors—some of whom are so poor they have a barebones staff at best at their permanent mission in New York, where negotiations take place. Thus, developing countries may

follow the lead of temporary members in supporting the international actions called for by the UNSC.

Winning the votes of such a representational group can legitimize the actions of powerful countries—both in the eyes of the international community and in the eyes of domestic constituencies. Without UNSC legitimacy, domestic public support might be more difficult to achieve (Voeten, 2001; Hurd, 2007).[9] Chapman and Reiter (2004) indeed find that "Security Council support significantly increases the rally behind the president (by as many as 9 points in presidential approval) … This effect is unique among international institutions because other actions by the UN or regional security organizations do not significantly affect rallies."[10]

To the extent that powerful countries care about winning the votes of temporary UNSC members, they may be willing to use foreign aid to influence them. Indeed, Kuziemko and Werker (2006) show that they do, particularly in cases of great importance. This, of course, presents a conundrum. If the purpose of winning votes is to legitimize action, they should presumably be obtained legitimately, not bought.

This is where an international organization like the IMF becomes quite useful. Developing countries routinely turn to the IMF and negotiations always take place behind closed doors (even these days with increased transparency). Many argue that international organizations can be used to "launder" the actions of governments (Abbott and Snidal, 1998), or do their "dirty work" (Vaubel, 1996) beyond the scrutiny of the public eye.[11] As Dreher et al. (2006; 2009) show, UNSC members are more likely to receive World Bank and IMF loans.

The logic is as follows. Developing countries routinely turn to the IMF for support. Arguably, they care more about loans of international exchange than they do about votes on the Security Council. Meanwhile, the major shareholders of the IMF can easily agree on the potential importance of a country when it is elected to the Security Council. Funneling resources through the international organization obfuscates the buying of favors from such countries and shares the costs amongst all members. Now, an important vote may not come up during the two-year tenure of a UNSC member, but in case it does, it behoves the shareholders to have an arrangement in place so that leverage can be brought to bear on the situation. In a famous case reported in the international press, Zimbabwe was threatened with increased conditionality in return for IMF loans if it did not support Operation Desert Storm in the early 1990s (Pilger, 2002). So, as suggested by the epigraph of Dreher et al. (2009), the logic is eerily reminiscent of the famous opening scene to *The Godfather*, "Some day, and that day may never

come, I'll call upon you to do a service for me. But uh, until that day, accept this justice as a gift on my daughter's wedding day."

In summary, as the major shareholders of the IMF care about their influence over the temporary members of the UNSC, we predict that the latter will receive special treatment, and thus the impact of IMF conditionality on wages and salaries should depend on whether the country is serving on the UNSC at the time.

The effect of IMF arrangements on public wages and salaries

We now consider empirically the impact of IMF participation on public wages and salaries as a proportion of total government spending.[12] Following the theoretical arguments laid out above, we expect that the effect of the IMF will be contingent on domestic political institutions—specifically whether a country is a democracy—and on the role the country plays in global governance, particularly whether the country is serving on the UNSC.

We observe a total of 2,354 observations of wages and salaries from 146 countries between 1970 and 1999.[13] On average, wages and salaries represent about 24 percent of total government expenditures (the median is also about 24 percent), with a minimum observed of 0 percent[14] and a maximum observed of 61 percent.[15] We observe 2,143 changes in wages and salaries from 139 countries during 1971–1999. Changes in wages and salaries average –0.19, although the median is only –0.13. The most drastic cut we observe is –26 percent,[16] and the greatest increase is 37 percent.[17] Some overall patterns are illustrated in Figure 4.1.

We analyze the impact of IMF participation on the change in public wages and salaries. First, we use OLS regression with robust standard errors clustered by country. Then we introduce a two-step instrumental variable approach to control for non-random selection. We estimate first a linear probability model of IMF participation (the method is explained in technical detail in the appendix to this chapter [Appendix 4.1] and the first-stage results are presented in Table 4.1A of the appendix) and use the predicted probability of IMF participation in the second stage. To the extent that the variables used to predict IMF participation are not correlated with changes in wages and salaries, the predicted probability of IMF participation can be used as an instrument to correct for bias associated with non-random selection into IMF programs. The reason we use two steps rather than estimating a standard 2SLS model is that we want to interact IMF participation with the international relations variable, UNSC service, separately for democracies and dictatorships.

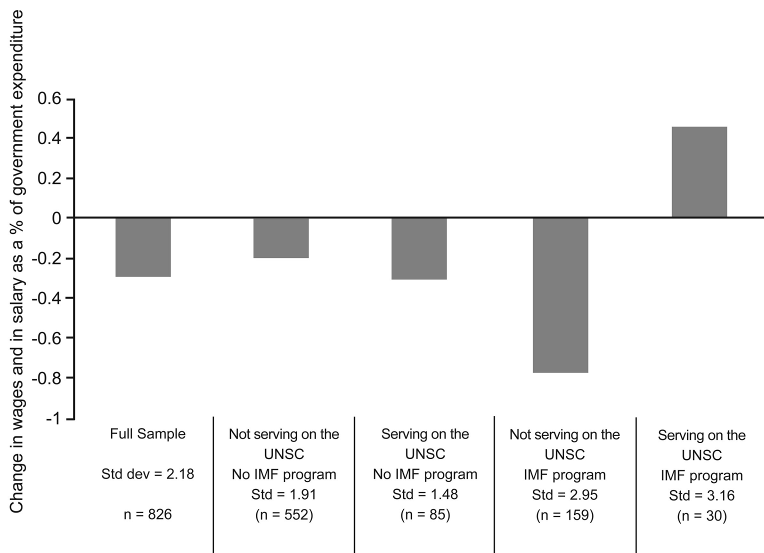

Figure 4.1 Descriptive statistics of changes in public wages and salary by UNSC and IMF status.

Into these statistical models, we introduce a number of control variables. We mainly follow the IMF's Independent Evaluation Office's (IEO, 2003) and Nooruddin and Simmons' (2006) specification of social expenditures as a baseline. To address possible autocorrelation in the data, we include the lagged value of change in wages and salaries, as well as the lagged value of wages and salaries itself. We also include the natural log of GDP, both as a lagged variable and a differenced variable, as well as growth of GDP and change in growth. Additional economic indicators are an indicator for whether the country experienced negative growth in the previous year and whether that situation continued into the present, as well as the country's growth-rate volatility. We control for the lagged value of political regime as well as change in political regime. Demographic variables are also included: percentage of the population aged 0 to 14, and percentage of the population greater than 65.[18] We also include a time trend variable.

Finally, as our independent variables of interest, we include participation in IMF programs, service on the UNSC, and the interaction of these two variables. For the two-step instrumental variable approach, we use the predicted probability of IMF participation and interact the predicted probability with UNSC service. We introduce our variables first into the

full sample, and then into the democracy and autocracy samples separately. Our measure of political regime comes from the Polity IV data (see Jaggers and Gurr, 1995). We dichotomize the variable coding democracies 1 if the Polity index is greater than six and dictatorships 0 otherwise.[19]

The full set of results is presented in Table 4.1. With many variables included along with complex interactions across international and domestic political variables, the results of Table 4.1 are not straightforward to interpret. Thus, we also present Tables 4.2 and 4.3, which contain our principal results of interest.

First, note the following. Changes in public wages and salaries as a proportion of total government expenditures are highly idiosyncratic. Most of the control variables we include are not significant. There appears to be high autocorrelation as lagged changes have a negative effect on current changes—presumably because increases are followed by cuts and vice-versa. High overall wages and salaries also have a negative effect—presumably because there is more to cut (or, inversely, low wages and salaries are more likely to go up than down).[20]

Next, note the effect of IMF participation. Absent a control for non-random selection (the first three columns, labeled “OLS”), the IMF appears to have a substantially strong impact. Participation in general lowers public wages and salaries by about 0.54 percent—they are cut by about 0.72 percent in autocracies and by about 0.68 percent in democracies. Importantly, change in participation status also matters, and actually has the most substantial impact of any of our statistically significant results. Entering into IMF programs appears to lower wages and salaries by 1.17 percent, while leaving the IMF has the opposite positive effect. The impact in autocracies is 1.66 percent, and in democracies it is 0.66 percent.

These effects largely disappear, however, when we control for non-random selection (the last four columns, labeled “Two-step instrumental variable approach”). What does this imply? Most likely, the drastic swings in wages and salary associated with IMF participation are not because of the inherent effects of IMF programs, but rather the dire economic straits that countries find themselves in when turning to the IMF. It is not the IMF program but the circumstances surrounding participation. The effect of service on the UNSC is similarly negligible, as we expect.

Now consider the interaction of UNSC service and IMF participation (UN Security Council*IMF participation). Whether we control for non-random selection or not, the interaction term is not significant for the sample including both regimes, nor is it significant for just autocracies. For democracies, however, we get rather interesting—statistically significant—results.

Table 4.1 The impact of IMF participation on public wages and salaries (% of total expenditures)

	OLS			*Two-step instrumental variable approach*			
Variable	*Both regimes*	*Autocracy sample*	*Democracy sample*	*Both regimes*	*Autocracy sample*	*Democracy sample*	*Democracy sample*
Lagged change in wages and salaries	–0.08**	–0.08*	–0.05	–0.06	–0.08	–0.01	–0.04**
	(0.04)	(0.05)	(0.06)	(0.04)	(0.05)	(0.07)	(0.01)
Lagged wages and salaries	–0.09**	–0.13**	–0.05**	–0.09**	–0.13**	–0.05**	
	(0.01)	(0.02)	(0.01)	(0.01)	(0.03)	(0.01)	
Lagged IMF participation	–0.54**	–0.72*	–0.68**	–0.22	–0.37	–0.43	0.03
	(0.26)	(0.39)	(0.33)	(0.38)	(0.67)	(0.37)	(0.28)
Change in IMF participation	–1.17**	–1.66**	–0.66*	–0.50	–0.58	–0.54	–0.25
	(0.40)	(0.61)	(0.39)	(0.41)	(0.60)	(0.51)	(0.43)
Log GDP (lagged)	0.22*	0.54**	0.02	0.21	0.49	0.06	
	(0.12)	(0.24)	(0.15)	(0.14)	(0.30)	(0.13)	
Change in logged GDP	4.11	–2.14	1.30	–5.70	–14.51	2.62	
	(11.62)	(17.67)	(14.65)	(12.57)	(19.35)	(15.64)	
Year (lagged)	0.003	0.020	–0.002	0.00	0.01	0.00	
	(0.01)	(0.03)	(0.01)	(0.01)	(0.03)	(0.01)	
Lagged democracy	–0.40	–2.10	–0.26	–0.41	–2.06	–0.19	
	(0.25)	(2.01)	(0.67)	(0.26)	(2.11)	(0.68)	
Change in democracy	0.50	(dropped)	(dropped)	0.44	(dropped)	(dropped)	
	(0.79)			(0.81)			
Population 0–14	0.03	0.12**	–0.01	0.02	0.11*	–0.01	
(% of total, lagged)	(0.03)	(0.05)	(0.03)	(0.03)	(0.06)	(0.03)	
Population 65+	–0.11**	0.08	–0.07	–0.09*	0.08	–0.09	
(% of total, lagged)	(0.05)	(0.12)	(0.05)	(0.05)	(0.13)	(0.05)	

Table 4.1 (continued)

Variable	*OLS*			*Two-step instrumental variable approach*			
	Both regimes	*Autocracy sample*	*Democracy sample*	*Both regimes*	*Autocracy sample*	*Democracy sample*	*Democracy sample*
GDP growth	–0.09	–0.05	–0.01	0.02	0.13	–0.06	
(annual %, lagged)	(0.10)	(0.16)	(0.13)	(0.11)	(0.17)	(0.14)	
Change in GDP growth	–0.067	–0.004	–0.024	0.05	0.16	–0.06	
(annual %, lagged)	(0.11)	(0.16)	(0.14)	(0.12)	(0.19)	(0.15)	
Negative growth	–0.44	–0.17	–0.47	–0.62	–0.04	–0.82	–0.59*
	(0.58)	(1.14)	(0.55)	(0.61)	(1.29)	(0.54)	(0.33)
Change in Negative growth	–0.15	0.16	–0.36	–0.29	0.22	–0.65**	–0.31**
	(0.38)	(0.80)	(0.33)	(0.40)	(0.86)	(0.31)	(0.15)
Lagged Growth Volatility	0.12**	0.04	0.13	0.11**	0.05	0.10	
	(0.06)	(0.07)	(0.10)	(0.06)	(0.08)	(0.10)	
UN Security Council	–0.30	–0.49	–0.22	–0.41*	–0.95	–0.21	–0.20
	(0.20)	(0.58)	(0.16)	(0.23)	(0.70)	(0.16)	(0.12)
UN Security Council*	0.26	–0.11	1.03**	0.53	0.59	0.97*	0.89*
IMF participation	(0.39)	(0.73)	(0.48)	(0.56)	(1.12)	(0.58)	(0.47)
Constant	–6.30	–44.40	5.52	–3.75	–27.27	–7.15	0.49**
	(26.96)	(58.86)	(30.19)	(29.85)	(68.31)	(29.87)	(0.17)
Number of observations	1,447	639	808	1311	563	748	826
F	4.34	4.14	2.35	3.46	4.2	2.67	3.71
R–squared	0.08	0.11	0.06	0.06	0.09	0.05	0.04
Number of countries	107	63	62	107	63	62	66

Notes: In parentheses, robust standard errors clustered by country.
* Significant at the 0.10 level.
** Significant at the 0.05 level.

When we do not control for non-random selection, the interaction term is significant at the 0.05 level, with a coefficient of 1.03. This coefficient in isolation is not informative. Table 4.2 presents the full spectrum of results. The marginal effect of IMF participation for democracies not serving on the UNSC is approximately –0.68 percent, and we can say with 90 percent confidence that the true impact is to lower wages and salaries between 1.23 percent and 0.13 percent of total government expenditures. The impact of the IMF for UNSC members, however, is not distinguishable from zero with reasonable statistical significance. This is an important finding. It implies that while typical democracies are constrained to cut wages and salaries under IMF programs, democracies of international political importance to the IMF major shareholders face no such consequences. Turning to the impact of service on the UNSC, for democracies not participating in IMF programs, service has no statistically significant effect. But for democracies participating in IMF programs, the marginal impact of UNSC service is to increase public wages and salaries by approximately 0.81 percent, and we can say with 90 percent confidence that the true effect is between 0.08 and 1.53 percent, a wide but always positive margin.

When we control for non-random selection, the results become more nuanced but the qualitative implication remains. Table 4.3 presents easily interpretable results. Service on the UNSC does not have a statistically significant effect, nor does IMF participation for democracies not serving on the UNSC. But for democracies serving on the UNSC, the effect of IMF participation is to raise public wages and salaries by about 0.92 percent of total expenditures, and we can say with

Table 4.2 Marginal effects of IMF participation and UN Security Council service under democratic regimes

	Marginal effect of IMF participation	*90% confidence interval*
Non-UNSC member	–0.68*	–1.23, –0.13
UNSC member	0.35	–0.43, 1.13
	Marginal effect of UNSC service	*90% confidence interval*
Not participating in IMF programs	–0.22	–0.49, 0.04
Participating in IMF programs	0.81*	0.08, 1.53

Note:
* Significant at the 0.10 level.

Table 4.3 Selection-corrected marginal effects of IMF participation and UN Security Council service under democratic regimes

	Marginal effect of IMF participation	*90% confidence interval*
Non-UNSC member	0.03	–0.43, 0.49
UNSC member	0.92*	0.11, 1.74
	Marginal effect of UNSC service	*90% confidence interval*
Not participating in IMF programs	–0.20	–0.39, 0.001
Participating in IMF programs	0.70	–0.01, 1.40

Note:
* Significant at the 0.10 level.

90 percent confidence that the true effect is between 0.11 and 1.74 percent. Once again, we see that democracies that are politically important to the major shareholders of the IMF receive benefits. It seems that the apparent negative effects of IMF participation presented in Table 4.2 are really the result of the selection circumstances of countries turning to the IMF. Apparently, their circumstances would warrant reductions in expenditures on wages and salaries with or without the IMF. But membership in an important body like the UNSC has its privileges. Democracies can use their leverage at the UNSC to vie for soft loans and conditionality so that they can increase public wages and salaries under IMF programs.

Discussion of results: the role of domestic political institutions

Our analysis suggests that democracies serving on the UNSC receive favorable treatment from the IMF, easing the budget constraint they face and allowing them to protect their civil servants. But, why only democracies? Our argument about the importance of countries serving on the UNSC should hold for both democracies and autocracies, unless the former play a stronger legitimizing role in international politics and thus their votes on the UNSC are more valuable. While this would be an interesting avenue to pursue, we may simply fail to find an effect for dictatorships because we are considering the wrong dependent variable. As noted above, both types of regime may attempt to protect important constituencies serving in the public sector. Yet they do so in different ways.

In the face of the economic vagaries of globalization and an open economy, developing democracies have used the civil service as a way to protect the electorally vital middle class (Nooruddin and Rudra, 2009). They also may use the public sector as a means to provide public goods to the broader electorate (Bueno de Mesquita et al., 2003). Dictatorships survive in office by paying off other groups: their loyal clique, the military, and other security forces (Nooruddin and Simmons, 2006). Yet our data source (the World Bank) distinguishes the salaries and wages of military personnel from other public wages and salaries, instead including all military expenditures together (including military hardware). Nevertheless, our results imply that the impact of a financial crisis on income distribution may be contingent both on the role a government plays in global governance and also on domestic political institutions. We suspect that both democracies and dictatorships can leverage UNSC membership for favorable treatment from the IMF, but do so in different ways. So, while it may be more difficult in a large-n setting to detect just how dictatorships use leverage gained from playing privileged roles in global governance to pay off domestic supporters, our framework provides suggestions for where to look (such as at military spending) in future research on dictatorships.

Conclusion

It is well known that there are distributional consequences when governments face an economic crisis. Some groups lose more than others. Participation in IMF programs during such crises has been associated with increased inequality of income. The major contribution of this chapter is to show that these local distributional consequences are contingent on the role that the government of a developing country plays in global governance. Specifically, developing democracies use IMF loans of foreign exchange to soften the blow on civil servants if the government has the international leverage to do so. While most countries reduce public wages and salaries as a proportion of public expenditures when facing an economic crisis—independent of IMF participation—democracies serving on the UNSC actually increase such expenditures when participating in an IMF program.

Thus the governance of two international institutions—the IMF and the UNSC—impacts upon local decisions of the distribution of public resources. Powerful countries like the United States have strong influence over the IMF, and they care about how countries vote on the UNSC. Because UNSC resolutions require the agreement of the powerful permanent countries as well as some of the temporary members,

who represent developing countries all over the world, the votes of these temporary members can prove important to the IMF's major shareholders. Countries like the United States, Japan, Germany, France and the United Kingdom—the most powerful members of the IMF—rely on the UNSC to legitimize international action. Perhaps because the legitimacy of UNSC votes is at stake, relying on an international organization like the IMF proves all the more useful as it obfuscates the process by which votes are bribed and rewarded.

So the IMF can be the dark knight—whether for good or for ill requires more research. Some would argue that IMF conditionality is too stringent, thus when IMF lending comes with fewer conditions attached, this might be a good thing. Others would argue that the problem with IMF lending is precisely that conditionality is too often ignored, in which case lending to provide political favors may be a bad thing. Either way, political favoritism is certainly beyond the mandate of the IMF, as laid out in its Articles of Agreement. Providing bribes or rewards for members of the UNSC is definitely outside of what it was intended to do, and the UNSC is certainly not supposed to be manipulated like this. Thus, a discussion of reform of global governance is appropriate.

Appendix 4.1

Methods

We use a barebones selection model to maximize the number of observations available.

For the two-step instrumental variables approach, we use a linear probability model (OLS) for the selection stage. We use two steps rather than the standard 2SLS approach so that we can interact the selection variable in question (IMF participation) with the international relations variable (UNSC service).

We make the model dynamic by including the lagged dependent variable along with the lagged dependent variable interacted with each of the independent variables. The mathematics are straightforward:

$$y_{i,t} = \beta' x_{i,t-1} + \alpha' \left(x_{i,t-1} \times y_{i,t-1} \right) + e_{i,t-1},$$

where $y_{i,t}$ denotes the latent probability of IMF participation in country i in year t, $x_{i,t-1}$ represents the independent variables determining IMF participation, β captures the effects of these variables on the probability of *entering* IMF participation (when lagged participation, $y_{i,t-1}$, equals 0), and $\beta + \alpha$ captures the probability of *continuing* IMF participation

(when lagged participation, $y_{i,t-1}$, equals 1). In the table below (Table 4.1A), we report results for the quantities of interest, β and $\beta + \alpha$ (not α).

The barebones model we use introduces just four determinants of IMF participation: GDP growth (annual percentage), current account balance (percentage of GDP), budget balance (percentage of GDP), and the log of GDP. We find that GDP growth (annual percentage) has a negative effect on both entering and continuing—countries participate when growth is low. Current account balance (percentage of GDP) does not have a statistically significant impact on entering, but countries with low current account balances are likely to continue IMF participation. Countries with a budget surplus are not likely to enter into IMF programs, but they are likely to continue participation, perhaps indicating that compliance with tight fiscal policy is necessary for countries to continue participation. Countries with low GDP are more likely to enter IMF participation, but the variable has no statistically significant impact on continuation. Poor countries are likely to turn to the IMF, but once under an IMF program, GDP plays no role in continued participation.

Table 4.1A Selection stage–participation in IMF programs (Dynamic OLS model)

Variable	*Determinants of entering into IMF participation*	*Determinants of continuing participation*
GDP growth (annual %)	–0.006**	–0.006**
	(0.002)	(0.002)
Current account balance (% of GDP)	–0.0003	–0.004**
	(0.001)	(0.002)
Budget balance (% of GDP)	–0.004**	0.01**
	(0.001)	(0.002)
Log of GDP	–0.037**	–0.016
	(0.005)	(0.010)
Constant	0.391**	1.001**
	(0.048)	(0.074)
Total number of observations	2,554	
Number of observations entering/not entering	1,680	
Number of observations continuing/not continuing	874	
Total number of countries	149	
Number of countries entering/not entering	134	
Number of countries continuing/not continuing	99	
F	706.980	
R–squared	0.643	

Note:
* Significant at the 0.05 level.

Notes

1 For a direct application to the IMF, see Smith and Vreeland, 2006.
2 Originally, the idea was to make the IMF large enough to be capable of bailing out any country, but the world's largest surplus country at the time—the United States—did not trust an international organization with the resources that would have been required. So the IMF was never big enough to manage the ebbs and flows of the trade and financial exchanges in the developed world. The IMF soon found a more suitable clientele—the developing world.
3 Tight monetary policy, for example, affects groups according to their access to alternative sources of credit. Large, well-established firms are favored over small and medium-sized firms, and the urban sector is favored over the rural sector (Johnson and Salop, 1980: 11). Trade liberalization, which has increasingly been part of IMF programs (see Clapp and Dauvergne, 2005: 59), may benefit labor-intensive sectors and eventually result in higher wages or lower unemployment, but these effects will be small and slow, while formerly protected sectors will contract first, lowering income in these areas (Handa and King, 1997: 915–16).
4 Recent developments in country "ownership" of IMF programs represent a more proactive stance on the issue of income distribution. See Wilkinson and Hughes (2000). For a discussion of a stronger trend at the World Bank, see Marshall (2008). For a disappointing look at how the World Bank has fared, see Stewart and Wang (2006).
5 It certainly can be, if the IMF chooses to make an example of a particularly non-complaint country. Not only does such a decision cut off IMF funds, it also sends a negative signal to creditors. See Callaghy 1997; 2002.
6 Whether such leniency comes from weaker conditionality in the actual arrangement (as suggested by Dreher and Jensen, 2007) or from weaker enforcement (as suggested by Stone, 2002; 2004), we leave for other research. For case study analysis of the impact of international politics on IMF conditionality, see Momani (2004a; 2004b). Large-n work on the content of IMF arrangements is found in Gould (2003). For a general look at the impact of the private sector on global governance, see Bull et al. (2004).
7 This is not to say that China and Russia are not important to the major shareholders. Of course they are. But since they are permanent members of the UNSC, we see no variation in their participation. Our decision to focus on the temporary developing country members of the UNSC rather than on China and Russia is thus driven mainly by methodology. We encourage others, with a different research design, to consider the ways in which the votes of China and Russia have been influenced as we consider this an important avenue of research.
8 Regarding the moral authority of the UNSC, see Hurd (2007), Voeten (2005), Claude (1966). Regarding the informational role of the UNSC, see Fang (2008), Chapman (2009; 2007), and Thompson (2006).
9 Voeten (2001) provides examples. He cites the memoirs of James Baker (1995: 278), emphasizing domestic support to be the main reason for the US government to seek a multilateral solution to the Gulf War. He also cites Malone (1998: ix), arguing that it was easier for the Clinton administration to secure the support of the UNSC as compared to that of the US Congress.

10 Also see Chapman (2009), Kull and Destler (1999), and Mueller (1994). For a general argument and a case study of the Gulf War, see Thompson (2006).
11 Also see Hawkins et al. (2006) for more general arguments.
12 The results reported below are robust to measuring spending on wages and salaries in per capita terms. Available upon request.
13 The panel is unbalanced due to missing data and the fact that new countries emerge and others cease to exist over time.
14 Brazil 1972–73, as a dictatorship under an IMF program not serving on the UNSC.
15 Yemen 1993, a dictatorship not participating in an IMF program nor serving on the UNSC.
16 Kuwait 1991, a case of invasion.
17 Zaire 1995, dictatorship not participating in an IMF program, not serving on the UNSC.
18 We prefer including these variables separately rather than combining them into a single age dependency ratio because it allows us to see if public wage expenditures are shaped more by pressures from the young (in the form, say, of education expenditures) or from the old (in the form of health care or pension expenditures), thereby clarifying the politics at work.
19 Our measure of political regime comes from the Polity IV data (see Jaggers and Gurr, 1995). We dichotomize the variable coding democracies 1 if the Polity index is greater than six and dictatorships 0 otherwise. For our dataset, Polity IV has better coverage than perhaps a measure of political regime that is more suitable to our purposes, the ACLP (Przeworski et al., 2000). For future work, however, we suggest the updated version of ACLP (see Cheibub et al., 2009).
20 This is consistent with Nooruddin and Simmons (2006).

Bibliography

Abbott, Kenneth W., and Duncan Snidal (1998) “Why States Act Through Formal International Organizations,” *Journal of Conflict Resolution*, 42(1): 3–32.

Barro, Robert J., and Jong-Wha Lee (2005) “IMF Programs: Who Is Chosen and What Are the Effects?” *Journal of Monetary Economics*, 52(7): 1245–69.

Boix, Carles (2003) *Democracy and Redistribution* (New York: Cambridge University Press).

Bueno de Mesquita, Bruce, Alastair Smith, Randolph Siverson, and James Morrow (2003) *The Logic of Political Survival* (Cambridge, Mass.: MIT Press).

Bull, Benedicte, Morten Bøås, and Desmond McNeill (2004) “Private Sector Influence in the Multilateral System: A Changing Structure of World Governance?” *Global Governance*, 10(4): 481–98.

Callaghy, Thomas M. (1997) “Globalization and Marginalization: Debt and the International Underclass,” *Current History*, 96(613): 392–96.

——(2002) “Networks and Governance in Africa: Innovation in the Debt Regime,” in Thomas M. Callaghy, Ronald Kassimir, and Robert Latham (eds.) *Intervention and Transnationalism in Africa: Global-Local Networks of Power* (New York: Cambridge University Press).

Chapman, Terrence L. (2009) "Audience Beliefs and International Organization Legitimacy," *International Organization*, 63(4): 733–64.

——(2007) "International Security Institutions, Domestic Politics, and Institutional Legitimacy," *Journal of Conflict Resolution*, 51(1): 134–66.

Chapman, Terrence L. and Dan Reiter (2004) "The United Nations Security Council and the 'Rally Round the Flag' Effect," *Journal of Conflict Resolution*, 48(6): 886–909.

Cheibub, J.A., J. Gandhi and J.R. Vreeland (2009) "Democracy and Dictatorship Revisited," *Public Choice*, 138(1–2) (July): 9–27.

Chhibber, Pradeep, and Irfan Nooruddin (2004) "Do Party Systems Matter? The Number of Parties and Government Performance in the Indian States," *Comparative Political Studies*, 37(2): 152–87.

Clapp, Jennifer, and Peter Dauvergne (2005) *Paths to a Green World: The Political Economy of the Global Environment* (Cambridge, Mass.: MIT Press).

Claude, Inis L. (1966) "Collective Legitimation as a Political Function of the UN," *International Organization*, 20(3): 367–79.

Copelovitch, Mark (2007) "Master or Servant? Agency Slack and the Politics of IMF Lending," Manuscript, Department of Political Science (Madison: University of Wisconsin–Madison).

Dreher, Axel, and Nathan Jensen (2007) "Independent Actor or Agent? An Empirical Analysis of the Impact of US Interests on IMF Conditions," *The Journal of Law and Economics*, 50(1): 105–24.

Dreher, Axel, and Jan-Egbert Stürm (2006) "Do IMF and World Bank Influence Voting in the UN General Assembly?" KOF Working Paper 137 (Zurich, Switzerland: ETH Zurich).

Dreher, Axel, Jan-Egbert Stürm, and James Raymond Vreeland (2006) "Does Membership on the UN Security Council Influence IMF Decisions? Evidence From Panel Data," KOF Working Paper 151 (Zurich, Switzerland: ETH Zurich).

——(2009) "Development Aid and International Politics: Does Membership on the UN Security Council Influence World Bank Decisions?" *Journal of Development Economics*, 88(1): 1–18.

Fang, Songying (2008) "The Informational Role of International Institutions and Domestic Politics," *American Journal of Political Science*, 52(2): 304–21.

Garuda, Gopal (2000) "The Distributional Effects of IMF Programs: A Cross-Country Analysis," *World Development*, 28(6): 1031–51.

Gould, Erica R. (2003) "Money Talks: Supplemental Financiers and International Monetary Fund Conditionality," *International Organization*, 57(3): 551–86.

Handa, Sudhanshu, and Damien King (1997) "Structural Adjustment Policies, Income Distribution and Poverty: A Review of the Jamaican Experience," *World Development*, 25(6): 915–30.

Hawkins, Darren G., David A. Lake, Daniel L. Nielson, and Michael J. Tierney (2006) "Delegation Under Anarchy: States, International Organizations and Principal-Agent Theory," in Darren Hawkins, David A. Lake, Daniel Nielson, and Michael J. Tierney (eds.) *Delegation and Agency in International Organizations* (Cambridge: Cambridge University Press).

Hurd, Ian (2007) *After Anarchy* (Princeton, N.J.: Princeton University Press).

IEO (Independent Evaluation Office of the International Monetary Fund) (2003) *Evaluation Report: Fiscal Adjustment in IMF-Supported Programs* (Washington, DC: IMF).

Jaggers, Keith, and Ted Robert Gurr (1995) "Tracking Democracy's Third Wave with Polity III Data," *Journal of Peace Research*, 32(4): 469–82.

Johnson, O., and J. Salop (1980) "Distributional Aspects of Stabilization Programs in Developing Countries," IMF Staff Papers, no. 27 (Washington, DC: IMF).

Kull, Steven, and I.M. Destler (1999) *Misreading the Public: The Myth of a New Isolationism* (Washington, DC: Brookings Institution Press).

Kuziemko, I., and E. Werker (2006) "How Much is a Seat on the Security Council Worth? Foreign Aid and Bribery at the United Nations," *Journal of Political Economy* 114(5): 905–30.

Marshall, Katherine (2008) *The World Bank: From Reconstruction to Development to Equity* (London: Routledge).

Momani, Bessma (2004a) "American Politicization of the International Monetary Fund," *Review of International Political Economy* 11(5): 880–904.

——(2004b) "The IMF, the US War on Terrorism, and Pakistan," *Asian Affairs* 31(1): 41–50.

Mueller, John (1994) *Policy and Opinion in the Gulf War* (Chicago: University of Chicago Press).

Nooruddin, Irfan, and Nita Rudra (2009) "Are Developing Countries Really Defying the Embedded Liberalism Compact?" Manuscript (Columbus, Ohio, and Pittsburgh, Pa.: Ohio State University and University of Pittsburgh).

Nooruddin, Irfan, and Joel W. Simmons (2006) "The Politics of Hard Choices: IMF Programs and Government Spending," *International Organization* 60 (4): 1001–33).

——(2009) "Openness, Uncertainty, and Social Spending: Implications for the Globalization–Welfare State Debate," *International Studies Quarterly*, 53(3): 841–66.

O'Neill, Barry (1996) "Power and Satisfaction in the United Nations Security Council," *Journal of Conflict Resolution* 40(2): 219–37.

Pastor, Manuel (1987) *The International Monetary Fund and Latin America: Economic Stabilization and Class Conflict* (Boulder, Colo.: Westview Press).

Pilger, John (2002) "How the Bushes Bribe the World," *New Statesman*, September 23.

Przeworski, Adam, Michael Alvarez, José Antonio Cheibub, and Fernando Limongi (2000) *Democracy and Development: Political Institutions and Material Well-Being in the World, 1950–1990* (Cambridge: Cambridge University Press).

Reynaud, Julien, and Julien Vauday (2007) "Geopolitics in the International Monetary Fund," Manuscript (Madrid, Spain: Centro de Investigación Latinoamérica Europa).

Rudra, Nita (2008) *Globalization and the Race to the Bottom in Developing Countries: Who Really Gets Hurt?* (New York: Cambridge University Press).

Sisson, C.A. (1986) "Fund-supported Programs and Income Distribution in LDC's," *Finance and Development*, 23(1): 33–36.

Smith, Alastair, and James Raymond Vreeland (2006) "The Survival of Political Leaders and IMF Programs," in Gustav Ranis, James Vreeland, and Stephen Kosack (eds.) *Globalization and the Nation State: The Impact of the IMF and the World Bank* (New York: Routledge).

Stewart, Frances, and Michael Wang (2006) "Do Poverty Reduction Strategy Papers Empower Developing Countries and Disempower the World Bank or Vice-Versa?" in Gustav Ranis, James Vreeland, and Stephen Kosack (eds.) *Globalization and the Nation State: The Impact of the IMF and the World Bank* (New York: Routledge).

Stone, Randall W. (2002) *Lending Credibility: The International Monetary Fund and the Post-Communist Transition* (Princeton, N.J.: Princeton University Press).

——(2004) "The Political Economy of IMF Lending in Africa," *American Political Science Review*, 98(4): 577–91.

Thacker, Strom C. (1999) "The High Politics of IMF Lending," *World Politics*, 52(1): 38–75.

Thompson, Alexander (2006) "Coercion through IOs: The Security Council and the Logic of Information Transmission," *International Organization*, 60(1): 1–34.

Vaubel, Roland (1996) "Bureaucracy at the IMF and the World Bank: A Comparison of the Evidence," *The World Economy* 19(2): 195–210.

Voeten, Erik (2001) "Outside Options and the Logic of Security Council Action," *American Political Science Review*, 95(4): 845–58.

——(2005) "The Political Origins of the UN Security Council's Ability to Legitimize the Use of Force," *International Organization*, 59(3): 527–57.

Volden, Craig, and Clifford J. Carrubba (2004) "The Formation of Oversized Coalitions in Parliamentary Democracies," *American Journal of Political Science*, 48(3): 521–37.

Vreeland, James Raymond (2002) "The Effect of IMF Programs on Labor," *World Development*, 30(1): 121–39.

——(2003) *The IMF and Economic Development* (New York: Cambridge University Press).

Weiss, Jessica C. (2008) "Powerful Patriots: Nationalism, Diplomacy, and the Strategic Logic of Anti-Foreign Protest in China," Ph.D. Dissertation, Department of Political Science (San Diego: University of California–San Diego).

Wilkinson, Rorden, and Steve Hughes (2000) "Labor Standards and Global Governance: Examining the Dimensions of Institutional Engagement," *Global Governance*, 6(2): 259–77(April).

World Bank (various issues) *World Development Indicators on CD-ROM* (Washington, DC: World Bank).

5 Reforming the World Bank

Catherine Weaver

As the largest international aid agency in the world today, the World Bank exercises profound influence over the lives of billions of poor people. World Bank loans represent nearly 30 percent of all official development aid and serve as critical signals of creditworthiness for developing countries seeking to tap into the global pool of private capital. As the largest site for research and data production on development issues, the World Bank is also the intellectual leader in defining how poverty alleviation and equitable socioeconomic growth goals are conceptualized, measured, and pursued. Because of this prominence in global governance, the World Bank is a magnet for criticism from large transnational non-governmental organization (NGO) campaigns, national parliaments, local civil society groups and academic experts who disagree with its policies. Critics from across the political spectrum depict the World Bank today as an institution suffering from a tripartite crisis of irrelevance, illegitimacy and ineffectiveness (Birdsall and Subramanian, 2007). They increasingly see the Bank as an institution that at best mitigates and, at worst exacerbates, poverty and inequality in the developing world. These criticisms are compounded by widely held perceptions of inequalities in the outdated and Western-dominated governance structure of the Bank, as well as the poverty of ideas within an organization largely dominated by narrow economic orthodoxy. Yet even when member states demand reform, and when World Bank leadership commits itself to change, transformation remains elusive. Why?

To many, the task of reforming the World Bank is akin to the plight of Sisyphus. The deluge of contrary pressures from donor states, borrowing countries, NGOs, and civil society groups has contributed to mission creep at the same time as the Bank's legitimacy and financial viability have come under attack. Moreover, the sheer size and scope of the Bank's bureaucracy dampens hope for fluid and rapid change. Like the fate of Sisyphus to perpetually push the rock to the top of the

mountain only to have the stone fall back from its own weight, those seeking to compel the Bank in new directions face the prospect of reform attempts stalling or backfiring because of the inevitable friction of external political resistance and internal bureaucratic inertia.

The challenge of reforming the Bank, amidst myriad calls for reform of the foreign aid regime as a whole, looms in a surprising absence of a clear understanding of how to reform these complex international bureaucracies. Indeed, the focus falls heavily on the demand side of this question, limiting discussions to the need for change and lofty reform goals. Little systematic attention is given to the *supply side* of World Bank reform: the nuts and bolts of constructing politically feasible and coherent organizational reform programs, implementing them, and assessing their results. In the case of the World Bank this is even more striking given the institution's involved history with repeated reform programs. Over the past 65 years, the Bank has engaged in numerous internal reorganizations, with mixed success in achieving desired changes in its governance, policies, and operational performance. Few, if any, efforts have been made to systematically look at these past experiences to draw critical lessons for future reform.

On a more impolitic note, discussions surrounding the reform of the World Bank today are disproportionately geared toward the goal of democratizing the institution, specifically through proposed changes to the representation of member states on the Board of Executive Directors and the selection process of the Bank presidency (see, for example, Buira and Ocampo, 2005; Birdsall, 2006; Einhorn, 2006; Powell, 2007; Woods, 2008; Ramachandran et al., 2009). Certainly, one cannot deny the inherent value of improving the Bank's legitimacy and accountability through governance reforms, even in light of cynicism regarding the political feasibility of implementing these proposals. However, it is not clear whether such measures offer a panacea for the institution's perceived ineffectiveness and diminishing relevance. Indeed, these democratization discussions noticeably neglect blunt questions of how these adjustments at the top will "trickle down" to genuine change within the policies and practices of the Bank's immense bureaucracy. Are the policy experts too obsessed with rearranging the deckchairs on the Titanic while ignoring what it takes to turn such a large ship mid-course and address the fissures beneath the tip of the iceberg?

Ultimately, how to reform the World Bank is central to the broader question raised in this volume regarding how institutions and systems of global governance might be redesigned to be more effective in addressing issues of poverty and inequality. This chapter poses three sets of driving questions to this end. First, how can we think about the

process of reforming such large international governmental organizations? Conceptually speaking, who is driving reform and what are the mechanisms and processes that reform can engage to effectively engineer change in international bureaucracies like the World Bank? Second, what have we learned from past attempts to reform the World Bank that might inform how we design and tackle current change agendas? A reflection on the Bank's last major reorganization, the Strategic Compact initiative from 1997–2001, illuminates many of the promises and pitfalls in designing and realizing reform goals. Finally, given the cacophony of demands facing the World Bank, what may be the most significant reforms that member states and Bank leadership could undertake in the near term? In other words, what might be the most pragmatic priority for Bank reform that would have the farthest-reaching impact on the institution's relevance, legitimacy and effectiveness? Strengthening the representation and voice of developing countries in the governance of the World Bank remains a top concern and a necessary measure to address the marginalization of developing country voices, as evident in the on-going work of the new High Commission on the Modernization of World Bank Governance. At the same time, I argue that it is just as necessary to direct attention to the selection of the Bank's management and staff as a mechanism for changing how the Bank thinks about development, as well as enhanced transparency and evaluation policies that would more directly affect the Bank's operational accountability and organizational learning with respect to its "dream of a world free of poverty."

Conceptualizing World Bank reform

Questions regarding the strategic reform of international organizations are distinct from questions of how international organizations evolve or adapt over time. Organizational reform is usually engaged after a series of major institutional failures, exogenous shocks (such as the current financial crisis) and accumulating pressures from both inside and outside the organization. Reform entails targeted and often dramatic shifts in the governance structure, formal mandates and rules, and most importantly, the bureaucratic *behavior* of an international organization. Sociological organizational theory tells us that such change in any large bureaucracy is difficult, because of inherent collective action problems, institutional stickiness, and impediments to organizational learning (Argyris and Schön, 1978; Schein, 1992). But by nature of being *international governmental* agencies governed by heterogeneous member states and occupied by multinational staff,

international organization reform unfolds within the context of contentious political and ideological battles within and outside the organization that further complicate conventional understandings of how to transform these multinational bureaucracies.

There are three sets of issues to consider when assessing or designing international organization reform. The first examines the *causes* of major international organization reform initiatives. Who or what catalyzes major reform initiatives, and who most deeply influences the content of reform programs? In the highly politicized context of international organizations, how are reform goals negotiated and chosen amongst the plethora of possible choices? Here it is necessary to unpack the push and pull of multifarious exogenous factors, such as the varying influence of distinct actors including member states, NGOs, and other international organizations, and the more intangible influence of external shocks (for example, financial crises) and shifts in the international organization's normative and ideational environment. At the same time, these exogenous factors must be distinguished from endogenous factors including the influence of international organization leadership, initiatives of staff, and more broadly the results of organizational learning from past policy and performance failures.

When we account for the interaction of these demand-side factors, we can better evaluate the plausibility of proposed reform programs or at least understand why so many reform proposals appear vague, watered-down, or composed of inconsistent goals. The distinct authorizing and task environment of international organizations means that they must placate multiple political masters to secure both the financial resources and external legitimacy to ensure organizational survival (Weaver, 2008). In the case of the World Bank, this authorizing and task environment is crowded with other multilateral and bilateral development agencies, private foundations, development NGOs, sovereign wealth funds, and (until the recent crisis) plentiful private capital flows.

In this competitive arena, the Bank's management discerns the need to satisfy multiple constituencies with conflicting interests. For example, the Bank leadership is acutely aware that it must satisfy the diverse expectations and demands of donor states, who can funnel their money through other aid channels, condition their funds (especially through the replenishment process for the International Development Association, IDA), or threaten to turn off the money spigots altogether. Simultaneously, the Bank must sustain the demand for loans and services from borrowing states, especially the prized middle-income countries that borrow through the Bank's hard-loan windows in the International Bank for Reconstruction and Development (IBRD) and

the International Finance Corporation (IFC). These countries can now easily secure funds from more attractive sources, such as private capital markets and sovereign wealth funds, and as a result are increasingly reticent to accept many of the stringent policy conditions that the Bank imposes through its lending programs. Finally, there is a burgeoning number of vigilant and highly critical non-governmental and civil society organizations, who over the past 20 years have strongly pushed their own agendas (often via pressure on donor state parliaments) and through their oversight of the Bank's performance have had a significant impact on the Bank's external legitimacy and broad political support. Predictably, contemporary reform programs often contain conflicting objectives, designed to appease this complicated set of stakeholders whom the Bank must court because of its resource dependencies. The result is often a set of pronounced reform programs that risk becoming "Christmas trees" adorned with objectives that may all be desirable from any given perspective, but are collectively infeasible (Center for Global Development, 2007).

The second set of questions refers to the *process* of reform. The most critical task here is to distinguish between the "hardware" and the "software" of organizational reform, which delves more into the internal dynamics of international organization reform. Reform hardware entails the material restructuring of the organization: changes to the governance rules (such as voting procedures or quota subscriptions on the executive boards), introduction of new policies and procedures, the creation and/or destruction of bureaucratic units, the reallocation of material resources within the international organization, and changes to management and staff incentive structures in areas such as hiring and promotions. Changes to material structures by nature invoke fierce political battles over resources that can easily thwart reform efforts.

At the same time, reform must deal with the software, or the culture, of the organization. Bureaucratic culture encompasses the "basic assumptions," "mental models," or informal institutions of the organization (Schein, 1992). Within the Bank, there are distinct and observable cultures, resting upon economistic and technocratic ideologies and lending imperatives, that govern the way research and operations are conducted (Nelson, 1995; Miller-Adams, 1999; Weaver, 2008). Attempting to reorient staff members' expectations and behavior around new reform goals often requires substantial changes to these existing cultures or habits of thought and action. Yet cultural transformation is not easy. As Douglass North (1990: 91) wrote in his Nobel Prize-winning theory of institutional development, change in underlying informal institutions is prone to path-dependency and slow adaptation, and tends to demonstrate

"great survival tenacity." Such was the conclusion of the now infamous reorganization of the World Bank by President Barber Conable in 1987. In an attempt to shake up the organizational structure and culture of the Bank, Conable fired the entire staff and asked them to reapply, in hopes of utilizing tools of staff screening and selection to infuse new ideas, skills and incentive structures into the Bank. The outcome was far less than desired (Rich, 1994: 182; Caufield, 1996: 178–87; Phillips, 2009). A post-hoc internal evaluation of the Conable reorganization concluded:

> Changing the culture of any organization is a lengthy and complex process. The change process itself is influenced by the culture in place. If the latter is strong—when shared beliefs, values, and norms consistently drive behavior—the change process is even more difficult. Such is the current situation in the Bank.
>
> (World Bank, 1987: 16)

In investigating the process of organizational reform, one must therefore pay close attention to how the hardware and software of reform interact. When do attempts to engineer the material side of reform clash with attempts to engender cultural change? A few months into his presidency at the World Bank in 2005, Paul Wolfowitz optimistically stated, "if there is a culture [in the Bank] of getting money out the door, I think we can change that culture and get people looking more at results" (quoted in Gigot 2005). Two years later, shortly after Wolfowitz's ouster from the Bank, the *Economist* magazine commented cynically on the ability of the Bank president to incite change:

> A new president inherits a corps of 8,600 highly qualified and experienced staff in full command of a jargon and house culture that can bewilder new bosses. Some in the top ranks are attached to the status quo, which has served them so well. "The bank has a set rhythm," says Ashraf Ghani, chancellor of Kabul University, who once worked at the institution. But a president cannot change those rhythms and routines until he has first mastered them.
>
> (*Economist*, 2007: 65)

This analysis of processes and attention to the complex dynamics of political and cultural change within international organization bureaucracies informs much of the final set of questions surrounding reform *outcomes*. Benchmarks for reform outcomes are notoriously difficult to set, particularly when reform programs seek broad shifts in bureaucratic

norms and behavior, as in many of the past Bank reorganizations which have tried to uproot the culture of lending (in which staff are promoted on the basis of the number and size of approved loans) and replace it with a culture that incentivizes staff to focus on the sustainable performance of loans in reducing poverty levels and fostering equitable socioeconomic growth. Evaluating actual results and generating lessons for future reforms requires a balanced analysis of internal and external evaluation, which is difficult when reforms are not conducted in an entirely open and transparent fashion. It is equally difficult to try to discern how much genuine (as opposed to rhetorical) change has occurred at both the structural and policy level, and more critically the practice or behavior of the organization. These deeper-level changes may not be immediately observable or measurable and are inherently subject to interpretation. Hasty evaluations which presumptuously conclude failure can weaken both internal and external support for continued reorganization efforts and provoke cynicism about the organization's commitment to change that ultimately undercuts the reform program's objective of improving the institution's legitimacy.

Ultimately, determining the success or failure of international organization reform must take into account the conflicting objectives inherent to the ambitious design of reform programs. As evident in the experience of the Strategic Compact reform initiative, discussed below, success in enacting policies to placate one set of reform demands on the Bank can directly undermine efforts to meet contrary reform demands—trade-offs that pragmatically should be anticipated in establishing evaluation benchmarks and evaluating outcomes, but for political reasons are frequently not mentioned. More dangerous, in the Bank's experience, is the internal distrust and change fatigue engendered by repeated reorganization attempts. These seem to coincide with each new presidency and can have long-term repercussions for future reform efforts. Bank staff members increasingly see reform programs as rhetorical efforts by the organization's leaders to navigate the Bank's political waters (World Bank Staff Association, 2001). Pervasive confusion or skepticism about real intentions, particularly when the public rhetoric is inconsistent with internal signals (see Weaver, 2008: chapter 5), undermines the ability of reform champions to transform the logics of consequence and appropriateness that drive staff expectations and behavior. One internal staff newsletter in 2005 captured the sentiment well:

> Internal communications from the Bank tell staff about necessary changes; are the reasons proffered the actual ones? For example, what really prompts the Bank's repeated reorganizations? Overall,

the Bank is constantly finessing information given to staff, to its shareholders, and to outside critics.

(World Bank Staff Association 2005: 1)

Reflecting on reform: lessons from the Bank's Strategic Compact Initiative[1]

When James D. Wolfensohn became president of the Bank in 1995, he inherited an institution in full-blown crisis. The World Bank was reeling from a leaked internal review of the Bank's lending performance which revealed shockingly high levels of project failures (Portfolio Management Task Force, 1992; also known as the Wapenhans Report),[2] widespread discontent with the Bank's past structural adjustment programs in Latin America, the perceived failure of shock therapy policies in the former Soviet Union, aid fatigue from donors, increasing reluctance to borrow from middle-income countries, and a growing NGO oppositional movement mobilized around the Bank's 50-year anniversary in 1994 (aptly named the "50 Years is Enough" campaign). Wolfensohn's answer was the Strategic Compact: a US$250 million, 30-month major reorganization officially launched in 1997.

The Compact, in sum, identified three major targets for reform. The first goal was to redefine the Bank's core mission, including enhancing the prominence of new development agendas and safeguard policies to renew the legitimacy of the Bank, particularly in the eyes of donor state, NGO, and civil society critics. The second goal was to rationalize the organizational structure to become more responsive to "client" (borrower state) demands. The third goal was to improve project management by streamlining project cycles and increasing loan portfolio performance ratings to demonstrate the Bank's essential effectiveness and relevance after over a decade of dismal loan results.

Post hoc evaluations conducted by the Bank in 2001–2 unsurprisingly heralded several successes of the reform program, including the decentralization of one-third of Bank management and staff to mission offices outside of Washington, DC, and measurable improvements in project sustainability and impact indicators. Other aspects of the Compact program, though, fell far short of expectations, particularly in further mainstreaming social and environmental agendas and uprooting the "disbursement imperative" and "approval culture" within the Bank's internal work environment.

Subsequent analyses of the Compact reveal two broad points about the obstacles to Bank reform that affirm some of the dangers discussed in the previous section. The first point is that the Compact program

clearly suffered from "reform creep" or "goal dissonance": the ill-founded attempt to placate too many external political pressures and adopting incompatible reform goals. Two conflicting aims stand out as an example of this. On the one hand, the Bank sought to reverse stagnating developing country demand for Bank loans by becoming more attuned to borrower governments' interests and streamlining project approval processes to make it easier and faster to disburse loans. On the other hand, the Bank also sought to appear more responsive to demands for increased accountability from NGOs, civil society organizations, and their attendant national parliaments in donor states. Appeasing the latter critics required enhancing accountability measures and safeguard policies, which inevitably threatened to lengthen project approval processes and attach more costly oversight mechanisms.

The tension caused by conflicting objectives was manifest in the implementation of the new internal matrix management system, that gave country directors increased control over a majority of the Bank's overall administrative budget in an effort to make Bank operations more responsive to client needs. The matrix system allowed country directors, who have direct contact with borrower governments, to contract with staff experts (such as environmental specialists) to conduct safeguard assessments and project appraisals through a competitive bidding process. The intent was to lower overall staff costs, eliminate supply-driven work, and better tailor Bank programs to the needs of individual countries and programs. The internal market system inadvertently created incentives that countered efforts to promote safeguard and other environmental and social assessment procedures in project management. In 2001, the Bank's internal evaluation unit, the Operations Evaluation Department, reported that the need for environmental specialists to "sell" their services led project managers to seek specialists who would not insist on lengthy and expensive environmental assessments that would hold up or add to the costs of project preparation and supervision (World Bank Operational Evaluation Department, 2001). According to the Bank's own assessment reports of the Strategic Compact conducted in 2000–2001, this directly contributed to weak progress in improving compliance with safeguard measures—the reform goal of NGOs and donor states (World Bank, 2001). In fact, the clash in reform goals may actually have reversed progress in mainstreaming sustainable development goals. In 2001, the Quality Assurance Group (another internal evaluation unit) reported that some Bank managers were actually discouraging staff from tackling operations that involved excessive safeguard policies or that might trigger resettlement policies (World Bank Quality Assurance Group, 2001: 16).

The Compact period reveals clearly that the reform strategy suffered from multiple conflicts among external interests and demands on the Bank. But in exploring the promises and pitfalls of future Bank reform, it is the Compact's findings on cultural change that are most interesting. Like the infamous reorganization in 1987, the reform architects in 1997 overemphasized changes in formal material structures and systems and failed to predict the difficulty of challenging vested interests, ideologies and operational norms. One punch line reiterated throughout the internal Compact assessment report was that "the Bank needs to find a better balance between the 'hardware' of change (strategy, structure, process, systems) and the 'software'" (culture and behavior) (World Bank, 2001). Culture is inherently a stabilizing force in bureaucracies, creating shared norms and expectations that enable staff to work even under conditions of uncertainty. Thus, culture is not supposed to change quickly, and seeking to fundamentally uproot and transform it as part of a short-term strategic reform initiative is bound to disappoint.

It is unsurprising, then, that the Compact reform process proved more successful in transforming the institution to improve client responsiveness than it did to achieve the other objective of enhancing accountability measures. The norms required to achieve the first goal were already largely in place in what the internal Wapenhans Report in 1992 described as the "approval culture" and "disbursement imperative" of the Bank's operational environment. Even when staff members claimed adherence to goals such as enhanced environmental assessments and extensive civil society consultations, they nonetheless recognized that the existing incentive structure (as manifest in resource allocation and promotion practices inside the Bank) did not encourage staff members to act upon these beliefs. A majority of the staff interviewed from 2000 to 2005 concurred that the ability of staff to take on these goals depended much upon the preferences of individual country directors and other powerful senior managers. As a result, many staff members observed that the Bank had made progress toward these goals by the end of the Compact period, but it has been uneven within the organization and highly contingent upon the predilections of individual managers. Staff members continued to perceive, even when it clashed with their own principles, that "the way to success in the Bank" still largely rests upon their ability to get projects approved and loans disbursed quickly. Meeting client demands for faster project approval and loan disbursement necessitated few disruptions in operational norms and routines.

On the other hand, the Compact's goal of engendering a "results-oriented culture" that would hold staff accountable for the development

impact of project loans did not prove as successful. Pressures to lend combined with weak monitoring and evaluation norms and high staff turnover undermined the reform goal of increasing accountability for project performance. Project staff members interviewed from 2000 to 2005 largely remained unconvinced that good quality supervision was recognized or rewarded in the same way as lending work. The shift from "show me the money" to "show me the results" in the Bank's operational culture may have been emerging, but much more slowly than anticipated or desired.

Reforming the Bank's intellectual culture—the way the Bank "thinks" about poverty alleviation and socioeconomic development—has its own unique challenges. The Compact initiative identified ideological change in the economist-dominated environment as necessary to effectively pursue the Bank's newly embraced agendas, such as promotion of good governance and anticorruption. In order to bring in fresh ideas and shake up old ways of thinking, the Compact specified human resources targets, including a quantitative shift in the Bank's staff skills mix toward priority areas. As a result, between 1997 and 2000 the Bank underwent remarkable physical changes: one-third of the total staff were fired, retired, or quit. Over 3,300 new staff members were recruited into the Bank (one-third of these in overseas offices as part of the decentralization initiative). Statistics provided in subsequent human resource reports confirmed increased staff numbers in targeted units.

Nonetheless, it is difficult to determine from this data if the recruitment strategy really achieved the broad goal of changing the Bank's development thinking. The publicly available data do not provide information on the educational backgrounds, qualifications, or placement of individuals hired into the priority sectors. Interviews with numerous staff anecdotally cast doubt on whether there was a significant enough shift in hiring and promotional practices to dislodge the perceived hegemony of economic orthodoxy. Interviews also confirm that non-economic social scientists, even though they were certainly more numerous by 2002, were not in prominent management positions. They continued to feel marginalized and compelled to craft their ideas within the language of prevailing economic theory in order to influence conceptual and operational reality in the Bank (see also Bebbington et al., 2006). In January 2006, in response to a widely publicized external evaluation of the Bank's development research, two non-economists working in the Bank's main research department wrote a short essay on the "disciplinary monopoly" of economists inside the Bank. "Development is a diverse field speaking to virtually every aspect of human endeavor, and the core elements of this diversity should be reflected in the training of

the Bank's research staff and content of its research agenda." The authors then went on to claim "yet at present all but a handful of the Bank's 83 full-time research staff are economists" (Rao and Woolcock, 2007). Well past the end of the Compact period, perceptions of the intellectual hegemony of economists appear to remain intact.

Two general lessons for future reform at the World Bank can be derived from the experience of the Strategic Compact. The first is that conflicting reform goals are going to be an inevitable problem for any major reorganization at the Bank because of its complex political environment. Strategically prioritizing some reform goals over others would thus appear a prudent means of increasing the chances that top-priority goals are attained. Yet reaching consensus on a ranking of goals is unlikely given the diversity of preferences amongst the Bank's political masters. Moreover, for the same political reasons, it is also unlikely that internal reformers would be able to execute some "triage," although it would behoove Bank reformers to articulate a more practical, if impolitic, strategy for reform that does not inflate expectations and is clearer about the time horizon for achieving different goals. Overall, those seeking reform, especially the powerful member states of the Bank, must thus be duly aware of their own complicity in sending conflicting marching orders that inevitably set up the Bank for reform failure. After all, the Bank is governed by its member states who cannot, or at least should not, scapegoat the "run-away" bureaucracy when reforms are not realized.

The second lesson is a stern warning about the extent to which reform driven from the outside or from top-level management will incite deeper cultural and behavioral change in the organization. The Compact period clearly revealed that organizational culture is exceedingly difficult to engineer, even when explicitly targeted. Cultural change is further impeded when reform goals are unclearly articulated or when pervasive distrust exists between layers of management and staff. Kofi Annan, in outlining a reform plan for the United Nations in the late 1990s, warned that the UN was not an institution where revolutions flourished. One could easily say the same for the World Bank. The hurdles to reforming the Bank, like any large public bureaucracy, are the deeply vested interests, incentive structures, and ideologies of Bank management and staff (de Tray 2007; Phillips 2009). This is not to say that organizational culture is immutable, nor to call Bank management and staff over-socialized cultural dupes. But while the culture of the Bank is a frequent and greatly vilified target of reform, discussions today rarely provide a realistic assessment of how the Bank's culture can actually be transformed.

Reforming the World Bank today: pitfalls and promises

In current discussions of International Monetary Fund (IMF) and World Bank reform it is very popular to focus on the flawed design of the Bretton Woods institutions. The complex subscription rates underpinning weighted voting and representation rules for the Executive Board grant a near monopoly of decision-making authority to the post-Second World War victors and donor member states. The reasons for structuring the IMF and World Bank this way in 1944 followed clear realist logic designed to sustain financial support for the institutions, but that logic is now ill-fitted to the contemporary political and economic balance of power and the norms of democracy in multilateral organizations in the twenty-first century.

Today, demands for democratizing the Bank's governance are driven not just by changing norms, but also by functional imperatives. Prior to the current financial crisis, the abundance of private capital flows decreased demand for IBRD loans from the middle-income countries that traditionally represent the bread and butter of Bank lending. This has fueled arguments for granting great voting shares (and thus influence) to the big borrowers such as China, Brazil and India—presumably at the expense of the European donors. Such changes, in addition to new demand generated by the financial crisis, may reinvigorate borrower demand for Bank loans and services. This may in turn partially resolve the Bank's problem of demonstrating its continued relevancy, especially if the Bank pairs its loans with technical assistance and experts that cannot be matched by private sector lenders (Linn 2004; de Tray 2007).[3] More dramatic proposals, such as a move toward double-majority voting or a subscription system based on population and geographical importance, may also recapture the Bank's waning legitimacy by granting more say to the poorer countries, who are ostensibly the primary benefactors of the Bank's services yet currently have little incentive to actively participate in board discussions (Woods, 2006; Ramachandran et al., 2009). Moreover, the Bank would regain a significant level of legitimacy if the gentlemen's agreement dictating the non-transparent and highly politicized selection of the Bank presidency was overturned in favor of a more meritocratic process that allowed for consideration of non-US candidates (Wheeler 2007).

The highly publicized proposals for updating and democratizing the governance of the World Bank will certainly improve its external legitimacy in the eyes of many of its constituents, if carried out in more than the current piecemeal fashion that promises much but delivers little in terms of addressing the internal inequality in voice and influence between

member states. In February 2009, the World Bank Board of Governors approved the first phase of governance reforms to increase the influence of developing countries, adding a seat for sub-Saharan Africa and leaving developing countries with a majority of seats (but not votes) on the Executive Board of Directors. Its actual effect on the Bank's governance remains unclear, as decision-making by executive directors continues to be by consensus, rather than formal voting, and agenda-setting power still largely resides in the Bank management and staff. There is also the inherent danger that these measures to redress governance inequality may lead to a plurality of actors who can effectively voice their preferences and impose demands on the Bank today, and may compound the problems of mission creep and conflicting reform goals, ultimately hindering reform attempts (as noted above) and potentially resulting in regression in desired areas of organizational change.

More promising for reform at the World Bank may be the current changes to the selection of senior managers—actions that appear focused less on the *Titanic*'s deck chairs and more on who is working the engines. Former Bank president Wolfensohn's effort to decentralize much of the Bank's operations and place over one-third of all country directors in mission offices went far toward this goal. Current president Robert Zoellick has consciously sought to increase the presence of poorer nations within the Bank by making seven of his nine senior appointments from developing countries, including the 2007 selection of former Nigerian Finance Minister Ngozi Okonjo-Iweala as the Bank's first female managing director and the 2008 appointment of Chinese economics professor Justin Yifu Lin as chief economist and senior vice president. Today, nearly two-thirds of Bank staff and 42 percent of managers are reported to be from developing countries (World Bank Press Review, February 2009). Although one must note that a large majority of these individuals received their advanced degrees from, and have had careers in, Anglo-American institutions, the intent and hope of such change is to diminish the perception of Western ideological hegemony and promote the image of a truly global development bank.

This may also prove to be a promising avenue for deeper cultural reform at the Bank that too often goes unnoticed or underappreciated in part because it is unlikely to occur through a big bang or a carefully crafted reform program. In contrast to common perceptions amongst the Bank's many critics, it does great injustice to presume that all individuals who work within the Bank are the strongest proponents of the status quo. In fact, one of the surprising findings of my decade of research on the Bank is the sheer number of critics within the

organization. These insiders hold a unique—and often quite skeptical—view of the hierarchy and culture of the organization. They share a common aggravation over their inability to enact substantial, far-reaching and meaningful change. Yet internal reformers are most likely to be successful because they are the actors most familiar with the history and culture of the Bank. They are thus best positioned to understand where the potential for progressive change is highest and how to accomplish it, even when such change comes in a painfully slow, incremental and sometimes impolitic fashion.

Of course, many leave in utter frustration, or in distinct cases are pushed out of the organization for deviating too far from the official line. It is nonetheless important to recognize the number of individuals who actively seek to work for the Bank for the express reason that they feel they can best promote effective change from within. Most Bank staff strongly support efforts to improve the governance and accountability of the Bank, as evident in the "blue ribbon" campaign that emerged inside the Bank in May 2005 in the wake of the Wolfowitz scandal. The number of these internal reformers may increase if Bank management continues to open its hiring processes to new disciplines, thus bringing in new ideas and perspectives. This would be especially true if some of this new blood continues to be placed in positions that have real control over critical resources such as country directorships, regional vice presidencies, and key roles in the Bank's research arms (the Development Economics Department, or DEC, and the World Bank Institute). The World Bank's principals may thus be well advised when thinking about reform strategies to devote some of their attention currently focused on the governance of the Board and selection of the president to governance deeper within the institution.

Finally, these efforts to more deeply and widely democratize the governance of the Bank to increase its accountability to various stakeholders are complemented by ongoing pressures to enhance the institution's transparency. Improved transparency with regards to internal decision-making processes, operational practices, and evaluations will benefit the Bank's external legitimacy as well as empower close observers of the Bank to more effectively exercise the kind of oversight and control that may help address perceived problems of poor performance. The Bank has already come a long way in the last two decades in terms of public release of project documents and creation of accountability mechanisms such as the Independent Inspections Panel and the Department of Institutional Integrity.[4]

Nonetheless, endemic problems in information disclosure policies still exist. While the Bank's formal policies espouse the presumption of

information disclosure, in practice the list of exempted materials is long and broadly enough defined to capture much of the most essential information that observers and those affected by Bank projects would need to effectively track major policies and ongoing loan programs. The extensive archives remain relatively inaccessible because of arcane rules governing the procedures for special access. Most surprisingly, unlike the International Monetary Fund where full transcripts of Executive Board meetings are publicly available and easily accessed after a 10-year period, only the abbreviated and edited minutes of the Board meetings are available at the Bank, and only since 2005. It is thus extremely difficult to determine the positions taken by any individual executive director or closely follow Board debates on important policies and programs.

Improved informational disclosure policies, currently under review at the World Bank, seem a promising area for straightforward policy reform that could have far-reaching implications for the legitimacy and effectiveness of the Bank. This, however, does not make this reform uncontroversial. According to Bruce Jenkins, who coordinates the Global Transparency Initiative (a coalition of NGOs monitoring the transparency policies of multilateral development banks), there is considerable disagreement between the major member states on the desirable degree of transparency, with the United States firmly pushing for aggressive freedom of informational principles and several of the European states, Russia, and Saudi Arabia largely resisting.[5] The argument against transparency is ironically tied to concerns over the Bank's efficiency. If, for example, the discussions of the Executive Board or sensitive internal staff documents are made available to the public, there is a fear that this will lead to a loss of candor and a tendency to self-censor discussions and reports for public consumption. This could simultaneously dilute progress in enhancing the voice and influence of developing countries in the Bank, if processes of decision-making shift from official boardroom meetings subject to voting procedures to more informal "green room" discussions.

Nonetheless, there is good reason to be optimistic that transparency and accountability reforms will progress at the World Bank. Concurrent reforms at comparable international organizations will put strong pressure on the Bank to avoid being the laggard. Emerging norms regarding freedom of information, advocated by NGOs and major donor states like the USA, will also reinforce these pressures. And evidence thus far seems to indicate that much of the Bank's staff strongly support the principles of greater transparency, providing reinforcement for this change within the institution.

Conclusion

It is all too easy to be cynical about prospects for strategic reform at the World Bank. Major reorganizations have been tried repeatedly in the past, with less than spectacular results. The recent spate of insider accounts of an inert, unresponsive and corrupt Bank bureaucracy depict an organization that is unlikely to quickly adapt to meet new challenges in addressing poverty and inequality (for example, Calderisi, 2006; Ellerman, 2006; Easterly, 2006; 2008; Berkman, 2008; Moyo, 2009). Moreover, the basic problems hindering the realization of reform goals—inherent dissonance in change objectives, political resistance, and the general problems of transforming such a large, complex organization—are not likely to suddenly disappear. This seems compounded by the fact that the tripartite crisis of legitimacy, relevance and effectiveness seems to have converged into a more primordial identity crisis for the Bank. Much of the debate over the World Bank is now more preoccupied with redefining what the role of the institution should be in the twenty-first century as much as it is about figuring out how to reform the institution to meet its existing mandates.

Aspiring to reform the World Bank, however, appears a far more attractive option than the alternatives. Fundamentally reinventing or demolishing the Bank today, in the wake of a global food price crisis and in the midst of an ongoing financial crisis, seems imprudent. In practical terms, it would be nearly impossible to dismantle such a large and prominent global institution when there are so many vested interests at stake. Nor is it obvious that a shift toward greater reliance on other multilateral institutions, plagued by similar problems, or bilateral institutions, harnessed with even more politicized agendas, will be able to replicate the World Bank's unique potential to coordinate international aid and address emerging issues of global public goods. Given this pragmatic conclusion, the task is then to try to adapt the World Bank to the unique challenges of today: to re-establish its relevance by rethinking its core mandates and purposes, to rebuild its legitimacy through further modernization of its governance and transparency structures, and to aggressively address its effectiveness through strengthened accountability and performance evaluation mechanisms. Such reforms will be neither easy nor quick. Reform champions should carefully reflect on what has worked or not in the past. Most importantly, policy makers need to pursue a *pragmatic* vision that recognizes that a World Bank that promises all things to all people will inevitably become an institution that can never live up to its ideals.

Notes

1 This section draws heavily from pre-published material. See Weaver (2007). Reprinted with permission from the *Brown Journal of World Affairs*. For more detailed analyses of the Strategic Compact, see Weaver and Leiteritz (2005); Nielson et al. (2006); and Weaver (2008).

2 This is better known as the Wapenhans Report, named after its lead author, then Bank vice president Willi Wapenhans. The report revealed that the number of projects judged satisfactory upon completion had reached 37.5 percent by 1991, according to the Bank's own evaluation standards. Likewise, by 1991 the share of projects with major problems increased to 20 percent, cancellations of lending programs reached 50 percent, and borrowers' compliance with loan conditions hovered at an abysmal 22 percent.

3 However, experts now more commonly argue that the Bank must find a way to turn away from lending to middle-income countries and toward more emphasis on technical assistance and capacity building, innovative risk management and the provision of global public goods. See Einhorn (2006); Birdsall and Subramanian (2007); Moyo (2009).

4 The Independent Inspections Panel was created in 1993 under President Lewis Preston to investigate cases in which there are suspected instances of Bank incompliance with institutional policies and procedures, such as incomplete environmental impact assessments or improper resettlement procedures. The Department of Institutional Integrity, formerly the internal Oversight Committee for Fraud and Corruption, was established in 1998 by President Wolfensohn to investigate allegations of corruption and other forms of misconduct in Bank-funded programs by either Bank staff, contractors, or recipients in borrowing countries. For weakness in these oversight mechanisms, particularly in the context of the Bank's anticorruption agenda, see Weaver (2008: chapter 4); Berkman (2008); and Moyo (2009).

5 Interview with Bruce Jenkins, Washington, DC, 23 June 2009. See also Global Transparency Initiative (2009).

Bibliography

Argyris, Chris, and Donald A. Schön (1978) *Organizational Learning* (Reading, Mass.: Addison-Wesley).

Bebbington, Anthony, Elizabeth A. Olson, Michael Woolcock, and Scott E. Guggenheim (eds.) (2006) *The Search for Empowerment: Social Capital as Idea and Practice in the World Bank* (Bloomfield, Conn.: Kumarian Press).

Berkman, Steve (2008) *The World Bank and the Gods of Lending* (Bloomfield, Conn.: Kumarian Press).

Birdsall, Nancy (ed.) (2006) *Rescuing the World Bank* (Washington, DC: Center for Global Development).

Birdsall, Nancy, and Arvind Subramanian (2007) "From World Bank to World Development Cooperative," Center for Global Development Essay, October (Washington, DC: Center for Global Development). Available HTTP: www.cgdev.org/files/14624_file_WorldDevCooperative.pdf (accessed 17 July 2009).

Buira, Ariel, and Jose A. Ocampo (eds.) (2005) *Reforming the Governance of the IMF and the World Bank* (London: Anthem Press).

Calderisi, Robert (2006) *The Trouble with Africa: Why Foreign Aid Isn't Working* (New York: Palgrave Macmillan).

Caufield, Catherine (1996) *Masters of Illusion: The World Bank and the Poverty of Nations* (New York: Henry Holt).

Center for Global Development (2007) *Report of the IDA15 Working Group*, June (Washington, DC: Center for Global Development).

de Tray, Dennis (2007) "Do We Still Need a World Bank?" Speech given at the American Enterprise Institute, 14 June (Washington, DC: American Enterprise Institute). Available HTTP: www.cgdev.org/content/opinion/detail/13961/ (accessed 17 July 2009).

Easterly, William (2006) *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* (New York: Penguin Press).

Easterly, William (ed.) (2008) *Reinventing Foreign Aid* (Cambridge, Mass.: MIT Press).

Einhorn, Jessica (2006) "Reforming the World Bank," *Foreign Affairs*, 84(1): 17–22.

Ellerman, David (2006) *Helping People Help Themselves: From the World Bank to an Alternative Philosophy of Development Assistance* (Ann Arbor: University of Michigan Press).

Gigot, Paul A. (2005) "'Dr. Wolfowitz, I Presume': A Conversation with the World Bank's New President," *Wall Street Journal*, 24 September.

Global Transparency Initiative (2009) *Comments on World Bank Transparency Approach Paper*, 27 May (Washington, DC: Global Transparency Initiative). Available HTTP: www.ifitransparency.org/uploads/7f12423bd48c10f788a1ab f37ccfae2b/GTI_Comments_on_WB_Disclosure_Approach_Paper_final.pdf (accessed 17 July 2009).

Linn, J.F. (2004) "The Role of World Bank Lending in Middle Income Countries," Comments presented at OED conference on "The Effectiveness of Policies and Reforms," Washington, DC, 4 October.

Miller-Adams, Michelle (1999) *The World Bank: New Agendas in a Changing World* (London: Routledge).

Moyo, Dambiso (2009) *Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa* (New York: Farrar, Straus and Giroux).

Nelson, Paul J. (1995) *The World Bank and Non-Governmental Organizations* (New York: St. Martin's Press).

Nielson, Daniel, Michael J. Tierney, and Catherine Weaver (2006) "Bridging the Rationalist-Constructivist Divide: Re-Engineering the Culture of the World," *Journal of International Relations and Development*, 9(2): 1–33.

North, Douglass (1990) *Institutions, Institutional Change, and Economic Performance* (New York: Cambridge University Press).

Phillips, David A. (2009) *Reforming the World Bank: Twenty Years of Trial—and Error* (New York: Cambridge University Press).

Portfolio Management Task Force (1992) *Effective Implementation: Key to Development Impact*, Internal report, on file with author (Washington, DC: World Bank).

Powell, Jeff (2007) "Reform of World Bank Governance Structures," Bretton Woods Project Briefing, 12 October (Washington, DC: Bretton Woods Project). Available HTTP: www.brettonwoodsproject.org/art-557597 (accessed 17 July 2009).

Ramachandran, Vijaya, Enrique Rueda-Sabater, and Robin Kraft (2009) "Rethinking Fundamental Principles of Global Governance: How to Represent States and Populations in Multilateral Institutions," *Governance*, forthcoming.

Rao, Vijayendra, and Michael Woolcock (2007) "The Disciplinary Monopoly in Development Research at the World Bank," *Global Governance*, 13(4): 479–84.

Rich, Bruce (1994) *Mortgaging the Earth* (Boston, Mass.: Beacon Press).

Schein, Edgar H. (1992) *Organizational Culture and Leadership* (San Francisco, Calif.: Jossey-Bass).

The Economist (2007) "Paul Wolfowitz: An Outsider's Fate," 19 May.

Weaver, Catherine (2007) "Reforming the World Bank: Promises and Pitfalls," *Brown Journal of World Affairs*, 13(2): 55–65.

——(2008) *Hypocrisy Trap: The World Bank and the Poverty of Reform* (Princeton, N.J.: Princeton University Press).

Weaver, Catherine, and Ralf Leiteritz (2005) "'Our Poverty Is a World Full of Dreams': Reforming the World Bank," *Global Governance,* 11(3): 369–88.

Wheeler, David (2007) "It's One World Out There: The Global Consensus on Selecting the World Bank's Next President," Center for Global Development Working Paper 123 (Washington, DC: Center for Global Development). Available HTTP: www.cgdev.org/files/138641_file_World_Bank_President_Survey.pdf (accessed 17 July 2009).

Woods, Ngaire (2006) *The Globalizers: The IMF, the World Bank and Their Borrowers* (Ithaca, N.Y.: Cornell University Press).

——(2008) "Shaking Up the World Bank: Essential Elements for Governance Reform," *Financial Times*, 22 December. Available HTTP: http://blogs.ft.com/economistsforum/2008/12/shaking-up-the-world-bank/ (accessed 17 July 2009).

World Bank (1987) "The Culture of the World Bank and Its Implications for the Reorganization Process," Internal report of the World Bank, 21 May, on file with author (Washington, DC: World Bank).

——(2001) *Assessment of the Strategic Compact* (Washington, DC: World Bank). Available HTTP: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2003/09/04/000012009_20030904134425/Rendered/PDF/265180Scode0901of0Strategic0Compact.pdf (accessed 17 July 2009). Annexes to this report are on file with author.

World Bank Operational Evaluation Department (2001) *OED Review of the Bank's Performance on the Environment* (Washington, DC: World Bank).

World Bank Quality Assurance Group (2001) *Annual Report on Portfolio Performance* (Washington, DC: World Bank)

World Bank Staff Association (2005) "Political Pressures on the Bank—and Staff—in 2005," *World Bank Staff Association Newsletter*, January/February, on file with author (Washington, DC: World Bank).

——(2001) "The World Bank Is Always Navigating in Political Waters," *World Bank Staff Association Newsletter,* October, on file with author (Washington, DC: World Bank).

Part III

Promising poverty reduction, governing indebtedness

6 Governing global poverty?

Global ambivalence and the Millennium Development Goals

David Hulme[1]

The Millennium Development Goals (MDGs) are the world's biggest promise—a global agreement to reduce poverty and human deprivation at historically unprecedented rates through collaborative multilateral action. They differ from all other global promises for poverty reduction in their comprehensive nature and the systematic efforts taken to specify, finance, implement, monitor, and advocate concerted action.

This chapter charts the evolution of the MDGs and examines the changing historical structure (material capabilities, ideas and institutions) that has shaped their form, content, application and achievements. In many ways the MDGs were the outcome of a fragmented conversation between critics of neoliberalism, loosely grouped around the idea of "human development," and non-fundamentalist neoliberals, moving toward a post-Washington Consensus. The MDGs emerged at a time when (i) the previously dominant model for world development, neoliberal capitalism, was being heavily questioned but there was no clearly articulated alternative, and (ii) world leaders and multilateral institutions were coming under pressure to generate a vision of "how" the world would be different and better in the new millennium.

Following this introduction, I outline the chapter's analytical framework. Then the evolution of the MDGs is summarized in a chronological account. The subsequent section applies the analytical framework to the chronological account and explains why the MDGs declared international development to be the pursuit of absolute poverty reduction (from a multi-dimensional perspective and framed in terms of results-based management), rather than the pursuit of economic growth or human rights or reduced inequality. The concluding section comments on the contribution that the MDGs have made to reducing poverty and inequality and speculates on the future of the MDGs, and similar global visions, in a world no longer dominated by the United States.

Historical structures and global public policy

While the MDGs may appear to be a concrete list of goals drawn up at a particular moment in time (often erroneously believed to be at the Millennium Summit of September 2000) they evolved over many years. They are not a "decision" agreed during a "meeting," as rational-linear models assume, but the outcome of a complex and evolving configuration of forces that Robert Cox (2002: 97–101) conceptualizes as an historical structure. Three categories of forces interact in such a structure—see Figure 6.1.

- *material capabilities*—technological and organizational capabilities with productive and destructive potentials;
- *ideas*—including intersubjective meanings, around which there is widespread agreement across a society, and "collective images of social order," which are often several and opposed; and
- *institutions*—amalgams of ideas and material power that are a means of stabilizing and perpetuating a particular social order. They reflect the power relations prevailing at their point of origin and are often formalized as organizations.

The influences of these three types of forces on each other are reciprocal and the directions and strength of influence vary with each particular case (Figure 6.1).

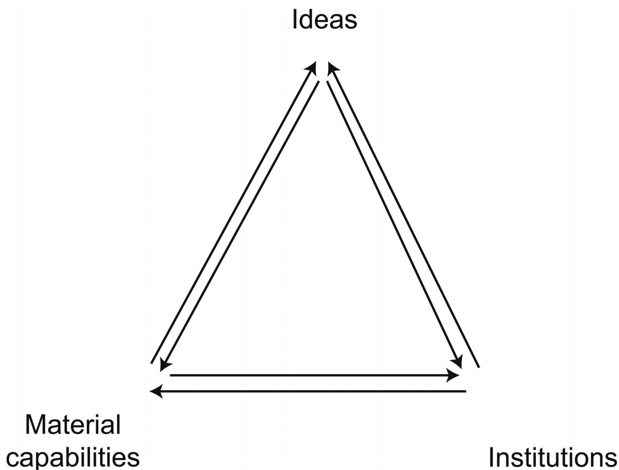

Figure 6.1 Cox's representation of an historical structure.
Source: Cox 2002: 98.

For the evolution of the MDGs the material capabilities that are most important lie in the staggering contrast between the material, technological, and organizational wealth of the G7/8 and OECD nations, and especially of the United States, and the more limited capabilities of the G77 (actually 130 countries), especially its poorest member states. In terms of ideas, the clash between neoliberalism and alternative development strategies such as human development[2] that looked beyond economic growth and posited a major role for public action, are central to the analysis. Results-based management[3] is also a significant idea as it provided a means for neoliberal thinking to re-negotiate[4] the framing of human development. A vast array of institutions were involved in the formulation of the MDGs. The UN's General Assembly, Secretariat, and several of its specialized agencies played major roles, as did the OECD's Development Assistance Committee (DAC), some national governments, social movements, faith groups, NGOs, and celebrities. It is the specific and dynamic ways in which these material capabilities, ideas and institutions came together at a particular historical juncture that gave rise to the MDGs.

A brief history of the MDGs:[5] phase 1—antecedents and UN summits

The idea of a dramatic attempt to eradicate or reduce global poverty has antecedents that go back to the mid-twentieth century: the Universal Declaration of Human Rights (UDHR); the Development Decade of the 1960s; the many UN summits of the second half of the twentieth century; and, books, reports and associated advocacy exercises on the issue (for example, Galbraith, 1979; Myrdal, 1970). With the exception of the UDHR none of these moved much beyond the aspiration stage. However, around 1980 the idea of a concerted multilateral effort at global poverty reduction stalled, with the arrival of Reagan and Thatcher and the intellectual ascendancy of neoliberal ideas.

By 1990 this climate had changed and the year marked a watershed in the evolution of ideas about international development and poverty reduction. Against the backdrop of the end of the Cold War it saw the World Bank's *World Development Report 1990* acknowledge the need for economic reform to be accompanied by social policies (especially primary education for girls). Even more significantly, the first of the UN Development Programme's (UNDP's) *Human Development Reports* was published. This made the idea of human development accessible to a wider group of professionals and to the serious media and gave social activists a relatively coherent (and non-socialist) framework from

which to argue for policy change. The 1990s also saw a number of UN summits, to which the processes leading to the MDGs can be traced.

The peak year for UN summitry was 1995 with the World Summit on Social Development in Copenhagen and the UN Fourth World Conference on Women in Beijing. The Social Summit was crucial for the MDGs, as a global consensus was reached that poverty reduction was *the* priority goal for development (UNDP, 1997: 108). It approved the target of eradicating income poverty (US$1 a day poverty as it came to be known) by 2015 and reaffirmed the agreements reached at the Children's Summit of 1990 and the ICPD. Implicitly it drew on the idea of human development and viewed poverty as being multi-dimensional. The agreement at Copenhagen had particular legitimacy, as 117 heads of state and government attended it—the largest meeting of "heads" there had ever been.[6] In the same year the Women's Summit at Beijing reaffirmed the goals of gender equality and women's empowerment. However, the energy and drive of the conference was not matched by its impact on global agenda-setting (Eyben, 2006).

UN summits continued in the latter half of the 1990s but the location for global-goal setting shifted to Paris. This was not part of any grand plan. It was just that in Paris there was a group of agencies needing a set of global goals to tackle their organizational problems, even if they did not yet know this.

Phase 2—from summits to lists

In the mid-1990s most aid agencies had a big problem. Their budgets were reducing and the total level of official development assistance was in long-term decline. For the donor club, the OECD's DAC, these were deep problems. At the DAC high-level meeting of May 1995, it was decided to establish a *Groupe de Reflexion* to review the future of development aid. Early on the *Groupe* asked DAC staff to draw up a list of UN summit declarations and unexpectedly, this listing became a focus for the *Groupe*. The drawing up of lists of targets had become a common device in the public services of OECD members, as their governments had adopted results-based management (RBM).

In May 1996 the DAC launched *Shaping the 21st Century: The Contribution of Development Co-operation*. The final document was 20 pages long but attention focused on its seven "International Development Goals" (IDGs)[7] (see Appendix 6.1 below). They were endorsed at several OECD ministerial meetings and by the G7 in 1996, 1997, and 1998 (Bradford, 2002: 5). However, in many of the OECD member countries the document did not appear to have much political traction.

The "like-minded" group of progressive donors (Denmark, the Netherlands, Norway, and Sweden) took the agreement seriously—indeed, literally—but they were already pursuing IDG-type policies. They had only limited leverage over more powerful donors (United States, Japan, the UK and France) and multilateral institutions.

In developing countries the IDGs had little or no resonance. The responses of the major multilaterals varied. For the UN, the report and the IDGs had significance. While the UN was pleased to see its declarations re-affirmed, it did not want to lose control of the processes that set the global agenda. In time the UN would produce alternative lists. The IDGs registered in several parts of the World Bank, especially the Poverty Unit of the Poverty Reduction and Economic Management Network, but barely registered at the IMF. The responses of NGOs varied but for more radical NGOs, and the emerging networks of anti-capitalist and anti-globalization groups, the IDGs were just rhetoric—platitudes helping capitalism to mask its dependence on the exploitation of labor and the environment.

Phase 3—the UN returns to center stage

In 1998 the UN re-entered the game of global target-setting through planning the Millennium Assembly of the United Nations, to be held at New York in September 2000. The new Secretary-General, Kofi Annan, was keen to make global poverty reduction central to the UN agenda and avoid being simply driven along by security and emergency issues as had his predecessors (Traub, 2006, 147).

Countries, international agencies, NGOs, networks, and activists energetically began to try and shape the content of the Millennium Assembly and Declaration. For the UN the Millennium Assembly had to be successful. No attention-diverting disagreements should distract the media at the summit. Annan appointed a senior advisor, John Ruggie, to draft a pre-summit report. This report would be the basis for a final round of negotiations to agree the Millennium Declaration.

The report was launched on 3 April 2000—*We the Peoples: The Role of the United Nations in the 21st Century* (Annan, 2000). Poverty eradication was its leading issue (Annan, 2000). More significantly for agencies concerned with global poverty reduction, it had a somewhat different set of poverty reduction goals than the IDGs. A comparison of the goals prioritized in *We the Peoples* and those in *Shaping the 21st Century* reveals that a number of goals do not appear or are watered down (the "losers"). Others appear on Annan's listing but not in the DAC listing (the "winners"). There are three big losers—gender equality

and women's empowerment; reproductive health; and goals for the health sector. Arguably, the "winners" were economic growth; technology; the setting of goals for the rich countries; the environment; and, highlighting Africa's problems (see Hulme, 2008 for a detailed discussion).

While there are many differences between the IDGs and *We the Peoples*, one overarching difference merits particular attention. The goals identified in *We the Peoples* had less of a human development focus than the IDGs. The "capabilities" of child survival, maternal survival, reproductive health, and gender equality were much less evident.

We the Peoples provided a strong indication of the most progressive agreement that Annan and his advisors thought the Millennium Summit could reach. But, Annan also needed to find a way of demonstrating that the UN was coordinating its global poverty reduction efforts with the other big players—the World Bank, IMF and the OECD's bilateral agencies. In June 2000 the leaders of the four major development multilaterals launched *A Better World for All: Progress Towards the International Development Goals* (BWFA, 2000). This document re-iterated the DAC's 1996 IDGs almost exactly and strongly re-affirmed the primacy of RBM thinking (BWFA 2000: 2–3). Most significantly, the goals in *BWFA* included reproductive rights and reduced child and maternal mortality—human development goals that *We the Peoples* had omitted. Beyond its content *A Better World for All* (*BWFA*) revealed an important aspect of the process of global poverty reduction goal-setting—it was a twin track process. The OECD, with its vast material capabilities, was continuing with its IDGs while the UN, a multilateral institution with great legitimacy but few resources, was mounting a similar exercise to produce a list from the Millennium Summit.

Over summer 2000 there were frantic negotiations about what should finally go into the Millennium Declaration. The additions, deletions, repositioning of items, and compromises that were agreed over these months worked—the Millennium Declaration was unanimously approved by the UN General Assembly on 8 September 2000. The next formal stage of the process was for the Secretary-General to draw up a "road map" showing how the world would achieve global poverty reduction.

Phase 4—from New York to Monterrey

Before Kofi Annan could unveil his implementation plan for global poverty reduction, two tasks had to be completed. One was relatively technical: converting the Millennium Declaration text into specific goals and concrete targets. The second was highly political: negotiating a deal with the OECD and OECD members so that they would agree

to put aside their IDGs. If this was not done then there was the danger of the world having two sets of poverty reduction goals—the OECD's IDGs and the UN's MDGs. The issue came to a head at a meeting convened by the World Bank in March 2001 (see Hulme, 2009 for an extended discussion). This agreed that a task force of experts from the DAC, World Bank, IMF, and UNDP would finalize the goals.

It is clear from the "final"[8] form of the MDGs that the IDGs, as presented in *BWFA* (BWFA, 2000), were taken as the primary document. The reasons for this have never been publicly explained, but there are clear logical grounds relating to the main arguments of this chapter:

- The IDGs were relatively coherent from a human development perspective. The goals in the Declaration lacked such coherence.
- The IDGs were already structured in RBM format—a short, clear list of measurables.
- The most powerful forces in these negotiations, economically and politically (the OECD's members) and technically (the IMF and World Bank), favored the IDGs.

Nevertheless, the negotiations had substance and the IDGs were significantly amended. The biggest loser was *reproductive health*. It was an explicit goal in the IDGs, but the UN could not entertain this because of the objections of a small part of its membership (Hulme, 2009). The compromise that was reached (an advance on the Millennium Declaration) was that "improved maternal health" could remain on the list.

The Millennium Declaration did have one major impact on the IDG listing: the addition of Goal 8, *a global partnership for development*. Developing countries were not going to accept a set of goals in a UN document that applied only to them. There had to be a goal indicating what the rich world would contribute to global poverty reduction efforts. However, there was a qualitative difference between Goals 1 to 7 and Goal 8 concerning quantitative targets and dates for achievement, to which we will return below.

In his first Millennium Summit follow-up report (the *Road Map*) of 6 September 2001 Annan was able to unveil the MDGs. Most UN members subsequently started to refer to these goals and many used them as part of their policy and planning processes. The main exceptions to this were the United States[9] and India.

Over the year following the Millennium Summit, prospects for a concerted push on global poverty reduction weakened. In part this was inevitable: the millennium fever that had fueled progress was over. More significant was the change of US president. Power now rested with a

Republican president guided by a small group of neo-conservative advisors, who were very suspicious, perhaps more accurately dismissive, of the UN and foreign aid. This was highly inauspicious for the approaching UN Finance for Development (FFD) conference, now delayed until March 2002. It seemed likely that Bush would not attend the FFD summit and that the United States might detach itself from the MDG process. Two factors helped change this.

In its haste to respond against the 11 September 2001 attacks the Bush administration thought a little more than it had previously about "soft power" approaches to foreign policy. It showed interest in the role of US foreign aid as an adjunct to the "war on terror." The second factor, was that the FFD meeting was in Monterrey and the Mexican president, Vicente Fox, was convenor. Bush had already declared that Mexico was the United States' most important foreign partner and talked about his close personal relationship with Fox. This put pressure on him to accept the invitation to Monterrey from his friend. As discussed in Hulme (2008), other factors (a meeting with Bono, lobbying from Christian conservatives, Condoleezza Rice outmaneuvering Treasury Secretary O'Neill) also encouraged Bush to attend—and once there he would have to show generosity.

So, while the commitments made at Monterrey were well below the levels talked about in 2000, and many rich countries had caveats around their aid, trade and debt reforms, overall the FFD was seen as a success. The MDGs were informally approved there (but not formally ratified) and Bush promised that the United States would be part of the project for global poverty reduction that the MDGs represented.

Understanding the Millennium Development Goals

To explain the processes surrounding agreement on the MDGs, this section explores the historical structure that underpinned their evolution. It looks at the interactions of the different forces (material capabilities, ideas and institutions) that supported, opposed, and shaped them. These interactions are not uni-directional: they are complex and reciprocal. For example, while the idea of human development has many sources its roots lie in the academic world, with Sen, Nussbaum and others; and an institution, the UNDP, literally institutionalized the idea by publishing an annual *Human Development Report* and establishing a Human Development Report Office. By creating the Human Development Index it launched a measure for economists and econometricians, the high priests of scientific work on development, that helped to steer some of them away from their obsession with economic

growth. These actions greatly raised the level of academic and practical interest in the idea, encouraging greater conceptual elaboration and influencing the nascent MDG debates. Eventually, once the MDGs were agreed, the idea had an impact yet again on the UNDP, which established a Millennium Project Office, to make a global plan for human development, and a Millennium Campaign, to raise public awareness around the world about the need to prioritize human development.

(a) Material capabilities

Material capabilities (technological and organizational capabilities with productive and destructive potentials) lie at the heart of the MDGs. The Goals are underpinned by the overarching belief that humanity now has the material capabilities to dramatically reduce and/or eradicate extreme poverty across the world. In practice, reforming access to material capabilities has proved very difficult. The units that might rewrite "the rules of the game" for access to and use of material capabilities—primarily national governments and associations of governments—have been prepared to reach general agreement on the need for change, but key members and groups of members oppose specific changes. This is partly because of active opposition to changes because of national self-interest,[10] and partly because of a more passive lack of interest in global poverty reduction. For most countries, and their governments and citizens, global poverty (poverty in other countries) is neither a high priority nor a pressing public issue. There are more pressing global issues—security, climate change, conflict, trade, energy supplies—or global poverty is judged to be of little political significance by those who hold power at the national level.[11] As a result, most heads of government and national political leaders find it easy to agree that global poverty must be reduced but few move beyond rhetoric and commit significant political or material resources to the pursuit of the MDGs.

So, while material capabilities in the aggregate create the opportunity for global poverty reduction, it is the contemporary distribution of those capabilities that sets the limits on specifying and achieving such global goals. While material capabilities are spread around the world, the concentration of capabilities in the United States means that it has been in a unique position to shape the evolution of goals and plans for global poverty reduction. The United States has chosen not to lead on this issue and has appeared to be deeply ambivalent. At times it has supported the MDG process, as when George W. Bush spoke at the Monterrey summit and established the Millennium Challenge Account.

At other times it has opposed the process, as when John Bolton (then US ambassador to the UN) sought to have the term "Millennium Development Goals" removed from the "Millennium plus 5" General Assembly declaration in 2005. Despite this ambivalence the United States has been at the heart of MDG formulation and implementation, as every other actor (governments, multilateral and bilateral agencies, social movements, NGOs, activists, celebrities) in the process constantly asks "what is the US position on this?" Their actions, for better or for worse, are partly conditioned by what they think the US position is or will be. The power of the United States has had many impacts on the MDGs but two have been particularly important.

First, ensuring that the United States remained (and remains) engaged with the evolving MDG process set limits on the ambitions of the goals and on how they might be achieved. While the UN summits, IDGs, and MDGs dismissed the old "Washington Consensus" they could not imagine challenging the idea or practice of free market, global capitalism as the basis for the improvement of the human condition. It is no accident that MDG Goal 1/Target 1 is personal income growth. Similarly, the MDGs' focus on reducing extreme absolute poverty (economically and socially) was acceptable to the United States (and many others). Had they focused on reducing economic and social inequality more broadly the MDG process would have stalled.[12] The MDGs had to remain open on whether or not inequality was a bad thing, as the USA (and its most powerful internal constituents) and other less powerful countries and interest groups would actively oppose a more assertive stance on inequality and/or redistribution. While philosophers in New York might bemoan the lack of ambition of the MDGs (Pogge and Reddy, 2003) politicians in Washington, DC knew where the line on global aspirations needed to be set. Growth with absolute poverty reduction was fine but growth with redistribution would be a step too far.

Second, while the United States was one of the keenest proponents of RBM approaches to international development, it ensured that Goal 8 targets and indicators were weakly specified. Most other rich nations took a similar stance, wanting to retain room for maneuver in future negotiations and not give up bargaining points without receiving a reward. But, it was the US position that was critical—once it was obvious that the United States would only support a token specification of Goal 8 then all the other OECD countries could follow this lead.

US ambivalence encouraged other powerful nations[13] to be similarly ambivalent. The exceptions to this ambivalence have been a small number of European countries who have energetically promoted financing and

action on global poverty reduction. These include the self-defined "G0.7"[14] of Denmark, the Netherlands, Norway and Sweden and, since 1997, the UK. The efforts of these countries have helped push the European Union (EU) into significantly increasing foreign aid budgets and have impacted on wider multilateral processes. Indeed, it can be argued that the norm of "global poverty reduction" has been institutionalized in the EU through the vehicle of the MDGs (Fukuda-Parr and Hulme, 2009).

The UK stands out for the global leadership role it has unilaterally taken on. It played a lead role in mobilizing international support for the DAC's IDGs (Hulme, 2009); it has worked behind the scenes at the UN to promote the MDGs, most recently in leading the 2008 "Call to Action"; it energetically encouraged countries to commit to the Monterrey Consensus and proposed an International Finance Facility; in hosting a "child MDGs" mini-summit in 2001; and, in attempting to use its chairing of the G8 and presidency of the EU, both in 2005, to re-ignite plans to achieve the MDGs. While the personal moral commitment of the UK's political leaders to global poverty reduction should not be doubted, domestic political considerations have meant that giving global poverty reduction a high profile has been a good move in domestic political terms for New Labour (Hulme, 2009) and, since 2006, for the re-launched Conservative Party.

Why should allies like the United States and the UK, who could agree to invade Iraq, have such different perspectives on global poverty reduction and the MDGs? The reasons are several but many relate to their differing positions in the global political economy and domestic political processes. The United States, an inward-looking global superpower that is suspicious of the UN, may be prepared to participate in the rhetoric of "global poverty must be tackled" but sees little benefit in taking on leadership for such a difficult task. By contrast, an outward-looking former superpower with deep ties to many former colonies finds the leadership role more attractive. Such a role raises its international standing and plays well domestically in relation to public opinion and voting behaviors.

But how can one explain the lack of interest that many of the world's poorest countries have often shown to MDG formulation and implementation processes? This might seem strange but it can be relatively easily understood. First, on the basis of past experience, most low-income countries believe that they will achieve the "best deals" at a national level through bilateral negotiations with trading partners (in the past the United States and USSR but recently China and India) and aid-donors rather than through UN processes. Their relationships

with the IMF and World Bank, over loan conditionalities and Poverty Reduction Strategy approval, are much more important than those at the General Assembly. Global agreements at the UN are a public good that are unlikely to deliver significant additional resources and/or more favorable treatment to individual nations in the near future.

During the period of MDG formulation (1998–2001) the main interest of developing countries focused on the need for goals for rich countries (more aid, more debt relief and fairer trade). Developing countries, and notably India, were concerned that the goals set in *2000: A Better World For All* (a joint IMF, OECD, UN, World Bank document) made no commitments about rich country contributions to global poverty reduction. Statements about rich world contributions were subsequently drafted into the Millennium Declaration and eventually developed into Goal 8 of the MDGs—in a non-RBM format.

In terms of the developing country "voice" in the MDG formulation processes the biggest disappointment relates to the issue of reproductive health, examined below. As is discussed in the next two sections, the shift in an international norm from "population control" to "reproductive rights" can have great influence but it may be challenged by those with large material capabilities or institutional authority.

(b) Ideas—human development meets results-based management

Human development and results-based management come from two very different intellectual traditions. Yet, both played leading ideational roles in the complex and sprawling processes that produced the MDGs. Their forms of influence differed greatly, however. RBM was applied to the MDGs in a very direct fashion. At times goals, targets and indicators were screened for how "SMART" (specific, measurable, achievable, relevant, and time-bound) they were. Panels of experts were convened to specify targets and indicators and judgments made on RBM principles impacted directly on MDG form and content. Human development had a much more diffuse influence. The idea contributed indirectly to the thinking of many of those involved in the processes leading to the MDGs. There is no evidence that the idea was applied directly.[15]

While the idea of human development provided general support for UN conferences and associated declarations, it promoted two specific theoretical strands that became underpinnings of the MDGs. First, it advanced the case that development strategies needed to directly pursue the goals of development, and not just the means. Human development provided an overarching conceptual framework for arguing that education and health improvements and gender equality

were not only good in their own right but were essential components of the pursuit of a dynamic vision of development. In crude terms, five and a half of the eight MDGs are about enhancing human capabilities.

Second, when the convenors of the Social Summit, the DAC and the UN, drew up lists of goals they could explicitly or implicitly argue that a list was needed as development and poverty reduction were multi-dimensional. Lists of goals were not mere "shopping lists" reflecting a failure to analyze problems and select priorities (a criticism that had partly undermined "basic needs" in the 1980s). Rather, a list of multiple goals was essential for any serious development effort based on rigorous thinking.

While the processes behind the placing of items on such lists involved complex interactions—involving ideas, empirical evidence, political interests and personal values—human development provided a well-reasoned case for multi-dimensional lists. In the background were the works of Nobel laureate Amartya Sen (1999) melding economics with philosophy to argue for the promotion of capabilities. His name, along with others, could be cited in an iconic fashion to show that a deep theoretical resource lay behind such lists.

However, the power of ideas was only part of what was happening. Interests, operating through the power of material capabilities and institutions, moderated the influence of human development on the MDGs. At the DAC, delegates realized that a multi-dimensional list made it easier to enlist the support of issue-based NGOs for increased foreign aid. Having educational, gender, health, HIV/AIDS, and environmental goals meant that specialist NGOs—children, gender, HIV/AIDS, family planning, water, and conservation—would find one of their organizational goals on the list. So, having a multi-dimensional list was not only logical, but also had political advantages. More negatively, the human development case for reproductive health was challenged by the concerns of the Vatican and conservative Islamic states, and the reproductive health goal disappeared during the negotiations to finalize the MDGs.

The ideational adjunct to human development was results-based management. In the 1990s RBM was on the ascendancy in business and management schools and in the pronouncements of politicians and senior public servants, especially in the rich world. Its common-sense nature and linearity made it attractive—set targets, monitor achievement, and reward staff on the basis of performance. It was adopted across the public sector in Australia, Canada, Germany, New Zealand, the UK and United States and in the systems of many development agencies (for example, the Canadian International Development Agency, UK Department for International Development, German Technical Cooperation,

Norwegian Agency for Development Cooperation, UN Children's Fund (UNICEF) and US Agency for International Development). For the aid-financed programs of the DAC and UN it was particularly attractive. The widely reported underperformance of aid in earlier years, it could be argued, would not occur in the future as RBM methods would ensure high levels of performance.

RBM, and particularly its tenet of SMART measures, influenced the MDGs in three main ways. First, it determined the structure of the MDGs and explains why they are a nested hierarchy of goals, targets and indicators focused on time-bound "outcomes." Second, it shaped the specification of goals. While determining exactly what is "achievable" is not an exact science, one sees this tenet in operation with the US$1-a-day poverty target. At Copenhagen this was set as "eradicating" extreme poverty by 2015. When the DAC applied its RBM thinking to this target it was reduced to the more realistic "halve" extreme poverty by 2015. Third, the idea of RBM meant that the MDGs avoided potentially difficult-to-measure goals like human rights and participation. These issues could be placed in the introductions and conclusions of key documents, but not in the lists that were to guide plans of action. As a result the variety of human development that impacted on the MDGs was more a conceptualization of basic needs than of human rights.

As with human development, political interests moderated the full application of RBM. This is most obvious for Goal 8. The idea of RBM was rigorously pursued for Goals 1 to 6 and partially applied to Goal 7. However, it was systematically avoided for Goal 8. While the like-minded group might be willing to agree to 0.7 percent of GDP to be provided in aid by 2015 (they had already achieved this) the United States, Japan, and other rich nations were certainly not going to agree (Fukuda-Parr, 2006). Power relations took precedence over ideas. But institutions, and particularly international organizations, both reinforced and obstructed the power of those with material capabilities to control the influence of ideas.

(c) Institutions

A vast number of institutions shaped the formulation and implementation (or lack of implementation) of the MDGs. These ranged from the UN General Assembly and its specialized agencies, to the DAC, the World Bank and IMF to bilateral development agencies, the foreign ministries of developing countries to social movements, the Holy See, NGOs, think-tanks, and coalitions of actors such as the Jubilee 2000 campaign group. Charting the interactions and outcomes of these

different actors is unfeasible, but an analysis of how a few major players interacted at key times illustrates the types of processes that were important and the outcomes that resulted.

The UN has been central to the MDG process through pre-MDG activities (the UN summits of the early 1990s), MDG formulation (1998–2001) and MDG implementation. This has involved the UN General Assembly, the UN Secretariat, the UNDP, and other specialized agencies. Early on the UN's main contribution was as a convening power, pulling together world summits and persuading member states to negotiate and agree progressive declarations. Some parts of the UN made major efforts and contributions. UNDP played a central ideational role by promoting the concept of human development throughout the 1990s. UNICEF operated highly effectively: it re-launched UN summitry, steered child development to the heart of the MDGs and, pursuing a human rights approach, achieved the Convention on the Rights of the Child. However, the UN Secretariat was often walking a tightrope, tasked with brokering agreements between its members, and other groups, that had very different interests and ideas about what improving the human condition meant and how global poverty reduction might be achieved. It brokered the "final" deal in 2001 with the incorporation of Goal 8—what rich countries should do. This made MDG implementation plans feasible but also created the Achilles heel of the goals—the weak specification of Goal 8 targets. It also had to negotiate with the Holy See and G77 on reproductive rights (see below).

Within the broader UN system, but at the opposite end in terms of its contribution to and engagement with the MDGs, is the IMF. While it participated in key activities, such as being one of the four members of the technical committee that finalized the eight goals, and has renamed its key products to align with the MDGs (for example, Poverty Reduction and Growth Facility) there is little evidence that it actively advanced the MDGs or that its actions or culture have been impacted by the MDGs. Interviews with IMF staff revealed that "we mention the MDGs in the introduction of reports but they don't change anything," and "the MDGs are European social policy and the IMF does not do European social policy."[16]

The preference of international institutions specializing in public finance to avoid the MDGs may be systemic. When negotiating Nigeria's debt relief deal with the Paris Club in October 2005, the country's finance minister, Dr. Ngozi Okonjo-Iweala (2006: 56–57), remembered Kofi Annan as saying that a country could only be considered sustainable if it could finance the MDGs: "we were told not to mention the word 'MDGs,' that it was not a concern of the Paris Club."

The OECD's DAC also made an important contribution to MDG evolution through drawing up its IDGs. This revealed its commitment to increased efforts to promote human development and move away from neoliberal policy prescriptions, but this was also mixed with self-interest. The specification of the IDGs was also a strategy for raising the profile and stabilizing the budgets of their aid agencies.

The institutional interactions and contestations around reproductive health are particularly revealing. In the early 1990s the women's movement, and particularly networks such as the International Women's Health Coalition, made enormous progress in developing and popularizing the idea of sexual and reproductive health rights. By accepting a compromise at the very heated ICPD summit in Cairo (they dropped the terms "sexual" and "rights") they managed to shift the population paradigm from "population control" to "reproductive health." However, in the negotiations before the Millennium Declaration they were outmaneuvered by the Holy See.[17] It forged an alliance with a small group of conservative Islamic states and used this to persuade the G77 to block reproductive health as a goal. In the final negotiations around the MDGs, reproductive health was the only IDG goal that was thrown out.[18] These complex and multi-layered institutional interactions, often conducted in secret, permitted a group of less than 1,000 celibate, elderly males (the official residents of the Vatican) to reduce the access of 3 billion women to reproductive health services.

Conclusion

Assessing whether the MDGs are being achieved is an exceptionally complex statistical task that generates many annual reports. The accuracy of these reports is unclear because of the poor quality of much of the underlying data[19] and problems of estimation.[20] Assessing whether the formulation and promotion of the MDGs has contributed to these uncertain changes in levels of human development is even more difficult, as this would require isolating the contribution that the existence of the MDGs makes to poverty reduction from that of other factors (such as economic growth in Asia, global warming, the war in the Democratic Republic of Congo, biofuel policies, rainfall in Asia and Africa, the global financial collapse of 2008, and so on). This is a daunting task well beyond the capacity of this chapter.

At one level the MDGs can be seen to have failed. The build-up to the Millennium Summit created a once-in-a-lifetime, perhaps once-in-a-century, opportunity to engineer a transformation in the relative prioritization that the international community, in all its guises (G7/8,

G20, G77, OECD, UN, and so on), allocates to reducing extreme poverty. Had this been achieved then a series of major policy changes (trade, aid, debt) and institutional changes (most obviously in the Security Council and governance of the international financial institutions) would be evident. This potential, but unlikely, transformation did not occur, and so the pursuit of global poverty reduction returns to a long-term strategy of gradualist, progressive change.

From this gradualist perspective it is possible to draw up a short list of ways in which the MDGs have contributed, positively and negatively, to processes that seem likely to foster global poverty reduction (Box 6.1). This can guide action towards building on success and

Box 6.1 Have the MDGs contributed to more effective poverty reduction?

Positive indicators

- The MDGs have increased pressure for data and there has been a great increase in the amount of data collected on human development in poorer countries. There are also significant efforts to improve the quality of data. More and better data increase opportunities for evidence-based policy making.
- The MDGs have increased the number of opportunities for politicians and activists to publicly address the issue of global poverty and have created a "hook" for the media to publish/present materials. This has increased the awareness of people in rich countries about global poverty. In the UK and some other parts of Europe this has helped raise the political profile of global poverty and impact on public opinion and political party policies.
- In the EU, and especially the UK, the pursuit of the MDGs has supported increases in foreign aid. This aid is better targeted on poverty reduction than in the past. In the United States the MDGs led directly to the increase in aid associated with the Millennium Challenge Account and also helped expand budgets for HIV/AIDS initiatives.
- The processes leading up to the MDGs helped to ensure that the Doha round of trade talks was declared a development round.

Box continued on next page.

Negative indicators

- There is little evidence that the MDGs have influenced the domestic plans of developing countries and/or Poverty Reduction Strategies (which remain under the influence of the IFIs).
- There is a danger that reports (by right-wing think tanks and the media) of "MDG failure" (even in developing countries where conditions are gradually improving) will lead to public disillusionment in the United States and other countries and foster disengagement with the issue of global poverty reduction.
- The MDGs tend to lead to an exaggerated focus on the role of foreign aid in global poverty reduction and a consequent neglect of other issues (such as international trade and quality of domestic governance).
- In most countries national leaders have not been held accountable for the promises they have made about the MDGs. This may create an ingrained practice of leaders making big promises about global poverty reduction and then conducting business as usual ("everyone gets away with it").
- The processes of negotiation at Doha run against the commitment in MDG 8 for there to be a "global partnership" for poverty reduction.

working out how to tackle the negative impacts of the processes that the MDG exercise has fostered.

Balancing out whether these contributions are positive or negative overall is a personal judgment that often comes down to asking whether the MDG glass is "half full or half empty." From my perspective it is both half empty and half full. One cannot help but be deeply disappointed that the heady declarations of New York (2000, 2005, and 2008), Monterrey (2002), Gleneagles (2005) and others have not been matched by budgets and policy changes. For most national leaders the MDG speeches are nice rhetoric, but promises of increased aid or pro-development trade negotiating stances at the Doha ministerial meeting of the World Trade Organization (WTO) can be left behind after the meeting.

But, counter-balancing this negative evidence, in some parts of the world public norms have changed and the MDGs have helped this process. Most clearly this is the case in the UK where the three main

political parties appear genuinely committed to foreign policy positions that are supportive of global poverty reduction. This may be partly because they think it is the moral thing to do, but it also because they believe that public opinion in the UK now supports global poverty reduction and that they could lose votes if they do not take the MDGs and global poverty more seriously. In some democracies, it appears that constantly "talking the talk" eventually brings pressure on leaders and political parties to start "walking the talk."

While, logically, much of the contemporary effort to use the MDGs more effectively focuses on short-term, practical actions, this needs to be accompanied by strategic analysis. When thinking longer-term about the role of the MDGs and/or their successors, then two particular challenges need to be addressed:

1 The strategic compromises of the 1990s meant that the MDGs were framed from a basic needs perspective, meeting the minimum human development needs of the poorest people. This may remain the "best" frame for improving the lives of the disadvantaged, but there are other frames that could be considered. For example, would the broader approach of reducing economic and social inequality within and between countries be a more effective means of promoting progressive policy reform and re-shaping the imaginations of the better-off about how they might assist local and distant strangers to improve their lives? The historic structure of the 1990s generated the global meta-goal of "basic needs for the poorest." When the MDGs "end" in 2015 could the historic structure of the twenty-first century (with its focus on security, terrorism, and climate change) be influenced or manipulated to support more of a "one world" (Singer, 2002) meta-goal?
2 The material capabilities surrounding the MDGs were of the late twentieth century, dominated by the United States and its OECD allies. Many actors shaped their thinking about the evolution of the MDGs in terms of what they thought the United States would do (some taking a lead from the United States and others wanting to oppose it). The world of 2015 will be quite different, with China's economic and technological capacity rapidly converging on the United States, with India, Brazil, and Russia expanding, and with the "next eleven" becoming increasingly significant economically and politically. By 2015 the first question informing national policy debates will no longer be "what is the US position on this?" It will be the more complex "what is the US and Chinese and Indian and EU and Russian (and perhaps Brazilian and South African and …)

position on this?" The future of how the world imagines international development or global poverty reduction will depend less on the elites and publics of the United States and Western Europe and more on those in the emerging powers. In the longer term, changing the ideas of the person on the street in Nanjing, Bangalore, Sao Paulo, Dubai, Budapest and Vladivostok may become as important as lobbying in Washington, DC and New York. Identifying strategies to shape ideas in the future in the emerging economies of the world is a priority task for those promoting the MDGs today.

One cannot predict the future but one can have hope. My hope for the MDGs is that, over the *longue durée*, they will be seen as one significant element, at a particular historic moment, in a process of global norm change that led to the existence of extreme poverty, in an affluent world, being seen as morally unacceptable. This may seem unlikely … but then so did abolishing slavery, ending apartheid, and giving the vote to women.

Appendix 6.1

International Development Goals

1 *Economic well-being*: The proportion of people living in extreme poverty in developing countries should be reduced by at least one-half by 2015.
2 *Social development*: There should be substantial progress in primary education, gender equality, basic health care and family planning, as follows:

   (a) There should be universal primary education in all countries by 2015.
   (b) Progress toward gender equality and the empowerment of women should be demonstrated by eliminating gender disparity in primary and secondary education by 2005.
   (c) The death rate for infants and children under the age of five years should be reduced in each developing country by two-thirds of the 1990 level by 2015. The rate of maternal mortality should be reduced by three-fourths during this same period.
   (d) Access should be available through the primary health care system to reproductive health services for all individuals of appropriate ages, including safe and reliable family planning methods, as soon as possible and no later than the year 2015.

3 *Environmental sustainability and regeneration*: There should be a current national strategy for sustainable development, in the process of implementation, in every country by 2005, so as to ensure that current trends in the loss of environmental resources—forests, fisheries, fresh water, climate, soils, biodiversity, stratospheric ozone, the accumulation of hazardous substances and other major indicators—are effectively reversed at both global and national levels by 2015.

(DAC, 1996: 9–11).

Appendix 6.2

The Millennium Development Goals

Goals and targets	*Indicators*
Goal 1: Eradicate extreme poverty and hunger	
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1. Proportion of population below $1 per day 2. Poverty gap ratio (incidence x depth of poverty) 3. Share of poorest quintile in national consumption
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	4. Prevalence of underweight children (under five years of age) 5. Proportion of population below minimum level of dietary energy consumption
Goal 2: Achieve universal primary education	
Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	6. Net enrolment ratio in primary education 7. Proportion of pupils starting grade 1 who reach grade 5 8. Literacy rate of 15–24 year olds
Goal 3: Promote gender equality and empower women	
Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015	9. Ratio of girls to boys in primary, secondary and tertiary education 10. Ratio of literate females to males of 15-to-24-year-olds 11. Share of women in wage employment in the non-agricultural sector 12. Proportion of seats held by women in national parliament

Table continued on next page.

The Millennium Development Goals (continued)

Goals and targets	*Indicators*
Goal 4: Reduce child mortality	
Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate 14. Infant mortality rate 15. Proportion of 1-year-old children immunized against measles
Goal 5: Improve maternal health	
Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality ratio 17. Proportion of births attended by skilled health personnel
Goal 6: Combat HIV/AIDS, malaria and other diseases	
Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS	18. HIV prevalence among 15-to-24-year-old pregnant women 19. Contraceptive prevalence rate. 20. Number of children orphaned by HIV/AIDS
Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	21. Prevalence and death rates associated with malaria 22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures 23. Prevalence and death rates associated with tuberculosis 24. Proportion of tuberculosis cases detected and cured under directly observed treatment short course
Goal 7: Ensure environmental sustainability	
Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	25. Proportion of land area covered by forest 26. Land area protected to maintain biological diversity 27. GDP per unit of energy use (as a proxy for energy efficiency) 28. Carbon dioxide emissions (per capita) [Plus two figures of global atmospheric pollution: ozone depletion and the accumulation of global warming gases]
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water.	29. Proportion of population with sustainable access to an improved water source

The Millennium Development Goals (continued)

Goals and targets	*Indicators*
Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	30. Proportion of people with access to improved sanitation 31. Proportion of people with access to secure tenure [*Urban/rural disaggregation of several of the above indicators may be relevant for monitoring improvement in the lives of slum dwellers*]
Goal 8: Develop a global partnership for development	
Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development, and poverty reduction—both nationally and internationally	*[Some of the indicators listed below will be monitored separately for the least developed countries (LDCs), Africa, landlocked countries and small island developing states]*
Target 13: Address the special needs of the least developed countries. *Includes: tariff and quota free access for least developed countries' exports; enhanced programme of debt relief for HIPCs and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction*	*Official development assistance* 32. Net ODA as percentage of OECD/DAC donors' gross national product (targets of 0.7% in total and 0.15% for LDCs) 33. Proportion of ODA to basic social services (basic education, primary health care, nutrition, safe water and sanitation) 34. Proportion of ODA that is untied
Target 14: Address the special needs of landlocked countries and small island developing states (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly).	35. Proportion of ODA for environment in small island developing states 36. Proportion of ODA for transport sector in landlocked countries
Target 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term	*Market access* 37. Proportion of export (by value and excluding arms) admitted free of duties and quotas 38. Average tariffs and quotas on agricultural products and textiles and clothing 39. Domestic and export agricultural subsidies in OECD countries 40. Proportion of ODA provided to help build trade capacity

Table continued on next page.

The Millennium Development Goals (continued)

Goals and targets	*Indicators*
Target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. *Target 17:* In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. *Target 18:* In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.	*Debt sustainability* 41. Proportion of bilateral HIPC debt cancelled 42. Debt service as a percentage of exports of goods and services 43. Proportion of ODA provided as debt relief 44. Number of countries reaching HIPC decisions and completion points 45. Unemployment rate of 15-to-24-year-olds 46. Proportion of population with access to affordable essential drugs on a sustainable basis 47. Telephone lines per 1,000 people 48. Personal computers per 1,000 people
[Other indicators to be decided]	

Source: UN, 2001: 56–58.

Notes

1 Many people have helped me piece together this history. Particular thanks to Armando Barrientos, Colin Bradford, Phil Evans, Ros Eyben, Sakiko Fukuda-Parr, Richard Jolly, Simon Maxwell, Willy McCourt, Lauchlan Munro, Clare Short, John Walton, Tom Weiss, and Rorden Wilkinson for information and ideas. David Clark, Karen Moore and James Scott at the providedexcellentresearchassistance.

2 Human development posits that human beings are the ends as well as the means of development, challenging the focus of many economists and policy makers on per capita economic growth. It has encouraged a focus on the poor and the prioritization of capability enhancing services (such as food security, education and health). It justifies a multi-dimensional conceptualization of human well-being and poverty (Qizilbash, 2006), although there are heated debates about the exact dimensions of human development The works of Streeten et al. (1981), Haq (1995), Sen (1999), and Nussbaum (2000) are seen as seminal to this concept.

3 Results-based management (RBM)—see Heinrich (2002) for a review—has been central to efforts to improve public service delivery since the 1980s and was highlighted in Osborne and Gaebler's (1992) influential book *Reinventing Government*. RBM is a "strategy aimed at achieving important changes in the way government agencies operate with improving performance (achieving better results) as the central orientation … a key component is the process of objectively measuring how well an agency is meeting its stated goals or objectives" (Binnendijk, 2001: 3). This encourages a focus on identifying and continuously monitoring goals, targets and indicators.

4 Critics of the MDGs would say "to compromise or water down" the idea of human development.
5 For more detail see Hulme (2009).
6 A noticeable absentee was President Clinton. US reticence about the UN's social development agenda was not confined to Republican constituencies.
7 There are only six bullet points, as maternal and child mortality reduction are merged.
8 The MDGs were significantly modified after the 2005 summit to include "reproductive health" and "decent work" as targets and indicators.
9 As late as 26 August 2005 the US ambassador to the UN, John Bolton, wrote to his peers: the "United States supports the development goals of the Millennium Declaration … [but the] 'Millennium Development Goals' … are a [UN] Secretariat product, which member states never formally ratified" (Bolton 2005).
10 Commonly such active opposition comes from special interest groups within a polity, for example farmers and advocates of tax minimization.
11 The most obvious example of this is Russia. While the original seven members of the G8 regularly put global poverty and/or Africa on the G8 agenda the Russian position on this has been "no comment."
12 The exception to this is Goal 3 promoting gender equality, but that relates only to equality within nations, not between countries or across the world's population.
13 Including China, India, and Brazil.
14 These are the countries which have achieved 0.7 percent of GNI as ODA. Luxembourg is now included in this group.
15 At the time that the MDGs were being agreed there were several lists of human development goals (Alkire, 2002; Clark, 2002), but I can find no record of any attempt to use such specifications to shape the MDGs.
16 Interview with senior social development advisor (July 2006), and chief economist, Africa Division (August 2006).
17 The Holy See was, and remains, concerned that reproductive health services may offer women access to abortion services.
18 See Hulme (2009) for a discussion. Note that in 2005 the General Assembly agreed that reproductive health could be an MDG target (i.e. sub-goal).
19 Most sources agree that the majority of developing countries do not have even partly accurate data on maternal mortality, and that computing a baseline for 1990 for this indicator is as much guesswork as science.
20 For example, the World Bank has recently revised the number of extremely income-poor people in 2005 from just below 1 billion up to 1.4 billion. While it argues that this technical adjustment does not change the rate at which extreme income poverty has been declining since 1990, critics point to the many problems that underpin, and perhaps undermine, such estimates (Pogge and Reddy, 2003).

Bibliography

Alkire, S. (2002) *Valuing Freedoms: Sen's Capability Approach and Poverty Reduction* (Oxford: Oxford University Press).

Annan, K. (2000) *We the Peoples: The Role of the United Nations in the Twenty First Century* (New York: United Nations).

Binnendijk, A. (2001) *Results-Based Management in the Development Cooperation Agencies: A Review of Experience, DAC Working Party on Aid Evaluation* (Paris: Development Assistance Committee).

Bolton, John (2005) “Letter from Ambassador John Bolton about Confusion in the Press Recently about the U.S. Position on What Are Known as the Millennium Development Goals” (New York: United States Mission to the United Nations). Available HTTP: www.arha.org.au/index/Letter%20from%20Ambassador%20John%20Bolton%20about%20confusion%20in%20the%20press%20recently%20about%20the%20U.S.%20position%20on%20what%20are%20known%20as%20the%20Millennium%20Development%20Goals.pdf (accessed 19 July 2009).

Bradford, C. (2002) “Towards 2015: From Consensus Formation to Implementation of the MDGs—The Historical Background, 1990–2002,” Mimeo (Washington, DC: Brookings Institution Press).

BWFA (2000) *A Better World for All: Progress Towards the International Development Goals* (Washington, DC: IMF, OECD, UN and World Bank). Available HTTP: www.paris21.org/betterworld/pdf/bwa_e.pdf (accessed 18 July 2009).

Clark, D.A. (2002) *Visions of Development: A Study of Human Values* (Cheltenham: Edward Elgar).

Cox, Robert W. (2002) “Social Forces, States and World Orders: Beyond International Relations Theory,” in Robert W. Cox with Timothy J. Sinclair (eds.) *Approaches to World Order* (Cambridge: Cambridge University Press).

DAC (1996) *Shaping the 21st Century: The Contribution of Development Co-operation* (Paris: OECD).

Eyben, R. (2006) “The Road Not Taken: International Aid’s Choice of Copenhagen Over Beijing,” *Third World Quarterly*, 27(4): 595–608.

Fukuda-Parr, S. (2006) “Millennium Development Goal 8: Indicators for International Human Rights Obligations?” *Human Rights Quarterly*, 28(4): 966–97.

Fukuda-Parr, S., and David Hulme (2009) “International Norm Dynamics and ‘the End of Poverty’: Understanding the Millennium Development Goals (MDGs),” Brooks World Poverty Institute Working Paper 96 (Manchester:).

Galbraith, J.K. (1979) *The Nature of Mass Poverty* (Cambridge, Mass.: Harvard University Press).

Haq, M. ul (1995) *Reflections on Human Development* (Oxford: Oxford University Press).

Heinrich, C.J. (2002) “Outcome-Based Management Performance in the Public Sector,” *Public Administration Review*, 62(6): 712–25.

Hulme, D. (2008) “Aid in the 21st Century: Who’s in the Driving Seat?” *Alliance*, 13(3).

——(2009) “Global Poverty Reduction and the Millennium Development Goals: A Short History of the World’s Biggest Promise,” Brooks World PovertyInstituteWorkingPaper(Manchester:).

Malloch Brown, M. (2001) "A New Direction; A New Relationship: Poverty Reduction Strategy Papers and the Millennium Declaration Targets," Address on 19 March 2001 to "A Seminar on the International Development Goals" (Washington, DC: World Bank).

Myrdal, G. (1970) *The Challenge of World Poverty* (London: Penguin Press).

Nussbaum, M.C. (2000) *Women and Human Development: The Capabilities Approach* (Cambridge: Cambridge University Press).

Okonjo-Iweala, N. (2006) "Fifty Years of Orderly Sovereign Debt Restructuring: Proceedings of the International Policy Forum," 14 June (Paris: Paris Club).

Qizilbash, M. (2006) "Human Development," in D.A. Clark (ed.) *The Elgar Companion to Development Studies* (Cheltenham: Edward Elgar).

Pogge, Sanjay, and Thomas Reddy (2003) "How Not to Count the Poor" (New York: Columbia University). Available HTTP: http://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID953294_code5144320.pdf?abstractid +893159&mirids1 (accessed 18 July 2009).

Saith, A. (2006) "From Universal Values to Millennium Development Goals: Lost in Translation," *Development and Change*, 37(6): 1167–99.

Sen, A.K. (1999) *Development As Freedom* (New York: Knopf).

Singer, Peter (2002) *One World: The Ethics of Globalization* (New Haven, Conn.: Yale University Press).

Streeten, P., S.J. Burki, M. ul Haq, N. Hicks, and F. Stewart (1981) *First Things First: Meeting Basic Human Needs in Developing Countries* (Oxford: Oxford University Press).

Traub, J. (2006) *The Best Intentions: Kofi Annan and the UN in the Era of American Power* (London: Bloomsbury).

UN (2001) *Road Map Towards the Implementation of the United Nations Millennium Declaration: Report of the Secretary-General*, Document A/56/326 (New York: United Nations).

UNDP (1997) *Human Development Report 1997: Human Development to Eradicate Poverty* (Oxford: Oxford University Press).

7 The Paris Club, debt, and poverty reduction

Evolving patterns of governance

Thomas M. Callaghy

For over 50 years the Paris Club has been one of the most important and powerful elements of global economic governance; yet its origins are obscure and its evolution murky. Considerable confusion exists about what it is and what it does. The Paris Club describes itself as an ad hoc, informal and "voluntary gathering of creditor countries willing to treat in a coordinated way the debt due to them by the developing countries." It has "no legal basis nor status, agreements are reached following a number of rules and principles agreed by creditor countries." In short, it describes itself as a "non-institution" (Paris Club, 2008). Yet, by early 2008, this "non-institution" had treated about US $523 billion in debt for 85 countries since the first agreement with Argentina in 1956. The country list breaks down as follows: 18 in Latin America, seven in the Middle East and North Africa, seven in South and East Asia, 38 in Africa, and 15 in Europe and Central Asia. These countries have ranged widely in their level of development, including Mexico, Iraq, Jordan, Afghanistan, Vietnam, Indonesia, Senegal, Ghana, Nigeria, Zambia, Russia, and Serbia.

The Paris Club is usually seen as an informal, ad hoc, and highly secretive multilateral forum of creditor governments that restructures the bilateral debt of "developing countries." One former Paris Club chairman has called it a "paradoxical non-institution" that "seems more like an Anglo-Saxon club than a Cartesian organization" (Trichet, 1989: 109) while others claim that it is indeed an international organization masquerading as an informal forum for the convenience of the creditor countries and the International Monetary Fund (IMF) and World Bank, over which the creditors have substantial if not complete control. From very early on, the work of the Paris Club has been tightly linked to IMF-mandated economic reform efforts, which only intensified after the Third World debt crisis broke in 1982 and structural adjustment became a more generalized term.

There is considerable confusion about the emergence of the Paris Club. It was not a creation of the 1944 Bretton Woods conference or of the world's then new hegemon (the United States). As part of their post-war recovery efforts, European countries created the Paris Club based on the practices of the European Payments Union with the intention of eliminating the problems caused by currency inconvertibility and bilateral trade agreements in economic relations with Latin America. It started with a trade and payments agreement with Brazil in 1955, by what was called the Hague Club, and then a similar one with Argentina in 1956 by the Paris Club; both agreements dealt with debt issues almost as an afterthought. A World Bank official noted that "although the return of convertibility by most industrial countries [in 1959] removed the initial purpose of the 'Clubs,' they still provided the framework for the debt renegotiations involving Argentina and Brazil" (de Fontenay, 1969: 4) and eventually 83 other countries over more than 50 years.

The Paris Club started life in 1956 as a debt collection institution for major Northern governments that was unconcerned with issues of poverty reduction, and the Club spent its first 20 years establishing itself as the dominant mechanism for collecting the bilateral debt of developing countries. By the turn of the twenty-first century, however, the Paris Club had become concerned with poverty reduction in a major, if not fully satisfactory, way. A new, and significantly broadened, set of global economic governance processes managed to make poverty reduction a major issue for the Paris Club and the rest of the sovereign debt regime.

This chapter examines the evolution of the Paris Club, and the sovereign debt regime more generally, by examining the forces that drove it to operate differently, especially the emergence of a new "triple helix" of global governance processes concerned with developing country debt. It first sketches the rise and consolidation of the Paris Club as the dominant institution for handling developing country debt by 1976, then its unduly slow and uneven perception of a structural dilemma of the global economy, consisting of a group of poor countries that were not going to be able to service their debts despite externally-induced efforts at economic reform and incrementally softer debt rescheduling terms from the Paris Club. The chapter then describes the emergence of the new triple helix governance processes and how they led to the emergence of two important, if ultimately limited, debt relief mechanisms for the most indebted poor countries—the Heavily Indebted Poor Country Initiative (HIPC) in 1996 and the Multilateral Debt Relief Initiative (MDRI) in 2005. This is followed by a look at Nigeria's major debt reduction deal of 2005 that led to its exit from Paris Club control, a shift made possible by the ongoing development of the triple

helix despite the fact that Nigeria has vast resources as a member of the Organization of the Petroleum Exporting Countries (OPEC). Lastly, the chapter looks at how the rise of China as a major player in Africa, one outside the triple helix, may pose a threat to hard-won victories on debt relief and its linkage to poverty reduction.

The evolution of the Paris Club and the sovereign debt regime

From very early on the Paris Club had competing multilateral debt restructuring fora, although with similar norms and procedures and roughly the same creditors. In May 1959, Turkey rescheduled its debt in a multilateral forum under the auspices of the OECD. Brazil had its debt rescheduled again by the Hague Club in May 1961, with the first participation by the IMF, United States and Japan as observers, and again in July 1964, including the United States and Japan as creditors for the first time and the World Bank and the OECD as observers. After this debt agreement the Hague Club ceased to exist and merged with the Paris Club. Brazil does not reappear again until November 1983, this time as a Paris Club country, after Mexico exploded the 1980s Third World debt bomb in August 1982. Mexico rescheduled its Paris Club debt for the first time in June 1983. After its first Paris Club rescheduling in 1956, Argentina rescheduled again in October 1962 and June 1965, but then not again until January 1985 in the midst of the 1980s debt crisis. It returned in 1987, 1989, and 1991, and it was this last one that was still in dispute in 2009. Chile was the third Paris Club country, rescheduling in February 1965 and twice more in April 1972 and March 1974, when the United Nations Conference on Trade and Development (UNCTAD) became a participant observer for the first time, and then again in 1985 and 1987. Peru rescheduled under British auspices with meetings in Brussels and Lima in 1968 and 1969, and again in November 1978 as a Paris Club country, followed by five more reschedulings from 1983 on. Ghana rescheduled in 1966, 1968, 1969, 1970, and 1974 in London with the British as hosts under complicated circumstances because of disputed Nkrumah-era loans. Over roughly the same period, Indonesia also rescheduled, also under equally complicated circumstances given large debts owed to the Soviet Union, under the auspices of an ad hoc donor consortium, and then again as a Paris Club country during and after the Asian financial crisis in the late 1990s, most recently in 2005. India and Pakistan rescheduled with donor "aid" consortia chaired by the World Bank—India six times between 1968 and 1976 and Pakistan in 1972, 1973, and 1974. Since 1981, Pakistan has rescheduled four times as a regular Paris Club

country, two of them, and the most recent ones, in 2001. Cambodia rescheduled twice in 1972, becoming only the third "genuine" Paris Club country. Thus, it was not until 1974 that the Paris Club became the pre-eminent forum for restructuring sovereign bilateral trade and aid debt.

Under pressure from debtor countries, as part of the New International Economic Order (NIEO) North–South "dialogue," the creditor countries agreed in 1976 to codify Paris Club rules, if not make them fully public or transparent; in fact, very little changed. The same year Zaire started the African deluge—the "other" debt crisis, the "poverty" one. It actually came before the 1980s debt crisis, but nobody noticed. Zaire (now the Democratic Republic of Congo) has had 11 Paris Club agreements since 1976. After the first in June 1976, the flood gates opened as 38 Sub-Saharan African countries had to deal with the Paris Club, especially in the 1980s and early 1990s. There were so many countries and reschedulings that the Paris Club referred to them as freight trains.

The debt crisis triggered in 1982 by Mexico lingered into the early 1990s, when the "poverty crisis" continued unabated and finally began to take center stage, put there by new coalitions of NGOs, especially the Jubilee 2000 campaign. Their efforts led to the creation in 1996 of HIPC, which eased debt terms and allowed a small amount of IMF and World Bank debt to be relieved for the first time for a delimited, mostly African, group of low-income countries; HIPC was revised and expanded in 1999. The Paris Club has been an integral part of the very complex HIPC process. In 2005 MDRI was created, which writes off almost all IMF and World Bank debt for a group of mostly African countries; here the Paris Club plays less of a direct role. More wealthy poor countries outside of HIPC continued to receive regular Paris Club restructurings, such as Nigeria, which had five agreements between 1986 and 2005. The end of the Cold War brought yet another wave of countries into the Paris Club fold. Russia had five Paris Club agreements between 1993 and 1999, and for a while was both a creditor member of the Paris Club as well as its largest debtor! In May 2005 the Paris Club quietly celebrated its 50th anniversary as a "paradoxical non-institution."

The road to HIPC

In many ways, the evolving practices of debt restructuring, and eventually, of some debt relief, have been the wedge that led to recent discussions about poverty reduction and aid for Africa and elsewhere, based on a new constituency that did not exist 20 years ago, the rise of which constitutes an important structural change in the international

political economy. The interactions of the NGOs with elements of an epistemic community working on debt and with the sovereign debt regime of creditor states and international financial institutions constitute a new "triple helix" of governance on debt, development and aid, which is distinctly different from earlier Paris Club state-to-state patterns, even if they were multilateral on the creditor side. This new triple helix is wrapped around a key structural dilemma of the global political economy—the existence of a group of countries, mostly African, for which structural adjustment has not worked well as a development, or even a debt collection, tool; as a result, these poor countries were unlikely to ever be able to pay off their debts. Beginning in 1988, slow creditor learning about the structural dilemma finally led to the creation by the Paris Club of a series of "menus" or "terms" that allowed more flexible and generous treatment of debt, although still on a case-by-case basis—especially the Toronto, Houston, London, and Naples terms. Yet by the mid-1990s it was clear that these increasingly generous terms were inadequate to tackle the structural dilemma, which was finally becoming more widely recognized. Many would argue that this realization was far too long in coming on the part of the creditor countries, the IMF, and the World Bank; it was pushed along by increasingly strong and effective outside pressure from NGO networks—Oxfam, Eurodad and the Jubilee 2000 national organizations, for example—with the help from members of the debt epistemic community in universities and think tanks who helped to educate the NGOs and developed new ideas and policy proposals.[1]

Although important, the Group of Eight (G-8) governments have not been the main driving force of change in the debt regime. It is also necessary to look at other actors to explain the nature of this evolution, especially advocacy and development non-governmental organizations (NGOs), which constitute one strand of the new triple helix. At the core of the evolution of the debt regime is the broadening of the processes of global economic governance, especially the role of these new actors and the ideas and the institutional contexts that support them. The rise of HIPC in 1996 brought important, but ultimately limited, change to the debt regime for a designated group of countries for which, for the first time, more clear and uniform rules were developed. The striking innovations included the first treatment of multilateral debt, the notion of debt sustainability, and, after the revision of HIPC in 1999, a strong focus on poverty reduction. In the process, the center of gravity of the debt regime for the HIPC countries shifted from the Paris Club of sovereign (bilateral) creditors to the IMF and the World Bank, institutions that were becoming more open and accountable. As we shall

see, the emergence of the MDRI in 2005 combined the new debt politics of NGOs and more "standard" big power geostrategic politics.

These changes in the debt regime from the mid-1990s on were brought about by a confluence of factors that involved the structural dilemma and the triple helix: (1) slow and uneven learning by bilateral and multilateral creditors about the structural dilemma—the existence of a group of states that were not benefiting much from structural adjustment while greatly increasing their debt loads; (2) the growing pressure, influence, and effectiveness of networks of NGOs that believed the existing situation was unjust and untenable and had new ideas and proposals of their own, plus a social movement that supported them; (3) the influence of a group of economists, both inside and outside creditor institutions, who provided knowledge, advice and technical understanding on these complicated issues; (4) leadership by a group of small creditor states, including Austria, Denmark, Holland, Sweden and Switzerland, and eventually several members of the G-8, especially Britain; (5) new World Bank leadership under James Wolfensohn that was more open to new ideas; and (6) eventually tough negotiations between all major creditor countries, the IMF, the World Bank, and, to a lesser extent, some of the major NGOs, but *not* the debtor states, which, despite being the ones who needed help, were simply not part of the triple helix process; they were not excluded, but were not formally part of the process as they had been during the NIEO efforts of the 1970s (Callaghy, 2001; 2004).

This outcome was not inevitable—a change in one or two factors, such as different G-8 governments, leadership at the Bank, or the absence of NGO pressure, could have led to a quite different outcome. More importantly, many of the ideas inherent in HIPC were first proposed by Southern states during the NIEO events of the late 1970s and early 1980s, but nothing came of this intense state-to-state bargaining where debtor countries were represented but had very little structural power. One of the striking things about the rise of HIPC was precisely the fact that the debtor states were not a major driving force behind the innovation. Rather it was made possible by the NGOs shifting the battle *inside* the domestic political arenas of the OECD industrial democracies and away from international state-to-state bargaining or debate within multilateral institutions. This shift in political process constitutes a major change in the way the international political economy works. The weak power position of the debtor states and the concomitant strong influence of the NGOs help to account for the fact that HIPC eventually became focused almost exclusively on poverty reduction and not on larger developmental concerns, including growth.

The major path in the evolution of sovereign debt has been from the collection of trade debt, to rescheduling it, to the addition of "development" aid, to crisis and the politics of structural adjustment, to debt "sustainability," to small-scale forgiveness, to poverty reduction, and finally, to major debt cancellation of both bilateral and multilateral debt for a delimited set of poor countries, what has been called the slippery slope of debt. The original stated aim of HIPC was to provide debt sustainability that would help remove a major constraint to investment and growth and spur further adjustment, in part by galvanizing increased private external investment. It is not at all clear that this happened. By the time revised or "enhanced" HIPC emerged in 1999, the focus had shifted, as a result of NGO pressure, markedly to poverty reduction. On the "donor"/creditor side, it was hoped that this expanding debt relief process would strengthen the legitimacy and country "ownership" of IMF and World Bank structural adjustment programs. It soon became clear that this would be difficult to accomplish. The Poverty Reduction Strategy Paper (PRSP) process that emerged out of enhanced HIPC might be viewed in its most grandiose form as a meager attempt by creditor countries to extend their own "compromise of embedded liberalism" (Ruggie, 1982; 1983; 1991) to the poorest countries of the world, based on a relatively small pot of resources.[2] The longer-run question remains how this partial, if not outright feeble, extension of embedded liberalism might be financed and implemented effectively and what its effect on the debtors might be. The political fact is that the NGOs won the battle over HIPC debt savings—they are to go exclusively to "poverty reduction," although it is still not clear whether this will work well or is even the right strategy to pursue. Development NGOs remain adamantly opposed to IMF/World Bank structural adjustment, but they really do not have a viable development strategy counterfactual to offer despite all their bluster.

HIPC has not been a magic bullet. It has been important for a number of countries but very far from turning Africa and other poor countries around. In this context, it is not clear that an exclusive focus on poverty is the correct approach. By enhancing HIPC in 1999, there was a clear sense that the process had acquired multiple objectives, but still had only one instrument—debt reduction. The objectives included debt sustainability, regularization of relations with creditors, poverty reduction, and growth. There was also an increasing perception that debt relief was just one part of a much larger picture, one that needed to be dealt with for real debt sustainability, poverty reduction, and growth to be achieved. By 2005 the emphasis of the NGOs was nearly complete cancellation of debt owed to the IMF, the World Bank, and the

regional development banks. After the tragedy of 11 September 2001 an even larger question remained: was it possible, with these new global economic processes, to go beyond HIPC, especially given the views and tendencies of the new Bush administration in the United States?

From HIPC to MDRI: the geopolitics of debt relief I

The administration of George W. Bush came to power with a policy of "drop the debt and stop the debt." It was not enthralled by HIPC and spent much of its first three years pursuing two policy tracks simultaneously: (1) containing the cost of HIPC as well as any new incremental policy innovation—its version of "drop the debt"; and (2) pushing a proposal to significantly increase the ratio of grants to loans—the "stop the debt" part.

NGO coalitions were working toward much more dramatic change in the strategic relationship between poor countries and powerful external actors. With great consistency, they maintained their demand for full debt cancellation *and* an end to structural adjustment, while arguing for substantial increases in aid, especially grants, to meet the Millennium Development Goals (MDGs). They linked these issues to AIDS, the larger health crisis, increased war and violent conflict, declining state services and infrastructure, and unfair trade practices by the industrial democracies. In regard to trade, Oxfam charged that the G-8 was content to have debt remain the focus of debate in order to draw attention away from major trade reform. September 11 and its aftermath stalled efforts for greater debt relief, but by early 2004 major pressure for additional debt relief had been recreated as HIPC was scheduled to expire at the end of the year. This pressure came from the NGOs, as well as a number of smaller European governments, but also from some parts of the World Bank and a few major states. Gordon Brown, then British chancellor of the exchequer, announced in April 2004 that "there is now a window of opportunity to make progress on this issue" (quoted in Swann and Crooks, 2004). Brown believed this opportunity existed because the Bush administration, in its efforts to get major debt relief for Iraq, appeared to be softening its position on HIPC reform; others were less optimistic.

Not long after the US invasion of Iraq in May 2003, the Bush administration realized that, despite having the world's second largest oil reserves, Iraq needed major relief on its external debt of roughly US $120 billion. The administration argued that Iraq deserved a 90–95 percent reduction of its US$40 billion Paris Club debt, relief for which it was not qualified under existing Paris Club rules, despite earlier rule-breaking

deals for Poland, Egypt, and Russia. Former secretary of treasury and state James A. Baker became a special envoy whose task was to travel the world persuading countries to join a financial "coalition of the willing." Holding a relatively small proportion of Iraq's debt, the US was now even ready to characterize Saddam Hussein's borrowings as "odious debt," a term the Bush administration had sneered at until then.

Canada supported the US demand for 90–95 percent debt relief, as did Britain, but major G-8 opposition emerged from France, Germany, Japan, and Russia. President Chirac of France asserted that Iraq should not get a better deal than the world's heavily indebted poor countries, making it clear that little progress would be made on Iraq until more was done for these countries. He declared that Iraq should get no more than a 50 percent reduction, a position supported by much of the rest of the G-8. At the G-8 meeting in Sea Island, Georgia, USA in June 2004, the United States surprised everyone with a stunning proposal to cancel all the multilateral debt that HIPC countries owed to the IMF, World Bank, and regional development banks. The tacit quid pro quo would be support for the US position on Iraqi debt. The proposal was presented as an example of "compassionate conservatism" in the larger context of the Millennium Development Goals. John Taylor, under secretary of the treasury for international affairs, said, "We need to complete the 'drop and stop the debt' vision put forth by President Bush at the start of his administration" (Taylor, 2005). Treasury secretary John Snow put it in the context of the administration's larger approach to development and international financial institutions:

> I believe the Bretton Woods Institutions have a responsibility to continue their own reform, for example by doing more to reinforce debt sustainability in poor countries … Employing both grants and debt relief together would give the poorest countries a chance to reach their international development goals of the Millennium Declaration without adding to debt burdens.
>
> (Snow, 2004)

The British had a similar proposal that Gordon Brown had formulated prior to the 2004 G-8 meeting. They took the additionality issue—that debt relief should not come out of existing aid—very seriously by offering to cover 10 percent (US$180 million) of the cost to the World Bank, while insisting that the IMF portion be financed with its gold reserves. The US rejected these positions but remained silent about how to finance its own debt relief proposal. Any decision was put off until the annual IMF/World Bank meetings in Washington in early October 2004.

At these meetings, HIPC was extended for the third time, to the end of 2006, to allow 11 more African HIPC countries, all with serious conflict and/or arrears problems, to join the process. The Bush administration was eager to get a deal on Iraqi debt, but it wanted it on the cheap while swallowing its often-voiced concerns about moral hazard—the worry that debt relief will only encourage more borrowing. Facing an enormous budget deficit and the huge cost of the Iraq war, the United States, unlike Britain, wanted the Bank and the Fund to finance this major new program of debt relief entirely from their own resources.

Many observers viewed the US proposal as a geopolitical ploy. As one European diplomat put it, "When the United States asked us for so much debt relief for Iraq, we said the answer was to also relieve the debt of the poorest nations. Now the Americans are trying to come along with debt relief for the poor but we are afraid they will dry up the money … that these poor countries deserve" (Becker, 2004). Intense discussions at the Fund/Bank meetings in October 2004 failed to reach an agreement, getting bogged down in quarrels about how to finance new multilateral debt relief. It was only agreed that the G-8 would report on its discussions by the end of the year.

The British were scheduled to take over the presidency of the G-8 in 2005, and Gordon Brown was committed to having Britain lead the G-8 into major new debt relief by the July summit in Scotland. Some NGOs supported the US position on the grounds of getting the Bush administration to formally commit to this major new step and resolve the cost and additionality issues later. A senior Jubilee USA official supported the US position:

> We laud Brown for his commitment to 100% debt cancellation, but his call to finance debt cancellation through G7 government appropriations threatens to scuttle a deal. Brown's commitment, though generous, is unnecessary considering the international financial institutions' vast resources.
>
> (Clark, 2004)

Most of the other NGOs viewed the British proposal as more responsible and remained critical of the US position. Many of these NGOs supported major debt relief for Iraq because of the obvious "odious debt" precedent that it would set. The UN joined the chorus with various agencies calling for full multilateral debt relief for poor countries—the Secretary-General, UNCTAD, and UNAIDS, among others.

After George W. Bush was re-elected in November 2004, the United States redoubled its efforts to get major Paris Club debt relief for Iraq

while remaining silent on its surprising and unexpected June Sea Island debt cancellation proposal. A compromise Paris Club deal for Iraq was reached on 21 November that would cancel 80 percent of its debt in three stages. A number of NGOs noted the rapid movement on debt relief for Iraq and the slow movement toward more debt reduction for African and other poor countries. Germany and France wanted some reconciliation with the re-elected Bush administration after their sharp disagreement with the US over the invasion of Iraq. Russia, however, was the last to hold out, and it took all night negotiations to reach a Paris Club deal for Iraq. The Russians subsequently made it clear that its support was linked to a "mutual understanding" about the handling of Russia's own debt to the Paris Club and better treatment for its companies in Iraq. NGOs, which had previously met with Paris Club officials to argue for an immediate moratorium on Iraqi debt service, did not believe the Paris Club agreement went far enough, some calling it scandalous. In an early December 2004 report, Oxfam warned that the "war on terrorism" threatened to bring back an era when assistance was determined by "security considerations rather than developmental need." Max Lawson, its chief policy advisor, noted that "debt relief for Iraq shows that rich countries can find the resources for foreign aid if they need to" (Balls, 2004). As we see with Nigeria, geopolitical factors were indeed pre-eminent. So what about poor countries with heavy debt burdens?

The Iraq Paris Club deal left the US position on debt relief for Africa up in the air, as the Bush administration remained silent on the issue as it approached the end of its G-8 presidency in December 2004, leaving the issue to the British instead. Britain was very anxious for major movement on poor country debt, and development assistance more generally while it led the G-8 in 2005; NGO pressure played a major role in this British decision. In a speech to the Council on Foreign Relations in New York, Brown finally made the details of his proposal public. He identified the countries that would be eligible—the 15 HIPC countries that had completed the full HIPC process, 12 of them African, and six other low-income countries—Albania, Armenia, Mongolia, Nepal, Sri Lanka, and Vietnam. As usual, however, the devil really was in the detail, especially over financing. The British proposal was billed as a core part of a new "Marshall Plan" meant to support the MDGs.

Most of the major NGOs—such as Oxfam, Eurodad, and the Jubilees—supported the British plan, albeit with some modification and spent considerable energy campaigning for it in the lead-up to the G-8 summit in Gleneagles, Scotland. Major pressure was aimed at the Bush administration to honor its 2004 Sea Island G-8 pledge now that it had achieved a Paris Club deal for Iraq. In the end, the United States

agreed to the creation of MDRI, but only after getting most of its way about financing it; in the end the Bush administration had to put up very little money.

MDRI is separate from HIPC but linked to it operationally. Under MDRI, the World Bank's International Development Association (IDA), and the IMF provide 100 percent debt relief on eligible debts to countries having reached the HIPC completion point. Although MDRI is an initiative of these international financial institutions, the decision to grant debt relief is ultimately the separate responsibility of each institution, and their approach to coverage and implementation has varied.

NGOs criticized MDRI for applying only to HIPC countries, plus a few non-HIPCs, rather than all poor countries, covering debt only up to the end of 2004 for the Fund and to the end of 2003 for the Bank and, in addition to HIPC conditionality, requiring a "once off" assessment of economic performance after having reached the HIPC completion point. In the initial assessments, for example, Mauritania did not make the list, but was added after it made required policy changes. In early September 2006, for example, Malawi reached its HIPC completion point, receiving US$1.1 billion in debt relief from its Paris Club creditors, the Fund and the Bank, and an additional US$1.4 billion in MDRI debt relief from the Fund, the Bank and the African Development Bank. Assuming no additional debt accumulation, Malawi now had a much more sustainable debt service burden of about US$5 million a year between 2006 and 2025. Much had been accomplished for the HIPC countries, but what about non-HIPC low-income countries. Would poverty issues be taken into account for countries with more resources?

Nigeria and the lesser known deal of 2005: the geopolitics of debt II

Although Nigeria was on an early list of potential HIPC countries, in the end it was not eligible for HIPC debt relief, much to its dismay. After a return to democratic rule in 1999, Nigeria received a modest Paris Club rescheduling (its fourth) as part of a "democratic dividend" at the end of the Clinton administration. Because it was not what it is called an "IDA-only" country at the World Bank, it was not eligible for more generous "Naples terms" (up to two-thirds write-off) from the Paris Club. Columbia University economist Jeffrey Sachs and the NGOs—such as Oxfam, Eurodad, and the Jubilees—insisted that Nigeria should become an HIPC country, but it remained a "blend" country, technically able to borrow from both the International Bank for Reconstruction and Development—the original core of the World

Bank—and IDA. When Iraq received its stunning Paris Club deal in November 2004, many NGOs and Nigerians asked why fellow OPEC member Nigeria should not also get such treatment. The Nigerian government certainly believed that it was owed comparable treatment despite the fact that oil was over US$60 a barrel in late 2004. It had been demanding major debt reduction since 1999 without success because of huge reputational overhang about corruption and the lack of serious economic reform. In short, most Paris Club and multilateral creditors did not believe that Nigeria needed or deserved major debt reduction. Yet less than a year later, Nigeria had signed a major Paris Club debt reduction deal, which was fully implemented by April 2006 when oil was over US$70 a barrel. How was this possible? In the end, this extraordinary debt deal resulted from an interesting blend of geopolitics, important economic reform by Nigeria, creative work by a Washington think tank, and help from NGOs, although the latter did not think the final deal was generous enough. In short, the triple helix was still producing innovation in debt governance (Callaghy, 2009).

During President Olusegun Obasanjo's first term, economic reform was non-existent, and Nigeria's reputation for corruption persisted. After his re-election in April 2003, Obasanjo put together an impressive, high-quality, technocratic economic team under the leadership of Dr. Ngozi Okonjo-Iweala as finance minister, Mansur Muhtar as director-general of Nigeria's Debt Management Office and, after April 2004, Charles Soludo as governor of the Central Bank of Nigeria. All three are Ph.D. economists with extensive overseas ties, Okonjo-Iweala as a World Bank vice president, Muhtar as a senior economist in the Bank's Africa region, and Soludo as a consultant for the IMF, World Bank, and various UN agencies. The government produced a National Economic Empowerment Development Strategy program as part of a declared intention to significantly improve economic performance. Initial external reaction was highly skeptical of the country's ability to implement such reforms in any sustained way. But other obstacles also existed.

At Davos in January 2004, Okonjo-Iweala had an unplanned discussion about Nigeria's debt problems with Nancy Birdsall, president of the Center for Global Development (CGD) in Washington. CGD agreed to see how it could help. The first focus of attention was a technical hurdle that the creditors were using to make debt relief very difficult—Nigeria's need for "IDA-only" status to qualify for Paris Club Naples terms of up to two-thirds debt reduction. At the time President Bush announced his unexpected debt reduction proposal for poor countries at the June 2004 G-8 meeting in Sea Island, CGD began circulating a draft working paper in Washington: "Double Standards,

Debt Treatment, and World Bank Country Classification: The Case of Nigeria" (Moss, 2004). CGD held a seminar on the topic in early October. The paper was subsequently revised and formally released in early November, just before the US elections. After President Bush won re-election and a Paris Club deal was quickly reached for Iraq, President Obasanjo came to Washington and met with President Bush. Debt relief was on the agenda, along with oil, terrorism, security, and other important international and African issues. By this time, Nigerian foreign exchange reserves had reached US$17 billion; the windfall was being saved rather than wasted, as it had been during other oil price booms.

In January 2005 when Britain took over the chair of the G-8, Gordon Brown launched the "Year of Africa." By this time, Nigeria's Paris Club debt had reached US$30 billion. The same month CGD staff met with Okonjo-Iweala and Muhtar to discuss next steps. In late February CGD facilitated high-level contacts between Okonjo-Iweala, the IMF, and the US Treasury, which allowed her to make Nigeria's new case for major Paris Club relief based on performance rather than demands. In early March the Center circulated a CGD Brief about "Double Standards" to all World Bank executive directors and senior treasury officials in the United States and Britain. Among the G-8 members, Britain was the most interested in a debt deal for Nigeria, and it held the largest amount of Nigeria's Paris Club debt, 25.5 percent.

The campaign to give Nigeria IDA-only status continued in the spring of 2005. Even assuming that it might eventually be successful, however, another major issue remained: what kind of debt deal might Nigeria get from the Paris Club? Significant Paris Club skepticism remained, especially in France, Germany, and Japan, which held 20.4, 16.7, and 15.3 percent of the Paris Club debt respectively, with the United States holding only 3.3 percent, but also among almost all of the smaller creditors. Todd Moss, a senior fellow at CGD, developed the notion of a deal involving a discounted buyback along with an upfront payment rather than rescheduling payments over a number of years. In early April, the Center issued a short, clear CGD Note, "Resolving Nigeria's Debt Through a Discounted Buyback" (Moss, 2005) that laid out the proposal. It included a suggested fair discount rate of between 20 and 33 percent, roughly what Iraqi got at the upper end and Naples terms at the lower end.

The stated rationale for this type of deal, which would essentially mean an exit from the Paris Club, was that it would support the ongoing economic reforms in Nigeria—tip the balance in favor of the reform triumvirate, help consolidate Nigeria's fragile democracy, dampen opposition to any debt deal short of total and immediate write

off, provide payback support for Obasanjo's regional conflict resolution efforts, and generally support Nigeria's overall stability while encouraging its engagement on major international issues regarding oil, terrorism, and security. In late April 2005, CGD staff met in Washington with a delegation from the Nigerian Senate to brief them on the deal and the creditor politics surrounding it. Finally, in June the World Bank quietly, with no formal announcement, reclassified Nigeria as IDA-only. Then the G-8 finance ministers announced a deal on what was to become MDRI for countries completing the HIPC process. Although Nigeria was not included in this major expansion of sovereign debt relief, the ministers welcomed Nigeria's progress in economic reform, noted its move to IDA-only status, encouraged continued reform, and stated that they were prepared to provide a fair and sustainable solution to Nigeria's debt problems in 2005 within the Paris Club.

One last major obstacle remained, however. Any Paris Club deal requires the debtor country to have an ongoing and on-track economic reform program with the IMF. Programs with the IMF have been extremely controversial in Nigeria for decades. Both politicians and the public strongly opposed them. For the 2000 Paris Club agreement, Nigeria signed a one-year agreement without any intention of drawing the authorized funds; this fig leaf allowed Nigeria to meet the technical requirements of the Paris Club. In June 2005, with Nigeria in mind, G-8 finance ministers agreed that the Fund should create a formal policy monitoring arrangement for countries not receiving financial assistance, to be called the Policy Support Instrument (PSI).

With these key elements in place, the Paris Club met on 29 June 2005 and stated its willingness to enter into negotiations with Nigeria for an "exceptional" phased and comprehensive treatment of its Paris Club debt based on a PSI agreement once the new instrument was created. In early October, the IMF approved the creation of the PSI for low-income countries in order to "signal" the Fund's endorsement of a country's policies via periodic surveillance of economic performance. Two days later Nigeria formally applied for a two-year PSI, which was approved on 17 October. The Paris Club then met between 18 and 20 October and approved a comprehensive "exit" treatment of Nigeria's debt based on economic reforms since 2004, as validated by the PSI. The bargaining was very tough between the creditors and Nigeria, and among the creditors themselves; Germany, Japan, and the smaller non-G-8 creditors had the strongest objections. It was to take effect in two phases in which Nigeria would first pay US$6.1 billion in arrears upfront and then a second buyback payment of US$6.1 million after the first PSI review, scheduled for March 2006, was completed. This

amounted to a debt write-off of US$18 billion or 60 percent of Nigeria's Paris Club debt, roughly Naples terms. The end result, after the arrears were paid off, would amount to a debt cancellation of roughly 67 percent, directly comparable to Naples terms. The first PSI review was approved on 17 April 2006, and Nigeria made its second and final payment on 21 April, successfully completing the deal and Nigeria's long struggle for Paris Club debt relief. The October 2005 debt deal was an exit from the Paris Club for Nigeria, Africa's largest debtor, the first such exit for an African country and the second largest Paris Club debt deal ever after Iraq.

The prime mover behind Nigeria's debt relief success was Finance Minister Okonjo-Iweala. She provided the necessary portions of vision, connections, toughness, and perseverance, while CGD provided key elements of the strategy, one that eventually meshed well enough with the re-evaluated interests of major creditors. This is not to say that it was a sure thing in any sense; it was after all very political. Much of her case rested on the Paris Club taking the MDGs into account. Then in a totally unexpected move, President Obasanjo removed Okonjo-Iweala as finance minister. Eventually his effort to change the constitution to allow him to run for a third term, spending a good deal of money in the process, was blocked. Nigeria has continued some of the reforms, but for the most part has gone back to its old ways, including making true poverty reduction a very low priority. The outcome of the triple helix governance mechanism on debt in this case was major debt relief obtained for a member of OPEC, using the MDGs to argue that Nigeria's debt was not sustainable if they were taken into account and an innovative debt buyback at a substantial discount that was proposed by a Washington development think tank with the support of NGO activists.

The rise of new creditors: the case of China in Africa

The year 2006 was China's "Year of Africa."[3] In November it held a major summit with African leaders in Beijing, organized by the Forum on China-Africa Cooperation, which pledged major new financial and economic support. The summit was attended by 48 African countries, including 35 heads of state. The Chinese promised US$36 billion in concessional loans for 2007–9, plus US$2 billion in concessional buyer's credits. A China-Africa Development Fund was announced that would provide US$5 billion in capital for Chinese companies operating in Africa; it went into effect in June 2007 with US$1 billion from the Chinese Development Bank. In reality, the summit was an elaborate public validation of a process that had begun in the early

1990s, as China re-emerged as a major player in Africa, driven largely, but not exclusively, by its need for resources and markets to fuel its amazing transformation into an economic superpower in less than 30 years. China was poised to overtake Germany and become the world's third largest economy, accomplishing one of the most important changes in the international political economy since the end of the Second World War. China's key motto had become "business is business, politics is politics" and the two should not have to meet. Oil, of course, was at the center of these efforts.

China's new role as a source of trade, capital, and investment was largely welcomed by African governments because of the absence of IMF-like conditionality attached to it, and the speed and flexibility of the Chinese. This is in stark contrast to the operation of the international financial institutions (IFIs) and Paris Club "donors." As Aboulaye Diop, Senegal's finance minister, put it at the 2007 annual meeting of the African Development Bank, quite unusually held in Shanghai, "The Chinese treat us like adults" (Daly, 2007). In the same vein, a leading Angolan economist said of the IFIs and the donors, "For them we should have ears, but not a mouth" (*Economist*, 2006: 54). Over time China may well become a bigger lender to Africa than the World Bank. Most of this investment and assistance was focused on infrastructure projects, something the IFIs and donors had long ago moved away from, and was financed by concessional loans to Chinese companies or African governments. China also cancelled some African debt, US$80 million for Sudan alone in February 2007, and total cancellation may eventually approach US$26 billion.

China's "business is business" approach produced charges of supporting genocidal regimes like Sudan and dictatorships presiding over failing states like Zimbabwe, and of general disregard for good governance. Many Western firms complained about nimble and subsidized competition from Chinese companies. At the same time, some African civil society groups complained about diminished pressure for good governance, fearing that China's ongoing surge would facilitate a reconsolidation of older African political patterns despite some democratic and governance gains.

A major concern of the IFIs, the Western donors/creditors and other actors of the triple helix was the effect China's activities would have on African debt sustainability, given the deep and costly debt reduction many African countries were now receiving. A related fear was that new Fund/Bank lending or ODA might be used to repay Chinese loans, with the World Bank going as far as charging China with free-riding. The World Bank tried to negotiate these issues with the Chinese, with

little effect. G-8 finance ministers warned China in May 2007 about threatening debt sustainability efforts in Africa, specifically mentioning large concessional non-conditional loans to Angola and Sudan. A senior US Treasury official asserted that "It is crucial that both borrowers and creditors agree on an approach to debt sustainability that prevents the re-emergence of debt distress" (BBC News, 2007). In particular, there was substantial criticism of a huge Chinese loan to Angola that along with its huge oil revenues made it possible for Angola to keep the IMF at bay by refusing even a PSI agreement. By early 2007 Angola was also servicing its Paris Club debt, including clearing US$2.3 billion in principal and interest arrears in order to avoid Paris Club insistence on an IMF agreement. The Chinese have certainly broken, or at least loosened, the hold of the IFI/donor cartel in Africa, bringing market competition back to foreign aid, debt, trade, and investment for the first time since the end of the Cold War. In the long run, this may not be a bad thing for all parties concerned.

The influence of a loose Chinese development model may also be an important consequence of China's new role in Africa. As Ellen Johnson-Sirleaf, a former World Bank official who was the newly elected president of Liberia noted: "I expect all of Africa will look at China's great transformation, and we'll see the cooperation that is now going on and identify new means by which we can support each other" (quoted in McGregor, 2006). This encouraged older actors dealing with sovereign debt to help Liberia in a dramatic way. Bilateral and multilateral assistance grew quickly, and Liberia became a HIPC. In mid-April 2008, Liberia received a highly concessional debt reduction deal from the Paris Club within the context of HIPC, with the promise of major multilateral debt cancellation to come when it reached the end of the HIPC process. Much of this was made possible with the help of the Center for Global Development.

China was a direct challenge to the triple helix governance processes on debt because it stood outside them and resisted any attempts to draw them in. The debt NGOs were pleased about the resulting attack on the IMF and the World Bank, but were worried about resulting debt levels in Africa with no strings attached and the medium- and long-term impact this might have on efforts at poverty reduction they had achieved via the triple helix processes since the early 1990s.

Conclusion

Learning on all sides may well be possible about debt and poverty reduction—the IFIs and "donors"/creditors may reassess their procedures

and conditionality practices, China may learn that some conditionality is necessary for stable long-term economic relations with Africa and other poor countries, and the latter may learn to bargain more effectively with both sides, as Nigeria did, while defending their own policy space and sovereignty. In June 2006 when the Paris Club quietly celebrated its 50th anniversary as a "paradoxical non-institution," it invited Okonjo-Iweala to participate. Her remarks are worth citing for they are an appropriate final assessment of the strengths and weakness of the Paris Club as an international governance mechanism after a half century of dealing with the debt problems of developing countries and how this impacts the ability to reduce poverty:

> Nigeria is probably a "poster child" for all the good things that have been said about the Paris Club: the case-by-case approach, flexibility, even innovation. In obtaining debt relief for us, the Paris Club exhibited all of these characteristics. … We were happy with the deal we got. … But, I want to come back to the issue of debt sustainability … because I feel that debt sustainability analysis tends to be geared to making a country appear sustainable, when it actually is not … [and] the MDGs are the new definition of debt sustainability. … Can the Paris Club survive with its current approach, in which the rules from the creditors' side are not always known? Things will have to change. How will the Paris Club adapt to the so-called emerging donors, and to alternative sources of financing that may compete with its work?
>
> (Okonjo-Iweala, 2006: 55–56)[4]

As Nigeria shows all too vividly, however, Africa's problem is not that it is poor. It needs the right mix of politics, state and private capacity, and international help to use the resources from debt relief and new borrowing productively for poverty reduction *and* growth. A big push now exists for expanded debt relief *and* for much larger aid flows for Africa, and this has set off, yet again, a debate about whether expanded resource flows to Africa are a good idea. The two major ends of this debate can be seen in recent dueling books by Jeffrey Sachs (2006) and William Easterly (2007)—the former saying more must be done and that it will have a positive impact, the latter asserting that more aid is most likely to end up as wasted resources yet again. This debate points to Africa's major dilemma—more money will not guarantee that many of its problems will be solved, but less money is quite likely to make them worse, with serious consequences for millions of Africans. The main tragedy for Nigeria is that it has more wealth and

capacity than most African countries, yet it continues to squander both. For their part, many African governments simply want total debt cancellation, an end to structural adjustment, and the ability to borrow more, which will only create new debt problems with which the now more sophisticated but unwieldy international debt governance mechanisms will have to cope. Preventing new debt crises is even more important, and harder, because of the recent additional pressures put on non-oil poor countries by the shock ripples of the US-caused global financial and economic crisis and the spike in the price of oil; soaring food costs are of particular concern.[5] The complex governance patterns of the sovereign debt regime, of which the Paris Club has been a core element, are likely to remain a mix of the new triple helix processes and old as well as new big power politics.

We have seen how the broadening and changing patterns of global economic governance about debt led the Paris Club, which spent its first 30 years as a debt collection mechanism, and other parts of the sovereign debt regime for developing countries, to finally *begin* to take poverty reduction issues more seriously by granting unprecedented levels of debt reduction. The creation of HIPC and MDRI are major but still limited accomplishments of the triple helix governance processes on debt, but they are threatened by the emergence of China as a major new actor in the global system, one not content to join the existing club and play by the hard-fought newly revised rules. HIPC and MDRI are important and welcome changes that would not have come about at all, nor as fast, without the triple helix, but their ultimate impact on poverty reduction levels in both HIPC countries, and non-HIPC low-income countries that still do not benefit from them, is much more uncertain. The struggle continues, especially in the context of the worst global economic crisis in a century.

Notes

1 Some examples include: Mistry, 1989; Teunissen, 1989; Killick, 1995; Verhagen, 1997; Woodward, 1997a; 1997b; Martin, 1994; 1997; and last but certainly not least, the wonderful set of research papers organized and edited by G.K. Helleiner of the University of Toronto for the Group of 24 under UNCTAD auspices and published in annual volumes of "International Monetary and Financial Issues for the 1990s"; the 1997 volume, for example, included pieces by MIT and University of Maryland professors, a Brookings fellow, senior officials of the Bank of Uganda and the Uganda finance ministry, two fellows of the Korea Institute of Finance, and officials of the State Bank of Pakistan and the Central Bank of Chile.

2 Embedded liberalism is the notion that industrial democracies have long handled the processes of economic adjustment, especially to external changes,

by buffering the social and political costs of adjustment in ways not necessarily congruent with neoliberal economic doctrine and that they have preached the latter to developing countries while doing the former. The Paris Club countries have never applied embedded liberalism—what they practice, not what they preach—to the debtor countries; see Callaghy (1989). On the fraying of embedded liberalism in the industrial democracies, see Clayton and Pontusson (1998).

3 For background information for this section, see Broadman (2007).

4 As part of her struggle to get the MDGs taken into account in assessing debt sustainability, Dr. Okonjo-Iweala got the World Bank to do its own informal analysis, which showed that Nigeria's debt was *not* sustainable; the creditors saw the report, but it was not made public; see World Bank (2005).

5 In mid-September 2008, the IMF revised its relatively new Exogenous Shocks Facility in response to these new pressures; see IMF, 2008a; 2008b.

Bibliography

Balls, Andrew (2004) "Foreign Aid Threatened by Anti-Terrorism, says Oxfam," *Financial Times* (London) 6 December.

BBC News (2007) "G8 Ministers Put Africa in Focus," 20 May. Available HTTP: http://news.bbc.co.uk/2/hi/business/6674959.stm (accessed 19 July 2009).

Becker, Elizabeth (2004) "Guess Who's Invited to Dinner," *New York Times*, 23 September.

Broadman, Harry G. (2007) *Africa's Silk Road: China and India's New Economic Frontier* (Washington, DC: World Bank).

Callaghy, Thomas M. (1989) "Toward State Capability and Embedded Liberalism in the Third World: Lessons for Economic Adjustment," in Joan Nelson (ed.) *Fragile Coalitions: The Politics of Economic Adjustment* (Washington, DC: Overseas Development Council).

——(2001) "Networks and Governance in Africa: Innovation in the Debt Regime," in Thomas Callaghy, Ronald Kassimir, and Robert Latham (eds.) *Intervention and Transnationalism in Africa* (Cambridge: Cambridge University Press).

——(2004) "Innovation in the Sovereign Debt Regime: From the Paris Club to Enhanced HIPC and Beyond," Operations Evaluation Department Working Paper (Washington, DC: World Bank). Available HTTP: http://lnweb90.worldbank.org/oed/oeddoclib.nsf/DocUNIDView%20ForJavaSearch/4BC77E9BEC2CAAFC85256E4A00536A04/$file/hipc_wp_sovereign_debt.pdf (accessed 19 July 2009).

——(2009) "Anatomy of a 2005 Debt Deal: Nigeria and the Paris Club," Working Paper, Department of Political Science, January 2009 (Philadelphia: University of Pennsylvania). Available HTTP: www.polisci.upenn.edu/index.php?option=com_content&task=view&id=13&Itemid=73 (accessed 19 July 2009).

Clark, Marie (2004) "Jubilee USA Network Statement," 30 September (Washington, DC: Jubilee U.S.A.).

Clayton, Richard, and Jonas Pontusson (1998) "Welfare-State Retrenchment Revisited: Entitlements, Public Sector Restructuring, and Inegalitarian Trends on Advanced Capitalist Societies," *World Politics*, 51(1): 67–98.

Daly, Steve (2007) "G8: Who's Pulling Africa's Purse Strings?" *Spiked*, 7 June. Available HTTP: www.spiked-online.com/index.php/site/article/3453/ (accessed 19 July 2009).

de Fontenay, Patrick B. (1969) "Multilateral Debt Renegotiations: 1956–68," Economics Department, Paper EC-170 (Washington, DC: World Bank).

Easterly, William (2007) *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* (New York: Penguin Press).

Economist (2006) "China in Africa: Never Too Late to Scramble," *Economist*, 28 October.

Helleiner, G.K. (ed.) (various issues) "International Monetary and Financial Issues for the 1990s" (New York and Geneva: United Nations Conference on Trade and Development).

IMF (2008a) "MF Revamps Loans for Countries Facing Price Shocks, Disasters," *IMF Survey Online*, 19 September (Washington, DC: IMF). Available HTTP: www.imf.org/external/pubs/ft/survey/so/2008/pol091908a.htm (accessed 19 July 2009).

——(2008b) "Food and Fuel Prices—Recent Developments, Macroeconomic Impact, and Policy Responses: An Update," 19 September (Washington, DC: IMF). Available HTTP: www.imf.org/external/np/pp/eng/2008/091908.pdf (accessed 19 July 2009).

Killick, Tony (1995) "Solving the Multilateral Debt Problem: Reconciling Relief with Acceptability," November (London: Commonwealth Secretariat).

Martin, Matthew (1994) "Official Bilateral Debt: New Directions for Action," April (Brussels: Eurodad).

——(1997) *Multilateral Debt: Key Issues*, Report to G24 and Commonwealth Ministers, 20 July (London: G24 and Commonwealth).

McGregor, Richard (2006) "African Leaders' Summit Promises to Be Triumph of Diplomacy for Beijing," *Financial Times* (London) 3 November.

Mistry, Percy (1989) "The Problem of 'Official' Debt Owed by Developing Countries" (Amsterdam: Forum on Debt and Development).

Moss, Todd (2004) "Double-Standards, Debt Treatment, and World Bank Country Classification: The Case of Nigeria," Working Paper 45 (Washington, DC: Center for Global Development). Available HTTP: www.cgdev.org/content/publications/detail/2741/ (accessed 19 July 2009).

——(2005) "Resolving Nigeria's Debt Through a Discounted Buyback," CDG Brief (Washington, DC: Center for Global Development). Available HTTP: www.cgdev.org/content/ publications/detail/3223/ (accessed 19 July 2009).

Okonjo-Iweala, Ngozi (2006) "The Paris Club and the Restoration of the Debt Sustainability," in Paris Club, *Fifty Years of Orderly Sovereign Debt Restructuring: Proceedings of the International Policy Forum* (Paris: Paris Club). Available HTTP: www.clubdeparis.org/cdp/sections/50-ans/anglais_071206webpdf/

downloadFile/file/anglais_071206web.pdf?nocache=1170431715.92 (accessed 19 July 2009).

Paris Club (2008) "Paris Club" (Paris: Paris Club). Available HTTP: www.clubdeparis.org/ (accessed 19 July 2009).

Ruggie, John (1982) "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," *International Organization*, 36(2): 379–415.

——(1983) "Political Structure and Change in the International Economic Order: The North-South Dimension," in John Ruggie (ed.) *The Antinomies of Interdependence* (New York: Columbia University Press).

——(1991) "Embedded Liberalism Revisited: Institutions and Progress in International Economic Relations," in E. Adler and B. Crawford (eds.) *Progress in Postwar International Relations* (New York: Columbia University Press).

Sachs, Jeffrey (2006) *The End of Poverty: Economic Possibilities for Our Time* (New York: Penguin Press).

Snow, John (2004) "Speech to the Bretton Woods Committee 20th Anniversary Meeting," 30 September (Washington, DC: Bretton Woods Committee).

Swann, Christopher, and Ed Crooks (2004) "World Bank: Low Levels of Aid for Poor 'Unacceptable,'" *Financial Times* (London) 26 April.

Taylor, John (2005) "Speech at the U.S. Senate 'Poverty and Debt Relief Photo Exhibit,'" (Washington, DC: US Senate) 14 October.

Teunissen, Jan Joost (1989) "The Scope for European Initiatives on Debt," March (Amsterdam: Forum on Debt and Development).

Trichet, Jean-Claude (1989) "Official Debt Rescheduling: The Paris Club," in Christine A. Bogdanowicz-Bindert (ed.) *Solving the Global Debt Crisis: Strategies and Controversies by Key Stakeholders* (New York: Harper and Row).

Verhagen, Marinus (1997) "Economic and Social Indicators of Debt Sustainability: An Empirical Study," January (Brussels: Eurodad).

Woodward, David (1997a) "The Multilateral Debt Facility Proposal: Comments," (London: Christian Aid, Debt Crisis Network, and Jubilee 2000).

——(1997b) "The HIPC Initiative: Latest Developments," April (Washington, DC: Jubilee 2000).

World Bank (2005) "Nigeria's Opportunity of a Generation: Meeting the MDGs, Reducing Indebtedness," *PREM Anchor Report Prepared for the Africa Region*, April (Washington, DC: World Bank).

Part IV

Complex multilateralism, public-private partnerships and global business

8 Commonwealth(s) and poverty/inequality

Contributions to global governance/development

Timothy M. Shaw

> The role of poverty and inequality in fostering disquiet and hatred, and violence in particular, call for some sophistication of analysis …
>
> (Commonwealth, 2007b: 10)

> Poverty needs to be addressed in its own right and on the basis of commitments made by individual countries and the international community to achieving the Millennium Development Goals. But poverty alone does not automatically make people violent …
>
> (Commonwealth, 2007b: 33)

> Fragile states cannot or will not deliver what citizens need to live decent secure lives. They cannot or will not tackle poverty. As such, they significantly reduce the likelihood of the world meeting the Millennium Development Goals (MDGs) by 2015.
>
> (DFID, 2005a: 5)

This chapter suggests that the definition and reduction of poverty and inequality can be advanced in both conceptualization and realization through attention to the Commonwealth nexus. Whilst both inter- and non-governmental dimensions of the Commonwealth have been downplayed, even overlooked, in terms of "global development," their very marginality may yet be judged a plus in terms of efficaciousness. The Commonwealth*s*, plural, have much to contribute to the formulation and implementation of "global governance."

The inter- and non-state anglophone Commonwealths have always been concerned about national and global poverty and inequality, from vertical to horizontal. The establishment and evolution of the Commonwealth Secretariat and Foundation were a function of initially "nationalist" then "liberation" movements. They now focus on good governance to advance human development/rights/security. The Commonwealth

was closest to being an "epistemic community" in its opposition to the apartheid regime during its first quarter-century. Now it advances democratic governance and multicultural understanding to contain poverty and inequality and to minimize escalation toward violence, symbolized by the representative and innovative Commissions headed by Manmohan Singh and Amartya Sen respectively in the first decade of the new century (Commonwealth, 2003; 2007b). In so doing, it has advanced from a familiar preoccupation with vertical inequalities to a novel concern with horizontal inequalities as reflected by Frances Stewart (2008). The evolution of poverty and inequality realities and discourses in the Commonwealth over its first four decades both reflect but also somewhat anticipate global shifts.

Commonwealth political economies now span the emerging economies (Brazil, Russia, India, China, South Africa, BRICS, and the newly-industrializing countries, NICs)—fragile states divide in the new century with implications for the incidence of and response to poverty and inequality. They also include major and minor non-governmental organizations (NGOs) and multinational corporations (MNCs) in "triangular" forms of local to global governance. And they have always embraced multicultural/racial/religious communities, especially in centers of migration like Australia, Canada, South Africa and the UK as well as India, Singapore and the like. The Manmohan Singh Commission called for enhanced collaboration among states and international agencies, companies, and civil societies (Commonwealth, 2003: 69), while the Amartya Sen Commission advocated recognition of multiple roles, identities, and communities to advance multilateralism (Commonwealth, 2007b: 13–14); for instance, the former treated more familiar vertical inequalities, the latter the less familiar horizontal ones. Meanwhile, heterogeneous "mixed actor coalitions" have responded creatively to a range of novel development challenges as exemplified by the Kimberley Process (KP) to stem the flow of conflict diamonds, and the Commonwealth has been the primary advocate of Small Island Developing States (SIDS), whether "vulnerable" or "resilient" (Cooper and Shaw, 2009). At the end of this chapter, I introduce useful comparative typologies of such burgeoning global coalitions into which the Commonwealth cases can be situated.

Both inter- and non-state Commonwealths have continuously made direct responses to inequality and poverty, from early advocacy of anti-apartheid to SIDS and now onto democratic governance and anti-fundamentalisms along with indirect support for contemporary networks around parallel issues such as the KP. In turn, this entails an evolution from a popular and uncontroversial focus on vertical inequalities to

less familiar and higher-risk recognition of horizontal inequalities. These parallel a trend away from post-colonial and towards post-bipolar emphases, especially in the twenty-first century. The earlier, immediate post-twentieth century Manmohan Singh Commission advocated more collaboration among four distinct types of global actors (Commonwealth, 2003) to transcend vertical inequalities. By contrast, the more recent Amartya Sen Commission advanced multiple roles and multilateralism to enhance civil paths to peace in both recognizing and ameliorating horizontal inequalities (Commonwealth, 2007b). But before it concludes, this chapter also identifies issues over which minimal international progress has been made by contrast to relatively efficacious, albeit diverse, coalitions around SIDS and the KP.

Commonwealths and global governance: responses to vertical and horizontal inequalities

In this chapter as elsewhere, developing a conceptual spin on these two Commonwealth Commissions, I take the "Commonwealth" to be more than formal inter- and non-state institutions and relations but rather to "stretch" the name or brand to Commonwealth-centric civil societies, from Aga Khan Foundation to Civicus, and private sectors, especially in ex-imperial energy and mining sectors (Shaw, 2004; 2008): a Commonwealth "nexus" of anglophone global networks, which I often pluralize into Commonwealths to indicate extensive, heterogeneous and informal characteristics. And in the new millennium they have progressed from a concern for only vertical inequalities to one which now includes the horizontal, which are more problematic and controversial, especially for a rather conventional international institution.

However, in turn, relevant analytic and policy frameworks are also in flux, especially around notions of "development" (Haddad and Knowles, 2007; Harcourt, 2007; Haynes, 2005; 2008) and "governance" (Therien and Pouliot, 2006; Utting, 2008). To advance analysis of poverty and inequality, this chapter juxtaposes a range of both literatures and levels around vertical and horizontal inequalities to illuminate the diversity of novel global coalitions over global issues which are rarely only intergovernmental and are often primarily non-state in character. These increasingly identify as well as advance global networking around poverty and inequality, governance and conflict.

In particular, I privilege a pair of Commonwealth (2003; 2007b) reports by high-level teams of eminent persons (Shaw, 2008: 93–94) in response to the incidence and impact of poverty and inequality on "development" and "security" which in turn symbolize the transition at the turn of the

century from vertical toward horizontal inequalities: the Manmohan Singh and Amartya Sen reports on contemporary Commonwealth issues prepared for the Abuja (2003) and Kampala (2007) summits. Interestingly, these two eminent Indian public figures/intellectuals span the analytic divide: from traditional preoccupation with vertical inequalities to novel recognition of horizontal inequalities. This transition may take the Commonwealth into uncharted and possibly dangerous waters, however reflective of its members' realities.

Since its formal establishment in the mid-1960s, the Commonwealth has articulated a longstanding concern for development, especially in small and island states, given the distribution of its membership in part in response to the Law of the Sea negotiations. But this concern for SIDS has remained primarily inter-governmental in form and focused on vertical inequalities, especially the juxtaposition of vulnerability and elusive Millennium Development Goals (MDGs). However, some island and small states also reflect horizontal as well as vertical inequalities, hence their formal suspension from participation at times, such as Fiji in the first decade of the twenty-first century; a uniquely Commonwealth sanction reflective of its democratic inheritance and ambitions: Commonwealth values.

The developmental status of Commonwealth political economies has continued to evolve at the turn of the century, with Singapore becoming an NIC in the last quarter of the twentieth century and India being recognized as one of the BRICS at the start of the twenty-first (Cooper et al., 2006; Shaw et al., 2007), and several smaller, island states being defined as "failed" in the same period (DFID, 2005a; 2005b; *Foreign Policy*, 2008). Vertical inequalities in the Commonwealth are apparent in a variety of rankings. For example, according to the UN Development Programme's Human Development Indicators (HDIs) (UNDP, 2006), 17 members enjoy "high" HDIs, 23 "medium" and 9 "low" (for example, Singapore, India and Tanzania, respectively) (Shaw, 2008: 9). Conversely, according to the typology advanced by the World Bank, 10 members experience "high income," 13 "upper-middle," another 13 "lower-middle," and 15 "low income" (such as, Bahamas, South Africa, Sri Lanka and India, respectively) (Shaw, 2008: 84). Commonwealth members on the 2008 Failed States Index of 60 regimes include: Pakistan (number 9), Bangladesh, Uganda, Nigeria and Sri Lanka in the top 20, Kenya, Malawi, Solomon Islands, Sierra Leone, Cameroon in the next 20 and Papua New Guinea in the final 20 (*Foreign Policy*, 2008).

Reflective of the encouragement of the Manmohan Singh Commission to recognize the role of non-state actors in advancing both development and democracy, this chapter also contrasts a particular pair

among a set of contemporary global coalitions seeking to ameliorate island vulnerability and conflict diamonds, respectively, with relevance to analyses/discourses on "new" global issues around poverty and inequality as suggested at the end. Recent Commonwealth communiqués include mention of SIDS, landmines, small arms, drug trafficking and transnational crime, and so on (Shaw, 2008: 123–45).

As indicated in the first quotation at the outset of the chapter, the highly uneven incidence and impact of "globalizations" has led to a proliferation of pressing "global" issues: child labor/soldiers, drugs, forced migration, fundamentalisms, global warming, mafias, money-laundering, small arms, terrorism, among others (UN, 2003). It has also generated a range of international actors and networks, leading to "mixed-actor coalitions" as over landmines and conflict diamonds: salient aspects of foreign policy governance by non-state as well as state and inter-state actors (Carpenter, 2007). These can be taken as specific, sectoral cases related to broader pressures towards Corporate Social Responsibility (CSR)/Corporate Codes of Conduct (CCC) as indicated below.

Here I contrast a well-established, relatively successful case of extensive, heterogeneous coalition attention/formation/activism—the KP—with the more state-centric SIDS network, both being rooted in the Commonwealths' plural inter- and non-state, formal and informal personalities. The former reflects the encouragement expressed by the Manmohan Singh Commission (Commonwealth, 2003: 69) to go beyond states and advance civil society and private corporate engagement along with intergovernmental agencies. Notwithstanding its very modest size and scale, Canada's Partnership Africa-Canada (PAC) was a leading catalyst in the former. By contrast, despite its extensive membership and access to state and inter-state resources, SIDS has been less efficacious in the latter. Furthermore, the targets of the Kimberley Process have, almost by definition, been poorer, weaker countries and communities. By contrast, SIDS include NICs and developmental states, especially in Asia (Southeast Asia and the Indian Ocean) and the Caribbean, if not the Pacific; but the majority in both networks are Commonwealth-based.

The contemporary global governance genre, in which the Commonwealth nexus can be located (Shaw, 2004; 2008), has evolved out of the earlier more formal and inter-state international law/organization perspective which also consists of advocacy as well as analysis (Therien and Pouliot, 2006); like them, it has its roots in early "post-war" decolonization and multilateralism. as captured by the UN Intellectual History Project (UNIHP) (Jolly et al., 2005). Like the "new multilateralisms," rather than the "old" multilateralism of states alone, it

embraces a catholic range of heterogeneous actors in addition to a wide variety of "states," including failing and/or failed (Shaw, 2008).

The several approaches to "global governance" (Shaw 2008: 15, 29–31) constitute useful frameworks within which global, including Commonwealth, issues and policies around poverty and inequality can be situated, in terms of both analysis and practice, albeit largely outside established formal inter-governmental institutions. Symptomatic of such a policy direction, particularly at the "global" level, to which I return at the end, is the development over the last decade of multiple CCCs with a variety of emphases (Utting, 2008). Perhaps the best known are the UN Global Compact (Therien and Pouliot, 2006), which sought to bring companies into the UN "family," the OECD *Guidelines for Multinational Enterprises* (OECD, 2008), the Ethical Trading Initiative (ETI) which focuses on labor in supply chains, and the Global Reporting Initiative which concentrates on environmental dimensions.

As indicated further below, all involve extensive, heterogeneous sets of "stakeholders," reflective of the Manmohan Singh Commission, which continue to interact over the effectiveness of such codes, typified by the ongoing attentions of One World Trust's Global Accountability Project. After a decade or so of such global efforts, the International Standards Organization (ISO) is now negotiating an authoritative, synthetic global standard for CSR—ISO 26 000—amongst regions, companies, international NGOs (INGOs), international organizations, sectors among others, which has already led to intense lobbying and debates (for example, Consumers for Social Responsibility, 2006). The new global policy context also includes a growing concern for "new" as well as "old" security—for instance, horizontal as well as vertical inequalities—to which the Commonwealth (2007b) has contributed through its Amartya Sen Report.

In terms of cases of Commonwealth-centric coalitions responding to poverty and inequality, I turn to SIDS and PAC as instances of older, more state-centric and newer, less state-centric networks of diplomacy, respectively, both with significant participation from and resonance in contemporary Commonwealths.

SIDS and KP compared

Arising out of mid-decade reflections on the Commonwealths (plural) as more than formal inter- and non-state institutions and relations (Shaw 2004; 2008), I have become very interested in more and less extensive, earlier and later, state- and non-state-centric coalitions (Carpenter, 2007; Hubert, 2000). These also reflect changing patterns (or, at least

changing perceptions) of poverty and inequality as some countries/communities/cities/companies rise and others fall: emerging economies versus fragile states.

SIDS and KP can be taken as somewhat ideal types of different generations and characteristics among animators of global coalitions although both are rooted in the Commonwealths, whether inter- and non-state, formal or informal. SIDS is earlier and state-centric while KP is later and non-state, including the private sector, in genesis. Within multi-stakeholder networks, the balance between public and private can shift over time around and within such mixed actor coalitions, from Track One (exclusively inter-governmental) through Track Two (mixed) to Track Three (non-state only) and vice versa. SIDS has evolved from Track One to Two whereas KP has never been Track One and has tended to hover between Tracks Two and Three, including private companies as well as civil societies, reflective of balance between advocacy (Track Three) and implementation/evaluation (Track Two).

Such coalitions, like the Commonwealths, evolve over time as their global issue gets recognized and addressed and as the role and interest of coalition partners change through varieties of public diplomacy. We might be able to identify "stages" or sequences in the life of such coalitions, although no single, cumulative outcome or resolution is to be expected. Rather, backsliding and regression are also likely given the heterogeneity of such networks. I turn first to SIDS, whose initial identification and recognition coincided with the decolonization period in both global and Commonwealth history; and with a rather traditional, early concern, for vertical inequalities.

Small island developing states (SIDS)

Initially, SIDS grew out of new states' anxieties about post-colonial development prospects, especially given emerging environmental concerns. These coincided in the 1970s with the global debate and negotiation over a new UN Convention on the Law of the Sea (UNCLOS), in which Arvid Pardo and Malta were central animators, and which led to the formal agreement over UNCLOS in 1982. As noted below, SIDS received broader, non-governmental recognition and support through the Commonwealth Parliamentary Association (CPA) at the start of the 1980s, following the formal establishment of the Commonwealth Secretariat (ComSec).

On its creation in the mid-1960s, the "new" Commonwealth Secretariat became the primary international center or focal point for SIDS as over thirty of the latter's members were also members of the

Commonwealth. In response to the unilateral US intervention in Grenada, during the bipolar era, the first Commonwealth expert group on small states reported in 1985 on *Vulnerability: Small States in the Global Society*. Post-bipolarity, the focus switched toward globalization, with Vulnerability II in 1997 on "A Future for Small States" (Commonwealth/World Bank 2000; Commonwealth 2007a; Kisanga and Danchie 2007; Commonwealth Secretariat, 2009).

In the interim, following the end of bipolarity, the status of SIDS was advanced through the pioneering 1992 inter-governmental Earth Summit in Rio on the environment, at which a variety of non-state networks and voices were also energetic, which produced the World Summit on Sustainable Development. This is reflected in the creation of Alliance of Small Island States (AOSIS) to help shape the ongoing agenda of the UN Framework Convention on Climate Change (UNFCCC).

By the end of the Cold War, then, there were some 45 small states out of a global total approaching 200 members of the UN. SIDS reflected such states' common interests in drawing attention to their distinctive developmental difficulties around vertical inequalities in a variety of international organizations, both global and regional. But as UNCTAD became marginalized under globalization and neoliberalism, so did SIDS (Gray, 2006: 19–20).

While vertical inequalities have persisted, a further dimension has been added—environmental insecurity—somewhat reflective of the concerns raised at Rio a decade earlier but with a new twist: climate change. The concern with global warming and ocean rise was symbolized and intensified by the December 2004 tsunami ahead of the early 2005 Mauritius oceans summit called to reflect on the decade since the pioneering Barbados conference in 1994. As noted in the lead chapter in Kisanga and Danchie (2007: 21): "SIDS are already vulnerable to globalization in conventional economic, social and environmental terms. They are, however, particularly vulnerable to one environmental problem above all others, climate change."

The evolution of the SIDS network over time—the balance among economic, ecological, strategic and social concerns—is symptomatic of the endless stages in such networks, reflective of changes in global contexts and discourses. In the case of SIDS such shifts are themselves suggestive of its vulnerability: to diversionary if not divisive global agenda setting, revealing the difficulty in following the Manmohan Singh Commission's espousal of mixed actor governance for development. The latter is reflected in the Commonwealth/World Bank (2000: 54–96) report in which the several global and regional agencies' policy frameworks around SIDS are described and contrasted: International

Bank for Reconstruction and Development (IBRD) and ComSec strategic alliance; IMF, UN, UNCTAD, UNDP (for example, Regional Seas program), UN Research Institute for Social Development and the World Trade Organization (WTO); the EU; the Asian Development Bank; African Development Bank; and Inter-American Development Bank and so on.

Given the relative success of SIDS through the UNCLOS negotiations, Arthur Gray (2006: 27) suggests that "Caribbean SIDS … were in the vanguard of the EEZ movement and were among its major architects … Given the vast expanses of ocean space that fall under their jurisdiction, are these truly small States?"

And if anglophone overseas territories are increasingly recognized as honorific or associate members of ComSec, then the number in the SIDS network would increase along with the balance between growth and fragility or resilience and vulnerability, as characterized below; for example, high per capita incomes in Bermuda, British Virgin Islands, Cayman Islands and Gibraltar.

Whilst SIDS had its origins in inter-governmental fora largely associated with the UN system, especially UNCTAD (Gray, 2006), as well as the Commonwealths, it has incorporated and encouraged non-state voices over time, such as the Small Islands voice. Furthermore, might small states themselves be somewhat like non-state actors given their limited "sovereignty"?

Through the Commonwealth connection in particular, by defining and measuring "vulnerability" as a consequence of poverty and inequality, SIDS has been able to enhance its leverage and visibility globally. This capacity and legitimacy is largely a function of a "strategic alliance" with a non-state think tank, a variant of the extra-state network advocated in the Singh Commission report: the Island and Small States Institute at the University of Malta, especially its director, and professor of economics, Lino Briguglio. This index has supported many of SIDS' claims to special treatment (Cooper and Shaw 2009). In turn, the vulnerability index has been joined by another from Malta: a "resilience" index.

The majority of SIDS—32—are members of the Commonwealth so during its four decades of existence it has been the primary and preferred site of their organizing and advocacy around poverty and vertical inequality. Indeed, the first formal feature of SIDS came through the auspices of the non-governmental CPA rather than the inter-state Secretariat: in 1981 it organized the first, now-annual, Small Countries Conference alongside its regular CPA deliberations.

The Commonwealth Secretariat has proceeded to support SIDS Tracks One and Two diplomacy (any Track Three activity tends to be

left to the Commonwealth Foundation, a reflection of an informal division of labor in the Marlborough House headquarters of both in international agencies, symbolized by the group's common office for permanent delegations at UN headquarters in New York city from the mid-1980s and parallel sessions at Commonwealth Heads of Government Meetings (CHOGMs) since the early 1990s which led to an alliance with the World Bank from 2000: the Joint Task Force on Small States (World Bank, 2009). The latter built on an interim analysis which focused on "tackling volatility, vulnerability and natural disasters; strengthening capacity; issues of transition to the developing global trading regime; and new opportunities and challenges from globalization" (Commonwealth/World Bank 2000: 2).

According to Kisanga and Danchie (2007), its initial "seminal" report, "highlighted the vulnerability of small states as a result of their susceptibility to natural disasters, limited institutional capacity, limited human resources, and lack of economic resources."

As David McIntyre (2001: 117) has indicated:

> The Commonwealth has, indeed, become the premier small states forum. It has a higher proportion of small-state members than any other worldwide political organization … From the mid-1980s, then, a small states dimension became a significant feature of Commonwealth activities.

After more than a quarter-century, SIDS remains essentially intergovernmental in character and orientation, albeit with growing non-state dimensions. As the UN system has lost interest in it, SIDS has lost status, symbolized by the shrinkage of its staff at headquarters, down from a dozen to now just two mid-level officers, so the Commonwealth connection has become ever more salient. SIDS also has a range of largely informal regional connections as its members encompass the Caribbean Community, Caribbean Development and Cooperation Committee, Organization of Eastern Caribbean States, Southern African Development Community, and Southern Asian Association for Regional Cooperation, among others. So there is considerable synergy between the global and regional networks.

Nevertheless, SIDS continues to be advanced through the somewhat emotive claims of the University of Malta's vulnerability matrix: vulnerability to inequality and poverty as well as ecology. And AOSIS along with myriad diasporas could yet advance and energize its cause especially if formally recognized. Furthermore, in the second half of the first decade of the twenty-first century, reinvigorated environmental

networks may yet revive and redirect it. Hence the new emphasis on links with established and emerging SIDS universities as anchors for sophisticated island communities: from the University of the West Indies and the University of the South Pacific along with the University of Malta, the University of Mauritius and the University of the Virgin Islands in the five-member University Consortium of Small Island States to the Virtual University of Small States of the Commonwealth (Commonwealth of Learning, 2009).

As a continuing inter-governmental network SIDS is largely a function of annual schedules, including yearly data collection about HDI, MDGs and the like. The annual set of statistics from ComSec is arranged by the five Commonwealth regions—Africa, Caribbean, Indian Ocean, Mediterranean and Pacific Islands—with only the first being continental rather than island states. So the SIDS' policy framework now has a life of its own: from an initial, innovative vulnerability index in response to the Barbados, late-1994 Program of Action, and onto a resilience index (Commonwealth Secretariat and the Islands and Small States Institute, 2007) in the middle of the first decade of the new century around the anniversary gathering in Mauritius in early 2005. The latter reflects SIDS' few developmental states versus many fragile ones (Briguglio and Kisanga, 2004): from Mauritius, Singapore and Trinidad and Tobago, let alone Malta, to the majority in the Caribbean and South Pacific still impacted by poverty and inequality.

Reflective of SIDS' classic concerns, the original "vulnerability index" reflects a range of overlapping factors such as economic openness, export concentration, dependence on strategic imports and peripherality. By contrast, revisionist resilience indicators emphasize possible responses to such vulnerability: good governance, macro-economic stability, market reform, and social development (Briguglio, 2007: 103, 107; Griffith, 2007). Such indices clearly resonate with a set of older and newer analytic approaches, from dependence/fragile state to developmental state. SIDS like Mauritius, Singapore, and Trinidad and Tobago have clearly "graduated" to "developmental" status, yet the SIDS network remains useful as an expression of their collective foreign policies. Vulnerability was more state-centric in orientation; resilience less so. The former was macro-economic, the latter more micro, with an emphasis on non-state actors.

A few SIDS have been able to become more resilient than vulnerable, claiming the status of developmental island states. Wignaraja et al. (2004) treat Mauritius and Trinidad and Tobago as two examples of small state competitiveness within the Commonwealth. Such developmental states, island or otherwise, necessarily involve indigenous and

international capital, so extending the notion of SIDS at the turn of the century beyond governmental agencies toward non-governmental actors as central players: innovative private-public partnerships for development in at least some SIDS.

Given global competition, SIDS like other types of economy have sought to advance their competitiveness through niches such as the service sector (for example, cruise ships), cultural industries (Nurse, 2006) and knowledge-based (such as call centers) investment. Their success is reflected in subsequent OECD and other concerns regarding offshore financial centers (OFCs) (Vlcek, 2008). Such strategic policy directions constitute one means toward greater resilience which makes smallness less decisive (Griffith, 2007).

But, contrary to the optimism of the Manmohan Singh Commission, SIDS can get caught in contradictory worlds of international agencies, as over WTO rounds and OFCs discourse in which they are hardly represented (Marshall, 2007). Thus the Commonwealth/World Bank Report of 2000 points to the difficulties of SIDS moving toward the development of their overseas financial services sectors when the OECD was scrutinizing money-laundering in its Financial Stability Forum. In this case, their collective diplomacy was somewhat effective (Vlcek, 2007; 2008). As the SIDS report for the latest Commonwealth Finance Ministers' Meeting (Briguglio et al., 2006: 24) noted:

> When the 2000 report was being prepared, small states that were offshore financial centers felt severely threatened by unilateral actions taken by the Financial Stability Forum (FSF) and instigated by the major industrial countries that sought to impose regulations and standards … The small offshore centers reacted sharply as 41 of them were initially targeted for listing as uncooperative … there is now less insistence that tax competition is harmful, and with the establishment of a Global Forum on Taxation (on which there are non-OECD members as well as small states), the whole process has become more consultative and less unilateral.

In short, as with companies and cities in the KP, both before and after "Blood Diamonds," SIDS may have come to begin to play a pre-emptive role, parallel to strategies around corporations like, say, Coca-Cola, Nestlé, Nike, Shell, and so on. Both vulnerable—global warming—and resilient—service sectors—have non-state networks through which to advance their claims, even if their messages can be somewhat mixed.

Finally, the "Gozo Statement on Vulnerable Small States" from the November 2005 CHOGM in Malta captures the current state of play and debate, with an early move to claim strategic as well as economic and ecological relevance:

> We, the Heads of Government, reaffirm our longstanding and dedicated commitment to small states, which constitute a majority of our membership. … We also reaffirm that the Commonwealth will continue to be a strong advocate for vulnerable states and their concerns.
>
> We are conscious that small states face well-recognized vulnerabilities, and that they are now confronted by new challenges …
>
> There is a pressing need for firm, sustained and suitable resourced responses to the challenges and vulnerabilities of small states to mitigate disturbing emerging trends such as increased drug trafficking and other forms of criminality, and illicit migration.
>
> (Commonwealth, 2005)

Kimberley Process (KP)

I now turn to the second, less-state-centric of my pair of cases—the catalytic role of the PAC in the KP—following the same analytic framework as outlined above. Whilst most SIDS are within the Commonwealth Secretariat, the animators of KP were and are Commonwealth corporations, civil societies, cities and consumers as well as countries, from de Beers, PAC and Kimberley to consumers in India. The KP responded to horizontal as well as vertical inequalities—greed as well as grievance—more than SIDS and thus reflects the Sen as well as Singh Commission reports.

By contrast to the largely, though decreasingly, statist SIDS network, then, the genesis of the response to blood diamonds lay largely outside state circles, including the substantial private sector, although a set of courageous exposés on each of the major exporting states was prepared by the UN around the turn of the century. In particular, one or two minor NGO think-tanks on both sides of the Atlantic were major animators, notably Global Witness and PAC, the latter being the most miniscule yet most catalytic. So, while the number of states in KP was initially smaller than in SIDS (plus or minus 40) the number and diversity of other non-state members of the process is also very different and diverse, although it still attracts significantly less NGO interest than, say, the ICBL or OP.

Reflective of the Sen as well as the Singh Commission, KP is a post–Cold War global coalition in which multinational companies, trade

unions, cities, sectoral organizations (such as, the World Diamond Council) and consumer institutions are engaged along with selected NGOs and think tanks. The latter are mainly the larger, anglophone INGOs—for example, Amnesty International, Fatal Transactions, Global Witness, Human Rights Watch and World Vision, versus Partnership Africa Canada. KP reflected a common concern, whether for reasons of corporate image/profit or human development/security, about the production of artisanal diamonds in killing fields like Angola, Congo and Sierra Leone. In the post-bipolar period, blood diamonds came to replace bipolar alliances as means to fight wars in these regions. As PAC (2006: 2) suggests, "[a]s much as 15% of the world's US$10 billion annual rough diamond production fell into the category of conflict diamonds in the late 1990s."

The KP was launched formally in May 2000 in the original diamond mining capital of Kimberley in the middle of South Africa in response to highly visible advocacy by PAC and Global Witness (GW) in particular. The post-apartheid South African state financed and assembled together some 38 governments and myriad companies from along the extensive supply chain from extraction to final sale plus a few concerned INGOs. South Africa chaired KP until its inauguration in 2003. The Kimberley Process Certification Scheme (KPCS) was formally launched at the start of that year by 70 governments (25 from the European Union plus another 45) and was then formally subject to a three-year review during 2006, coinciding with the third summit in Gabarone. Since 2003 the chair and modest administrative office located in a succession of nation-states has rotated to Canada in 2004, Russia in 2005, Botswana in 2006 and India in 2007. And a mixture of country reviews by delegations of states/companies/civil societies and annual plenary sessions in major stakeholders have affected the KP: rules about regulating and reporting the informal/illegal diamond trade which led to the flow of small arms into the artisanal mining areas of countries, especially those of Central and West Africa. As PAC (2006: 3) recognizes:

> The KPCS may be the biggest thing that has happened to the diamond industry in a hundred years … The wars in Angola and Sierra Leone ended before the KPCS came on stream, but the huge amount of public attention garnered by the issue, by the UN, by NGOs and by the KP negotiations contributed. Today, the KPCS makes it much more difficult than in the past for criminals to sell large volumes of high-value diamonds … The KP can take some credit … for a story significantly more successful than some admit.

However, in a well-established sector which spans continents, countries, mines, processing cities, global distribution and consumption, a few unrecorded stones will always escape detection. Like the Ottawa Process (OP) to ban landmines, KP has become institutionalized through the UN but effective governance remains the responsibility of major stakeholders working together, with a few (I)NGOs, especially PAC, driving the reporting, compliance, and sanctioning process. Thus the report from GW and PAC (2004a) on seven case studies under KPCS is instructive.

The KP at century's turn was primarily an instance of successful preemptive diplomacy by the industry. If it—mining houses, host cities, labor unions, supply chain providers—had not been seen to act, others would have done so for it with potentially negative results. It was able to repeat its preventive diplomacy in mid-decade in response to the filming and release of *Blood Diamonds* as indicated below.

SIDS and KP compared

In terms of periodization, SIDS was post-colonial, KP post-bipolar. And both global networks have gone through distinct stages, with the KP being very different before and after ratification: from primarily non-state to more inter-state. A correlate of this evolution is that INGOs like GW and PAC have had to shift their own roles at least in relation to KP from advocacy to implementation and evaluation.

KP seeks to maximize its reach to enhance regulation. But the inclusion and exclusion of states is a function of their management of the mining sector. In mid-decade, KP fraud identified by attentive INGOs like GW and PAC in Brazil, Côte d'Ivoire, Guyana, Venezuela and Zimbabwe raised concerns. Congo-Brazzaville was expelled mid-decade for non-compliance. A comparison with suspension from the Commonwealth as in the case of Fiji, might be instructive in terms of effecting global governance.

By the middle of the decade, notwithstanding the 2004 tsunami, the KP had become more visible globally than SIDS, as symbolized by the acclaimed movie *Blood Diamonds*. Plans to film and distribute this Hollywood picture led to classic corporate pre-emptive diplomacy of media messages to minimize negative fall-out, building on earlier KP processes and networks. INGO networks attempted to maximize publicity and minimize backsliding.

And the current, parallel Diamond Development Initiative (DDI) constitutes a further response to intense poverty and inequality around diamonds, especially artisanal. Launched in Ghana in mid-2005, DDI is a promising compatible spin-off seeking to augment transnational

regulation via the KP through micro-level local artisanal development, thus removing or reducing the need for mafias and militias (DDI, 2005): a novel mix of MNCs, international financial institutions, DAC donors, local government ministries and INGOs (GW and PAC 2004b). The German G-8 summit in mid-2007 ratified the board for DDI, chaired by PAC's leading KP analyst and activist, Ian Smillie (2006). In parallel with PAC's changing INGO corporate role, his own individual professional role in relation to KP has likewise evolved. And PAC in Ottawa now accommodates the two-person DDI office (Diamond Development Initiative, 2009).

KPCS seeks not only to contain the production and distribution of illegal diamonds so that they cannot be exchanged for small arms. It also strives to transform the alluvial part of the global industry into a source of development rather than conflict, in part by seeking to minimize intense poverty and inequalities, both horizontal and vertical. Whether it can turn around the informal sector by making it more formal remains to be seen as the balance and incidence of costs and benefits, profits and losses will be changed significantly, especially in countries of origin (Campbell, 2004; van der Gaag, 2006). Moreover, as global patterns of supply and demand evolve so advocates in KPCS rise and fall.

In terms of INGO-type coalition politics and advocacy, Ian Smillie (2006: 25) suggests that: "The NGOs had three sets of allies through the Kimberley Process. Ironically, and in an odd way, the first was the diamond industry. … The second ally was the UN. The third ally in the process, and perhaps the most important, was the Government of South Africa." Together, this initially disparate grouping has become the "Kimberlites."

However, the Kimberlite coalition did or does not always agree. Thus, although in general Botswana may have a constructive relationship with NGOs in the KPCS, at home it has had difficulty responding to allegations from Survival International that it was exploiting, even oppressing, its indigenous communities in terms of mining rights. So, learning from KP globally, its own national "clean" diamonds campaign—"diamonds for development"—sought to transcend any negative PR. But Botswana's continuing escalation of banning associates or sympathizers of the Survival International campaign raises issues about its version of liberal democracy. Ian Taylor and Gladys Mokhawa (2003: 283) caution that negative NGO publicity may put its democratic, green and tourist credentials in the Commonwealth and elsewhere into jeopardy:

> an NGO-led campaign now threatens to overturn all this and, much to the consternation of the mining companies, is now linking

> the country's mineral wealth to the undeniable ill-treatment of the San in Botswana. Diamonds may, after all, be a rather treacherous best friend for Botswana.

The impact of PAC as an INGO is inseparable from that of the KPCS on formal exports and incomes for states which produce artisanal diamonds. And it may yet lead toward a sustainable DDI to upgrade or graduate child and other informal labor, as advocated by the IBRD program on Communities and Small-scale Mining.

But despite being so central to both KP and DDI, Smillie (2006: 26) cautions that:

> The KPCS is still a work in progress; it has been very difficult to get the statistical data base up and running. There is a good review process which involves representatives of government, industry and NGOs examining member countries for KP compliance on their internal diamond controls.

KPCS is symptomatic of emerging INGO-informed governance arrangements, what Cashore (2004) would characterize as "non-state authority." But how sustainable and accountable might such non-traditional forms of governance be (Grant et al., 2003; Utting, 2008)? In particular, can NGOs sustain themselves financially, politically, and ethically if their roles evolve toward incorporation and evaluation within such networks rather than traditional advocacy or whistle-blowing?

Conclusion: SIDS, KP and vertical and horizontal inequalities

Finally, to put this pair of cases in context, an interesting and not insignificant debate is emerging over why some new global issues get attention leading to efficacious global coalitions and negotiations, as in the Ottawa and Kimberley processes, by contrast to the stalled efforts over, say, equally compelling child soldiers, rape victims of peace-building operations, explosive remnants of war (Diana, Princess of Wales Memorial Fund, 2009), small arms nexuses, and so on (Carpenter, 2007; Hubert, 2000). These case studies also raise questions about why the Commonwealths—non- and inter-state—are so marginalized or overlooked when they may actually be in the avant garde of the response to burgeoning horizontal inequalities. Indeed, the anglophone Commonwealths may be able to advance global governance in part as they speak the lingua franca of globalization, English (Shaw, 2008).

The above case studies can be related to the useful typology of novel non- or semi-state regulation for global governance proposed by Peter Utting (2008: 243–44): (1) certification schemes, (2) global framework agreements, (3) standard setting and reporting (Murphy and Yates, 2008), and (4) monitoring schemes (such as the Extractive Industries Transparency Initiative [EITI] and stakeholder dialogues [for example, the UN Global Compact]).

Similarly, in the run-up to institutionalizing KP, learning from PAC, Smillie (2002) suggested that comparative arrangements or lessons might inform KPCS and similar attempts to monitor, certify, and regulate to minimize poverty and inequality. He broke these down into:

1 inter-governmental arrangements (for example, Chemical Weapons Convention, Financial Action Task Force on Money Laundering, OECD State Audit/Development Cooperation/Environmental Performance Reviews);
2 private sector certification (for example, ISO 14000);
3 NGO monitoring mechanisms (for example, Coalition to Stop the Use of Child Soldiers and International Action Network on Small Arms); and
4 mixed approaches (for example, OP on landmines, Social Accountability International, Endangered Species—Convention on International Trade in Endangered Species and the Wildlife Trade Monitoring Network—and Global Reporting Initiative).

In conclusion, I turn back to the chapter's initial concerns about poverty and inequality and prospects for their recognition and alleviation through efficacious global governance. Here the Commonwealth's contemporary history around horizontal and vertical inequalities is instructive, as it has been able to bring great yet representative minds to bear in a pair of prestigious, influential commissions. Together, the Singh and Sen reports have given the Commonwealth new purpose and relevance for the second decade of the twenty-first century.

In so doing, the Commonwealth has begun to contribute to a set of overlapping conceptual and applied debates about poverty and inequality, vertical and horizontal. And it can anticipate continuing to advance global governance after the late-2009 summit in Trinidad and Tobago: not a SIDS but rather a developmental, industrial island economy. Finally, this analysis confirms the relevance of such cases and networks to a set of overlapping perspectives and debates, such as development, globalization and international political economy, as well as varieties of poverty and inequality.

Bibliography

Briguglio, Lino (2007) "Economic Vulnerability and Resilience: Concepts and Measurements" in E. Kisanga and S.J. Danchie (eds.) *Commonwealth Small States: Issues and Prospects* (London: Caribbean Studies Centre).

Briguglio, Lino, Bishnodat Persaud, and Richard Stern (2006) "Toward an Outward-oriented Development Strategy for Small States: Issues, Opportunities and Resilience Building," Report delivered at the Commonwealth Finance Ministers' Meeting, Colombo, September (Singapore: World Bank Group/ International Monetary Fund). Available HTTP: http://siteresources.worldbank.org/PROJECTS/Resources/40940-1118776867573/FinalReportSmallStatesAug 9-06.pdf (accessed 19 July 2009).

Briguglio, Lino, and E. Kisanga (eds.) (2004) *Economic Vulnerability and Resilience of Small States* (London: Commonwealth Secretariat and University of Malta).

Campbell, Greg (2004) *Blood Diamonds: Tracing the Deadly Path of the World's Most Precious Stones* (New York: Basic Books).

Carpenter, R. C. (2007) "Studying Issue (Non)-Adoption in Transnational Advocacy Networks," *International Organization*, 61(3): 643–67.

Cashore, Benjamin, Graeme Auld, and Deanna Newsom (2004) *Governing Through Markets: The Forest Certification and the Emergence of Non-State Authority* (New Haven, Conn.: Yale University Press).

Commonwealth (2003) "Making Democracy Work for Pro-poor Development: Report by a Commonwealth Group of Experts," Manmohan Singh (Chair) October (London: Commonwealth Secretariat).

——(2005) "Gozo Statement on Vulnerable Small States," Commonwealth Heads of Government Meeting, 25–27 November (Malta: Commonwealth Secretariat). Available HTTP: www.thecommonwealth.org/Templates/Internal.asp?NodeID=147536 (accessed 19 July 2009).

——(2007a) *Small States: Economic Review and Basic Statistics*, 11 (Autumn) (London: Commonwealth Secretariat).

——(2007b) "Civil Paths to Peace: Report of the Commonwealth Commission on Respect and Understanding," Amartya Sen (Chair) October (London: Commonwealth Secretariat).

Commonwealth Foundation (2008) "Breaking the Taboo: Perspectives of African Civil Society on Innovative Sources of Financing Development," (London: Commonwealth Foundation).

——(2009) "Commonwealth Foundation," (London: Commonwealth Foundation). Available HTTP: www.commonwealthfoundation.com (accessed 19 July 2009).

Commonwealth of Learning (2009) "Commonwealth of Learning," (Vancouver, Canada: Commonwealth of Learning). Available HTTP: www.col.org (accessed 19 July 2009).

Commonwealth Secretariat (2009) "Commonwealth Secretariat—Home," (London: Commonwealth Secretariat). Available HTTP: www.thecommonwealth.org (accessed 19 July 2009).

Commonwealth Secretariat and the Islands and Small States Institute (2007) "International Conference on Small States and Economic Resilience," 23–25 April (Malta: Islands and Small States Institute). Available HTTP: http://events.um.edu.mt/resilience2007/contact_us.html (accessed 19 July 2009).

Commonwealth/World Bank (2000) *Small States: Meeting Challenges in the Global Economy*, Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States, March (London: Commonwealth Secretariat).

Consumers for Social Responsibility (2006) "Consumers for Social Responsibility–CSR." Available HTTP: http://iso26000.blogspot.com (accessed 19 July 2009).

Cooper, A.F., and T.M. Shaw (eds.) (2009) *The Diplomacies of Small States: Between Vulnerability and Resilience* (London: Palgrave Macmillan).

Cooper, A.F., A. Antkiewicz, and T.M. Shaw (2006) "Economic Size Trumps All Else? Lessons from BRICSAM," Working Paper no. 12, December (Centre for International Governance Innovation, Waterloo, Ontario). Available HTTP: www.cigionline.org/sites/default/files/Paper12_Cooper_Antkiewicz_Shaw.pdf (accessed 19 July 2009).

DDI (Diamond Development Initiative) (2005) "Conference Report: Report on the Proceedings of the DDI Conference" (Ottawa: Partnership Africa-Canada for Diamond Development Initiative).

——(2009) "Diamond Development Initiative" (Ottawa: Diamond Development Initiative). Available HTTP: www.ddiglobal.org (accessed 19 July 2009).

DFID (UK Department for International Development) (2005a) "Why We Need to Work More Effectively in Fragile States," January (London: DFID).

——(2005b) "Fighting Poverty to Build a Safer World: A Strategy for Security and Development," March (London: DFID).

Diana, Princess of Wales Memorial Fund (2009) "Diana, Princess of Wales Memorial Fund," (London: Diana, Princess of Wales Memorial Fund). Available HTTP: www.theworkcontinues.org (accessed 19 July 2009).

Foreign Policy (2008) "Failed States Index 2008," *Foreign Policy* (July/August). Available: HTTP: www.foreignpolicy.com/story/cms.php?story_id=4350 (accessed 19 July 2009).

Global Reporting Initiative (2009) "Global Reporting Initiative," (Amsterdam: Global Reporting Initiative). Available HTTP: www.globalreporting.org/Home (accessed 19 July 2009).

Grant, J.A., S.J. MacLean and T.M. Shaw (2003) "Emerging Transnational Coalitions around Diamonds and Oil in Civil Conflicts in Africa," in M.G. Cohen and S. McBride (eds.) *Global Turbulence: Social Activists' and State Responses to Globalization* (Aldershot: Ashgate Publishing).

Gray, A.A. (2006) "The Small Island Problematique," in R. Ramsaran (ed.) *Size, Power and Development in the Emerging World Order: Caribbean Perspectives* (San Juan, Trinidad: Lexicon Trinidad Limited).

Griffith, W.H. (2007) "CARICOM Countries and the Irrelevance of Economic Smallness," *Third World Quarterly*, 28(5): 939–58.

GW (Global Witness), and PAC (Partnership Africa Canada) (2004a) "Internal Diamond Controls: The Key to Kimberley. Seven Case Studies," (Washington, DC, and Ottawa: Global Witness and Partnership Africa-Canada).

——(2004b) "Rich Man, Poor Man: Development Diamonds and Poverty Diamonds. The Potential For Change in the Artisanal Alluvial Diamond Fields of Africa" (Washington, DC, and Ottawa: Global Witness and Partnership Africa-Canada).

Haddad, L. and C. Knowles (eds.) (2007) "Reinventing Development Research" *IDS Bulletin*, 38(2): 1–13.

Harcourt, W. (ed.) (2007) "Special Anniversary Issue—The Power of Ideas," *Development*, 50: S1 (July).

Haynes, J. (ed.) (2005) *Palgrave Advances in Development Studies* (London: Palgrave Macmillan).

——(2008) *Development Studies: A Short Introduction* (Cambridge: Polity Press)

Hubert, D. (2000) "The Landmine Ban: A Case Study in Humanitarian Advocacy," Occasional Paper 42 (Rhode Island: Watson Institute, Brown University).

Jolly, R., L. Emmerij, and T.G. Weiss (2005) "The Power of Ideas: Lessons from the First 60 Years" (New York: UN Intellectual History Project).

Kisanga, E. and S.J. Danchie (eds.) (2007) *Commonwealth Small States: Issues and Prospects* (London: Caribbean Studies Centre).

Marshall, D.D. (2007) "The New International Financial Architecture and Caribbean OFCs: Confronting Financial Stability Discourse," *Third World Quarterly*, 28(5): 917–38.

McIntyre, W.D. (2001) *A Guide to the Contemporary Commonwealth* (London: Palgrave Macmillan).

Murphy, C.N., and J. Yates (2008) *International Organization for Standardization (ISO): Global Governance Through Voluntary Consensus* (London: Routledge).

Nurse, K. (2006) "Culture as the Fourth Pillar of Sustainable Development," *Small States*, 11: 28–40.

OECD (2008) *Guidelines for Multinational Enterprises*, October (Paris: OECD).

PAC (Partnership Africa-Canada) (2006) "Diamonds and Human Security," Available HTTP: www.pacweb.org/kimberly-diamond-death-destruction-e.php

Payne, A. and P. Sutton (2007) "Repositioning the Caribbean Within Globalization," Caribbean Paper no. 1, June (Waterloo, Ontario: Centre for International Governance Innovation).

Shaw, T.M. (2004) "The Commonwealth(s) and Global Governance," *Global Governance*, 10(4): 499–516.

——(2008) *Commonwealth: Inter- and Non-State Contributions to Global Governance* (London: Routledge).

Shaw, T.M., A.F. Cooper and A. Antkiewicz (2007) "Global and/or Regional Development at the Start of the 21st Century? China, India and (South) Africa," *Third World Quarterly*, 28(7): 1255–70.

Smillie, I. (2002) "The Kimberley Process: The Case for Proper Monitoring," Occasional Paper 5, September (Ottawa: Partnership Africa-Canada).

——(2006) "Whose Security? Innovation and Responsibility, Perception and Reality," in Sandra MacLean, David Black, and Timothy Shaw (eds.) *A Decade of Human Security: Global Governance and New Multilateralisms* (Aldershot/Burlington, Vt.: Ashgate) 19–30.

Stewart, F. (ed.) (2008) *Horizontal Inequalities and Conflict: Understanding Group Violence in Multi-Ethnic Societies* (London: Palgrave Macmillan).

Taylor, I. and G. Mokhawa (2003) "Not Forever: Botswana, Conflict Diamonds and the Bushmen," *African Affairs*, 102(407): 261–83.

Therien, J-P., and V. Pouliot (2006) "The Global Compact: Shifting the Politics of International Development?" *Global Governance*, 12(1): 55–75.

UN (2003) *Human Security—Now. Report of the Commission on Human Security* May (New York: United Nations).

UNDP (UN Development Programme) (2006) *Human Development Report 2006* (New York: Palgrave Macmillan).

Utting, P. (2008) "Rearticulating Regulatory Approaches: Private-Public Authority and Corporate Social Responsibility," in V. Rittberger and Martin Nettesheim (eds.) *Authority in the Global Political Economy* (London: Palgrave Macmillan).

Van der Gaag, N. (2006) *Trigger Issues: Diamonds* (Oxford: New Internationalist).

Vlcek, W. (2007) "Why Worry? The Impact of the OECD Harmful Tax Competition Initiative on Caribbean OFCs," *Round Table*, 96(3): 331–46.

——(2008) *Offshore Finance and Small States: Sovereignty, Size and Money* (London: Palgrave Macmillan).

Wignaraja, G., M. Lezama, and D. Joiner (2004) *Small States in Transition: From Vulnerability to Competitiveness* (London: Commonwealth Secretariat).

World Bank (2009) "Small States," (Washington, DC: World Bank). Available HTTP: http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,contentMDK:21431090~pagePK:41367~piPK:51533~theSitePK:40941,00.html (accessed 19 July 2009).

9 The global elite, public-private partnerships, and multilateral governance

Benedicte Bull

It is a long-standing criticism of multilateral organizations that they are the product of a highly unequal distribution of power in the world. Because of their failure to adequately represent poor countries, they are also ill-equipped to address problems of inequality and poverty. This criticism has been more commonly launched against the international financial institutions (mainly the World Bank and the International Monetary Fund, IMF), because of the fact that the votes on their boards are distributed according to financial contributions. The skewed distribution of power within these institutions is viewed as partly responsible for their promotion of a neoliberal global order and their alignment with the interests of the richest countries as well as holders of capital. According to their critics, they are, as a result, aligned with structures that sustain an unequal distribution of resources in the world (see, for example, Peet, 2003; Toussaint, 2008).

For many years, UN organizations that are based on a different structure of governance have escaped this critique. Their governance structure is based on the principle of one country–one vote. Because of this, they were seen as an arena for the making of policies aimed at countering the skewed distribution of resources in the world, through attempting to regulate capital flows and companies as well as changing the structure of the world economy. However, over the last years, the relationship between UN organizations and business has changed. One major expression of this change is the formation of public-private partnerships (PPPs) between UN organizations and transnational corporations.

The establishment of PPPs has opened up UN organizations to increased criticism. PPPs have been argued to threaten their legitimacy and make them increasingly directed toward serving the interests of business, rather than the goals of humankind as defined in international democratic forums. The purpose of this chapter is to analyze whether PPPs change the representativeness of the UN organizations,

and whether that—in turn—impacts on their ability to adequately address issues important for the reduction of poverty and inequality. I argue that PPPs cover a vast array of different arrangements with quite different implications for the governance of the institutions. The chapter makes the crucial distinction between, on the one hand, PPPs that are initiated by officials of UN organizations, governments or business themselves with the aim of fulfilling a specific task or resolving a problem. Such partnerships are typically organizationally located within the UN organizations, and they involve limited resources. Indeed, research shows that in spite of their name they are mostly funded by governmental contributions. While they are expressions of an ideological shift in the multilateral system toward favoring market-oriented solutions and business partners, they have few implications for how to understand the governance of the institutions. On the other hand, there are PPPs that are initiated by individuals belonging to a "global elite." The elite-initiated PPPs tend to be large-scale and organizationally located outside formal organizations. The formation of such PPPs is an expression of a more fundamental change in the distribution of wealth and power in the world that is also leading to a profound change in global governance: a trend away from formal, legal decision-making and fixed democratic procedures, and toward a more flexible, ad hoc way of making decisions about the day-to-day functioning of the multilateral organizations.

In exploring the changing nature of formal global governance and the changing patterns of elite dominance, I examine the re-articulation of inequalities of representation away from those based on state/governmental representation to those of individual members of the global elite. The starting point of the analysis is a neo-Gramscian view of the multilateral organizations as emerging out of a specific political-economic order. Several authors within this perspective have analyzed how changing patterns of production and accumulation have changed the context of the multilateral organizations in ways that are crucial for their functioning. Among other things, they point to the formation of a transnational capitalist class that dominates the agenda of the organization. This chapter agrees that although wealth concentration is an important driving factor in the formation of a global elite, not only owners of capital, but a variety of individuals related to the holders of capital in different ways, currently belong to a global elite. It is composed of the elites within business and finance, but also politicians and heads of state, as well as celebrities from cultural life and outstanding leaders of non-governmental organizations (NGOs) or executive heads of multilateral organizations. Yet, although their formal current (or past)

position matters, they are member of the elite as individuals, not necessarily representing countries or organizations. These are increasingly setting the agenda for the multilateral organizations, and directly and indirectly make decisions for their operation.

The impact of this remains to be seen. However, we may suspect that although the global power elite has shown a concern for issues related to poverty and environmental challenges, it is not likely to support a system that aims to address the power inequalities upon which their own power is premised.

The chapter unfolds as follows. First, it discusses the governance of the multilateral system, focusing on the evolution of its elitist character. Second, it discusses the notion of PPPs and the wide spectrum of initiatives that is covered by the term. In this section a distinction is made between the PPPs that result from "elite initiatives" and those that are better characterized as "partnerships of convenience." The third section discusses the implication of this new elitism for the multilateral system in general. The chapter concludes by discussing possible implications of new trends in wealth concentration for the multilateral organizations.

The changing elitism of multilateral governance

In textbooks, the multilateral organizations[1] are often explained through their formal governance structures. They are mostly governed by a general assembly constituted by representatives of all member countries. In the UN organizations these have equal formal power, whereas in the multilateral finance institutions the distribution of formal votes is made according to financial distributions. Their daily business is conducted by an elected board—also put together with a distribution of power in mind, although specific principles vary across institutions.[2] The decisions are, in turn, implemented by an international bureaucracy to whom recruitment is made according to both merit and the principle of geographic distribution.

However, it is obvious to most observers that the multilateral system does not and never did function quite this way. The multilateral organizations have always been rife with political battles between powerful governments, although this affected different organizations differently. For example, the United Nations Education, Science, and Culture Organization (UNESCO) was created essentially to support the construction of global peace, but it was soon divided by US attempts to make it an instrument for its strategy to combat communism, and by opposition from the Soviet Union and, later, Third World countries (Coate, 1992). Similarly, the International Labour Organization (ILO),

established with a tripartite structure to accommodate the interests of employers and labor as well as states, was deeply affected by the fact that the US government used the main labor associations—the American Federation of Labor and the Congress of Industrial Organizations (AFL/CIO), as instruments in its anti-communist strategy (Cox, 1977).

Yet, the organizations have not only been dominated by powerful states. Influence on decision-making processes has been further restricted to policy elites within these countries. Several authors have noted the elitist character and the lack of basic transparency in the decision-making patterns of the multilateral organizations. Keohane and Nye (2002) have described the governing pattern of multilateral institutions as a *club model*:

> Beginning with the Bretton Woods conference of 1944, key regimes for governance operated like clubs. Cabinet ministers or the equivalent, working in the same issue-area, initially from a relatively small number of relatively rich countries, got together to make rules … They negotiated in secret, then reported their agreements to national legislatures and publics.
>
> (Keohane and Nye 2002: 220)

Writing about the same phenomenon, Michael Zürn (2004: 264) uses the concept *executive multilateralism* about the decision-making in these organizations: "a decision making mode in which governmental representatives (mainly cabinet ministers) from different countries coordinate their policies internationally, but with little national parliamentary control and away from public scrutiny."

In recent years, several changes have been made in the multilateral system to make up for this "elitism." Transparency has been increased through opening decision-making processes to various civil society actors, including NGOs and business, as well as improved openness in governmental processes. Civil society actors have also been increasingly directly involved in decision-making through a plethora of consultative bodies and forums. The result is what O'Brien et al. (2000) called a "complex multilateralism" reflecting the diversity of actors and multiplicity of decision-making processes currently characterizing the multilateral system.

However, along with the increased diversity of actors that participate in decision-making processes we see a new form of elitism affecting the organizations. Whereas the former elites were mostly elected representatives from the rich countries, the new one is diverse, but nevertheless mostly non-representative. And some PPPs—not all of them—are an expression of this shift.

The argument made here is based partly on a neo-Gramscian perspective on multilateral organizations as elaborated first by Robert Cox (1983; 1992), and partly on a more plural view on elites than that offered by the neo-Gramscians. The neo-Gramscians view the multilateral organizations as results, not only of the system of states, but the underlying structures, forces and processes of world politics (Bøås and McNeill 2003). This includes material structures of finance and production, but also knowledge and ideas and the social forces sustaining them. The evolution of the multilateral system occurs in a reciprocal relationship with global structural change.

The most important contextual change for the multilateral institutions of the early twenty-first century has been the enormous increase in the extent and speed of flows of goods and money, associated with a transnationalization of financial and productive structures, the related increased availability of private funds, and the shift towards economic importance of actors from non-core countries. The sum of changes has made the multilateral organizations increasingly obsolete in at least three ways. First, the global financial institutions face increasing difficulties in proving their relevance because of governance structures that largely reflect the division of power in the after-war period, and their position as financial intermediaries that is premised on developing countries having difficulties in accessing private funds.[3] This is true for the IMF, which sees its best customers becoming less and less interested in borrowing, as well as for the World Bank and some of the regional development banks, that see private lenders becoming more relevant than themselves in their respective regions. Second, the admittedly slow and bureaucratic operational mode of most multilateral organizations—particularly perhaps the typical UN organization—is increasingly out of touch with the rapidly moving globalized economy as well as the emergence of more flexible and agile networks of governance. These deficiencies are acutely understood by everyone, particularly the multifaceted global elite that will be described below.

A third related and important feature, and the one that I will be concerned with here, is the changes in the process of wealth accumulation related to globalization. There is an unsettled debate about whether globalization is associated with increased inequality within and among countries (Milanovic, 2005; Held and Kaya, 2007). However, what is clear is that we see a concentration of income and wealth among the rich, resulting in a rise of a small group of super rich (Atkinson, 2006; Ohlson et al., 2007), the income of the richest of whom parallels that of small countries.[4] Another indication of shifting patterns of income concentration is the increasing number of dollar

billionaires in the world and an increasing concentration of income between them. Whereas Forbes (2008) reported that there were 793 billionaires in 2006, the number had increased to 1,062 in 2008. In 2006, 42 of the billionaires owned 25 percent of the collected fortune, in 2007, the share of billionaires that accounted for 25 percent of the fortune had been reduced to 4.2 percent. Whereas by far the largest group of the super rich is found in the rich countries, there are increasingly also individuals from middle-income countries on the list.[5]

The consequences of this wealth concentration for global governance of development are all but clear. The neo-Gramscian perspective suggests that the transnationalization of the economy and concentration of wealth and income is associated with a change in the formation of classes. One argument is that we see the emergence of a transnational capitalist class based on that segment of the world bourgeoisie that represents transnational capital: the owners of the leading worldwide means of production as embodied in the transnational corporations and private financial institutions (Robinson and Harris, 2000). The transnational capitalist class is distinguished from national capitalist classes by being involved in globalized production; it manages global circuits of accumulation that give it an objective class existence and identity spatially and politically in the global system (Sklair, 2001).

The neo-Gramscians argue that as national capitalist classes before, the transnational capitalist class is aligned with cadres of managers as well as "organic intellectuals," supporting their hegemony through production of knowledge and ideas that legitimate their dominance. At the global level, this is expressed in "the nebuleuse"—those unofficial and official transnational and international networks of state and corporate representatives and intellectuals who work to produce policy consensus for global capitalism (Cox with Schechter, 2002). Multilateral organizations also play a key role in this, embodying the rules which facilitate the expansion of hegemonic world orders, ideologically legitimating the norms of the world order, as well as absorbing counter-hegemonic ideas (Cox, 1983: 62). Yet, they also themselves influence these ideas and produce knowledge that feeds into what come to be the dominant ideas (Bøås and McNeill, 2004).

The neo-Gramscian perspective captures well the decreasing relevance of the concept of national bourgeoisie with the transnationalization of finance and production. Moreover, it brings business actors to the forefront of global governance and may potentially question the sharp distinction between the public and private actors found in other accounts of power in global governance. It also has the potential of capturing the central role of knowledge, nevertheless viewing it as closely aligned with material forces.

However, there are multiple problems with the concept of a transnational capitalist class.[6] The most important of them for the purpose here is that it fails to capture the consequences of the emergence of the group of the super rich. Moreover, it fails to encapsulate more sociological accounts that could shed light on how the super rich shape the formation of global elites that come to include also people that do not figure among the top holders of wealth.

There are some more sociological accounts of how this income concentration is about to create new global elites that, in turn, may impact on global governance. One example is David Rothkopf's (2008) argument that a new global "superclass" of extraordinary power and influence is currently emerging. The rise of the superclass is related to globalization and the unprecedented magnitude and reach of global corporations. Thus, the single largest group of members of the superclass comprises leaders in business and finance. Nevertheless, gaining a powerful position within global business and finance is only one among several roads to membership in the global superclass. The superclass is distinct from a Marxist class concept, as members of this class are identified not by their relationship to productive forces, but rather by their overwhelming power: they have the ability to regularly influence the lives of millions of people. Each actively exercises this power and often amplifies it through the development of relationships with others in this class. Moreover, although a majority are wealthy, among the approximately 6,000 individuals that Rothkopf identifies as members of the superclass, you would find not only business and finance elites but also presidents and ex-presidents as well as cultural celebrities and heads of international organizations. For example, James Wolfensohn, former president of the World Bank, is characterized as a "prototypical member of the superclass." But this is not only based on his former position in the global institution; it is equally based on his past as a Wall Street superstar and his outstanding achievements in arts. Thus, the superclass members derive their power from a variety of sources:

> They are the few who have accrued immense influence by virtue of talent, work, fortune, or some combination of the three. Sometimes their power is associated with their own personal financial resources. Sometimes it is associated with a political or a religious following they have build up over a lifetime. More often than not it is associated with an institutional role they play, such as being chief executive, a chief investment officer, or a military chief of staff. Frequently power flows from being in the right place in the

> right time. Sometimes it flows not from character but from character flaws: ruthlessness, monomaniacal commitment to a single idea, or greed.
>
> (Rothkopf, 2008: 32)

Thus, it is the combination of financial clout and other features that ensures you a place among the elite. Andrew Cooper (2007; 2008) argues, for example, for the increased importance of networks of actors engaged in transnational advocacy whose main distinguishing feature is that they are celebrity icons. The front-figures of what he calls "celebrity diplomacy" may be pop icons, sport idols, film stars or royalty, but they may also be, for example, business leaders stretching the boundaries, or sites of their activities, beyond the boardroom. Their fame and influence is not only derived from their financial clout or ownership control, but also on their "multilocated" personal lives and their construction of themselves as celebrities.

The superclass is according to Rothkopf a symptom of a world in which power is extraordinarily concentrated, and in which the few at the very top have hugely disproportionate influence. The evolution of this global elite is one of the key aspects of the changing context of the multilateral organizations, and it has, accordingly, implications for its governance.

The new elitism has brought with it new practices in global governance. According to Cooper (2007), celebrity diplomacy operates according to completely different principles than traditional diplomacy: the typical celebrity diplomat, focused on single issues, lacks formal training on the issue in question, is decidedly populist, prefers press conferences and shows to secret boardrooms and private diplomatic gatherings, and does not represent a constituency. The superclass is also deeply involved in global governance through a multitude of channels. Among the favored means of influence are personal networks, think tanks and other research institutions (that they may establish and/or fund), key organizations and high-profile gatherings (such as the World Economic Forum). Through these channels the superclass engages in global politics beyond what is needed to pursue their narrowly defined self-interest. They use their influence not only to further increase their own wealth and influence; an important recent feature of the superclass is the eagerness to engage in philanthropy, making huge donations to causes, often dominating the agenda of specific issues.

The new elitist practices of global governance do not, however, render the multilateral organizations marginal. Rather, they influence profoundly how they operate. Cooper (2008) argues that a main distinction between

the business celebrity and a Hollywood celebrity is that the latter often attaches his or her advocacy to an international institution (for example, a UN organization), whereas the financial resources of the former makes this unnecessary. Some of the most powerful institutions established by members of the global elite may also be outright alternatives to the UN. For example, the Clinton Global Initiative may gather an equal or higher number of global leaders to address parallel issues as the UN and may be more efficient in finding solutions (Anderson, 2005). However, many business celebrities *do* attach their advocacy in some way to a formal organization for various reasons. The common explanation for this is that they do so in order to increase their legitimacy. However, the active networking and advocacy of top multilateral executives who themselves form a part of the global elite may be equally important.

One aspect of this process of change is the potentially increased influence of the executive heads of multilateral organizations. In most accounts of multilateral governance, the multilateral bureaucracies and their executives have been viewed as little more than formal implementing agencies for the collective decisions of states. They were at best granted marginal autonomy because of "agency slack" derived from antinomic delegation (the delegation of tasks with partly incompatible goals) and "mission creep" (the mushrooming of new institutional goals without a corresponding reduction in old goals) (Gutner, 2005). At worst they were viewed as bureaucratic quagmires hampering efficient execution of joint decisions. For example, Mouritzen describes the international bureaucracies as the "'twining plants of international cooperation': they are too weak to keep upright without support; they look beautiful and often serve to hide ugly walls, and they are almost impossible to get rid of" (quoted in Jönsson, 1995: 5). More recent research has pointed out how they shape the agenda of global governance through their production of knowledge and framing of discourses (for example, Bøås and McNeill, 2004). Much longer ago, Robert Cox (1969) argued that the "sailor's skills" of the executive head, or his/her ability to use available winds and currents to advance in a chosen direction, were also a possible source of influence of the executive head of multilateral organizations and a means of increasing the organizational autonomy. While the winds and currents may have changed, the potential influence of the executive heads of multilateral organizations might have increased in a global governance setting that is at the same time more fluid, less dependent on formal rules and more dependent on the influence of individuals. Yet the influence of the executive heads of multilateral institutions is not a given; it is to a significant extent dependent on the individuals occupying those positions.

Public-private partnerships are a favored means for members of the global elite to engage with the multilateral organizations. There are several reasons for this. PPPs—as the name says—include both public and private actors: companies, foundations and business organizations. However, they are not only characterized by a plural governing structure, but also by the penetration of a big-business-friendly ideology, resulting in what we have called "market multilateralism" (Bull and McNeill, 2007; Bull, 2010). This is a form of collaboration between states and private for-profit and non-profit actors that makes extended use of market mechanisms to reach the goals of the collaboration. Although it involves a degree of mutual influence, the boundaries of the collaboration tend to be set by the interests of key market actors, that is: large corporations, of which leaders are privileged members of the global elite.

A second reason why forming PPPs is a favored mode of engaging with the multilateral system for the elite is that—compared to working with the multilateral bureaucracies proper to the organizations—these are agile, flexible instruments that may be modeled in accordance with their own ideals. They may also thus be more susceptible to direct influence than the multilateral organizations proper.

However, far from all PPPs within the multilateral system are initiated, funded or influenced by the global elite. Some may have completely different histories and may rather be practical solutions to acute challenges faced by the multilateral organizations or by recipient governments. The fact that a PPP is chosen as a solution to a given problem may be a good indication of the penetration of an ideology favoring private sector solutions in the multilateral system. However, the implications for global governance of elite-initiated partnerships and what I call partnerships of convenience are completely different. I will discuss this in the following section, which starts with a remapping of the landscape of PPPs.

The many faces of PPPs

PPPs is one of several concepts—including, among others, "multistakeholder initiatives" and "policy networks"[7]—that are aimed at describing new forms of multi-actor collaboration at the global level. PPPs are defined as: "voluntary and collaborative relationships between various parties, both State and non-State, in which all participants agree to work together to achieve a common purpose or undertake a specific task and to share risks and responsibilities, resources and benefits" (UN General Assembly 2005: 4).

In the UN system, PPPs have become increasingly common.[8] They have also gained increasing attention in inter-governmental bodies such as various world summits,[9] the UN General Assembly[10] and the respective governing bodies of the specialized UN organizations. The inter-governmental discussions have often responded to broader processes of change in the climate between business and the UN. Among the milestones in this story are the burial of the efforts to develop binding codes of conduct for multinational enterprises under the UN Conference on Trade and Development in 1993, which improved the climate between the UN and corporations (Hummel, 2005), and the appointment of business-friendly Kofi Annan as Secretary-General in 1997 and his launch of the Global Compact in 1999. Later in 1999/2000 the secretary-general's office produced a series of reports on partnerships, and finally it presented the UN Guidelines for Cooperation with the Business Community upon a request from the General Assembly.[11]

By 2005, Broadwater and Kaul (2005) identified 400 partnerships between private actors and the UN organizations, while admitting that there could easily exist more. These PPPs were of a diverse nature, and there are many different ways of distinguishing between different partnerships.[12] One common way to distinguish between them is to group them according to goals. One can distinguish between: (i) *resource mobilization partnerships* that seek to mobilize private resources either by direct fund-raising, or by promoting and facilitating foreign direct investment flows to poorer countries; (ii) *advocacy partnerships* that are mainly aimed to raise awareness concerning the global issues addressed by the UN, or to add a further issue to the global agenda; (iii) *policy partnerships*, typically establishing both formal and informal dialogue and knowledge-sharing between the UN and the private sector with the purpose of changing the policy of international organizations, governments or corporations, aimed at, among others, developing norms and standards; and (iv) *operational partnerships*, often formed in order to compensate for market imperfections, information failures and political hurdles against provision of essential goods and services. These types of partnerships are summarized in Table 9.1.

However, if we take a close look at the partnerships we will note that they differ in several other important dimensions in addition to their main goals and functions. First, they involve hugely different sums of money, ranging from negligible sums, for example in the case of some of the advocacy partnerships, to billion-dollar operations, as in the case of some of the major global operational and resource mobilization partnerships. Second, some PPPs are located within multilateral organizations, whereas others have these organizations as one among several

Table 9.1 Types of partnership (based on goals)

	Goals	*What does the UN contribute?*	*What does business contribute?*
Resource mobilization partnerships	Fundraising Public-private investment	Expertise Image Policy networks	Money In-kind donations
Advocacy partnerships	PR-campaigns Advocacy	Expertise Legitimacy	Technology Access to media
Policy partnerships	Change of policy Development of standards/ norms	Expertise Policy networks	Access to policy actors
Operational partnerships	Long-term procurement Product development	Coordination of resources to create markets Policy networks	Technology Production facilities

partners and are created as independent organizations or foundations. However, an even more important difference for understanding the implications for global governance is the question of who initiates and who governs the partnerships.

In this respect, the major distinction may be drawn between *elite initiatives* and *partnerships of convenience*. Elite initiatives are typically initiated by members of the global power elite, including leaders of business or finance, frequently figuring as leaders of their own endowment or foundation; current or former heads of state or high level public officials; possibly also other celebrities; and frequently high-profile, high-level executives of the multilateral system. Thus the rise of PPPs does not necessarily mean that the private sector members are privileged in terms of agenda setting. However, it does mean that decisions are taken outside the formal governance structure of the multilateral institutions and outside of public scrutiny. Such issues would rather be discussed over private lunches, or at elite gatherings, such as for example the World Economic Forum.

One example of an elite initiative is the Global Alliance for Vaccines and Immunization (GAVI). The GAVI was not the first attempt to shore up support for a partnership between public and private actors to increase the vaccination rate of old vaccines and improve the take-up of new vaccines in developing countries. Since the mid-1980s, it was understood that in order to achieve sufficient levels of funding as well

as supply of vaccines for this purpose, a broad partnership was needed. The Rockefeller Foundation attempted repeatedly to bring parties together. However, the main outcome of that process, the Children's Vaccines Initiative (CVI), as well as two special programs within the World Health Organization (WHO), did not bring about the desired results. The creation of GAVI and its general success in raising funds and increasing vaccination rates can only be understood against the background of its elitist process of initiation. Before a conference called by the Rockefeller Foundation in 1999, World Bank president James Wolfensohn, jointly with newly appointed director of the WHO and former prime minister of Norway Gro Harlem Brundtland, and Carol Bellamy of the UN Children's Fund (UNICEF) had held private conversations and decided to close down the CVI. They also initiated talks with Bill Gates for the creation of a new alliance, what would become GAVI. The structure of this was agreed upon at a subsequent Rockefeller-initiated conference, and the financial resources to start up were secured with the check of US$750 million dollars from the Bill and Melinda Gates Foundation. It was formally launched in Davos in 2000 as a partnership between Gates, private pharmaceutical companies, NGOs, WHO, UNICEF, and governments. From the start GAVI was created within a "private sector image": it is an agile organization, located outside the multilateral organizations, focusing mainly on high tech solutions and emphasizing quantifiable results.

Although mid-level officials and experts also were involved in the process of setting up GAVI, the process differed quite significantly from what happens in the case of partnerships of convenience. These are typically initiated by mid-level staff of the multilateral organizations, by their counterparts in private foundations or companies, or by governmental representatives. As increasing emphasis is put on partnerships both by the UN General Assembly and the UN Secretary-General and the governing bodies of the individual agencies, to seek private sector collaboration in some form as a readily chosen solution to a given challenge. However, the starting point would in most cases be a real challenge or a task that needed to be undertaken. Regarding private foundations, some of these are closely directed and run by members of the global elite. However, in many of the older and more established foundations, the individual officials operate according to set policies and guidelines but would nevertheless exercise a certain amount of discretion and collaborate with the multilateral organizations where that was viewed as useful. Also, business is increasingly faced with challenges and problems to which partnerships with the multilateral organizations may contribute to a solution. The employees

of specific corporate social responsibility departments are in this business on a daily basis, and as noted elsewhere, these often have a profile in terms of education, background and perspective similar to their counterparts in multilateral organizations (Bull and McNeill, 2007).

One example of such partnerships of convenience comprises those resulting from the Special Program for Research and Training in Tropical Diseases (TDR) that was established in 1975, co-sponsored by the WHO, UN Development Programme (UNDP), and the World Bank (and since 2003, UNICEF). Although it is not itself a PPP, it has resulted in a number of partnerships with the pharmaceutical industry aimed at accelerating research and development of drugs for "orphan diseases"—for instance, diseases for which commercial incentives are insufficient to trigger private sector investment in research and development.[13] Between 1980 and 2003, it accomplished the registration of seven new/improved drugs for neglected diseases resulting from partnerships with Merck, Bayer, Artecef, Zentaris, NeXstar, Marion-Merill Dow, and GlaxoSmithKline (Nwaka and Ridley, 2003). This means that TDR was involved in about half of the drugs commercialized for use for tropical diseases between 1975 and 1996 (Pécoul et al., 1999). However, these partnerships were initiated by lower-level officials of the WHO in collaboration with scientists as well as specialized research departments of the pharmaceutical industry. In terms of business commitment such research partnerships are quite demanding, as they require long-term commitment, with an uncertain outcome.

Other examples of partnerships of convenience are the partnerships formed between ILO staff and two foundations set down by the chocolate and tobacco industries respectively to fight the use of child labor. The ILO does not work with individual companies, but with employers' organizations, because of its tripartite structure. This has made it a less important actor in the corporate social responsibility (CSR) industry than could have been expected given the significant interest in the ILO's various declarations as a platform for norms, standards, and CSR practices. However, individual staff members have to some extent collaborated with business in partnerships that mostly fall within the category of advocacy partnerships in the typology listed above. This was also the case when the chocolate industry, heavily pressured by NGOs and the US Congress, established the International Cocoa Initiative and sought collaboration with the ILO in order to establish strategies to abolish child labor at all stages in the chocolate supply chain. The same was the case for the Eliminating Child Labor in Tobacco initiative that resulted rather from the advocacy of well connected labor unions. In both cases, the leaders of the industries were involved, and

their willingness to do so was closely related to the significant reputational costs that they could be faced with. However, the creation of the institutions, their formulation of their content, and mode of operation, was the result of the work at lower levels of the bureaucracies.

Of course, one cannot completely disentangle elite-initiated partnerships from partnerships of convenience, since elite initiatives also play an important role in encouraging lower-level officials to pursue partnerships. For example, the historic gift of US$1 billion from Time Warner Vice-Chairman Ted Turner to the UN in 1999 led to the establishment of the United Nations Foundation and the United Nations Fund for International Partnerships, both aimed at encouraging further partnerships with the UN. More recently, the Clinton Global Initiative has facilitated a project to build a central online portal for business connectivity with the United Nations, named the Global Hand. This aims to make a partnership with business a more attractive solution to UN officials, which, in turn, may induce mid-level officials to go for that policy option (Clinton Global Initiative, 2007). Also, the World Economic Forum is involved in "harnessing public-private partnerships for development" that are aimed to encourage PPPs of any scale (World Economic Forum, no date). In practice, the individual partnerships that result from such initiatives may be initiated by governmental officials or international bureaucrats, although they clearly are encouraged by the elites.

Nevertheless, although not unrelated, there is a major difference between elite initiatives and partnerships of convenience, related to processes of initiation. Elite initiatives and partnerships of convenience further tend to differ in two respects. First, elite initiatives tend to be on a grander scale than partnerships of convenience; they are often global in reach and they involve large amounts of funds and a high number of actors. The mentioned GAVI has so far raised more than US$3 billion, of which approximately one-third comes from the Gates Foundation. Another example of large-scale elite initiatives is the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) which has so far raised US$4.7 billion. A number of other elite initiatives also involve large sums of money, although not in the billion dollar league, for example the Clinton-Hunter initiative for sustainable development in Africa (US$100 million).

This contrasts with the large number partnerships of convenience that generally involve little money; indeed many officials of the multilateral organizations emphasize that money is not necessarily what is sought from partners to PPPs. Equally important may be, for example, their expertise and/or control of technology or their usefulness in forging policy change. For example, in the partnership between Unilever

and UNICEF to improve child nutrition and hygiene, Unilever is said mainly to bring "to the collaboration its long-standing expertise in nutrition, hygiene and health" (UN Global Compact et al., 2007: 18). Since many of the elite initiatives result in structures that are involved with the multilateral organizations, but nevertheless organizationally separate from them, it is mainly the money flowing from partnerships of convenience that shows up in UN budgets. And in pure monetary terms these contributions to the UN are negligible, particularly contributions from corporations.[14] Foundation funding is significant in very specific areas, but by any measure governments are still the most important contributors to the UN.

The more than 300 so-called Type II multiple stakeholder partnerships that have registered under the UN Commission of Sustainable Development are also mostly examples of partnerships of convenience. They were formed after the 2002 World Summit of Sustainable Development in Johannesburg, and are generally viewed as a response to Southern actors' demand for increased attention to their pressing issues, considering that a substantial increase in aid had been denied them by Western governments at the preceding summit in Monterrey. Involving NGOs along with business partners and public authorities, these partnerships were not only viewed as having the potential to solve specific problems such as food and water scarcity and energy supply, but also to contribute to "closing the participation gap in global politics and contribute to a democratization of environmental governance" (Andonova and Levy 2003: 25; Bäckstrand, 2006). Whereas they incited high hopes, recent evaluations show that many of the so-called partnerships show many of the same features as regular aid projects and face the same challenges of, for example, implementation in contexts of weak states (Compagnon, 2008). They have also failed to bring a substantial amount of new resources, especially private funding. Business is a part in less than 20 percent of total partnerships, accounting for less than 1 percent of total funding (Hale and Mauzerall, 2004).

Elite initiatives tend to attract more private as well as public money. Since most private funds to partnerships come from foundations, not companies, and the largest and most generous foundations are led by wealthy members of the global business elite, it is true almost by definition that elite initiatives receive more private money. However, elite initiatives also attract more public money. For example, the GFATM was launched as a large-scale public-private partnership. Nevertheless, to date, only 5.8 percent of the money paid to the fund comes from private sources and the rest is government donation (GFATM, 2009). Also, a recent review of partnerships in education shows that they mostly

depend on the availability of governmental donor funding. Only after that is in place do other actors come on board (Draxler, 2008).

Partnerships of convenience also tend to operate on a smaller scale. They may be focusing on very specific global issues (for example the partnerships aimed at developing drugs for tropical diseases, mentioned above), but often they are of a national or local nature. Typical examples include the UNDP partnership with Coca-Cola Turkey to empower local youth communities, and the partnership between the Norwegian power company SN Power and UNDP in developing and implementing the Khimti Neighborhood Development Project in Nepal.

A third important difference between elite initiatives and partnerships of convenience is the structure of governance. PPPs take a number of different forms and their structures of governance differ widely both within the two categories here and across them. Nevertheless, a general feature of the elite initiatives is the dominance of individual members of the global elite on boards or other governing bodies. This is partly dependent on the fact that they are frequently, and closely, aligned with private foundations. For a while there have been discussions about the new kind of philanthropist—often called a "venture philanthropist"—who wants to get closely involved in the causes to which he or she donates. Main examples of this are Bill Gates, who personally takes a leading role in the Bill and Melinda Gates foundation; George Soros, who is closely involved in the management of the Open Society Foundation; and Bill Clinton, who is the hands-on manager of the Clinton Foundation. The latter stands in a quite different position from the others since it seeks collaboration with other foundations and organizations in order to raise funds. Nevertheless, it is similar in the sense that Bill Clinton personally is closely involved in at least a number of the partnerships that the Clinton Foundation is involved in.[15]

These leaders also tend to get personally involved in the governing of partnerships that they enter into. For example, Bill Gates (mostly represented by his father) has a permanent seat on the GAVI board. While this is quite understandable considering the amount of money that he has dedicated to the cause, it still raises issues of representation in global governance.

Partnerships of convenience on the other hand, may be of such a small scale that they have no board of directors, but are simply administrative arrangements between bureaucracies. Or they may be of a multi-stakeholder nature involving NGOs, multilateral organizations, governments and business, but not at the level of ministers, CEOs or founders of foundations, but rather designated representatives of government bureaucracies and business, for example CSR officials. They

also pose fewer challenges to the idea of representation in global governance, since many of these partnerships result from strategic decisions taken by representative bodies at higher levels in the organization. I will turn to this issue in the following.

Partnerships, power inequality and global governance

Many authors have questioned how PPPs impact on the legitimacy and accountability of the multilateral institutions (Bäckstrand, 2007; Martens, 2007) and of global governance more broadly (Börzel and Risse, 2005). The involvement of non-governmental actors in a governmental system clearly breaks with traditional concepts of legitimate governance. Some also link problems of legitimacy to the involvement with business that these PPPs imply, positing that the profit logic of business may undermine the search for solutions to global problems that the multilateral institutions have been set up to undertake (Zammit, 2003).

However, elite initiatives and partnerships of convenience are expressions of different trends in global governance and they represent different challenges to the multilateral system. They may all be examples of "market multilateralism" and have resulted in the penetration of a more business-friendly ideology in many of the multilateral organizations. There are potential issues of accountability, as well as coherence with core government policies related to all PPPs (Zammit and Utting, 2006), issues that are currently being tackled by ongoing efforts in the multilateral organizations to ensure the accountability, sustainability, and impact of partnerships.[16]

This, however, relates mostly to what I have called partnerships of convenience. The elite partnerships pose additional challenges to the legitimacy and authority of the multilateral system, and they may be of greater importance to their ability to tackle issues of poverty and inequality. First, they create parallel elitist structures of decision-making to the formal governing bodies of the multilateral organizations. Although gatherings such as the World Economic Forum or those joined by the Clinton Global Initiative or George Soros have no formal impact on the workings of the multilateral system, indirectly what is agreed here will also influence the operations of these organizations.

Second, they create parallel structures of operation and implementation to those of the multilateral organizations. These are almost always established with a commendable purpose in mind, and their creation often involves governments as well as multilateral organizations. Many elite initiatives are also aimed at supporting generally agreed goals, such as the Millennium Development Goals. For example, GFATM

was established because of the perception that the challenges posed by the mentioned diseases were of such a magnitude that no existing UN organization was fit to take them on. Whereas 40 years ago, perhaps one would have considered creating a UN fund of some kind, instead a multi-party partnership was created that actively has sought private sector funding (although, as mentioned, not always successfully), and involvement in the elaboration of the governing structure and management. It has also benefited from the active engagement in fund raising by celebrities such as Bono. And, whereas the UN organization focusing on AIDS is given an advisory and technical role with a small budget, GFATM operates with billion dollar budgets.

However, although mostly underlining their close collaboration, elite initiatives may sideline the multilateral organizations and thus undermine their authority and position as loci of multilateral effort to confront these challenges. When the elite does engage directly with the multilateral organizations, the magnitude of the money they may bring in, or the potential influence and power to carry out desired policy change that they bring, may in itself tilt agendas toward the priorities of the elite. One example is the controversial partnership between UNESCO and Microsoft, which led to a stronger emphasis on information technology than is stipulated in the UNESCO plans. It has also meant a significant deviation from previous strategies to support free and open source software (see Bull and McNeill, 2007: chapter 6).[17]

Conclusion

As argued in the introduction, it is a common idea that the structure of governance of the global institutions impacts on their ability to confront issues of poverty and inequality. I have argued in this chapter that the involvement of the global elite in the multilateral organizations through what I have called "elite-initiated" public-private partnerships has led to a rearticulation of inequalities of representation in the global institutions away from those based on state/governmental representation to those of individual members of the global elite.

The remaining question is how this will impact on the organizations' ability to confront issues of poverty and inequality. There is little doubt that many of the elite initiatives have achieved significant results. In some cases they step in to fill a vacuum where UN organizations do not function as they should. There are also several examples of elite initiatives achieving what multilateral organizations have not been able to do. One example is the Clinton Foundation's HIV/AIDS Initiative that has negotiated price reductions for several anti-retroviral drugs for

AIDS patients. This goes far beyond what, for example, the UNAIDS has achieved, possibly because of Bill Clinton's personal power and engagement and his excellent elite networks. There is also no doubt that many of the elite initiatives do have a clear focus on the poor. Indeed, a concern for poverty is a main motivating factor behind the engagement of the global elite with the multilateral organizations. We should also keep in mind that this elite is not unitary. Indeed, an important difference between a Marxist concept of elites and that presented above, is the insistence on the lack of harmony of interest within the elite. For example, whereas some elite initiatives are viewed as attempted replacements of governmental interventions, others argue for more governmental intervention as well as regulation (see, for example, Vadum and Dellinger, 2008).

Nevertheless, there is a tendency toward the system increasingly catering to the priorities set by the global elite. In many cases these coincide with the interests of business. For example, all the partnership initiatives taken by the World Economic Forum so far have been formed and formulated to suit business (World Economic Forum, 2009). Moreover, more structural approaches to issues of poverty and inequality are often kept off the agenda. For example, Bill Gates, who has donated billions of dollars to the cause of child vaccination, has also been a staunch defender of strict intellectual property rights rules which, had they been slackened, could have reduced the cost of the same vaccines (see Bull and McNeill, 2007).

With the changes in the global elite, the multilateral organizations face a new context that implies limitations as well as possibilities. In this context, the legitimacy and influence of the individual multilateral organization depends not only on the fact that its governing bodies represent member countries in some way or another. It also depends on its networks of elite contacts and the resources these are able to mobilize. This is a constraint on the multilateral organizations, but it is also an opportunity. Depending on their form of expertise, and the strategies and "sailor's skills" of their executive heads, multilateral organizations may navigate well in a world of increasing power inequalities.

Nevertheless, the multilateral system is unlikely to perform the functions envisaged by Cox (1992) in the term "political multilateralism": to be a site of struggle between conservative and transformative forces, and to correct the inequities in the world economy. Although the global power elite has shown a concern for the pressing issues related to poverty and environmental challenges, it is not likely to support a system that aims to address the power inequalities upon which their own power is premised.

Notes

1 A multilateral organization is a formal organizational entity, characterized by a permanent location and postal address, distinct headquarters, staff and secretariat. This differs from a multilateral *institution* which is more broadly interpreted to include also associated rules and practices.
2 See Bøås and McNeill, 2004, for a good introduction to the governing structures of the different institutions.
3 For a good discussion of multilateral governance and globalization, see Ruggie, 1997.
4 Atkinson, 2006 uses the cut-off line of an income of US$750 million for distinguishing what he calls the "mega rich." According to the IMF, in 2007, 17 countries had gross domestic products smaller than this.
5 Indeed, five out of ten top billionaires on the Forbes 2008 list are from middle-income countries (Mexico and India) (Forbes, 2008).
6 Among them are that it fails to capture important cleavages among capitalists and fails to prove the existence of an objective class identity.
7 For accounts of these concepts, see Reinecke and Deng, 2000; Witte and Reinecke, 2005.
8 The story of the rise of PPPs in the UN system is told in further detail elsewhere (Bull and McNeill, 2007: chapter 1; and Martens, 2007).
9 It was first put on the agenda at the United Nations Conference on Environment and Development (the Earth Summit) in Rio de Janeiro in 1992, when the newly formed World Business Council for Sustainable Development was invited to write the recommendations on industry and sustainable development, replacing the recommendations made by the UN Centre on Transnational Corporations (Richter, 2002). This trend was continued at the International Conference of Financing for Development in Monterrey, Mexico in 2002, in which the private World Economic Forum played a key role (Witte and Reinicke, 2005), and again at the World Summit on Sustainable Development in Johannesburg in September 2002, where the presence of business and industry was unprecedented in the UN summit context and which resulted in the launch of more than 200 partnerships (Zadek, 2004).
10 (UN General Assembly, 2001; 2002).
11 www.un.org/partners/business/otherpages/guide.htm
12 See for example Tesner with Kell, 2000; UN General Assembly 2003; 2005; Witte and Reinecke, 2005; Börzel and Risse, 2005.
13 This includes diseases such as malaria, tuberculosis, African trypanosomiasis (sleeping sickness), Chagas disease, dengue, lishmaniasis, schistosomiasis, onchocerciasis and lymphatic filariasis.
14 There exist no global numbers, but examples from individual UN organizations show that the private sector contributes less than 1 percent of the budget. There are some exceptions, for example UNICEF receives 3.4 percent of its budget from business, in addition to business contributions to national committees. These national committees contribute about 28 percent of the UNICEF budget, but how much of this is business contributions is unclear.
15 Of course there are exceptions to the trend of personal involvement. For example, the US$31 billion donation from Warren Buffet to the Gates Foundation signals that Buffet does not want to dedicate his time as much

as his money to humanitarian causes. However, it also signals that he trusts a fellow member of the global elite more than he trusts, say, a UN institution to spend the money (in which case the total regular UN budget of approximately US$2 billion could have been financed for more than 15 years).

16 Recently for example, the UN Global Compact, the UN Office for Partnerships, the UN Institute for Training and Research, and UNDP have jointly developed an a tool for assessing the sustainability and impact of partnerships (UN Global Compact et al., 2007).

17 This partnership fits only partially with the above description of an elite initiative. It was initiated by Bill Gates and top Microsoft officials, but its operation was soon taken over by mid-level officials at UNESCO and Microsoft. It also involves little money, reflecting that in this case, it is Microsoft that is involved, not the Gates foundation as in the case of GAVI. It is also not an independent entity, but administered by a department of UNESCO.

Bibliography

Anderson, Mary Jo (2005) "The New World Disorder: Clinton-Soros initiative at U.N. Summit: 'Vacuum' Caused by United Nations Corruption Creating New Power Center," *WorldNetDaily*, 15 September. Available HTTP: http://70.85.195.205/news/article.asp?ARTICLE_ID=46334 (accessed 20 July 2009).

Andonova, L.B., and M.A. Levy (2003) "Franchising Global Governance: Making Sense of the Johannesburg Type Two Partnerships," in O.S. Stokke and Ø.B. Thommessen (eds.) *Yearbook of International Cooperation on Environment and Development 2003/2004* (London: Earthscan).

Atkinson, A.B. (2006) "Concentration Among the Rich," *Research Paper no. 2006/151*, United Nations University/World Institute of Development Economics Research (Helsinki, Finland: UNU-Wider).

Bäckstrand, K. (2006) "Democratizing Global Environmental Governance? Stakeholder Democracy after the World Summit on Sustainable Development," *European Journal of International Relations*, 12(4): 467–98.

——(2007) "Accountability of Networked Climate Governance: The Rise of Transnational Climate Partnerships," Paper presented to the Amsterdam Conference on Earth System Governance.

Bøås, M., and D. McNeill (2003) *Multilateral Institutions: A Critical Introduction* (London and Sterling, Va.: Pluto Press).

Bøås, M., and D. McNeill (eds.) (2004) *Global Institutions and Development: Framing the World?* (London and New York: Routledge).

——(2007) *Development Issues in Global Governance: Public-Private Partnerships and Market Multilateralism* (London and New York: Routledge).

Börzel, T., and T. Risse (2005) "Public-Private Partnerships: Effective and Legitimate Tools of Transnational Governance?" in E. Grande and L.W. Pauly (eds.) *Complex Sovereignty: Reconstituting Political Authority in the Twenty-first Century* (Toronto: University of Toronto Press).

Broadwater, I., and I. Kaul (2005) "Global Public-Private Partnerships: The Current Landscape," in Inge Kaul and Pedro Conceição (eds.) *The New*

Public Finance: Responding to Global Challenges (Oxford: Oxford University Press).

Bull, B. (2010) "Rethinking Multilateralism: Global Governance and Public-Private Partnerships with the UN," in M. Ougaard and A. Leander (eds.) *Business and Global Governance* (London: Routledge).

Bull, B., and D. McNeill (2007) *Development Issues in Global Governance: Market Multilateralism and Public-Private Partnerships* (London: Routledge).

Clinton Global Initiative (2007) "Member Commitments: New UN and Business Interface, 2007," (Washington, DC: Clinton Global Initiative). Available HTTP: www.clintonglobalinitiative.org//Page.aspx?pid=2646&q=263114&n=x (accessed 2 July 2009).

Coate, R. (1992) "Changing Patterns of Conflict: The United States and UNESCO," in M.P. Karns and K.A. Mingst (eds.) *The United States and Multilateral Institutions*, Merson Center Series on International Security and Foreign Policy, Volume V (London and New York: Routledge).

Compagnon, D. (2008) "Transnational Public-Private Partnerships and Environmental Governance in Africa: Can New Forms of Governance Solve the Implementation Deadlock?" GARNET Working Paper no. 3208 (Warwick: Garnet).

Cooper, A. (2007) "Beyond Hollywood and the Boardroom: Celebrity Diplomacy," *Georgetown Journal of International Affairs*, 8(2): 91–98.

——(2008) "Beyond the Boardroom: 'Multilocation' and the Business Face of Celebrity Diplomacy," Paper presented at the annual meeting of the International Studies Association 49th Annual Convention, "Bridging Multiple Divides," San Francisco, Calif., 26 March.

Cox, R.W. (1977) "Labor and Hegemony," *International Organization*, 31(3): 385–424.

——(1969) "The Executive Head: An Essay on Leadership in International Organization," reprinted in R.W. Cox with T.J. Sinclair (eds.) (1996) *Approaches to World Order* (Cambridge: Cambridge University Press).

——(1983) "Gramsci, Hegemony, and International Relations: An Essay in Method," reprinted in R.W. Cox with T.J. Sinclair (eds.) (1996) *Approaches to World Order* (Cambridge: Cambridge University Press).

——(1992) "Multilateralism and World Order," reprinted in R.W. Cox with T. J. Sinclair (eds.) (1996) *Approaches to World Order* (Cambridge: Cambridge University Press).

Cox, R.W., with Schechter, M.G. (2002) *The Political Economy of a Plural World: Critical Reflections on Power, Morals and Civilization* (New York: Routledge).

Draxler, A. (2008) "New Partnerships for EFA: Building on Experience," (Paris and Geneva, Switzerland: UNESCO-Institute for Educational Planning, and World Economic Forum).

Forbes (2008) "The World's Billionaires," *Forbes*, 5 March. Available HTTP: www.forbes.com/lists/2008/10/billionaires08_The-Worlds-Billionaires_Rank.html (accessed 20 July 2009).

GFATM (The Global Fund to Fight AIDS, Tuberculosis and Malaria) (2009) "Pledges and Contributions," (Geneva, Switzerland: The Global Fund to Fight AIDS, Tuberculosis and Malaria). Available HTTP: www.theglobalfund.org/en/pledges/ (accessed 20 July 2009).

Gutner, T. (2005) "Explaining the Gaps Between Mandate and Performance: Agency Theory and World Bank Environmental Reform," *Global Environmental Politics*, 5(2): 10–37).

Hale, T., and D.L. Mauzerall (2004) "Thinking Globally, Acting Locally: Can the Johannesburg Partnerships Coordinate Action on Sustainable Development?" *Journal of Environment and Development*, 13(3): 220–39.

Held, D., and A. Kaya (eds.) (2007) *Global Inequality* (Malden, Mass. and Cambridge: Polity Press).

Hummel, H. (2005) "The United Nations and Transnational Corporations," Paper for the conference "Global Governance and the Power of Business," 8–10 December, Wittenberg, Germany.

Jönsson, C. (1995) "An Interorganization Approach to the Study of Multilateral Institutions: Lessons from Previous Research of International Cooperation," Working Paper no. 1, Development and Multilateral Institutions Program (Oslo, Norway: Fridtjof Nansen Institute/ECON).

Keohane, Robert O., and Joseph Nye (2002) "The Club Model of Multilateral Cooperation and Problems of Democratic Legitimacy," in *Power and Governance in a Partially Globalized World* (London: Routledge).

Martens, K. (2007) "Multistakeholder Partnerships—Future Models of Multilateralism?" Dialogue on Globalization, Occasional Papers, no. 29, January (Berlin: Friedrich Ebert Stiftung).

Milanovic, B. (2005) *Worlds Apart: Measuring International and Global Inequality*, Princeton, N.J. and Oxford: Princeton University Press.

Nwaka, S., and Ridley, R.G. (2003) "Virtual Drug Discovery and Development for Neglected Diseases through Public-Private Partnerships," *Nature Reviews*, 2(11): 919–28.

O'Brien, R., A.M. Goetz, J.A. Scholte, and M. Williams (2000) *Contesting Global Governance: Multilateral Economic Institutions and Global Social Movements* (Cambridge: Cambridge University Press).

Ohlson, H., J. Roine, and D. Waldenström (2007) "Long-Run Changes in the Concentration of Wealth: An Overview of Recent Findings," IFN Working Paper no. 699 (Stockholm: Research Institute of Industrial Economics).

Pécoul, B., P. Chirac, P. Troullier, and J. Pinel (1999) "Access to Essential Drugs in Poor Countries: A Lost Battle?" *Journal of the American Medical Association*, 281(4): 361–67.

Peet, R. (ed.) (2003) *Unholy Trinity: The IMF, World Bank and WTO* (New York: Zed Books).

Reinicke, Wolfgang H., and Francis M. Deng (2000) *Critical Choices: The United Nations, Networks, and the Future of Global Governance*, UN Vision Project on Global Governance Networks (Berlin and Ottawa: Global Public Policy Institute and International Development Research Center).

Richter, J. (2002) “Codes in Context: TNC Regulation in an Era of Dialogues and Partnerships,” The Corner House Briefing 26, online, Available HTTP: http://cornerhouse.icaap.org

Robinson, W.I., and J. Harris (2000) “Towards A Global Ruling Class? Globalization and the Transnational Capitalist Class,” *Science and Society*, 64(1): 11–54.

Rothkopf, D. (2008) *Superclass: The Global Power Elite and the World They Are Making* (New York: Little, Brown).

Ruggie, J.G. (1997) “Globalization and the Embedded Liberalism Compromise: The End of an Era?” Working Paper 97/1, January (Munich, Germany: Max Planck Institute for the Study of Societies). Available HTTP: www.ciaonet.org/wps/ruj01 (accessed 20 July 2009).

Sklair, Leslie (2001) *The Transnational Capitalist Class* (Oxford: Blackwell).

Tesner, S., with G. Kell (2000) *The United Nations and Business: A Partnership Recovered* (New York: St. Martin’s Press).

Toussaint, E. (2008) *The World Bank: A Critical Primer* (Madison, Mass. and Cambridge: Polity Press).

UNESCO (United Nations Education, Science and Culture Organization) (1997) “Internal Guidelines for Private Sector Fund-Raising in Favour of UNESCO,” Private Sector Funding Section, April (Paris: UNESCO).

UN General Assembly (2001) “Towards Global Partnerships,” Resolution adopted by the General Assembly, 55th session, agenda item 173, 6 March, A/Res/55/215 (New York: United Nations).

——(2002) “Towards Global Partnerships,” Resolution adopted by the General Assembly, 56th session, agenda item 39, 24 January, A/RES/56/76 (New York: United Nations).

——(2003) “Enhanced Cooperation Between the United Nations and All Relevant Partners, in Particular the Private Sector,” Report of the Secretary-General, A/58/227, United Nations General Assembly.

——(2005) “Enhanced Cooperation between the United Nations and All Relevant Partners, in Particular the Private Sector,” Report of the Secretary-General, A/60/214, United Nations General Assembly.

UN Global Compact, UN Office for Partnerships, UN Institute for Training and Research, and UN Development Programme (2007) *Enhancing Partnership Value: A Tool for Assessing Sustainability and Impact* (New York and Geneva, Switzerland: United Nations). Available HTTP: www.unglobalcompact.org/docs/news_events/8.1/partnership_assessment.pdf (accessed 20 July 2009).

Vadum, M., and J. Dellinger (2008) “Billionaires for Big Government: What Is Next for George Soros’ Democracy Alliance?” *Foundation Watch*, January.

Witte, Jan Martin, and Wolfgang Reinicke (2005) *Business Unusual: Facilitating United Nations Reform Through Partnerships* (Berlin and New York: Global Public Policy Institute/United Nations Global Compact Office).

World Economic Forum (2009) “Initiatives” (Davos, Switzerland: World Economic Forum). Available HTTP: www.weforum.org/en/initiatives/index.htm (accessed 20 July 2009).

——(no date) "Financing for Development Initiative" (Davos, Switzerland: World Economic Forum). Available HTTP: www.weforum.org/pdf/ppp_flyer.pdf (accessed 20 July 2009).

Zadek, S. (2004) "Civil Partnerships, Governance and the United Nations," Background paper for the Secretary-General's Panel of Eminent Persons on Civil Society and UN Relationships. Online, Available HTTP: www.un.org/partners/business/otherpages/guide.htm (accessed 19 June 2009).

Zammit, A. (2003) *Development at Risk: Rethinking UN-Business Partnerships* (Geneva, Switzerland: South Centre and UN Research Institute for Social Development).

Zammit, A. and P. Utting (2006) *Beyond Pragmatism: Appraising UN-Business Partnerships* (Geneva, Switzerland: UN Research Institute for Social Development).

Zürn, Michael (2004) "Global Governance and Legitimacy Problems," *Government and Opposition*, 39(2): 260–87.

10 Business, development, and inequality

Ananya Mukherjee Reed

Since the 1990s, major global development institutions, led by the United Nations, have endorsed a policy of proactively engaging business in development. The United Nations Global Compact (UNGC) is one of the primary examples of this policy (UN, 2000; Witte and Reinicke, 2005; UNGC, 2009a). It draws on notions such as corporate social responsibility (CSR) and corporate citizenship, and emphasizes how self-regulation by businesses and their voluntary adherence to certain values and standards can play a vital role in achieving the Millennium Development Goals (MDGs). More recently, a somewhat different set of initiatives such as the Growing Inclusive Markets Initiative of the United Nations Development Programme (UNDP) have come into being.[1] Premised on the notion that business can foster development by serving the "bottom of the pyramid," they focus on "inclusive business models" which can "integrate the poor" into the market (Prahalad, 2005; see also UNDP, 2008). Both these sets of initiatives, for instance those that seek socially responsible behavior through voluntary regulation and those that seek inclusive business models, are quite closely aligned to the initiatives launched by the corporate community itself, such as the World Business Council for Sustainable Development (WBCSD) (WBCSD, 2009).

Civil society actors, however, have always been critical about the role of business in development, especially since the 1980s as effects of globalization became increasingly apparent. For one, the recent years have seen a marked increase in the imbalance of economic power between business and states. Data from the Forbes list of the world's biggest 2,000 companies (Forbes, 2009), compared to the gross domestic product (GDP) of countries in the IMF *World Economic Outlook* database (IMF, 2008), which provides national GDP data for 179 countries, gives us some critical indicators. The aggregate sales of the top 50 corporations amount to US$8 trillion approximately—which is double the GDP of

China and eight times the GDP of India. The aggregate sales of the top three companies, Royal Dutch Shell, Exxon Mobil, and Wal-Mart exceed the GDP of the entire African continent (US$1.289 trillion and US$1.281 trillion for 2008 respectively). The combined sales of these largest 2,000 companies (US$29.78 trillion) equal the GDP of the five richest countries: the USA, Japan, China, Germany, and France. Alternatively, it equals the GDP of all 179 countries taken together minus the richest five.[2]

Even more worrisome than size is the increasing involvement of business in wars, disasters, and supply of essential commodities (such as food and water and life-saving medicine). Third, as we have seen during the recent economic crises, while prices of food and energy have brought immense hardship to many, corporate profitability in these sectors has soared dramatically.[3] Finally, we are seeing increasing corporate intrusion into social movements that seek alternatives to the corporate model. An example is the fair trade movement, which began as an alternative approach to production and exchange and is now increasingly penetrated by corporate actors (such as Dole, Starbucks, and Wal-Mart). These developments have led to social movements that demand strong regulatory environments, premised on notions of corporate accountability and legal responsibility rather than voluntary efforts of social responsibility.

Some social actors go even further and argue that stronger regulations are necessary, but not sufficient for development. They argue for the need to develop alternative organizational forms which are based on different normative principles and different organizational ethos and governance models. There are several variants here. First, there are alternatives which constitute what has come to be known as social economy initiatives and movements, a prime example of which is fair trade. The Fair Trade movement, for example, originated as a response of small farmers to the volatility of global markets. It involves cooperative forms of production and financing, with a pricing mechanism based on a set of consensually derived, rather than market-based principles. A second set of similar, but perhaps more radical efforts to construct alternatives is visible in the agrarian/ecological social movements, in particular in the food sovereignty movements, which are premised on a fundamental rejection of the commodification of food (McMichael, 2001; 2006; Patel and McMichael, 2004). A third set of alternatives proposed by civil society is evident in the "wars" over natural resources, most notably water. Bolivia and India are the primary examples in this regard. Here, the primary aim is also decommodification and local control of ecological resources (Olivera, 2004).

Broadly speaking, then, we can see that alternatives are being proposed and pursued by social actors both in the realm of regulation and in the realm of production. My aim in this chapter is to develop a comparison between these alternative proposals on the one hand, and the strategies endorsed by development institutions such as the UN. Major differences characterize the two trajectories, differences which concern the very meaning and content of development. How could/should institutions address serious differences with social actors over the meaning and content of development? Is it possible, and if so, how, to foster a greater engagement between these different visions?

This chapter proceeds in four sections. The first section briefly discusses the criteria for comparing the institutional approaches to business and development and their societal alternatives. The criteria I draw upon include (a) the normative understandings of development, (b) the analysis of structure and political economy, and (c) the understandings of agency.[4] Using these criteria I distinguish between two approaches to development: the *capability approach* as developed by Amartya Sen and the *social power* approach. The second section examines the institutional approaches to involving business in development. I argue that these draw upon the capability approach, albeit in narrow and instrumental ways. The third section examines the proposed alternatives to involving conventional business in development. Here my focus will be less on the societal efforts in the realm of regulation but more on the alternative forms of production.[5] I argue that these approaches differ fundamentally from the capability approach and are better explained from a social power perspective. The final section presents some tentative conclusions.

Assessing different approaches to development

As Deepak Nayyar (2007) observes in a recent piece, the "discourse on theory and policy of development" appears to have narrowed over time. This narrowing, he suggests, has made it essential to rethink the substantive content of development as well as the current approaches to its theorization. Let me begin by outlining some possible elements of such a theorization drawing upon Horkheimer's (1937) programmatic statement of critical theory and recent reflections of Sousa Santos and Rodriguez-Garavito (2006). Following certain traditions in critical theory, I argue that such a theorization requires the explication of three related dimensions: the normative, the explanatory, and the strategic (Horkheimer, 1937). Moreover, as critical theories of knowledge production tell us, the material conditions and social relations under which knowledge is produced determine some of its key characteristics (Horkheimer, 1937;

Harding, 2006). Thus, I bring into this analysis the insights available from contemporary social struggles over development and initiate a conversation between different types of knowledge that are produced under different sets of social relations. The policy implications for such a conversation are significant (Helleiner, 2002; 2008). As is increasingly recognized, there are significant (and growing) democratic deficits in institutions of global governance, despite fairly elaborate formal mechanisms of representation (Nayyar, 2002). To a large extent, this problem stems from the lack of representation in two realms: the political realm, particularly the state, and the realm of knowledge production.

The normative dimension of development

As we know, one of the most important discussions about the normative dimensions of development in recent times has been formulated by Amartya Sen. Sen (1999) raises two foundational questions about development: (a) what is development? and (b) how can we think of equality in the context of development? As to the first question, he defines development as "freedom" in a very specific sense: the freedom acquired through the development of capability. As we know, *capability* takes as its point of reference what "people are actually able to do or be." A person's capability refers to the feasible set or sets of functionings that circumstances allow him or her to achieve. As Sen says, "capability is thus a kind of freedom: the substantive freedom to achieve alternative functioning combinations (or less formally put, the freedom to achieve various lifestyles)" (Sen, 1999: 75). The notion of equality is closely associated with this notion of capability.[6]

What notions of justice does Sen draw upon? As I have argued recently, notwithstanding certain important differences, Sen's notion of justice is similar to a Rawlsian understanding (Mukherjee Reed, 2008a). Following the work of Iris Young, I characterize this as a *distributive* paradigm of social justice, for instance, one which focuses on the "morally proper" distribution of rights and resources. Young contrasts this with an *enabling* paradigm of social justice which focuses on the underlying institutional conditions and relations of power that result in those distributions (Young, 1990). Fundamental to this distinction is the understanding of *structure*. Young has developed an elaborate critique of the Rawlsian understanding of *basic structure* that informs the distributive paradigm in that it abstracts away from the underlying social relations.[7] In particular, the Rawlsian paradigm does not see structure as constituted by multiple social relations which are connected through logics of power; rather its sees the basic structure,

constituted a priori through some form of social consensus, as the determinant of social relations. In this view, the basic structure, provided it is "just," secures "background justice" (Young, 1990; 2006).

By contrast, a critical conception of justice is premised on a fundamental disagreement that justice cannot be secured by altering patterns of distribution if underlying social relations are left unaltered. As an alternative paradigm of social justice, Young (1990: 39) has proposed an "enabling conception of justice," for instance, one which emphasizes engendering alternative institutional conditions rather than changing distributions within existing institutions. This struggle for alternative institutional conditions is precisely what I see as the centerpiece of human development from the social power perspective. In keeping with the struggles for social justice that I reflect on below, I prefer to use the term *transformative*. A central implication of understanding justice (or injustice) as structured through social relations is that justice must be understood in terms of relations between *collectivities*, rather than individuals. This has particularly critical implications for notions of development.[8]

To think of collectivities, Young (2000: 90) proposes the concept of a social group: "a social group is a collective of persons differentiated from others by cultural forms, practices, special needs or capacities, structures of power or privilege."[9] Relations between social groups are reflections of structural inequality; under such conditions of structural inequality, justice consists in the overcoming of such inequalities. In my view, it is structural inequality between different social groups that should be the subject matter of development. Structural inequalities cannot be remedied by identifying collectivities according to the attributes they possess and distributing rights/freedoms/resources accordingly.[10] Rather, correcting structural inequalities requires altering the structure itself, and the social relations between structural groups that are embodied in those structures.

As I discuss below, with an adequately complex definition of structure, we are able to avoid the reductionist tendencies that have plagued structural(ist) analysis historically, in particular in the way it has given priority to one type of inequality (along class/income lines). Axes of structural inequality indeed are more complex, and as the social struggles against corporate power show, inequality and marginalization perceived along lines of race, gender, and indigenity contribute equally to these mobilizations.

The explanatory dimension

An important element in developing a holistic explanatory analysis of structural inequality requires that we specify the notion of structure

itself. Indeed, this is an old problem of analytical social science, but an old problem that must be visited anew, particularly from the vantage point of critical theory, and its specific understanding of history. Thus, I have suggested examining four interrelated elements of structures determined at four different levels (Cox, 1987; Young, 1990).

Several points are to be noted in connection with this notion of structure. First, social relations which constitute these realms are not to be seen as reducible to one another; indeed, social struggles over structural transformation seek change in several of these realms at the same time. Such "reductionism" is one of the major "costs" of the "narrowing" of the analysis of development that we currently see reflected in the dominant paradigms of development. Second, the contradictions that emanate between the action of agents at these various levels are of crucial importance in understanding the successes and failures of development. Some of the concrete manifestations of these problems are seen with respect to the MDGs. For example, while development agencies and governments pursue the goals of reducing hunger or increasing access to water, the international policy framework calls for governments to cede control over these sectors and allow for a more dominant role for corporations. Finally, looking at structure and structural inequality in this complex way makes possible different kinds of policy options which may otherwise remain foreclosed. At least two important issues are to be addressed. The first concerns the democratization of the policy process, which has come under particular constraints with neoliberalism. The second concerns a fundamental aspect of the conceptualization of development, namely, the notion of agency. Development theory and policy continues to be predicated on what Sen (1999) has called a *welfare-theoretic* rather than agency-theoretic perspective. This is what we turn to now.

The strategic dimension: the question of agency

While there are many notions of agency that one can draw upon, let me begin with the notion that Sen (1999: 19) articulates in *Development as Freedom*. He uses the term agency in what he calls "the older and grander" sense, "as someone who acts and brings about change and whose achievements can be judged in terms of her own values and objectives, whether or not we assess them in terms of some external criteria as well." Sen is concerned primarily with the development of individual agency. As such, while the goal of the capability approach is to develop individual agency, it recognizes, however, that individual agency must first be engendered through specific policies; thus in the interim, governments and large international organizations (and more

Table 10.1 Levels and dimensions of structural inequality

Levels	*Dimensions*
The global political economy	Division of labor; material production and reproduction
The state	Decision-making processes
The local community	Norms/culture/values
The family	Production of knowledge

recently business) are called upon to act as the agents of development. In this sense, the human development approach also shares the institutionalist, welfarist premise of some of the conventional development approaches. Let me briefly discuss the problems with this institutionalist premise.

First, many of the necessary actions which institutions are urged to take must rely primarily on voluntarism (or at best, enlightened self-interest): it requires actors such as large corporations and international institutions to act voluntarily, often in contradiction to their structural interests. The assumption here is that all key actors can come to a consensus about the desirability of human development and change their behavior accordingly.[11] The limitations and contradictions of voluntarism are now well documented (the critiques of CSR are a case in point). Phenomena like donor fatigue, which has emerged as a distinct trend over the recent years, also point toward the limitations of voluntarism.

This problem of voluntarism is rooted in the genealogy of institutions. Institutions reflect existing matrices of power and are circumscribed by those matrices. Whether over time they can themselves influence, facilitate or participate in processes to alter these power relations cannot be predicted a priori. Historical experience suggests that institutions can become important "anchors of hegemonic strategies, since they lend themselves both to the representations of diverse interests and to the universalization of policy" (Cox, 1981: 99). Overall, however, the relationship between institutional and structural change remains a matter that cannot be predicted a priori. The nature of change that may occur in institutions is determined to a large extent by the conditions which bring about such change. The source and the processes instigating institutional change appear critical in the context of development policies toward business. In other words, the role institutions play is dependent on the demands societal actors place on them. The key question is *how* institutions choose which of these

demands to respond to and the specific strategies to adopt for designing such a response.

In summary then, different notions of the normative, analytic, and the strategic dimensions of development can give us different understandings of development. I elaborate on these differences below.

Institutional approaches to involving business in development

As has been noted by a number of scholars, "a fundamental shift in the way that the United Nations approaches the private sector, and perhaps in the way that the private sector sees the United Nations," became apparent since the 1990s (Mezzalama and Ouedraogo, 1999; cited in Zammit, 2003). Zammit (2003) has developed a very detailed account of how this shift came about and became institutionalized within the UN system.[12] What began as a result of Kofi Annan's personal commitment and leadership has perhaps received an even stronger emphasis from his successor Ban Ki-moon.

The most important vehicle through which this new approach was institutionalized was the UNGC. Indeed, the UNGC has since then evolved as an important forum for business, especially large TNCs. As noted by the UNGC (2008): "As the world's largest, global corporate citizenship initiative, the Global Compact is first and foremost concerned with *exhibiting and building the social legitimacy of business and markets*" (emphasis added).[13] Further,

> The Global Compact is not a regulatory instrument—it does not "police," enforce or measure the behaviour or actions of companies. Rather, the Global Compact relies on public accountability, transparency and the enlightened self-interest of companies, labour and civil society to initiate and share substantive action in pursuing the principles upon which the Global Compact is based.
>
> (UNGC, 2009a)

It bears some reflection as to why and how the UN took up the task of building the social legitimacy of business at a time when social resistance against business was growing. Several factors explain why. The influence of corporate power is the most obvious and perhaps the most compelling of factors. Yet it was not the only one. As has been argued, the strategy of proactive engagement with business was seen as a path of "principled pragmatism," the effect of which could be to "legitimize the shift from state-led "developmental" patterns to ones not only driven and delivered by market forces but ones where the principal

agents have internalized values associated with social, sustainable and rights-based development as part of a model of "enlightened global capitalism" (Likosky 2005: xi; cited in Utting and Zammit, 2006: 3). This was "pragmatic" as it reflected the new realities of globalization where states and development institutions were in financial and political crises, whereas corporate capital was enjoying spectacular success, albeit not unmarred by social resistance. However, as evidenced by its statement about the objective of "exhibiting and building the social legitimacy of business and markets," the UNGC's approach goes beyond pragmatism. It amounts to a much more proactive commitment to business at a time when social resistance against it was growing. Most importantly, it appears that development institutions took on the task of implementing initiatives that were started by big business. For example, UNDP describes the history of its initiative "Growing Sustainable Business" (GSB) as follows:

Box 10.1 **What is the history of the GSB initiative?**

The GSB initiative grew out of the 2002 UN Global Compact policy dialogue on "business and sustainable development." This implies that in the run up to the World Summit on Sustainable Development in Johannesburg in 2002, the WBCSD and the International Chamber of Commerce created an alliance to seek solutions to the challenges of Sustainable Development. Chaired by Shell's Chairman, Sir Mark Moody Stewart—and in cooperation with the UNGC office—the alliance gathered volunteer companies to work with the UN to deliver on the MDGs. As such, the GSB initiative was conceptualized by the private sector, presented and endorsed in a high-level World Summit on Sustainable Development session attended by UN Secretary-General Kofi Annan, UNDP Administrator Mark Malloch Brown, heads of state including British Prime Minister Tony Blair and French President Jacques Chirac, chief executive officers (CEOs) of global companies and representatives from labor, NGOs, and UN agencies. Due to its convening power, its country office network, its impartiality and its unique ability to "create space" at the country level to facilitate dialogue and action between multiple stakeholders, UNDP was then asked to coordinate the initiative.

Source: UNDP, 2009

This development points to a second factor that shaped the UN approach: its understanding of its legitimacy. If, indeed, it had understood its legitimacy to derive from its ability to represent marginalized social groups, it might have approached its tasks differently. Instead, the UN saw its legitimacy as aligned with the interests of business, in particular large corporations. Legitimation is of course a complex subject, and I cannot do justice to it here. It should suffice to note that where institutions derive their legitimacy from is a critical determinant of their behavior. The shift to neoliberalism involved a fundamental shift in the way development institutions came to view their legitimacy. Finally, what gave shape to its particular approach was its understanding of development. On the one hand, the power of various theoretical ideas increasingly drawn from the field of management and business strategy played a critical role in shaping this response. Most notable amongst these were C.K. Prahalad's (2005) *Bottom of the Pyramid* thesis and the idea of CSR in its very basic sense, for instance, "doing well by doing good" (see also UNGC, 2009a). On the other hand, the UN approach drew upon a highly instrumentalized notion of human development as a set of minimal guarantees that satisfy the basic conditions for the development of individual capability. Let us now briefly examine this understanding of development and its normative, analytical, and strategic premises.

The UNGC and similar initiatives do not explicitly speak of a notion of development. In terms of a paradigm of social justice, the MDGs are situated within a distributive paradigm of social justice. The concern is to secure a "threshold" bundle of commodities for all, without substantively affecting the underlying social structures and institutional contexts that cause the lack of access. To the extent that it recognizes institutional failures, it lays the blame exclusively on the state, with little or no attention to the power of big business. In fact, as we saw above, the institutions championing MDGs clearly see business as a solution to development, rather than a problem.

There are, to be sure, deeper epistemological foundations and notions of justice that the MDG approach draws upon. As I see it, they share certain aspects of the capability paradigm as formulated by Amartya Sen (1999) and Martha Nussbaum (2000; 2003). These concern in particular the political aspects of the capability approach and the political content it ascribes to development. Let me explain.

As we know, capability takes as its point of reference what "people are actually able to do or be." A person's capability refers to the feasible set or sets of functionings that circumstances allow him or her to achieve. As Sen (1999: 75) says, "capability is thus a kind of freedom:

the substantive freedom to achieve alternative functioning combinations (or less formally put, the freedom to achieve various lifestyles)." Nussbaum (2000; 2003), in elaborating the capability framework from a gender perspective, has argued that "Sen's 'perspective of freedom' is too vague. Some freedoms limit others; some freedoms are important, some trivial, some good, and some positively bad." In her view, before the approach can offer a valuable normative perspective, "we must make commitments about substance." Nussbaum thus goes on to specify "a definite set of capabilities," which she claims, are "the most important ones to protect":

> Although this list is somewhat different from Rawls' list of primary goods, it is offered in a similar political-liberal spirit: as a list that can be endorsed for political purposes, as a moral basis for central constitutional guarantees, by people who have otherwise very different views on what a complete good life for a human being would be. … A list of central capabilities is not a complete theory of justice. Such a list gives us the basis for a *decent social minimum* in a variety of areas.
>
> (Nussbaum, 2000: 74–75; emphasis added)

Thus, Nussbaum has proposed a list of 10 elements which should be guaranteed by right to every citizen. Sen (1999: 74) remains less specific in his choice, and has suggested using Adam Smith's evaluative criteria, "the ability to appear in public without shame," as an acceptable criterion for the social minimum. The MDGs reflect a narrower and more instrumentalized version of the capability approach, but one which shares the idea of guaranteeing a social minimum. Underlying this minimalism of the "political liberal spirit" as Nussbaum has defined it, is perhaps the pragmatism of the capability approach, in that it identifies a course of action that is morally justifiable and can be achieved without substantive changes in power relations.

I do not take issue with the view that such distributional guarantees are desirable or necessary, especially at a moment when many are struggling for mere survival. But there are problems here at two levels. The first is that the capability model is unable to point to adequate mechanisms and/or social processes which can guarantee these distributions. The only mechanism compatible with its normative framework is that of rights to be guaranteed by states and other relevant institutions. But can rights be so guaranteed? As Young (1990: 25) argues, "rights are not fruitfully conceived as possessions. Rights are relationships, not things; they are institutionally defined rules specifying what people can

do in relation to one another. Rights refer to doing more than having, to social relationships that enable or constrain action" (Mukherjee Reed 2008b). In other words, the actual viability of rights, or in Sen's terms, their potential as instruments which can remove "unfreedoms," is dependent on the underlying structures and social relations. This reveals, in turn, the (perhaps irresoluble) contradiction between "a moral discourse" and "the real world of competition, finance and inequality" (Bagchi, 2000: 4414). As Bagchi (2000: 4418) argues, there is a need to eschew the lingering ambiguity in Sen with respect to those elements of global capitalism that he takes as given and those he wishes to challenge.

The contradictions of this lingering ambiguity are perhaps most apparent in the global shortage of food and the resultant rise in hunger and food insecurity. Most importantly, there are alarming levels of hunger and malnutrition in countries which have high growth (for example, India). This is the consequence, arguably, of two trends: first, the emergence of food and water as major sources of corporate profitability; and second, the particular neoliberal trajectories of growth that are being pursued by countries such as India. The direct effect of India's neoliberal policy framework on the agrarian crisis resulting in as many as 182,936 farmer suicides is well documented (Patnaik, 2004; Sainath, 2008). The UN response to the food crisis remains quite silent about this aspect of corporate profitability (while it is at the center of the social movements and peasant struggles over food). Similarly with water—in the *Human Development Report* of 2006 dedicated to the issue of water, poverty and human development, I found only two references to Bechtel (UNDP, 2006).

This is not only a problem of omission, but two issues of commission we need to consider. First, the omission of corporate profitability and corporate power from its analytical framework is accompanied by the assertion that the primary blame lies with state inaction and bad governance. Of course, a distinction is drawn between "rich" and "poor" states, and "rich" states are repeatedly chided for not fulfilling their mandate as donors. However, the analysis of state behavior and its relationship with corporate power is left unproblematized. That there is a grave contradiction in expecting neoliberal states to deliver on social needs, however minimal, is an omission that points to a very serious contradiction in the approach. The second omission concerns the omission of perspectives deriving from the social movements over such issues as food and water. I discuss this more fully below. As I argue below, this omission reflects fundamental differences over the meaning and vision of development. For example, in the well-known struggle

over water in Bolivia, the local communities were seeking autonomy and control over natural resources and freedom from the intrusion of corporate power; the MDGs on the other hand, seek to guarantee a minimum quantity of water for every citizen (Olivera, 2004; UNDP, 2006). These goals need not necessarily be contradictory. However, the particular manner in which the UN has set about this task renders it so. Its endorsement and stewardship of the CEO Water Mandate for example, gives us an indication as why this is so (see Box 10.2 overleaf).

These differences became very evident in the way the Fifth World Water Forum held in Istanbul in March 2009 unfolded. A major rift has emerged between the UN General Assembly and a host of other civil society organizations on the one hand, and several governments and the corporate interests in water on the other. While the former seek to have water designated as a human right, the latter are only willing to recognize it as basic human need. The crucial difference here concerns the issue of control and commodification (People's Water Forum, 2009; World Water Council, 2009).

Similarly, with respect to the food crisis, McMichael (2006) has analyzed the vital differences between the *food security* approach formulated by development institutions and the *food sovereignty movements* in which a large global community of agrarian producers are involved. For these movements, development is about seeking autonomy through the advancement of productive and social arrangements which offer alternatives to corporate capital.

It is not surprising that the MDG/UNGC approach will see institutions as the main agents of development, albeit in a rather specific manner. First and foremost, its understanding of agency is premised on the welfarist perspective; in other words, it maintains the separation between "agents" and "beneficiaries" of development, where the former brings about development through policies, strategies and actions, and the latter benefits from those. Second, while the approach assigns many responsibilities to states, it departs quite significantly from the notion of the state that informed earlier thinking about development, and certainly from paradigms such as developmental states. It is in this conceptualization of the state that we see the most profound contradictions of this approach. By looking at the state merely as an institution rather than as a component of structure enmeshed within a series of overlapping and contradictory social relations. In particular, it overlooks the constraining effect of corporate power on states (again, to take the example of the CEO Water Mandate, it is an initiative where the CEOs of the world's largest corporations are asking states "to take action").

Box 10.2 Letter from Corporate Accountability International to UN secretary-general Ban Ki-moon

We, the undersigned civil society organizations, are deeply involved in struggles for water justice taking place around the world. We appreciate the public warnings you have made recently about the growing crisis of global water shortages and how they are fueling, along with climate change, many of the conflicts going on around the world today. However, we do not share your enthusiastic support for the CEO Water Mandate, nor do we believe that a voluntary corporate-driven initiative is a viable solution to the mounting worldwide water crisis.

Under the United Nations' Global Compact, the CEO Water Mandate is presented as a prime example of environmental stewardship. However, we are concerned that the real agenda of the CEO Water Mandate is to facilitate greater control over water sources and services by for-profit corporations. In our view, this is a prime example of "green-washing" on the part of major companies and the United Nations should not be involved in legitimizing this process.

Furthermore, voluntary initiatives like those used by the UN Global Compact in its collaboration with corporations have been shown to be flawed. Not only are the principles narrowly conceived, but the companies typically fail to put them into practice and they are also allowed to "opt in" or "opt out" of the standards set.

Led by Coca Cola, which has a highly questionable track record when it comes to water takings and water pollution, the companies which have signed on to the CEO Water Mandate all have a vested interest in securing control over water sources and services in times of increasing water scarcity. Suez is the world's largest privatizer of water services and Nestlé is the world's leading bottled water company. Pepsico and Groupe Danone are also major players in the global bottled water industry. Other signers include food giants like Unilever, clothing manufacturers like Levi-Strauss, and chemical companies like Dow Chemical, all of whom are greatly dependent on water sources for the production of their products …

Source: Corporate Accountability International, 2008.

The underlying contradiction here is quite stark and visible in the theorizations of Sen and Nussbaum. These theorizations take as their starting point the fundamental neoliberal premise that state-mediated patterns of redistribution have lost their legitimacy. As Sen (1999) points out, underlying this delegitimization is also a delegitimization of the assumed social consensus over justice: indeed, no consensus of distributive models is possible. What is possible, at most, is a *consensus against patent injustices.* Seen in this context, overt actions of the state to impose any kind of distributive solution would potentially violate development as freedom; at the same time, certain basic conditions must be guaranteed for human development to occur. The assumption then is that the (neoliberal) state is (or can be) a neutral, apolitical entity which can deliver exactly on those distributive functions as necessary.

A very similar assumption is entertained about the agency of corporations. Again, it is assumed that by virtue of moral leadership and enlightened self-interest, corporations are able to do what is necessary for development through self-regulation. The UNGC has designated four such areas of concern and has identified 10 principles that need to be pursued (see Table 10.2). Three issues are to be noted here. First, the problems with CSR performance have been well documented (Jenkins, 2005). Businesses do far less than necessary and possible. More importantly, CSR has begun to take many different forms, often being conflated with "community involvement," charitable acts and the like

Table 10.2 Ten principles of the UN Global Compact

Human rights	1	The support and respect of the protection of international human rights
	2	The assurance that the company is not complicit in human rights abuses
Labour rights	3	The support of freedom of association and the recognition of the right to collective bargaining
	4	The abolition of compulsory labour
	5	The abolition of child labour
	6	The elimination of discrimination in employment and occupation
Environment	7	The implementation of a precautionary and effective program to environmental issues
	8	Initiatives that demonstrate environmental responsibility
	9	The promotion of the diffusion of environmentally friendly technologies
Anti-corruption	10	The promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery

Source: UNGC, 2009b.

(Newell, 2005). This raises a deeper question about the CSR approach. As Utting (2003: 7) asks:

> even if companies were to implement codes of conduct, improve their environmental management systems (EMS) and working conditions, and report on their environmental and social performance, would this make much of a difference in terms of development in the global South? Would it constitute a significant step in creating an enabling environment for development?

The answer is evident in the crises of MDGs that we see today. Most notably, absent in this CSR approach is a full theorization of profit strategies of businesses. Finally, civil society actors have shown alternatives to CSR. However, the UN approach shows a fundamental disregard of notions of development emerging from other social actors. Why is this the case? This brings us back full circle to the question of legitimacy, and to the even more fundamental question about how development institutions think of development.

Societal approaches to business and development

As we saw above, partnerships, self-regulation, voluntarism, welfarism, and limited state action are the key elements of the institutional approaches to business and development. By contrast, the key aspects of the societal approaches are the following: confrontation and resistance (rather than partnership); societal control and "hard regulation" on corporations (rather than self-regulation); mobilization of social power and collective agency (rather than welfarism); local autonomy and sovereignty (rather than minimum guarantees); and so on. Taken together, they amount to a substantially different understanding of development. Let us examine this briefly.

Since about the time the UN began to court corporations, anti-globalization movements, and in particular *alternative* globalization movements started taking shape (Escobar, 2004). The best known amongst them were the protests against the WTO which mobilized international civil society actors. Here, I focus more on the local resistances to corporations which also began around this time and gained visibility through the World Social Forum. Much has been written about them from a social movement perspective (Escobar, 2001; Patel and McMichael, 2004; Petras and Veltmeyer, 2005; McMichael, 2006; Vanden, 2007). My concern is to understand the alternative models of economy and democracy that they espouse, and ask: Can these alternative models be given a more

systematic place in the institutional practice of development? The movements where the alternative proposals are most visible are perhaps the movements around land, ecology, and food. These have been theorized quite extensively by Philip McMichael in terms of their epistemological and political perspectives. Let me dwell briefly on the three aspects I have discussed above, so as to enable a somewhat straightforward comparison.

Not only do these movements go beyond the neoliberal notions of growth, they also go beyond the notions of "human development" that have come to dominate development discourses and policies as the primary alternatives to the neoliberal model. As McMichael (2006) has argued, the distinctive mark of these movements is that they seek to go beyond the "epistemology of the market." This distinguishes them from two other types of responses to globalization. The first constitutes development interventions, such as micro-credit; the second constitutes efforts to regulate the market to mitigate some of its effects (such as taxation or subsidies). Both these types of strategies entail negotiations *within* the logic of neoliberal globalization; the alternative globalization movements envision, and are premised upon, an explicit rejection of that logic. Some authors suggest that these movements reject the entire premise of capitalist modernity in a more fundamental manner (Escobar, 2004). As I have suggested elsewhere, the notions of development which are at play here may be understood from a *social power perspective* (Mukherjee Reed, 2008a). In this approach development is seen as a process of social transformation from an agency-centered perspective: development is a continuous, contradictory and conflictual process of mobilization of social power to transform relations of structural inequality and those institutions which engender such inequality. The goals of these mobilizations involve, inter alia:

1 progressive decommodification of natural resources;
2 restoration of local control and autonomy;
3 reducing business intrusion in norm-generating/rule-setting institutions;
4 reclaiming the Commons;
5 reclaiming the state as a site of contestation and transforming its neoliberal form;
6 alternative institutional arrangements to oppose global institutions through which corporate power is institutionalized (such as the Unión de Naciones Suramericanas, or UNASUR, and the Bolivian Alternative for the Americas).

The notion of social justice implicit in these proposals is one that transcends the distributive paradigm. One such alternative that Young

(1990: 39) has proposed is an "enabling conception of justice"—one which emphasizes the creation of institutional conditions necessary for the development and exercise of agency to alter patterns of structural inequality.[14] Structural inequality, as described above, is associated, in turn, with a notion of structure that focuses on social relations articulated at multiple levels and permeated by matrices of power. If justice means overcoming structural inequality, then it essentially requires transforming the social relations which generate such inequality. In this conceptualization, then, justice is fundamentally different from the Rawlsian notion of background justice which can be secured through a "morally proper" (however defined) distribution of rights and resources. I have called this a *transformative* paradigm of social justice. Further, there is an inherently collective dimension to justice when seen through the lens of structural inequality. As we discussed above, structural inequality is concerned primarily with social relations constituting race, gender, class, and the like. Finally, if drawn from an adequately complex definition of structure, structural inequality need not indicate a one-dimensional understanding of inequality. As the social struggles against corporate power show, notions of inequality which inform these mobilizations involve both "horizontal" and "vertical" lines. In this context, structural inequality also concerns the question of *difference*, a category that finds relatively little space in mainstream discourses, except within certain specific categories such as "ethnic conflict."

In this framework, the analysis of what impedes development goes far beyond state failure. A preliminary look at the major alternative globalization movements suggests that they see the power of big business and the alliances between state and business as the primary impediment to development. In the specific context of agrarian/ecological movements, many social movements are also seeking to resurrect the "old" questions of agrarian social relations, in particular the question of redistribution of land (such as the Landless Workers' Movement in Brazil) (De Carvalho, 2006). Some others are seeking to fundamentally transform the structure of production (such as the workers' movements in Argentina).

The most important element in examining development through the lens of these movements lies in the nature of agency. It has three key dimensions. First, the goal of the agent in this model is not to alter their individual relationship to structures (or components thereof), but to alter the structure itself. Second, altering and transforming structures requires the mobilization of collective, rather than individual agency. Third, it entails the mobilization of *social* power. As is well known, power has been theorized in many different ways by a range of

scholars such as Foucault (1980), Fraser (1989), Mann (1986) and others. Mann, most notably, writes about social power as the power exercised by the state over society through its various institutions. Following John Friedmann (1992), I take social power as the exact opposite: the power of society to exercise power over the state or similar institutions. As such, my view of social power begins with a distinction between state power, economic power, political power, and social power. Distinguishing social power as such allows us to understand a specific kind of agency—the agency exercised by actors who do not have access to the bases of power from which political or economic power emanates. This kind of agency is also distinct from the agency of actors whose power emanates from formal civil society institutions (such as trade unions or advocacy organizations or NGOs). So where does their power come from?

John Friedmann (1992) in his work *Empowerment* gives us some important pointers drawing upon the rich tradition of Latin American thought on agency and power "from below." In contrast to other forms of power, social power emanates at the local level, and from fundamentally different "bases" from which state power, economic power, and political power arise. Friedmann identifies eight "bases" of social power: defensible life space; surplus time; knowledge and skills; appropriate information; social organization; social networks; instruments of work and livelihood; and financial resources. Levels of social power are determined by the levels of access and control over these bases; levels of social power, in turn, determine the access to political power, and it is eventually through the mobilization of political power that structural transformation is materialized (see fuller discussion in Mukherjee Reed, 2008a).

There is a clearly discernible tension in Friedmann about the relationship between social power, political power, and social transformation. His suggestion, in the end, is that development policies must be such that they increase people's access to the bases of social power. This increased social power is then mobilized as political power to realize collective projects of transformation. In a sense, then, Friedmann returns us to the welfarist position. While I do not want to deny the importance of appropriate development policy from "above" driven by the need to increase social power, I want to argue otherwise. As I indicated above, in the case of policy toward business, development institutions appear to endorse policy responses which are quite diametrically opposed to the demands articulated by social movements. This suggests perhaps an alternative relationship between social power and effective development policies: mobilization of social power is the starting point for

engendering policies conducive to human development. In other words, I see this relationship dialectically. Human development requires the mobilization of social power; similarly human development establishes enabling conditions for the mobilization of such social power.

I would suggest that a majority (if not all) of the contemporary social movements against business can be understood from a social power perspective. As I said at the outset, the crucial issue here concerns what we mean by development. If we take the realization of MDGs as the indicator of development, then many of these struggles may appear to be futile (and even "anti-development"). But if we take development to be the mobilization of social power to resist corporate or state intrusion and establish local control over natural resources, then these are struggles for development. The problem, from the perspective of those communities that participate in these movements, is that obtaining local control and autonomy does not necessarily address the needs that the MDGs set out to address. Ideally, the institutional goals and the societal goals should be pursued together and not through processes which contradict one another. Here the role of business is one of great concern and needs very careful monitoring.

Conclusion

As I have tried to suggest in the above, there has emerged quite a stark divergence between the key development institutions and social actors in their approach to business. Several questions arise in this context.

First, in light of such a divergence, how can we explain the dominance of one set of principles in the global institutions? What legitimates the visions of development that these institutions endorse and prioritize? Historically, development thought that has emerged from global institutions such as the UN has played a critical role in raising such questions of legitimacy (Jolly et al., 2004). Indeed, a challenge to the legitimacy of the structural adjustment regimes resulted in the shift from conventional development to human development as a focus of development policy (Cornia et al., 1987; UNDP, 1999). Under what conditions can a similar shift come about in the current conjuncture—leading key development institutions to reassess their approach to business? Fundamental change would require making visible—systematically—the bases of legitimacy of global institutions. It is not enough simply to read them within an analytical framework of power relations of knowledge, but actually to call for a different understanding of their legitimacy itself. The present crisis of the global political economy represents an apposite moment to undertake this task.

Second, the critical issue here concerns the production of development knowledge that informs such approaches. While post-development perspectives have rightfully raised questions of knowledge production, they have not necessarily provided answers as to how processes of knowledge production can be democratized. In the specific context of the role of business, the problem of democratizing the process of knowledge production is linked to the question of political legitimacy. As we know, the UNGC, with its vast command over the international policy community, has explicitly committed itself to the task of building the social legitimacy of business and markets. In order to "reclaim the development agenda" from the power of this alliance, a more systematic recognition of social movements, in particular alternative globalization movements, as a site of knowledge production for development is necessary. It is only through such an engagement that we may be able to reclaim the human development agenda as it was originally envisioned.

Finally, the success of "development," in particular, the reclamation of the human development agenda as suggested above, cannot be achieved without fully engaging the role of business, understood as corporate power. The global institutions so far have eschewed this analysis of power; business is seen as an "agent" of development just as any other. The present crises of the global political economy make such an analysis of power even more necessary. However, as I suggested above, reductionist or abstract analyses of power, especially only structural power in the conventional sense, will not suffice. What is called for is an analysis of the synergies and tensions between corporate power and social power, and the role of global institutions in mediating between them.

Notes

1 See also *Business Call to Action*, a joint initiative of UNDP, the Australian Government, the International Business Leaders Forum, the Clinton Global Initiative, and the UK Department for International Development (UNDP et al., 2009).

2 Such a comparison was first published in UNDP's *Human Development Report 1999* which showed how the impact of globalization on corporate power has serious implications for human development. The discourse of corporate power has since then almost disappeared from the global Human Development Reports. It is held by some authors that the comparison is not sound, as GDP constitutes "value added" whereas sales of companies exaggerates their value added. See UNCTAD (2002) for a comparison of GDP and corporate value added.

3 For example, Archer Daniel Midland (ADM) saw a 64.8 percent rise in profit since 2006. As of 1 May 2008, Mosaic, a fertilizer production company,

saw its stock rise by 342 percent in 2007, "the best showing of any Fortune 500 company—and it's up another 25% so far in 2008" (Birger, 2008).

4 Here I have refrained from developing a full justification of these criteria.

5 It needs to be noted however, that the realms of regulation and production need to be studied together and not separately, as they are usually. This is because the contestations in these two realms are related, they may well open up spaces for each other, while at times they may contradict efforts going on in the respective realms.

6 In his seminal Tanner lectures, Sen (1979) developed an elaborate critique of the notions of equality based on the real incomes/commodities and suggested capability equality as the alternative basis for conceptualizing equality. The goal of this reconceptualization was to transcend the narrowness of those models of equality which concern themselves with specific commodities and specific distributional configurations. As Sen (1999: 69) argues, "Differences in age, gender, special talents, disability, proneness to illness, and so on can make two different persons have quite divergent opportunities of quality of life even when they share exactly the same commodity bundle." In other words, access to the same commodity bundle does not guarantee equality. I find this argument less than satisfactory as a basis for informing equality considerations of development policy. While it is undoubtedly true that the equality of commodity bundles cannot guarantee capability equality, this in itself cannot preclude the question as to why commodity bundles of different people—or different social groups—are so unequal. This, in fact, has been a central question in the problematic of development and needs to be central to the analysis of development today. In addition, it is critical to examine the connections between these inequalities and the inequality of representation within institutions, particularly global institutions.

7 "The basic structure of a society is the way in which the main political and social institutions of a society fit together into one system of social cooperation, and the way they assign basic rights and duties and regulate the division of advantages that arise from social cooperation over time. The political constitution within an independent judiciary, the legally recognized forms of property, and the structure of the economy (for example, as a system of competitive markets with private property in the means of production), as well as the family in some form, all belong to the basic structure. The basic structure is the background social framework within which the activities of associations and individuals take place. A just basic structure secures what we may call background justice" (Rawls, 2001: 10).

8 Broadly speaking, two types of problem are associated with the use of such categories. The first concerns the binary between collectivities conceptualized in terms of their relationship to productive processes and those conceptualized in terms of "difference" (i.e. between class/identity or redistribution/recognition). The second problem relates to understanding these collectivities as self-contained, monolithic entities rather than in relation to the broader entities in which they are embedded. This has led to some of the major contradictions in development thinking: such as the focus on poverty and abstraction from inequality; the focus on "state capacity" and abstraction from the relations of imperialism; the development of specific interventions aimed at "women" which do not address (and may even

deepen) contradictions in the broader political economy, and so on (Sachs 2006: 12).

9 Further, Young (2000: 97–98) defines a social group as:

> A collection of persons who are similarly positioned in interactive and institutional relations that condition their opportunities and life prospects. This conditioning occurs because of the way that actions and interactions conditioning that position in one situation reinforce the rules and resources available for other actions and interactions involving people in the structural positions. The unintended consequences of the confluence of many actions often produce and reinforce such opportunities and constraints. This mutually reinforcing process means that the positional relations and the way they condition individual lives are difficult to change.

10 Taking social groups as constituted by different *attributes* such as religion, ethnicity, cultural practices and developing strategies of accommodation, for them, is the hallmark of identity politics. This genre of politics needs to be distinguished quite carefully from other types of mobilizations where ethnicity may have a role to play for historical reasons, particularly historical relations of injustice. For instance, caste politics in India, particularly the form it has taken in the neoliberal era, is not identity politics about recognition even though "ethnicity" is a context for this mobilization. The same can be said about the indigenous movements in Latin America.

11 This is reflected in the last of the MDGs, "Develop a Global Partnership for development."

12 As Zammit (2003) points out:

> In his speech to the US Chamber of Commerce, UN Secretary-General Kofi Annan elaborated on this fundamental shift: "Confrontation has taken a back seat to co-operation. Polemics have given way to partnerships." Pointing to the "soft infrastructure" of the global economy—values, stability and services—provided by the UN and its agencies, "all of which ensured the free flow of goods, services, finance and ideas," the Secretary-General commented, "it is no surprise that the United Nations and the private sector are joining forces. The voice of business is now heard in UN policy debates. Corporations are also offering concrete support."

13 This phrase is no longer present on the UNGC website but can be found on its partner websites such as the Global Compact Network Asia Pacific; as well as in the publication entitled "United Nations Global Compact Inspirational Guide: Human Rights, Labour, Environment, Anti-Corruption—Partnerships for Development", UN, UN Global Compact Office, December 2008; see also speech by Georg Kell, Executive Director, UN Global Compact, "Freedom from Want and Fear: The Role of the UN Global Compact", 12 December 2006, Oslo, accessed online, 15 August 2009, at www.unglobalcompact.org/docs/news_events/9.6/2006_Georg_Oslo.pdf

14 The debate on approaches to social justice is obviously a substantive one and I adopt here a very specific formulation following Young.

Bibliography

Bagchi, A.K. (2000) "Freedom and Development as End of Alienation?" *Economic and Political Weekly*, no. 50 (9 December): 4408–20.

Birger, Jon (2008) "Top Fortune 500 stock: Why It's Up 342%," *Fortune*, 25 November. Available HTTP: http://mutual-funds.biz/2008/04/28/news/companies/mosaic.fortune/index.htm (20 July 2009).

Cornia, G.A., R. Jolly, and F. Stewart (eds.) (1987) *Adjustment with a Human Face* (New York: UNICEF and Oxford University Press).

Corporate Accountability International (2008) "Letter from Corporate Accountability International to UN Secretary-General Ban Ki-moon" (Boston, Mass.: Corporate Accountability International). Available HTTP: http://phm.phmovement.org/pipermail/phm-exchange-phmovement.org/2008-March/003800.html (accessed 20 July 2009).

Cox, R. (1981) "Social Forces, States and World Orders: Beyond International Relations theory," *Millennium: Journal of International Studies*, 10(2): 126–55.

——(1987) *Production, Power and World Order* (New York: Columbia University Press).

De Carvalho, H. (2006) "The Emancipation of the Movement of Landless Rural Workers within the Continual Movement of Social Emancipation," in B. de Sousa Santos (ed.) *Another Production in Possible* (London: Verso).

Escobar, A. (2001) "Culture Sits in Places: Reflections on Globalism and Subaltern Strategies of Localization," *Political Geography* 20(2): 139–74.

——(2004) "Beyond the Third World: Imperial Globality, Global Coloniality and Anti-Globalisation Social Movements," *Third World Quarterly*, 25(1): 207–30.

Forbes (2009) "The World's Biggest Companies," available at www.forbes.com/2009/04/08/worlds-largest-companies-business-global-09-global_land.html (8 April 2009).

Fortune (2007) "Fortune Global 500," *Fortune*. Available HTTP: http://money.cnn.com/magazines/fortune/global500/2007/full_list/index.html (accessed 20 July 2009).

——(2008) "The 35 largest U.S. private companies: 7. Bechtel," *Fortune*. Available HTTP: http://money.cnn.com/galleries/2008/fortune/0805/gallery.private_companies.fortune/7.html (20 July 2009).

Foucault, M. (1980) "Two Lectures," in *Power/Knowledge: Selected Interviews and Other Writings, 1972–1977*, ed. C. Gordon (New York: Pantheon).

Fraser, N. (1989) *Unruly Practices: Power, Discourse, and Gender in Contemporary Social Theory* (Minneapolis: University of Minnesota Press).

Friedmann, J. (1992) *Empowerment: The Politics of Alternative Development* (Cambridge, Mass.: Blackwell).

Harding, S. (2006) *Science and Social Inequality: Feminist and Postcolonial Issues* (Champaign: University of Illinois Press).

Helleiner, G.K. (2002) "Developing Countries in Global Economic Governance and Negotiation Processes," in Deepak Nayyar (ed.) *Governing Globalization: Issues and Institutions* (Oxford: Oxford University Press).

——(2008) "Poverty, Power and Global Economic Governance," paper presented at the workshop "Global Governance, Poverty and Inequality," 6–9 June (Waterloo: Centre for International Governance Innovation).

Horkheimer, M. (1937) "Traditional and Critical Theory," in P. Connerton (ed.) *Critical Sociology* (New York: Penguin Press).

IMF (International Monetary Fund) (2008) *IMF World Economic Outlook Database, April*, accessed online at: www.imf.org/external/pubs/ft/weo/2008/01/weodata/index.aspx

Jenkins, Rhys (2005) "Globalization, Corporate Social Responsibility and Poverty," *International Affair*s, 81(3): 525–40.

Jolly, R., L. Emmerij, D. Ghai, and F. Lapeyre (2004) *UN Contributions to Development Thinking and Practice* (Bloomington and Indianapolis: Indiana University Press).

Jomo, K.S., and Jacques Baudot (eds.) (2007) *Flat World, Big Gaps: Economic Liberalization, Globalization, Poverty and Inequality* (London: Zed Books).

Likosky, Michael (2005, "Privatising Development: Project Finance Law and Human Rights," in Michael Likosky (ed.) *Privatising Development: Transnational Law, Infrastructure and Human Rights* (Leiden: Martinus Nijhoff).

Mann, M. (1986) *The Sources of Social Power* (Cambridge: Cambridge University Press).

McMichael, P. (2001) "Can We Interpret the Anti-Globalisation Movement in Polanyian Terms?" Keynote address prepared for Twenty-five-Year Anniversary Celebration and Symposium: "Globalization and its Discontents: Re-embedding the Economy in the 21st Century," 12–14 October (Peterborough: Comparative Development Studies Programme, Trent University).

——(2006) "Reframing Development: Global Peasant Movements and the New Agrarian Question," *Canadian Journal of Development Studies*, 27(4): 471–86.

Mezzalama, Francesco, and Louis Dominique Ouedraogo (1999) "Private Sector Involvement and Cooperation with the United Nations System" (Geneva: United Nations Joint Inspection Unit). Available HTTP: www.unjiu.org/data/reports/1999/en99_06.pdf (accessed 20 July 2009).

Mukherjee Reed, A. (2008a) *Human Development and Social Power: Perspectives from South Asia* (London and New York: Routledge).

——(2008b) "Rights and Development: A Social Power Perspective," Paper presented at the Third Osgoode International Constitutional Law Roundtable: "Rights, Developments and Transitional Justice," 21 February (Toronto: Osgoode Professional Development Centre).

Nayyar, D. (2007) "Development Through Globalization?" in G. Mavrotas and Anthony Shorrocks (eds.) *Advancing Development: Core Themes in Global Economics* (Basingstoke: Palgrave Macmillan).

——(2002) (ed.) *Governing Globalization: Issues and Institutions*, Oxford: Oxford University Press.

Newell, P. (2005) "Citizenship. Accountability, and Community: The Limits of the CSR Agenda," *International Affairs*, 81(3): 541–57.

Nussbaum, M. C. (2000) *Women and Human Development: The Capabilities Approach*, Cambridge and New York: Cambridge University Press.

——(2003) "Capabilities as Fundamental Entitlements: Sen and Social Justice," *Feminist Economics*, 9(2-3): 33–59.

Olivera, O. (2004) *Cochabamba! Water Wars in Bolivia* (Cambridge, Mass.: South End Press).

Patel, R., and P. McMichael (2004) "Third Worldism and Lineages of Global Fascism: The Regrouping of the Global South in the Neoliberal Era," *Third World Quarterly*, 25(1): 231–54.

Patnaik, U. (2004) "The Republic of Hunger," Public lecture on the occasion of the 50th Birthday of Safdar Hashmi, 10 April (New Delhi: Safdar Hashmi Memorial Trust).

People's Water Forum (2009) "People's Water Forum Declaration—Istanbul, 2009," March, Istanbul.

Peterson, V.S. 2003, *A Critical Rewriting of Global Political Economy: Integrating Reproductive, Productive, and Virtual Economies* (London and New York: Routledge).

Petras, James, and Henry Veltmeyer (2005) *Social Movements and State Power: Argentina, Brazil, Bolivia, Ecuador* (London: Pluto Press).

Prahalad, C.K. (2005) *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits* (Upper Saddle River, N.J.: Wharton School Publishing).

Rawls, J. (2001) *Justice as Fairness: A Restatement* (Cambridge, Mass.: Harvard University Press).

Reinicke, Wolfgang H., and Francis M. Deng, with Jane Martin Witte, Thorsten Benne, Beth Whitaker and John Gershman (2000) *Critical Choices: The United Nations, Networks, and the Future of Global Governance*, UN Vision Project on Global Governance Networks (Berlin and Ottawa: Global Public Policy Institute and International Development Research Center).

Sachs, Jeffrey (2006) *The End of Poverty: Economic Possibilities for Our Time* (New York: Penguin Press).

Sainath, P. (2008) "Over 16,600 Farmer Suicides in 2007," *India Together*, 21 December.

Sen, A.K. (1979) "Equality of What?" Tanner Lecture on Human Values (Palo Alto, Calif.: Stanford University). Available HTTP: www.tannerlectures.utah.edu/lectures/documents/sen80.pdf (accessed 20 July 2009).

——(1999) *Development as Freedom* (New York: Knopf).

Sousa Santos, de Boaventura, and A. Rodriguez-Garavito (2006) "Introduction," in *Another Production in Possible* (London: Verso), xvii–lxii.

UN (1999) "Text of the Address by Secretary-General Kofi Annan to the United States Chamber of Commerce," UN Press Release SG/SM/7022, 8 June (Washington, DC: United States Chamber of Commerce). Available HTTP: www.scienceblog.com/community/older/archives/L/1999/A/un990874.html (accessed 20 July 2009).

——(2000) "United Nations Millennium Declaration," resolution adopted by the General Assembly, 55/2 (New York: United Nations). Available

HTTP: www.un.org/millennium/declaration/ares552e.htm (accessed 20 July 2009).

UNCTAD (United Nations Conference on Trade and Development) (2002) "Are Transnationals Bigger Than Countries?" August 12.

UNDP (United Nations Development Programme) (1999) *Human Development Report 1999: Globalization With a Human Face* (New York: UN Development Programme). Available HTTP: http://hdr.undp.org/en/media/HDR_1999_EN.pdf (accessed 20 July 2009).

——(2006) *Human Development Report 2006: Beyond Scarcity: Power, Poverty and the Global Water Crisis* (New York: UN Development Programme). Available HTTP: http://hdr.undp.org/en/media/HDR06-complete.pdf (accessed 20 July 2009).

——(2008) "Creating Value for All: Strategies for Doing Business with the Poor," 1 July (New York: UNDP). Available HTTP: www.undp.org/gimlaunch/docs/GIM%20Report%20Final%20August%202008.pdf (accessed 20 July 2009).

——(2009) "Growing Sustainable Business for Poverty Reduction," (New York: UNDP). Available HTTP: www.undp.org/partners/business/gsb/ (accessed 20 July 2009).

UNDP, Australian Government, International Business Leaders Forum, Clinton Global Initiative, and UK Department for International Development (2009) *Business Call to Action* (New York: UNDP).

UNGC (United Nations Global Compact) (2008) "United Nations Global Compact Inspirational Guide: Human Rights, Labour, Environment, Anti-corruption—Partnerships for Development," December (New York: UN Global Compact).

——(2009a) "United Nations Global Compact" (New York: United Nations). Available HTTP: www.unglobalcompact.org (accessed 19 July 2009).

——(2009b) "The Ten Principles of the UN Global Compact" (New York: UN Global Compact). Available HTTP: www.unglobalcompact.org/AbouttheGC/TheTENPrinciples/index.html (accessed 20 July 2009).

Utting, Peter (2003) "CSR and Development: Is a New Agenda Needed?" in *Corporate Social Responsibility and Development: Towards a New Agenda?* (Geneva, Switzerland: UN Research Institute for Social Development).

Utting, Peter and Zammit, Ann (2006) "Beyond Pragmatism: Appraising UN-Business Partnerships," UNRISD Programme Paper, no. 1. Markets, Business and Regulation Research Programme (Geneva, Switzerland: United Nations Research Institute for Social Development).

Vanden, H.E. (2007) "Social Movements, Hegemony, and New Forms of Resistance," *Latin American Perspectives*, 34(2): 17–30.

Witte, Jan Martin, and Wolfgang Reinicke (2005) *Business Unusual: Facilitating United Nations Reform Through Partnerships* (Berlin and New York: Global Public Policy Institute/United Nations Global Compact Office).

World Bank (2007) "Gross Domestic Product 2007" (Washington, DC: World Bank). Available HTTP: www.docstoc.com/docs/1081673/Gross-Domestic-Product-(GDP) (accessed 20 July 2009).

WBCSD (World Business Council for Sustainable Development) (2009) "World Business Council for Sustainable Development (WBCSD)" (Geneva, Switzerland: World Business Council for Sustainable Development). Available HTTP: www.wbcsd.org/templates/TemplateWBCSD5/layout.asp?MenuID=1 (accessed 20 July 2009).

World Water Council (2009) "Istanbul Ministerial Statement," Fifth World Water Forum: Ministerial Process, 22 March, Istanbul.

Young, I.M. (1990) *Justice and the Politics of Difference* (Princeton, N.J.: Princeton University Press).

——(2000) *Inclusion and Democracy* (Oxford: Oxford University Press).

——(2006) "Taking the Basic Structure Seriously," *Perspectives on Politics* 4(1): 91–98.

Zammit, Ann (2003) *Development at Risk: Rethinking UN-Business Partnerships* (Geneva, Switzerland: South Centre and UN Research Institute for Social Development).

Part V

Horizontal inequalities and faith institutions

11 Global aspects and implications of horizontal inequalities

Inequalities experienced by Muslims worldwide[1]

Frances Stewart

> it is all one and the same: the struggle in Afghanistan and Iraq and even Britain … it's all connected.
>
> (Statement of British Muslim (quoted in Abbas, 2007: 436))

Both within and across countries, most attention has been devoted to measuring inequality among individuals (and globally countries). Within countries, increasing evidence shows that inequalities *among groups*—what are known as horizontal inequalities (HIs)—are important for wellbeing, for effective policies toward poverty and for political stability; and a set of policies to correct such HIs are being identified (Stewart, 2008). However, apart from measurement of inter-country inequality and North–South inequalities, the global component of HIs is generally neglected (see Berry and Serieux, 2004; Bourgignon and Morrisson, 2002; Wade, 2001). This chapter argues that HIs at a global level are also important for world stability and wellbeing, in much the same way they are at the national level. Like national level analysis, the inequalities in question are not only socio-economic in nature, but also political and cultural. Consequently, the analysis has important implications for global governance as well as the global distribution of resources, since it implies that for global stability, there needs to be an equitable sharing of global resources across groups, and major global groups need to be incorporated in global governance.

The groups of relevance are those with which "members" have strong affiliation. The most obvious and formally organized groups of this kind are national, but here I am primarily concerned with religious and ethnic identity groups whose members cross national boundaries. This boundary-crossing may stimulate global resentments and even violence, may lead to global flows of support for (and against) the extended group (including

finance, arms, propaganda, political maneuvering) and consequently requires global rather than national solutions.

Identities are fluid and change over time, and the salient identities with global force also change. Historically, the Jews, the Lebanese and the Chinese have formed global groups with a common identity—with the strength of members' affiliation varying between individuals and over time. Christianity is another global identity (whose unity has varied over time) with implications for global politics, as illustrated by the Crusades and the worldwide activities of missionaries. Each of these groups remains of significance, but probably the most dominant contemporary global identity group is that of Muslims, and I shall illustrate my argument with information on this group.

Muslims do not have organizational hierarchies which unite them, in contrast to Catholics, but they do have a strong theological basis for global identity, in the form of the *Ummah*, or the indivisible community of the faithful. As Schmidt (2004: 41) puts it, "[t]he idea of the *Ummah* … is not a materialized homeland that one may look up on a map. Rather we are dealing with a mythological homeland that is both nowhere and everywhere offering membership across national boundaries." Yet it is essential to acknowledge that Muslims are not homogeneous: besides many other differences, there are sharp divisions between Shiites and Sunnis which often lead to violent conflict; in addition, there are differences between liberals and radicals, in history, economic activity, education, nationality, language. As Sivan (2003: 25) notes, "the movement as a whole … is made up of a plethora of groups, more or less structured, loosely coordinated … often overlapping." A big question, then, is whether there is nonetheless sufficient unity, or shared identity, to make the discussion of Muslims as a single, albeit non-homogeneous, group, meaningful. Some evidence on this will be presented in the course of the discussion.

To develop the argument the chapter is organized as follows. First, I define HIs and illustrate their role in the national arena. Second, I illustrate the presence of such inequalities with an overview of roughly contemporary data on Muslims. Third, I provide some evidence on the international links across Muslim groups, whereby grievance in one place can be communicated globally. This shared identity is confirmed by evidence from some perceptions surveys summarized in the fourth section. Finally, I conclude that since the inequalities (and resultant mobilization) present themselves both within and across countries, policies to address them need to be correspondingly multilayered, as well as being multidimensional. This has strong implications for global governance, which will be discussed in the final section.

How, why and when horizontal inequalities raise the risk of conflict within countries[2]

Horizontal inequality is inequality between groups, as distinct from vertical inequality, or inequality among individuals. These groups are generally culturally defined—by ethnicity, religion, race, or region, for example. HIs are important because they affect individual well-being, economic efficiency and social stability, and in some circumstances they can lead to serious violent conflict (Langer, 2005; Mancini, 2005; Østby, 2003; Stewart, 2002).

HIs are conceived of as multidimensional, encompassing economic opportunities and assets; access to social services and human outcomes; political opportunities; and cultural status. HIs are important because they affect wellbeing directly and other objectives instrumentally. People's wellbeing is affected by how well their group is doing as well as by their individual circumstances. Psychologists have shown, for example, that African-Americans suffer from many psychological ills because of the position of their group (Broman, 1997; Brown et al., 1999). Hence the wellbeing of groups such as the Muslims in Western Europe, Catholics in Northern Ireland, or blacks in Apartheid South Africa, is or has been deeply affected by the relative impoverishment of the group—over and above the position of the individual themselves.

HIs also matter for instrumental reasons, since economies may be inefficient and policy targets may not be realized if there are deep group inequalities. The most critical reason for trying to moderate HIs, however—and the one that concerns us most here—is that group inequality can be a source of violent conflict (Stewart, 2000). Group inequality provides powerful grievances which leaders can use to mobilize people to political protest, by calling on cultural markers (a common history or language or religion) and pointing to group exploitation. This type of mobilization is especially likely to occur where there is political as well as economic inequality, so that the group leaders are excluded from formal political power while the mass of group members are economically deprived. Examples where group inequalities have been a factor in provoking conflict include Côte d'Ivoire, Rwanda, Northern Ireland, Nepal, and Sudan, to mention just a few (see, for example, Gates and Murshed, 2005; Gurr, 1993; Gurr and Moore, 1997; Langer, 2005; Stewart, 2002). There is econometric, cross-country and within country, as well as case study evidence, showing that conflict potential is higher where HIs are more severe (Barrows, 1976; Mancini, 2005; Østby, 2003). It seems that conflict is less likely, however, if economic and political HIs go in

opposing directions; that is, when the group that dominates the political system does not also dominate the economic one (for example, Langer, 2005; Østby, 2008).

To date research on HIs has focused on HIs *within* countries (Stewart, 2008). However, where groups have strong international connections—via family, remittances, media, religion—it seems likely that HIs within one country may affect actions elsewhere in the world, as a shared identity leads to shared grievances and may lead to global mobilization. This chapter explores whether this might be the case with inequalities between Muslims and others within a large number of countries, and between Muslim countries and others. The next section therefore provides empirical evidence of Muslim/other HIs across the world.

An overview of contemporary Muslim/other HIs

This section summarizes some Muslim/other inequalities within selected developed countries; and between Muslim and Western countries. We find that in each case, there are significant socio-economic HIs, accompanied by political HIs in countries where Muslims are in a minority. Muslim/other inequalities are also evident at a global level, if we compare Muslim and non-Muslims countries as a group. These very pervasive and globally shared inequalities are important, of course, for each particular country. But taken together they are also important in terms of global resentments, mobilization, and action, in so far as Muslims identify themselves globally as a single (albeit non-homogeneous) group. Evidence for this shared identity is provided in the subsequent section. To the extent that these inequalities are global, they present challenges for global governance.

HIs faced by Muslims in Europe

With the exception of small historical enclaves such as the Bosniaks, Muslims in Europe consist of fairly recent immigrants. Below I pick out three countries—the Netherlands, France, and the United Kingdom—to illustrate the multiple inequalities Muslims face in Europe. Similar evidence is available for other European countries.

In all three countries, Muslims face multiple disadvantages. Muslims in the Netherlands, mostly of Moroccan or Turkish origin, form about 6 percent of the total population and a much higher proportion in the largest cities. Muslims in France (largely from North Africa) also account for around 6 percent of the total population, again located

mainly around major cities. The Muslim population in the United Kingdom is composed of immigrants, and their descendants, mostly from Bangladesh and Pakistan, together accounting for only 2 percent of the total population in 2001, estimated to rise to 2.5 percent by 2010.

In socio-economic terms, Muslims in each country live in areas with poor infrastructure and high crime levels in segregated neighborhoods. For example, half of Moroccan households are dissatisfied with their residential area, in contrast to 1 in 12 of native households (CBS, 2004). The Equalities Review (2007: 35) in Britain, documenting the systematic deprivations of Muslims, finds: "Muslims account for a disproportionate number of people living in areas of multiple deprivation: more than two in three Bangladeshis and more than half of all Pakistanis live in areas in the bottom decile for deprivation." Pakistanis and Bangladeshis in Britain are 10 times more likely to be victims of crime than whites; and rates of police stop and search are higher for all ethnic minority groups than for whites (The Equalities Review, 2007: 84).

Education levels are substantially lower for the Muslim community in each country—between a quarter and a third of Turkish and Moroccan men have had only primary education in the Netherlands; there is evidence of discrimination within the educational system, as well as discrimination in employment. Educational deprivation is similar in the other two countries. In the UK, deprivation is evident at every level of education. For example, Pakistani and Bangladeshi rates of attainments in language and literacy at an early age were 57 percent of those of whites; their achievement of five GCSEs (the General Certificate of Secondary Education, exams for which, in specific subjects, are normally taken at age 16) was three-quarters of that of whites for boys and a bit higher for girls; and they were under-represented in higher education.

Health is worse: for example, in Britain, Bangladeshis reported "not good" health at a rate of 1.74 times that of all England and Wales, and Pakistanis at a rate of 1.81 (Equalities Review, 2007: 75). The infant mortality rate of Pakistanis has been reported to be almost twice the national average (Harrison, 2007).

The employment situation of Muslims is markedly worse than average in all three countries. In the Netherlands, they are two to three times more likely to be unemployed and twice as likely to be in unskilled occupations, compared with native Dutch (SCP, 2005). In France, too, Muslims face higher unemployment than "native" French and more difficulties in finding long-term full-time employment (Viprey, 2002). A study by the University of Paris in which researchers sent out CVs in response to an advertisement for a salesman found that person from North Africa had five times less chance of getting a positive reply

(EUMC, 2007). In Britain, Muslims are two and a half times more likely to be unemployed than the white population (Briggs and Birdwell, 2009).

Incomes reflect these differences—being more than 40 percent below those of the native Dutch among Moroccan immigrants, and over 30 percent below among Turkish men in the Netherlands (CBS, 2004). The proportion of non-Western ethnic minority households with incomes below the low-income threshold was 33 percent, three times as high as for *autochthone*[3] (SCP, 2003). In the UK, the net earnings of Bangladeshi males were reported as just half those of white males (Equalities Review, 2005: 25); by the mid-1990s, the employment penalty[4] of Pakistanis and Bangladeshis was 13 percent, and much higher for women (Equalities Review, 2006: 54).

Political horizontal inequalities are evident, although they vary across the three countries and over time. In the Netherlands, Muslims are proportionately represented in parliament, with 10 out of 150 members in 2003; two Muslim ministers were appointed to the cabinet in 2003. In France, there was no Muslim representation in parliament in 2008, though there were Muslim candidates. At the cabinet level, the first Muslim minister was appointed in 2005 and President Nicolas Sarkozy appointed three Muslim cabinet ministers in 2007. In Britain, in 2005, less than 2.3 percent of Members of Parliament were from ethnic minority groups (altogether accounting for about 10 percent of the population); and ethnic minorities accounted for less than 4 percent of local councillors (Equalities Review, 2007: 98). Ethnic minorities are under-represented in the judiciary and legal system.

In each case, Muslim culture is not treated on a par with the dominant Christian culture. In all three countries, national holidays are Christian or secular. In both the Netherlands and France, there are frequent complaints about dress in schools, especially the wearing of hijabs. In France, children have been expelled from schools for wearing them. As a compromise it was decided that conspicuous religious symbols were not allowed—which is de facto discriminatory since Christians can wear small crosses. In Britain, Islamic dress is generally permitted but there is controversy over the Burqa, with Jack Straw, during his tenure as leader of the House of Commons, stating that he found the Burqa "a visible statement of separation and difference," and he preferred his constituents not to wear it when consulting him, causing considerable controversy (quoted in CNN, 2006).

Muslims also frequently confront prejudice in their daily lives. Indeed, a 2005 survey conducted by the Equalities Commission found that 35 percent of the UK population sometimes feel prejudiced. The Commission quotes Fatima (aged 9)

> I'm getting bullied at school. People in the neighbourhood are calling my family "terrorists" and say, "Go back to your own country." I'm worried they'll start saying these things at school. Muslim boys are getting beaten up at school.

These systematic inequalities underlie the poor relations between Muslims and others in each country, leading to protests and occasional violence. In the Netherlands, an Islamic teacher, Suhayb Salam, from Tilburg articulated an extreme position: "We learned that all infidels were enemies of Allah, that everybody who didn't follow Islam is an enemy of Allah" (quoted in Pouw, 2008). There have been a series of incidents indicating tensions, the best known being the murder of Theo van Gogh in 2004, an *autochthone* film-maker who was making a film attacking cultural practices of Muslims, whose killing sparked attacks on mosques and schools (Veldhuis and Bakker, 2009). There is evidence also of considerable hostility to the Muslim population among native Dutch: a poll conducted in 2006 reported that 63 percent of Dutch citizens felt that Islam is incompatible with modern European life (Angus-Reid, 2006).

In France, urban riots in 2005 were widely viewed as being in part ethnic and religious, a protest against unequal treatment and particularly high unemployment rates. There are also a number of Jihadist groups (Amghar, 2009). Yet some evidence suggests French Muslims are more "at home" in France than Muslims elsewhere in Europe. For example, 42 percent of Muslims regard themselves as French first and Muslim second, whereas in the UK only 7 percent think of themselves as British first and 81 percent think of themselves as Muslim first (see Figure 11.7 below) (Pew Research Center: 2006a).

In Britain, there have been a series of violent incidents, the largest being the suicide bombings in London of 7 July 2005 (7/7), which killed 52 commuters and injured 700.[5] MI5, the British security service, estimates that there are 4,000 individuals who pose a direct threat to security (Briggs and Birdwell, 2009).

HIs faced by Muslim communities in Asia

In some South Asian countries, in particular Bangladesh and Pakistan, Muslims account for almost the entire population; in some, notably Indonesia and Malaysia, they form a considerable majority; and in some they are a significant minority—India, China, and Thailand, for example. Where they form a demographic majority, Muslims dominate politics, and, especially in Malaysia, use this position to improve their

relative position. But where they are minorities, Muslims are relatively deprived in both socio-economic and political dimensions.

India

In 2001, Muslims accounted for 13.4 percent of the Indian population. They experience multiple HIs:[6] socio-economic inequalities are shown, for example, by persistent inequalities in education and employment. A committee of enquiry into the condition of Muslims concluded: Muslims "are at a double disadvantage with low levels of education combined with low quality education" (Government of India, 2006: 50). Overall, Muslims are more likely to be engaged in self-employment and less likely to have regular salaried jobs (ibid.). Muslim regular employees receive lower daily salaries in both public and private sector jobs and worse access to bank credit (ibid.). Consequently, Muslims together with Scheduled Castes and Scheduled Tribes have been persistently the most disadvantaged groups in terms of both rural and urban poverty. In 2004–5 for example, the Muslim poverty rate was 43 percent compared with a rate of 27 percent for all Hindus.[7]

There is abundant evidence of political inequalities between Muslims and Hindus. In the Lok Sabha, Muslim representation was 4.7 percent in 1957, 5.3 percent in 1991, and 6.6 percent in 2004 (Ansari, 2006), compared with a population share of over 13 percent. There is also underrepresentation in state assemblies (ibid.).

Muslims also experience cultural status inequalities, sometimes coming to a head with physical attacks on mosques. Conflicts between Muslim and Hindus in India (periodically violent) have occurred over the centuries since the Mogul invasion that introduced Islam to India in the seventeenth century. These are undoubtedly engineered for political purposes, but prevalent HIs make it easy to mobilize popular support for such conflicts (Brass, 2003; Wilkinson, 2004).

China

Data is limited on the socio-economic position of Muslims in China, who account for an estimated 1–2 percent of the total population, in several ethnic groups, including Hui (largely Mandarin-speaking), and Dongxiang and Uigur (Turkic-speaking). Their religion is officially recognized, but strictly controlled. Chinese education is moving to the exclusive use of Mandarin, which particularly disadvantages children who do not speak Mandarin at home. Data on educational performance show disadvantage among all groups. The Mandarin-speaking

Hui accounting for over a third of the total are least disadvantaged, followed by the Uigur (almost as populous), with the Dongxiangs (only 5 percent of the total Muslims) severely disadvantaged. Among the latter, 58 percent have no school and only 0.4 percent attend tertiary education, compared with 7.3 percent of Chinese population as a whole having no school and 3.9 percent having tertiary education (Fisher, 2004).

Philippines and Thailand

There is a strong similarity in the position of Muslims in the Philippines and Thailand relative to the rest of the population. Both form small minorities living in poor regions and experiencing HIs relative to the rest of the population within their region as well. In both cases, there has been violent opposition—stronger in the Philippines, more sporadic in Thailand. In both cases, the rebels seek greater political autonomy. Muslims in the Philippines account for about 5 percent of the total population, but a much larger proportion in the Mindanao region—around 20 percent today, which represents a sharp drop over the last 100 years, largely because of immigration from the rest of the Philippines, encouraged by the state. In Thailand, the Muslim population forms a similar small proportion of the total Thai population (4.6 percent), but a much larger proportion in the southern region (28 percent in 2000) (data from CIA, 2009; and Brown, 2008).

In both countries, as pointed out by Brown (2008), the Muslim populations are doubly disadvantaged in socio-economic terms: first, the regions in which they are located have lower per capita incomes (and growth rates) than the rest of the country; and second, within the region of concentration the Muslim population does less well than the rest of the population.

In the Philippines, Mindanao as a whole has been consistently below the national average in terms of gross domestic product (GDP) per capita, and particularly below Luzon (Brown 2008). Within Mindanao, the socio-economic performance in the five provinces in the autonomous region of Muslim Mindanao (ARRM) is worst of all the Philippines (Table 11.1), and many Muslim Moro have been displaced from their traditional lands (Brown, 2008).

Within Southern Thailand, Muslims are disadvantaged relative to Buddhists. For example, in 1987 (the only year for which there are data of this kind), Buddhist males had 1.68 times the years education of Muslim males; and the discrepancy in household assets was 1.17 (Brown, 2008: 273).

Table 11.1 Philippines, ARMM—socioeconomic indicators, 2000

	Incidence of poverty (%), 2000	*Per capita income (PPP US $), 2000*	*Life expectancy at birth, 1997*	*Human Development Index*	*Rank (out of 77)*
Maguindanao	36.2	1,306	53.2	0.431	73
Lanao del Sur	48.1	1,250	56.0	0.425	74
Basilan	63.0	1,077	59.8	0.420	75
Tawi-Tawi	75.3	1,218	50.4	0.378	76
Sulu	92.0	1,027	51.9	0.311	77

Source: Brown, 2008: 268.

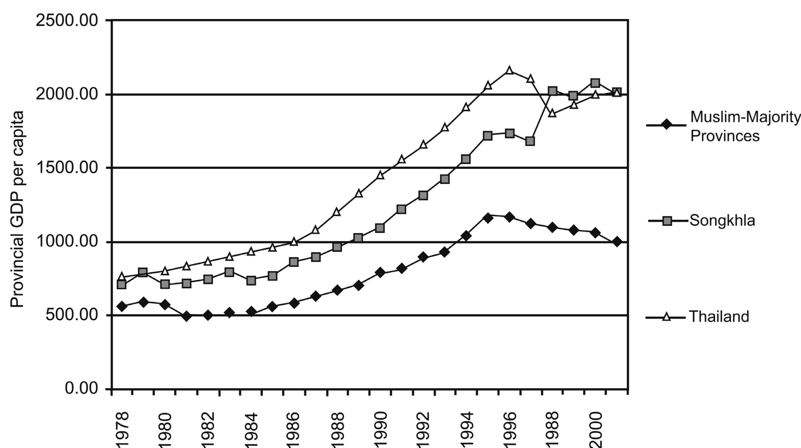

Figure 11.1 Economic performance of Muslim-majority provinces relative to Thailand as a whole.
Source: Brown, 2008: 272.

In Thailand, the Southern region where the Muslim population is concentrated also shows worse economic performance than the rest of the country (Figure 11.1).

In both countries, the populations lack political power—even in the areas where they are most concentrated—and their cultural status is less respected than that of the Christian majority.

Malaysia

In Malaysia, as a majority accounting for about two-thirds of the population,[8] Muslims dominate politically and their long-term socio-economic

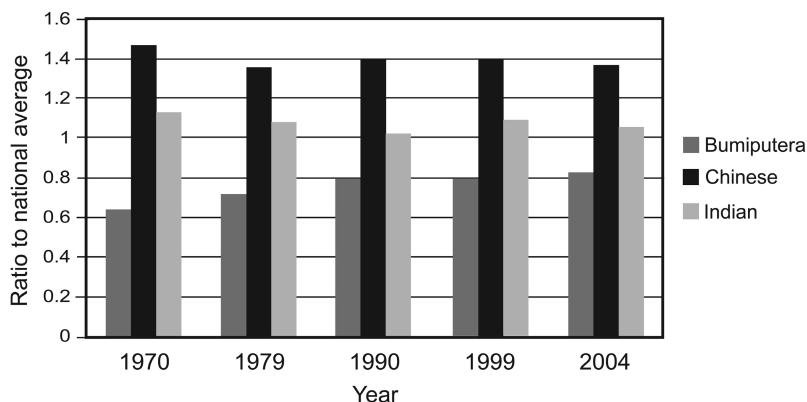

Figure 11.2 Malaysia mean incomes relative to national average.
Source: Malaysia: Government of Malaysia, successive Plans.

inequalities have been reduced over the last 40 years, mainly because of deliberate government policy. The Chinese (24 percent of the population) are mostly Christian or Buddhist, and the Indian population (6.5 percent) is Hindu, with sizeable Muslim and Christian minorities.[9]

In 1970, average incomes of Bumiputera (indigenous groups, mainly Muslim) were less than half those of the Chinese and about 55 percent of average Indian incomes, with similar discrepancies in education. With their domination of government, however, strong policies were adopted to improve the position of the Malays; yet a considerable gap remained even in 2004 as Figure 11.2 illustrates. Despite the continued economic gap, the dominant political and cultural position of the Malays means that it is the other two communities—the Chinese and Indians—that feel threatened and claim discrimination.

Indonesia

Muslims account for over 84 percent of the population, with most of the remainder Christian or Buddhist, according to the 2000 census. Muslim incomes, on average, are below all other groups except the small Hindu population (Table 11.2). Given their political and demographic dominance, these differences are normally not provocative—but there were attacks on the Christian Chinese during the economic crisis of the late 1990s. Moreover, while Muslims have been politically dominant at the national level, in some areas of the archipelago where colonial Christianization took hold more strongly, Christian groups are of a

Table 11.2 Income HIs in Indonesia

	Share of population, %	*Ratio of income per capita to Muslim income*
Muslims	83.6	1 [1.04]
Catholics	7.6	1.58 [1.29]
Protestants	4.2	1.50 [1.25]
Hindus	3.0	0.97 [1.17]
Buddhists	1.3	1.61 [0.93]

Source: Calculated from the 1995 Inter-Censal Survey (SUPAS) data.

Note: Bracketed figures = coefficient of variation

similar size to Muslim and have dominated local politics. Amid rapid and extensive decentralization in the post-Suharto era, competition for political and economic power at the local level fed into extensive religious violence in Ambon, North Maluku, and Central Sulawesi

HIs faced by Muslims in West Africa

In West Africa, like Asia, in some countries Muslims dominate the population (for example, Niger and Mali), in some they form a significant minority (Benin, Cameroon, Côte d'Ivoire and Ghana); while in Nigeria they account for about half the population. Muslims are generally concentrated in the north of each country, so that data on regional inequalities indicates Muslim/other HIs.

In the case of Côte d'Ivoire, Ghana[10] and Nigeria, data for child mortality and for education shows worse performance in the north of the country (Figure 11.3). For Benin, while education indicators (literacy and school attendance) are worse in the four northern regions than the national average, and income per head is worse in three, life expectancy is as good or better, possibly reflecting lower rates of HIV/AIDS among Muslim populations. Data on height differences also show northern disadvantage in Cameroon, Chad, and Côte d'Ivoire (Moradi and Baten, 2005).

While there is generally economic and social disadvantage among Muslims, the political and cultural status situation varies strongly with demography as well as national attitudes and practices. Thus in the majority states, Muslim cultural and political status is generally good. But in the minority states, there is considerable variation. There is a marked contrast, for example, between Ghana and Côte d'Ivoire—in Ghana there is a culture of inclusion both politically and in relation to

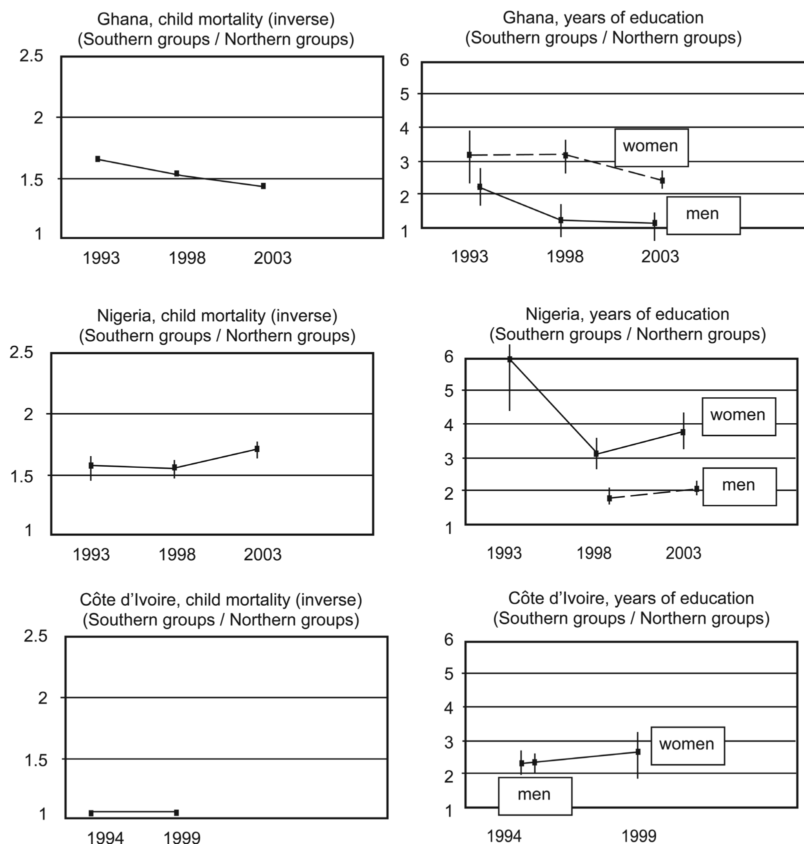

Figure 11.3 Horizontal inequalities between north and south in three West African countries.

general status; but in Côte d'Ivoire, early in the 2000s, northerners were excluded politically and culturally—indeed this is thought to be a major reason for the outbreak of civil war in 2002 (Langer, 2005).

Inequalities between countries

If we take all countries in which Muslims dominate and contrast them with all countries where other religions (or non-religions) dominate, including Christians, Hindus, Buddhists and secularists, there is a clear and large gap favoring non-Muslims. However, there are very large differences within each of these categories: for example, there are many

poor countries in the non-Muslim group (for example, Malawi, Nepal); and some middle- or upper-income countries in the Muslim group (for example Malaysia, Kuwait). Nonetheless, connections among the Muslim group of countries may be sufficiently strong for the more successful countries (like the more successful people within national groups) to feel shared grievance with the less successful ones. This is especially likely where the countries share the same subset of Muslim beliefs—for example, among Sunni or Shiite populations.

This section provides evidence on two types of international inequality: that between Muslim countries as a group and all others; and that between Israel and Palestine. Each of these divisions appears to generate shared grievances and consequent incentives for mobilization.

All Muslim countries compared with non-Muslim

Both categories of country are obviously very heterogeneous. In terms of Human Development (HD) they range from Norway to Burundi in the non-Muslim category and United Arab Emirates to Guinea Bissau among the majority Muslim states. The proportion of countries in the high-HD category is, however, much lower for Muslim countries and the proportion in the low-HD category much higher than for non-Muslim (see Figure 11.4). Average per capita incomes of the states where a majority of the population is Muslim are just 44 percent of those of the non-Muslim countries, and under-five mortality rates are almost twice as high (Table 11.3) with considerable heterogeneity in each group, shown by a high standard deviation.

There is also a clear imbalance in political power. As indicators of this, Table 11.3 compares membership of the UN Security Council, voting rights at the International Monetary Fund (IMF) and military

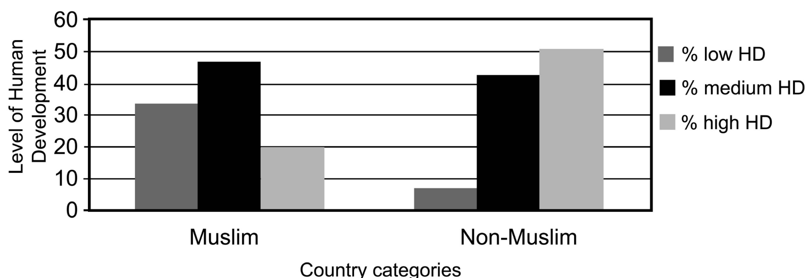

Figure 11.4 Human development in Muslim and non-Muslim countries.
Source: Data from UNDP, HDRO Statistics.

Table 11.3 Comparative performance of Muslim and non-Muslim countries

	Muslim countries,[a] average[b] performance	*Non-Muslim countries average performance*	*Ratio of Muslim to non-Muslim*
Under 5 mortality, 1970	200 [89.5]	105 [81.5]	1.9
Under 5 mortality, 2005	100 [80.3]	46 [55.5]	2.18
Growth rate, per capita income, 1975–2005	0.1 [2.4]	1.5 [2.3]	0.07
Per capita income, 2005, PPP, US$	5,470 [6,493]	12,497 [12,019]	0.44
Membership of Security Council, total	3/17 (non-permanent)	12/17 (including all permanent)	0.25
Representation in relation to share of world population	0.12	0.16	0.75
Representation in relation to no. of countries	0.09	0.18	0.5
% of IMF voting rights	11.8	88.2	0.13
% of IMF voting rights in relation to population share	0.47	1.18	0.4
Share of world military expenditure	7.7%	92.3%	0.08
Share of world military expenditure in relation to share of world population	0.31	1.23	0.25

Source: UNDP, *Human Development Report* statistics; IMF, 2009; UN Security Council, 2009.

Notes:

a Defined as any country with 50 percent or more of population classified as Muslim according to CIA, *World Fact Book* (CIA, 2009). Standard deviations are in square brackets.

b Country averages, not weighted by population.

expenditure. By each measure, the Muslim countries fall well below the non-Muslim countries, including when calculating these in relation to population shares, or numbers of countries.

Israel/Palestine

The large inequalities between Israel and Palestine are well known.[11] Table 11.4 illustrates socio-economic HIs. There are also, evidently, large political HIs, since Palestine is not internationally recognized as an independent state (and indeed, even if it were, lacks power).

Table 11.4 Inequalities between Israel and Palestine

	Israel	*Palestine*	*Ratio I/P*
GNI per capita, 2006	$18,850	$1,230	15.3
GDP per capita growth rate, 1990–2006	1.5%	–2.8%	
Telephones per 1,000 (2005)	155	39	4.0
Unemployment rate	7.6% (2007)	34.8% (Gaza, 2006) 18.6% (West Bank, 2006)	0.21 (Gaza) 0.41 (West Bank)
Poverty rate	21.6 % (2005) Poverty line = $7.30 per day or 2.4 times Palestinian average per capita income	80%[a] (2007), Gaza 67%[ab] (2007), West Bank	Not applicable since poverty lines differ
Infant mortality rate, per 1,000 live births	4	20	0.25

Source: UNICEF, 2008.

Notes:
a *Palestine Monitor*, 2009.
b CIA World Fact Book estimate is 46 percent.

Overview of evidence

This section has shown that HIs adverse to Muslims are very widespread—within countries in the North and South, with very few exceptions (Egypt and the Sudan are among the few countries where HIs favor Muslims); between non-Muslim countries as a group and Muslim countries; and between Israel and Palestine, a particularly politically salient division. In countries where Muslims form a minority, there are generally political and cultural status inequalities too, which, in many cases, have led to violent unrest. In contrast, in countries where Muslims form a majority, the economic inequalities are compensated for by political power and cultural status favoring the Muslim group, which tends to reduce the likelihood of violent political mobilization. Internationally, the large socio-economic HIs are accompanied by political and cultural status inequalities, as indicated by such data as membership of the UN Security Council (and especially permanent membership), voting rights at the IMF and the distribution of military expenditure. The data on membership of the UN Security Council and voting rights at the IMF, in particular, are indicative of inequalities concerning global governance.

Yet an important question remains unanswered. If these inequalities are to lead to any sort of worldwide mobilization, then Muslims worldwide must have some shared identity and shared perceptions of grievance despite the considerable heterogeneity of Muslim populations and their geographical spread. It is impossible to prove this is the case. All I can do is present some suggestive evidence of two kinds. First, evidence of global connections among Muslims across geographic distance; and second, evidence of shared perceptions of identity. The next section briefly describes the many global links that Muslims have; this is followed by some evidence on shared perceptions.

Global connections

There is a vast mass of evidence of global connections among different Islamic communities. The direction of some of the major connections is illustrated in Figure 11.5. Six types of connection are distinguished: family connections involving communications, marriages, and remittances; education and training, in which people travel globally to Asia, the Middle East, and to Europe to attend a range of educational institutions; financial connections (outside the family ones) with finance (and aid) crossing borders, much going from the Middle East, notably Saudi Arabia and Kuwait, to developing countries; the Hajj

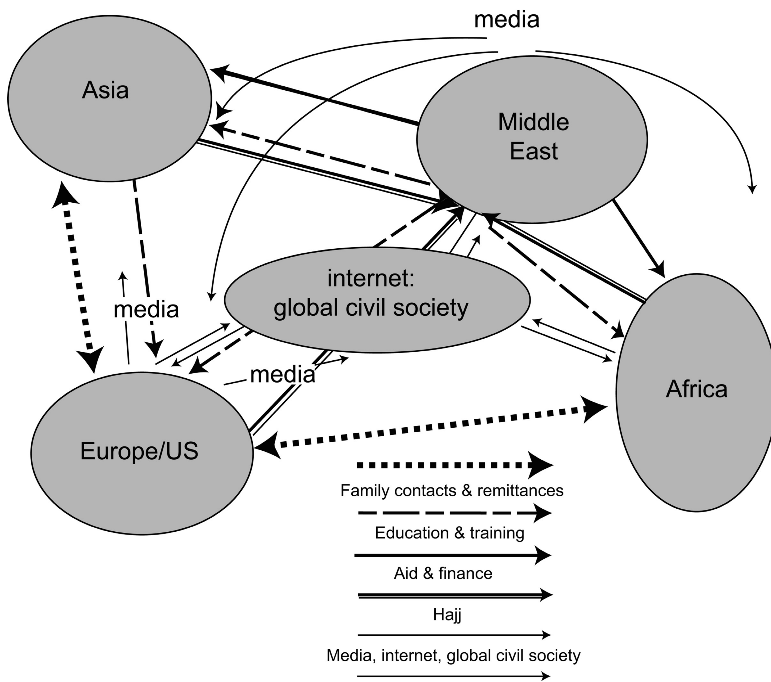

Figure 11.5 Direction of some of the major connections.

pilgrimage which takes millions to Mecca; global civil (including religious) and political institutions; and most recently media and internet connections. While all these connections enhance a shared Muslim identity, the connections are multilayered, and the links occur among different groups of people according to context—including importantly, differences among religious subsets of Islam—Sunnis, Shia, different *madhabs* within them, Sufism and different Sufi orders, liberals and radicals, and so on (see Sivan, 2003); as well as differences in economic activities and interests, needs and education. The connections are neither unidirectional nor monolithic. Nonetheless, together the links are very large in number—some of which touch most Muslims in one way or another. It is not possible here to catalogue all these connections, but I will simply provide a few illustrations.

1 *Family connections and remittances.* Most Muslims in the industrialized countries are recent origin migrants and consequently have family connections, communicating with their families frequently,

visiting them periodically, often going home to find a spouse or sending for one, and sending money home. Consequently, the family at both ends of the chain are aware of the conditions faced at the other end. On remittances, for example, Spanish immigrants are estimated to have sent over €8 billion home in 2007 (Expatica, 2008). Bangladesh received over US$600 million in remittances from expatriate workers in November 2007, roughly equivalent to 5 percent of a whole year's exports. In the mid-1980s, Sudan was estimated to receive over US$3 billion a year from family remittances (Prunier and Gisselquist, 2003: 121).

2 *Education and training*. Muslims travel globally to attend schools (madrassas) in the Middle East and Asia. This, of course, has a long history dating back to the tenth century with the founding of Jami'at al-Qarawiyyin in Fez in Morocco. Al-Azhar, in Cairo, also established at the end of the tenth century, became a famous educational center with flourishing global networks dating back to the seventeenth century (Azyumardi, 2004). Prominent people who attended this university in the twentieth century have included prominent religious leaders in Egypt, Palestine, Eritrea, the Maldives, Malaysia, Spain, and the USA. While most of this education and training concerns advancing religious understanding, some have also been trained for violence in camps in Afghanistan; and Afghan veterans have joined Islamic groups in Asia, Africa, and the Middle East. As *Jane's Intelligence Review* puts it, "These fighters are devout Muslims inspired by Islamic scholars and are willing to sacrifice their lives for Islam" (*Jane's Intelligence Review*, 1 August 2001). One of the leaders of a faction of the Moro rebels in the Philippines had received religious training in Saudi Arabia, military training in Libya, fought in Afghanistan between 1979 and 1989, and then returned to the Philippines (Buendia, 2005: 13).

3 *Finance and aid*. Institutions include the Islamic Development Bank (2009) which is a multilateral development bank established "to foster the economic development and social progress of its member countries and Muslim communities in non-member countries." The Bank was founded in 1975, and its headquarters is in Jeddah, Saudi Arabia with branches in Morocco and Malaysia. An offshoot is the International Islamic Trade Finance Corporation, established in 2006, aiming to promote trade. Other aid-giving institutions are the Kuwait Fund for Arab and Economic Development, founded in 1961, and the Saudi Fund for Development, established in 1974.

Support has been provided by King Fahd of Saudi Arabia (2009) for mosques or Islamic centers in six European countries, the United

States and Canada, Australia and New Zealand, five sub-Saharan African countries, six Asian countries, three Latin American countries, and Islamic research centers, academies and academic chairs in 11 countries. Saudi finance has also supported political parties; for example, the Front Islamique du Salut (FIS) "received a great deal of Saudi funding" as well as from Iran (Fuller, 1996; Anderson, 1998).

There is also a growing number of commercial or semi-commercial Islamic Banks—about 300 are listed by the Institute of Islamic Banking. Some of these are national, but many have strong international links.

Financial support for some armed struggles represents another connection—for example, it is generally accepted that MILF (the Moro Islamic Liberation Front in Mindanao) received funds from Libya that were channeled via the chief minister of the state of Sabah (McKenna, 1998); and the FIS in Algeria received Saudi finance (Fuller 1996; Lloyd, 2006).

4 *The Hajj*. This annual pilgrimage involves as many as 2 million people. Every Muslim is supposed to go once in a lifetime. Besides its religious significance, the journey provides an opportunity for confirming a person's religion and identity and for people to meet other Muslims from across the world.
5 *Global civil and political institutions.* Well known institutions with global connections include the Organization of the Islamic Conference (OIC) which has 57 country members and aims "to safeguard and project the interests of the Muslim world" (OIC, 2009), the Muslim Brotherhood; the World Islamic League; the International Islamic Relief Organization; the World Assembly of Muslim Youth; and the Red Crescent. As Sivan notes, religious leaders also sometimes have legal and/or moral authority across borders. Examples are the Sheik Yusuf al-Qardaw who lives in Qatar and is supreme mufti for the Palestinian Hamas, and Sheik Ibn Qatada, who is a Palestinian-Jordanian living in London and acting as mufti to the Algerian GIA (the Armed Islamic Group) (Sivan, 2003: 29).
6 *The media and internet*. Media connections occur via global TV channels, such as Al Jazeera and Abu Dhabi TV, radio channels (Radio Islam), and numerous websites and disapora newspapers. The importance of the internet is growing here as elsewhere. Schmidt (2004) discusses its importance in developing Muslim identities among the young in three Western countries. He notes that "the internet can be an effective tool (besides travelling, mobile phones) in the establishment of a transnational Islamic discourse—

'a reimagined umma(h)'" (Schmidt, 2004: 36). Discussing the protests against the Danish cartoons, Faisal Devji (2006) writes:

> Muslim … protests brought into being *a hypermodern global community* whose connections occur by way of mass media alone. From the Philippines to Niger, these men and women communicated with each other only indirectly, neither by plan nor organization, but through the media itself.
>
> (my italics)

A good example of some of the multiple connections is provided by a recent article based on an interview with Moazzam Begg, a second-generation British Muslim with a middle-class background who had been detained in Guantanamo Bay (Abbas, 2007). Abbas attributes Begg's radicalism to "exclusion, marginalisation, disempowerment, media bias, political rhetoric, far right hostility, perceptions in relation to British and US foreign policy, a lack of appropriate Muslim leadership in Britain" (Abbas, 2007: 430).

Facing racism in Birmingham, Moazzam moved closer to Islam "to get rid of the cultural baggage" (Abbas, 2007: 432). He met Bosnian Muslims, blonde and blue-eyed and "felt a great affinity towards them" (Abbas, 2007: 433). In the 1990s he made eight or nine trips to Bosnia, and made financial donations to the Bosnian army. He married a Pakistani woman (an arranged marriage) and moved to Afghanistan, where he financed and built a school. When asked about the London bombings of July 2007, he said:

> The targeting of individuals is wrong and it shouldn't happen … The overriding factor of the occupation in Iraq and Afghanistan was enough to spur them on to do what they did … it was this idea that it is all one and the same: the struggle in Afghanistan and Iraq and even Britain, that it's all connected.
>
> (Abbas, 2007: 436)

Some evidence on perceptions

So far the chapter has established that Muslims suffer from adverse HIs within and across countries; and that there are manifold global connections linking Muslims across countries. These connections make it likely that grievances in one place will be felt elsewhere. In this section I explore the global connectedness of Muslims further, by reviewing some data on perceptions. Here I only do a very minimal job, relying on several

Pew Trust surveys of perceptions carried out in selected developed and developing countries. What is interesting about the results of these surveys is the *consistency* of views of Muslims in different parts of the world and the systematic differences in their perceptions compared with those of non-Muslims.

This consistency is indicated by the 2006 Pew survey (Pew Research Center, 2006a; 2006b) which showed considerable agreement among Muslims across the world on a range of issues, with quite sharp differences in views between Muslims and others on some questions (Figure 11.6). This chart presents the *net* views of Muslims and non-Muslims on various issues. Both groups were quite heterogeneous, the Muslims including Muslims in European countries and in Muslim nations; and the “others” including Europeans, US citizens, and Nigerian Christians.

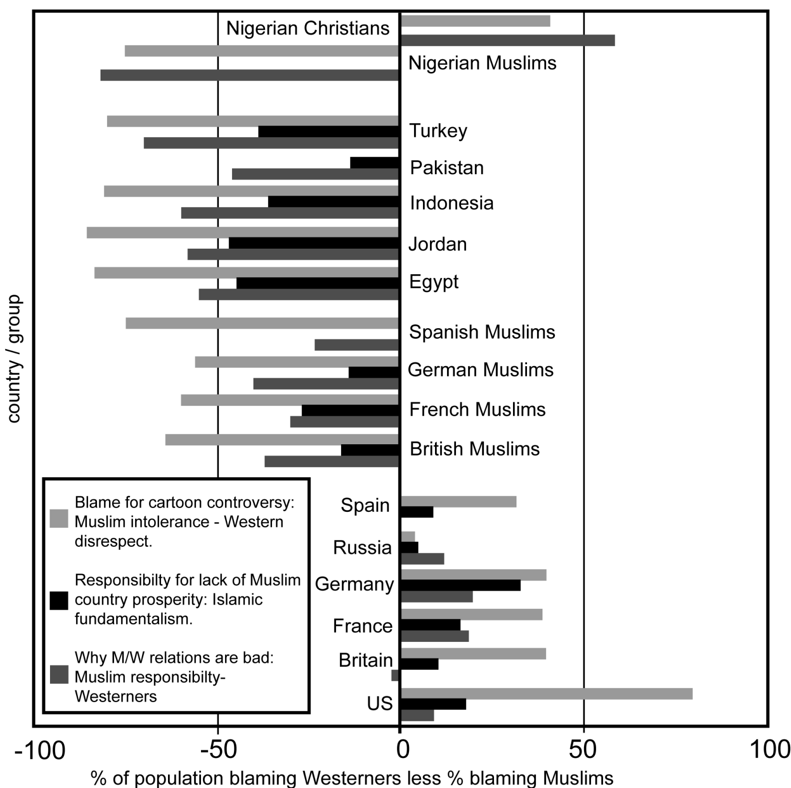

Figure 11.6 Differences in perceptions, Muslims versus others.
Source: Pew Research Center, 2006a.

Yet there were systematic differences between the two groups. For example, while a majority of all respondents agreed that relations between Muslims and the West are bad, a high proportion of Muslims blamed Western people, and the reverse was true of non-Muslims with a considerable proportion blaming Westerners. The difference was most marked among Nigerians: 69 percent of Christian Nigerians blamed the Muslims and 10 percent Western people, while in contrast only 1 percent of Nigerian Muslims blamed Muslims and 83 percent blamed Western people. When it comes to attributing responsibility for Muslim nations' lack of prosperity a third or more of Westerners blamed Islamic fundamentalism, while the proportion was much lower among *every category* of Muslims, including Muslims in Europe and in developing countries. Again, Muslims were more inclined to blame US and Western policies. That said, views about government corruption, lack of education and lack of democracy as being responsible were broadly shared across all groups. Moreover, concern with the rise of Islamic extremism, though highest among European and US populations, was shared by European Muslims as well as Muslims in developing countries. For example, 84 percent of non-Muslim British were very or somewhat concerned about the rise of Islamic extremism, as were 77 percent of British Muslims and 71 percent of Pakistanis.

A further indication of a common Muslim identity is the high proportion of Muslims—both in European countries and in Muslim countries—who said they were Muslims first and citizens of a particular nation second (Figure 11.7).

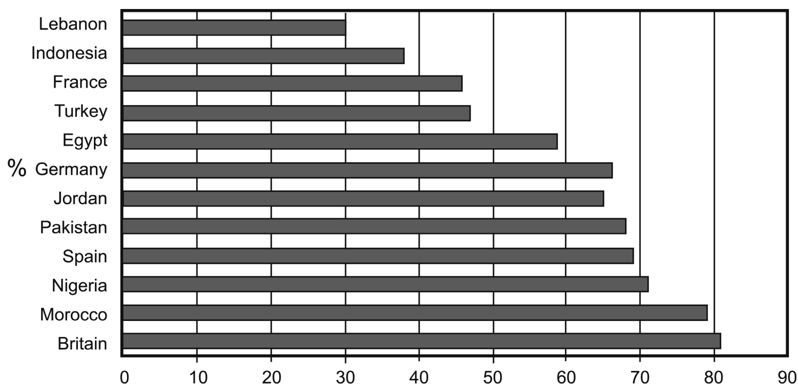

Figure 11.7 Proportion saying they were Muslims first and national citizens second.

Source: Pew Research Center, 2006a; 2006b.

Global governance: consequences and conclusions

In this chapter I have aimed to show that there are global as well as national dimensions to HIs, and that if a group has a shared identity that crosses nations, mobilization can occur because of such HIs, in a similar way to the mobilization that sometimes occurs in reaction to national HIs. As with national HIs, where several dimensions of HIs go in the same direction—for instance, there are political as well as socio-economic inequalities and cultural status ones—mobilization is more probable. To the extent that a group has strong affiliations with others in the group elsewhere in the world, then horizontal inequalities in one part of the world can be a cause of grievance and of mobilization elsewhere. I have used the example of Muslims today where there are clear global inequalities and global networks. Other examples are possible. One is the Tamil diaspora who are affected by their own situation in the country they reside and also the situation in Sri Lanka; another, historically and currently, are Jewish communities who form(ed) a global network. In all these cases, it is not the poorest members of the community who mobilize most easily, but more often the more educated and articulate, as in the case of Moazzam, cited above. A shared identity sufficient to make common cause on some issues does *not* mean the group is homogeneous—quite obviously this is not the situation in the case of Muslims today (or Jews, or Tamils)—but that when faced with non-Muslims (or non-Jews or non-Tamils) the Muslim/Jewish/Tamil identity in some circumstances trumps local identities. When and why this happens is, of course, a critical issue. Important determinants include the extent to which each national group faces similar discrimination and inequality; the strength of connections across national groups; how far there appear to be global attacks on the common identity; and the nature of leadership, among other factors. Moreover, as with national HIs, it is never the case that the entire group is mobilized, but rather that a powerful minority is. As noted in the previous section, the vast majority of Muslims view the rise of Islamic extremism with alarm. Yet, as at the national level, systematic HIs do make mobilization more likely.

If I am right in arguing that these global HIs raise the risk of conflict, just as national ones do, then strong policy implications follow. As with national HIs it becomes important to reduce HIs in each dimension where they are severe. But the requirements in the global case are much greater than in the national case, since reduction in HIs is needed *both within and between* countries. Thus the analysis suggests

that inequalities within Western societies are one factor raising the risk of global mobilization, so that quite apart from the need to reduce inequalities in order to build a just and flourishing society, action needs to be taken within each country to reduce socio-economic, political and cultural status HIs to bring about global political stability. Yet this has not been a significant plank of post 9/11 or 7/7 policy; rather suppression has been the main policy. The same is true of the many inequalities observed within developing countries, which are particularly provocative where there are political as well as socio-economic inequalities, as in many of the cases described earlier.

Policies designed to reduce national inequalities in socio-economic, political and cultural status dimensions are fairly well developed (Stewart, 2008). They have been adopted (with varying degrees of success) in a number of multi-ethnic or multi-religious societies, although rarely with respect to Muslim groups. Few policies have been adopted in developed countries beyond anti-discriminatory laws.

The policy requirements of this analysis also include reducing international inequalities—the most notable because the most visible is that between Israel and Palestine. Again in relation to this situation, force rather than equalization has been the main policy stance. But in addition, there is a gross imbalance in *political power* at the global level (including between Palestine and Israel). While power is not something that can be painlessly redistributed as it arises from the intrinsic situation of the parties, some of the symptoms could be alleviated. Most obvious is the systematic use of military power by the West against Muslim nations which powerfully demonstrates the asymmetry of power. In addition, representatives of Muslim states could be incorporated to a much greater extent than at present, and more systematically, into global decision-making—for example, into the Security Council, the decision-making of the IMF and World Bank, and into ad hoc decision-making bodies. But to do this effectively will require including genuine representatives of the various strands of Muslim thinking, and not simply token people with a Western perspective.

The OIC could be a source of greater empowerment—this would require greater recognition from the rest of the world, and also regular meetings, recommendations and action by the OIC itself. As for national empowerment of particular groups, success is likely to require organization and claims by the groups themselves, and also recognition and respect by the rest of the world. This is a matter not just (or even necessarily at all) of changing formal rules, but also of changing informal norms and behavior.

Notes

1 I have benefited from research assistance from Manizah Immam; and I am very grateful to Graham Brown for ideas, and for comments on a previous draft; and also to comments from a Centre for Research on Inequality, Human Security and Ethnicity seminar.
2 This section draws on Stewart (ed.) 2008.
3 The Dutch term for indigenous Dutch.
4 The employment penalty is the difference in percentage employment in relation to population of working age between a particular group and that of whites, the most advantaged group.
5 Other incidents are described in Briggs and Birdwell, 2009.
6 Scheduled castes and tribes—among the Hindus—also face multiple deprivations and are generally worse off than Muslims as a group (Government of India, 2006).
7 But Muslims *infant and child mortality rates* are *better* than Hindus—an unexpected finding given the worse educational and economic situation which has been attributed to different behavioral patterns.
8 This includes some indigenous groups who are not Muslim.
9 The Indian population is notably heterogeneous. Historically, Indians fell into two broad groups—those who staffed the colonial bureaucracy, who were relatively well educated, English speaking and often Christian—and mainly Tamil-speaking, mainly Hindu, plantation workers. Although both groups have diversified their socio-economic roles in the post-colonial era, this significant stratification of the community has endured. Overall, the Indian community remains significantly richer than the Bumiputera, but there remains an underclass of poorer Indians.
10 In Ghana, Muslims are a minority in the north.
11 There are also inequalities between Jews and Muslims within Israel—for example, the infant mortality rate among Muslims is double that among Jews. “Arabs in Israel are a heterogeneous but largely underprivileged minority with a history of disadvantage in several domains, including education and employment” (Okun and Friedlander, 2005: 163).

Bibliography

Abbas, Tahir (2007) “Ethno-Religious Identities and Islamic Political Radicalism in the UK: a Case Study,” *Journal of Muslim Minority Affairs*, 27(3): 356–68.

Amghar, S. (2009) “Foundations of Muslim Radicalism in France,” in M. Emerson (ed.) *Ethno-religious Conflict in Europe* (Brussels: Centre for European Policy Studies).

Anderson, D. (1998) “Democratization and Foreign Policy in the Arab World: The Domestic Origins of the Jordanian and Algerian Alliances in the 1991 Gulf War,” in M. Kahler (ed.) *Liberalisation and Foreign Policy* (New York: Columbia University Press).

Angus-Reid (2006) “Islam Incompatible with Europe, Say Dutch,” *Angus-Reid Global Monitor*, 7 July. Available HTTP: www.angus-reid.com/polls/view/12143 (accessed 20 July 2009).

Ansari, Iqbal (2006) *Political Representation of Muslims in India, 1952–2004* (New Delhi: Manak Publications).

Azyumardi, Azra (2004) *The Origins of Islamic Reformism in Southeast Asia: Networks of Malay-Indonesian and Middle Eastern Ulama in the Seventeenth and Eighteenth Centuries* (Honolulu: University of Hawaii Press).

Barrows, W.L. (1976) "Ethnic Diversity and Political Instability in Black Africa," *Comparative Political Studies*, 9(2): 139–70.

Berry, Albert, and Serieux, John (2004) "All about the Giants: Probing the Influences on World Growth and Income Inequality at the End of the 20th Century," CES*ifo Economic Studies*, 50(1): 133–70.

Bourguignon, F., and Morrisson, C. (2002) "Inequality among World Citizens, 1820–1992," *American Economic Review*, 92(4): 727–44.

Brass, Paul R. (2003) *The Production of Hindu-Muslim Violence in Contemporary India* (Seattle: University of Washington Press).

Briggs, R., and J. Birdwell (2009) "Radicalisation among Muslims in the UK," in M. Emerson (ed.) *Ethno-Religious Conflict in Europe* (Brussels: Centre for European Policy Studies).

Broman, C. (1997) "Race-Related Factors and Life Satisfaction among African Americans," *Journal of Black Psychology*, 23(1): 36–49.

Brown, G. (2008) "Horizontal Inequalities and Separatism in Southeast Asia: A Comparative Perspective," in Frances Stewart (ed.) *Horizontal Inequalities and Conflict. Understanding Group Violence in Multiethnic Societies* (London: Palgrave).

Brown, T.N., D.R. Williams, J.S. Jackson, H. Neighbours, S. Sellers, T. Myriam, and K. Brown, (1999) "Being Black and Feeling Blue: Mental Health Consequences of Racial Discrimination," *Race and Society*, 2(2): 117–31.

Buendia, Rizal (2005) "The State-Moro Armed Conflict in the Philippines: Unresolved National Question or Question of Governance?" *Asian Journal of Political Science*, 13(1): 109–38.

CNN (Cable News Network) (2006) "Veil: British Papers Back Straw," *CNN.com*, 7 October. Available HTTP: www.cnn.com/2006/WORLD/europe/10/07/uk.straw/ (accessed 20 July 2009).

CBS (Central Bureau of Statistics) (2004) "Allochtonen in Nederland 2004 ('Non-Natives' in the Netherlands 2004)" (Voorburg: Centraal Bureau voor de Statistiek).

CIA (Central Intelligence Agency) (2009) *The World Factbook* (Washington, DC: CIA). Available HTTP: https://www.cia.gov/library/publications/the-world-factbook/geos/RP.html (accessed 20 July 2009).

Devji, Faisal (2006) "Back to the Future: The Cartoons, Liberalism, and Global Islam," *openDemocracy* (London: openDemocracy). Available HTTP: www.opendemocracy.net/conflict-terrorism/liberalism_3451.jsp (accessed 20 July 2009).

Equalities Review (2007) *Fairness and Freedom: The Final Report of the Equalities Review* (London: Equalities Review).

——(2006) *Equalities Review: Interim Report for Consultation* (London: Equalities Review).

——(2005) *Equalities Review: Interim Report for Consultation* (London: Equalities Review).

EUMC (European Monitoring Centre on Racism and Xenophobia) (2007) "Highlights of EUMC Report 'Muslims in the European Union: Discrimination and Islamophobia'" (Vienna, Austria: European Agency for Fundamental Rights). Available HTTP: http://fra.europa.eu/fraWebsite/material/pub/muslim/EUMC-highlights-EN.pdf (accessed 20 July 2009).

Expatica (2008) "Spain's Immigrant Remittances Soar Despite Slowdown," *Expatica.com*, 19 March. Available HTTP: www.expatica.com/es/news/local_news/Spain_s-immigrant-remittances-soar-despite-slowdown.html (accessed 20 July 2009).

Fisher, A. (2004) "Urban Fault Lines in Shangri-La: Population and Economic Foundations of Inter-Ethnic Conflict in the Tibetan Areas of Western China," Crisis States Programme Working Paper 42 (London: Crisis States Research Centre).

Fuller, Graham E. (1996) *Algeria: The Next Fundamentalist State?* (Santa Monica, Calif.: RAND).

Gates, S., and M.S. Murshed (2005) "Spatial-Horizontal Inequality and the Maoist Insurgency in Nepal," *Review of Development Economics*, 9(1): 121–34.

Government of India (2006) *Social, Economic and Educational Status of the Muslim Community in India*, Prime Minister's High Level Committee, Cabinet Secretariat (New Delhi: Government of India).

Government of Indonesia (1995) *Intercensal Population Survey* (SUPAS) (Jakarta: Government of Indonesia).

Government of Malaysia (1971) *Second Malaysia Plan, 1971–1975* (Kuala Lumpur: Government Printer).

——(1981) *Second Malaysia Plan, 1981–1985* (Kuala Lumpur: Government Printer).

——(1991) *Second Malaysia Plan, 1991–1995* (Kuala Lumpur: Government Printer).

——(2001) *Second Malaysia Plan, 2001–2005* (Kuala Lumpur: Government Printer).

——(2006) *Second Malaysia Plan, 2006–2010* (Kuala Lumpur: Government Printer).

Gurr, T.R. (1993) *Minorities at Risk: A Global View of Ethnopolitical Conflicts*, (Washington, DC: United States Institute of Peace Press).

——, and W.H. Moore (1997) "Ethnopolitical Rebellion: A Cross-Sectional Analysis of the 1980s with Risk Assessments for the 1990s," *American Journal of Political Science,* 41(4): 1079–1103.

Harrison, Frances (2007) "Muslim Faith Behind Bars," BBC News, 12 October. Available HTTP: news.bbc.co.uk/2/hi/uk_news/7040519.stm

International Monetary Fund (2009) "IMF Members' Quotas and Voting Power, and IMF Board of Governors" (Washington, DC: IMF). Available HTTP: www.imf.org/external/np/sec/memdir/members.htm (accessed 20 July 2009).

Islamic Development Bank (2009) "Islamic Development Bank" (Jeddah: Islamic Development Bank). Available HTTP: www.isdb.org/irj/portal/anonymous?guest_user=idb_eng (accessed 20 July 2009).

King Fahd bin Adbul Aziz (2009) "Academic Chairs—King Fahd bin Abdul Aziz," Available HTTP: www.kingfahdbinabdulaziz.com/main/m200.htm (accessed 20 July 2009).

Langer, Arnim (2005) "Horizontal Inequalities and Violent Group Mobilisation in Côte d'Iviore," *Oxford Development Studies*, 33(1): 25–45.

Lloyd, C. (2006) "Multiple Causes of Conflict in Algeria: National Identity, Inequality and Political Islam," in Valpy Fitzgerald, Frances Stewart and Rajesh Venugopal (eds.) *Globalization, Violent Conflict and Self-Determination* (London: Palgrave).

Mancini, Luca (2005) "Horizontal Inequality and Communal Violence: Evidence from Indonesian Districts," CRISE Working Paper 22 (Oxford: Centre for Research on Inequality, Human Security and Ethnicity).

McKenna, Thomas (1998) *Muslim Rulers and Rebels: Everyday Politics and Armed Separatism in the Southern Philippines* (Berkeley: University of California Press).

Moradi, Alexander, and Joerg Baten (2005) "Inequality in Sub-Saharan Africa: New Data and New Insights from Anthropometric Estimates," *World Development*, 33(8): 1233–265.

Okun, Barbara S., and Friedlander, Dov (2005) "Educational Stratification among Arabs and Jews in Israel: Historical Disadvantage, Discrimination, and Opportunity," *Population Studies*, 59(2): 163–80.

OIC (Organisation of the Islamic Conference) (2009) "Organisation of the Islamic Conference" (Jeddah: Organisation of The Islamic Conference). Available HTTP: www.oic-oci.org/home.asp (accessed 20 July 2009).

Østby, G. (2003) "Horizontal Inequalities and Civil War," M.A. thesis, Norwegian University of Science and Technology, Oslo.

——(2008) "Inequalities, the Political Environment and Civil Conflict: Evidence from 55 Developing Countries," in Frances Stewart (ed.) *Horizontal Inequalities and Conflict. Understanding group Violence in Multiethnic Societies* (London: Palgrave).

Palestine Monitor (2009) "Palestine Monitor" Available HTTP: http://palestine monitor.org (accessed 20 July 2009).

Pew Research Center (2006a) "The Great Divide: How Westerners and Muslims View Each Other," Pew Global Attitudes Project, June (Washington, DC: Pew Research Center). Available HTTP: http://pewglobal.org/reports/display.php?ReportID=253 (accessed 20 July 2009).

——(2006b) "Muslims in Europe: Economic Worries Top Concerns About Religious and Cultural Identity," Pew Global Attitudes Project, July (Washington, DC: Pew Research Center). Available HTTP: http://pewglobal.org/reports/display.php?ReportID=254 (accessed 20 July 2009).

Pouw, Patrick (2008) *Salaam! Een Jaar Onder Orthodoxe Moslims (Salam! A Year Among Orthodox Muslims* (Amsterdam: Nieuw Amsterdam).

Prunier, G., and R. Gisselquist (2003) "The Sudan: A Successfully Failed State," in R. Rotberg (ed.) *State Failure and State Weakness in a Time of Terror* (Washington DC: Brookings Institution Press).
Schmidt, Garbi (2004) "Islamic Identity Formation among Young Muslims: The Case of Denmark, Sweden and the United States," *Journal of Muslim Affairs*, 24(1): 31–45.
SCP (Social and Cultural Planning Office of the Netherlands) (2003) "Armoedemonitor 2003 (Poverty Monitor 2003)" (The Hague: Social and Cultural Planning Office). Available HTTP: www.scp.nl/Publicaties/Alle_publicaties/Publicaties_2003/Armoedemonitor_2003 (accessed 20 July 2009).
——(2005) "Jaarrapport Integratie (Integration Annual Report)" (The Hague: Social and Cultural Planning Office).
Sivan, Emmanuel (2003) "The Clash Within Islam," *Survival*, 45(1): 25–44.
Stewart, Frances (2000) "Crisis Prevention: Tackling Horizontal Inequalities," *Oxford Development Studies*, 28(3): 245–62.
——(2002) "Horizontal Inequalities: A Neglected Dimension of Development," QEH Working Paper 81 (Oxford: Queen Elizabeth House, Oxford University).
——(ed.) (2008) *Horizontal Inequalities and Conflict: Understanding Group Violence in Multiethnic Societies* (London: Palgrave).
UN Children's Fund (2008) "State of the World's Children," (New York, UNICEF).
UNDP (2008) "HDRO Statistics," http://hdr.undp.org/en/statistics/ (accessed 15 May 2008).
UN Security Council (2009) "Membership in 2009" (New York: United Nations). Available HTTP: www.un.org/sc/members.asp (accessed 20 July 2009).
Veldhuis, T., and E. Bakker (2009) "Muslims in the Netherlands: Tensions and Violent Conflict," in M. Emerson (ed.) *Ethno-Religious Conflict in Europe* (Brussels: Centre for European Policy Studies).
Viprey, Mouna (2002) "L'Insertion des Jeunes d'Origine Étrangère," *Etude du Conseil Economique et Social, Editions des Journaux Officiels*, 12.
Wade, R. (2001) "Global Inequality: Winners and Losers," *Economist*, 28 April.
Wilkinson, S. (2004) *Votes and Violence: Electoral Competition and Ethnic Riots in India* (Cambridge: Cambridge University Press).

12 Governance and inequality

Reflections on faith dimensions

Katherine Marshall

In discussions about global governance, contemporary observers have tended to overlook the roles played by a group of institutions which, historically, were globalization's forerunners: those with a faith or religious mission. A long era of mainstream thought and policy action (some date it from the Enlightenment, others the Treaty of Westphalia) was heavily colored by what many term "secularism." Put simply, international relations disciplines and practice took largely for granted that the nation state model which dominated geopolitical life was grounded in the separation of church and state, with faith ideas and institutions largely relegated to the private sphere. A further assumption, sometimes explicit, more often implicit, held that the role of faith, and particularly of religious institutions and leaders, in shaping attitudes and behavior would decline steadily with modernization. The upshot was a general neglect of religious dimensions in scholarship (especially those disciplines that formed the backbone of international relations) and operational fields (expertise in staffing foreign services, for example).

The rising activism of religious actors in many parts of the world and their pro-active engagement on many international topics is shaking assumptions that undergirded the "secular era" at their foundation (see Berger et al., 2009; Casanova, 1994). A slew of books, studies, and task forces have in recent years addressed the "resurgence" of religion in the public square. These are epitomized in the title of Douglas Johnston and Cynthia Sampson's (1995) book: *Religion: The Missing Dimension of Statecraft*. Another set of questions has arisen as to whether the assumption of state neutrality or separation from religion is a Western-biased construction, a lingering form of colonialism that needs to be revised. Such challenges to accepted "wisdom" about state faith boundaries arise particularly where debates concern the large Muslim world (some 1.2 billion people), where acceptance of the

desirability of separating faith and governance is by no means universally acclaimed. Madeleine Albright's recent book setting forth her post-secretary of state reflections (Albright, 2007), speeches by William J. Clinton (2006) expressing his view that he had missed important faith dimensions during his presidency, and Tony Blair's sharp focus, after he left office as British prime minister, on faith as a force in international relations, all attest to mounting interest in the role of religion in international affairs. Awareness of, and thoughtful analysis about, religion's role in the global picture and particularly among institutions is, however, still distinctly patchy, and in practice the traditional "secular based" analytic models still predominate, from schools of international relations through diplomatic services.

Debates about how, and how far, contemporary international relations should take religion into account touch on virtually all dimensions of global governance. They are picking up steam among United Nations agencies, where "civilizational dialogue" and interfaith work are increasingly seen as antidotes to a "clash" of civilizations and as an integral part of peacemaking and peacekeeping work. Developments in Iran, Sri Lanka, and the challenges in many often quite different regions presented by militant groups with an explicitly Islamic ethos, have prompted much soul-searching about the role of religion and particularly its politicized and fundamentalist strands. The events of 11 September 2001 gave an important jolt in consciousness about the potential for religiously inspired violence with global impact. Though the revisionist international relations debates about the contemporary role of religion have tended to focus on its roles in violence and security, religious action on the global scene has also taken significant positive forms, for example the mobilization around the Jubilee 2000 movement to address poor country debt and campaigns against land mines and human trafficking. All have involved alliances prominently featuring religious voices. And a long series of polling results attest to the continuing importance of religion in people's lives.

The international development agenda, including approaches to poverty and to inequalities among nations and communities, as well as humanitarian aid, has prompted significant new thinking and action about how faith and development relate to each other. Here too, neglected terrain is being explored and engagement is multiplying, at global, regional, national and community levels. To date, the development dimensions of faith and development interactions have had a less prominent focus in international affairs discussions than topics more obviously linked to perceived security threats. But the topic is attracting increasing interest.

This chapter explores the terrain of development and faith intersections. It traces a schematic history of recent encounters and research against the backdrop of changing approaches to international development, and introduces the challenges involved in "mapping" the areas where development and faith engage. It explores briefly both tensions and potential, looking to the future. The underlying themes are that a highly complex landscape involving faith and public life is changing in fundamental ways that are only partially discerned and acted upon, that these affect the full panoply of development work, that purposeful dialogue and engagement at many levels are necessary and desirable because they stand to improve development outcomes, and that the poverty-equity-faith nexus is more central to international politics and global governance challenges more broadly, than is generally recognized. As the challenges of physical security (peace and safety) and human development are increasingly understood as tightly related, ethical, economic, social, cultural, and security issues combine in kaleidoscopic patterns. In sum, development issues are essential to human security and their religious dimensions play significant parts.

The institutional panorama of international development work

In the decades since the end of the Second World War, and especially since the 1970s, something akin to a "development world" has emerged as a key segment of global policies and institutions. It was born primarily of the humanitarian demands following devastating wars (Marshall Plan, CARE, Jewish charities, for example), fed by traditional impulses of charity and compassion for those who suffer, and nurtured by growing consensus that global public health and widespread, eventually universal education, were powerful common imperatives. Evolving ideas about human rights fostered the idea that all human beings were entitled to opportunities as well as freedoms. Early rather rudimentary notions and theories of economic development that centered, for example, on the role of capital investment, have evolved into more complex and often more contested approaches to social change.

These shifts have given rise to an emerging, rather bewildering array of institutions engaged in development work. The forerunner and still the leading institution is the World Bank, actually a group of several distinct institutions that today combine finance with policy analysis and advice and extensive research (Marshall, 2008b). The United Nations Development Programme is the lead agency for socio-economic development within the UN system, charged among other responsibilities with coordination at country level of specialized agencies, starting with

the development-focused UN agencies like the World Health Organization and UNICEF. Regional development banks have emerged, and an increasing number of countries also have bilateral assistance programs; in some cases, the United States most dramatically, these programs themselves comprise a wide array of different institutions and programs. Add to this the growing roles and complex institutional arrangements of private institutions, which include both companies and foundations and non-governmental organizations (NGOs) or private voluntary organizations, on the models of CARE, Save the Children, and Oxfam. The latter group comes in all shapes and sizes. The complexity of the institutions at work has given rise to specific coordinating mechanisms and, over the past few years, to an aid harmonization agenda that aims to coordinate and simplify—to date with fairly limited effect.

An important turning point came with the year 2000 UN General Assembly that brought together heads of state of virtually all nations, to mark the turning of the millennium. Preparations for that event focused on the challenges of global poverty and were colored by the frustrating realization that global meeting after global meeting had produced countless promises of action, with little result to show once the participants dispersed. This combined with rethinking about how well development work was doing—the field was and remains divided among aid optimists (like Jeffrey Sachs) and aid pessimists (William Easterly, Dambisa Moyo)—but at a broad level there was an emerging consensus about the moral and practical imperatives of disciplining development toward meaningful action in fighting poverty. The watchwords were results, effectiveness, and focus on poverty.

The Millennium Declaration that emerged from the summit in September 2000 underscored the global commitment to fighting poverty in ringing tones:

> We will spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected. We are committed to making the right to development a reality for everyone and to freeing the entire human race from want. We resolve therefore to create an environment—at the national and global levels alike—which is conducive to development and to the elimination of poverty. (UN, 2000a)

After the summit, technical specialists hammered out a set of eight Millennium Development Goals (MDGs) that were framed in some detail

(often quantified), with deadlines (2015) and a complex architecture of goals, targets, and benchmarks (UN, 2000b). The goals were designed to be specific, to reflect a concept of priorities (thus some areas were deliberately excluded), and to be achievable.

The MDGs have provided, in the years since 2000, a framework for the effort to combat world poverty, including the important if elusive goal of aid harmonization. They serve as a constant reminder of commitments, a rallying point for advocacy, and an aid to setting priorities.

The UN General Assembly meets each year and takes stock, as part of its work, on progress toward the MDGs. Thus far the reports have been rather gloomy but not despairing—uneven progress, absolutely no certainty of reaching the goals. The diversity of country experience is increasingly evident, as is the minimalist nature of the goal structures themselves, which focus only on raising up the bottom billion or so of the world's less favored people. And in 2008, a world economic crisis burst on the scene, threatening to derail progress toward the objectives and force hundreds of millions back into poverty. As world leaders grappled with how to respond to the crisis, a variety of voices, especially from poorer nations, offered reminders of the need to keep the focus on global poverty, and even how to re-engineer the global institutions to address the many system inequities. However, the immensity of the crisis tended to push these concerns to the background.

None of this suggests that the "development world" as an element of global governance systems is coherent or rationally designed—far from it. However, global efforts to translate general principles that are witnessed by the Universal Declaration of Human Rights and Roosevelt's Four Freedoms formulation have come far since the 1940s. Today, a dual concern at many levels with the misery of poverty and deprivation in its worst forms, and with the far-ranging implications of global inequities, which are seen as widening, provides a framework for concerted action, a standard against which action is measured, and a rallying cry.

Enter faith and development

Faith communities came somewhat late to an appreciation of the significance and mobilizing potential of the MDGs, but, once mobilized, many are using the framework for its intended purpose, as a rallying cry, tool for advocacy and vehicle for concerted action. The historically significant roles of faith institutions in health and education continue to this day and the global community's sharpening focus on broad global health efforts has given them much greater prominence. Finally, the ethical focus of many faith institutions has prodded and inspired

many in the development community toward more thoughtful dialogue about the complex issues that are part of development work, and above all its means and ends.

The relationships among institutions concerned primarily with international development and those inspired, in varying ways, by religious faith have changed significantly over the decades, but for both sets of institutions, increasingly over the years (and an essential caveat is the vastly complex and dynamic institutional pictures for both development and faith), human welfare and human security have assumed paramount importance.

Broadly speaking, the official development institutions that play central roles on the global scene took little formal account of faith institutions in the early decades after the creation of the UN. Then came a period of clash and tension, most acute around reproductive health issues and around debt and economic reform programs (structural adjustment). As civil society institutions worldwide multiplied and took on new roles, the institutions among them inspired by faith (World Vision, Islamic Relief, Caritas, for example) expanded in scope and scale and also came to engage more actively with the secular development world. Some initial dialogue and practical cooperation gave rise to more elaborate partnerships, with the HIV/AIDS crisis the most significant goad. The role that faith institutions played in conflicts—both as parties and contributors to conflict and as peacemakers and healers in the aftermath of wars and civil strife—also propelled them toward the development limelight.

The upshot of this rather convoluted journey is a situation today where growing numbers of institutions and leaders see merit in breaching barriers dividing faith and development approaches and institutions. This is far from universal, however, and the faith–development nexus presents a picture of a relatively new and often fragmented set of relationships, with many knowledge gaps and significant continuing tensions and disconnects. Many in the development institutions regard the engagement of faith institutions with indifference, skepticism, or, in some cases, hostility. And there is plenty of suspicion among faith communities about the motivations and wisdom of secular development approaches and work. The tendency of modernization processes to wreak havoc with traditional cultures explains some hostility toward development work. Knowledge on both sides is partial and often distorted by preconceptions or differences in vocabulary and discipline (Marshall, 2008a: 1). In broad terms, however, the global development community is witnessing today greater openness to partnerships with widely different institutions that include many with faith links.

The secular development community is complex, with many different kinds of institutions, but the picture is reasonably well known. The picture for faith institutions is at least as complex, but it is far less clearly mapped. An effort to analyze these institutions, from a perspective of global institutions, might array four types of organization that play particularly relevant roles for international development.

First, most obvious and visible, are what are often termed faith-based organizations, though my preference is for the term "faith-inspired," which covers a broader field. These institutions have organizational autonomy and some, though widely differing, links to religious traditions and bodies. Many operate as global institutions with activities in many countries and regions. Among the larger organizations active in development work are (to list large and quite different institutions) World Vision, Catholic Relief Services and Caritas, Islamic Relief, Jewish World Service, Habitat for Humanity International, and the Aga Khan Network. There is no accurate census of these organizations, though many feature among the roughly 3,000+ non-governmental organizations with formal credentials at the United Nations (an estimated 20 percent have faith links).

Second, several global interfaith organizations are increasingly focusing on development objectives and agendas. These include the World Conference for Religions for Peace (WCRP), the Parliament of the World's Religions, and the United Religions Initiative (URI). Ecumenical organizations, notably the World Council of Churches (WCC) also have a long history of engagement on development issues, ranging from environment to water and HIV/AIDS, and aspire to represent the authentic voices of poor communities within global debates.

Third, the global assemblies of many different religious communities play active roles in many global debates. The most prominent examples are the various bodies of the Vatican (which, as a state, has a separate and unique global status), the Anglican Communion, and a growing if rather fragmented set of institutions representing the Muslim faith. Many other faith traditions and denominations have organizational structures that are global in nature, some large, some much smaller (the Baha'i faith and Zoroastrians, for example). These organizations, which vary widely in shape, size, and approach, reflect the vast congregational structures of religious faith.

And finally, there are a set of organizations perhaps best described as "movements" which have global reach and global impact in important parts of the world and which focus in varying ways on development. These include the Community of Sant'Egidio, the Gulen Movement, Risho Kossei Kei, the Bramakumari movement, and various religious orders which operate with considerable autonomy, such as the Jesuits.

This rough "mapping" of faith-inspired organizations offers a glimpse of the vast institutional world with religious ties and inspiration. Prominent faith leaders argue that it is by far the largest segment of civil society, and that the ties that link these organizations together weave the richest "social capital" fabric known today, with by far the most intensive presence in communities but important national, regional, and global presence.

Among many dimensions of this faith "world" three are worth highlighting because of their development significance. First, faith communities run and generally finance large networks of educational and health institutions, estimated to represent a large if poorly defined share of all the world's facilities (estimates go as high as 40 percent worldwide). Second, the communications resources of these communities are extensive—internet, publications, radio, television, and the weekly "messages" of sermons and teachings in religious facilities. Third, the relatively high levels of trust in faith leaders and institutions bear highlighting as they influence many dimensions of social change or lack thereof. Many surveys, among them the World Bank *Voices of the Poor* studies and the Latinobarometro, suggest that people's trust in these institutions runs significantly higher than others included in the measures, including government, nongovernmental organizations, police, and military. And last but not least, the ideas and inspiration of believers, whether they tie specifically to a religious grouping or to what many term "spirituality" more broadly, affect people and color their approaches to development. Whether to save or invest, whether to study or send children to school, how to relate to neighbors and to strangers, willingness to sacrifice, openness to new cultures, management of natural resources—all can be influenced by faith or religion.

Journeys: linking faith and development

The fascinating journey that has brought secular development agencies into closer contact with faith institutions has involved different stages. These are not, of course, neat and precisely defined; both the worlds of development and faith are immensely complex, with widely different, numerous and dynamic actors. The view seen from Jakarta tends to differ markedly from that from Colombia, Zambia, or Yemen. But, broadly speaking, from a position of indifference and separation, there has been a marked change toward greater engagement. Today's global institutional picture includes as integral partners a wide range of institutions with faith links. Few if any would argue that development and religion have concerns and interests that overlap or coincide across the

board. However, recent reflections underscore that there are important areas of common interest and concern, above all to fight poverty and to enhance the quality of development assistance. As concerns about the environmental challenges facing the world mount, the potential roles of faith institutions in responding at a grass roots level and in mobilizing the will to act globally may be highly significant. Areas of difference call for dialogue and engagement. There are vast knowledge resources among both development and faith communities that stand to enhance the quality and impact of development work. What is afoot is above all a process of learning and reflection. It is also a process of increasingly direct engagement.

The starting point was essentially institutions that operated at arm's length. Some development actors were acutely aware from the outset of religion's importance, and some faith leaders are among the pioneers in the development field. Nonetheless there were substantial walls of separation. A wise observer characterized past relationships between development and faith institutions as "ships passing in the night." They passed often on turbulent seas; they sometimes traveled in convoys; but they also clashed. In Africa, for example, the period that saw independence celebrations in many countries frequently witnessed the nationalization of faith-run schools and hospitals. This was, in turn, followed decades later by a reversal that brought churches and mosques back into the education and health sectors. Experiments in socialist policies were often seen as incompatible with the substantial power and wealth of faith institutions. Wars and civil strife in many countries—Cambodia and Congo/Zaire among them—saw overt hostility between state and faith institutions; most of Cambodia's monks were among those who died during the period of genocide. A number of new nations adopted explicitly secular constitutional models and sought actively to relegate religious organizations to the sidelines. Notable among these were Turkey and Egypt, which adopted an actively secular approach, often hostile to religion on various levels. In other countries, however, faith and state were conjoined or linked in tight and explicit ways, including in some countries in the very constitution of the country: Zambia is designated as a Christian country, Sri Lanka a Buddhist state, and Mauritania an Islamic state, to cite three examples. It is thus remarkable, against this turbulent history, that development institutions per se rarely spoke of faith institutions and faith. To this day the World Bank library has no specific section for works on religion.

A major area of exception was humanitarian assistance. In the development world, emergency assistance and humanitarian aid often does not count as development, and the leading institutions involved

respectively in relief operations and development were historically generally quite distinct. The UN humanitarian portfolios are generally separate from development agencies, though increasing efforts are being made to bridge divides (for example, through cooperation among the UN High Commissioner for Refugees, the World Food Programme, and the World Bank). Faith institutions played key roles on the humanitarian front, across numerous cultures, countries, and continents—Japan, the United States, Africa, among them. Over time, the boundaries between humanitarian and development have tended to become more blurred, as those involved in emergencies come to focus on addressing longer-term objectives, drawing them inevitably closer to development. The important engagement of organizations like Catholic Relief Services in relief operations increasingly refocused or added activities that linked humanitarian aid to development support.

The relationships between development debates and action and the ongoing and emerging work of the full range of faith institutions—churches, faith-inspired NGOs, faith-inspired movements—thus took different forms in different countries. For the most part, however, the formal global development institutions saw these institutions and much of the work they did as outside their mandate and purview. Over time this picture has changed. Five particular aspects of this change are described below.

The participation transformation

Experience on the ground led to important changes in development thinking and approaches over the decades. Two related currents particularly prompted rethinking and new approaches. The first was a growing understanding that development simply could not work without community and national engagement and participation. An admittedly simplistic narrative of early development work portrays a rather technocratic approach, conducted in government offices, in secret, with a heavy emphasis on planning. The shift to the current widely held appreciation for community involvement took place in tandem with the much heralded transformation of civil society. At first a call to "consult" with beneficiaries of development projects gave rise to broader discussions of policy change and to an understanding of participation that went well beyond simply informing and asking. Information sources about development work were pried open steadily so that there was far more transparency about what was being done and the assumptions that underlay it. And in this move towards community engagement the role of faith institutions was undeniable.

Mobilization, conflict and dialogue

The consultation-cum-participation process was rarely a smooth process, and the progressive opening up of development work coincided with a period of successive crises (oil price, debt) that brought intellectuals to the barriers and mobs to the streets. Accusations were traded, demonstrations organized and sharp debates engaged. The tensions around anti-globalization movements contributed to both the opening of dialogue processes and to significant reflections about earlier assumptions about what worked and what did not in development. At the same time, awareness was growing that policy action mattered at least as much as direct investment, and that the patchwork of individual projects could sometimes add up to change but could also produce fragmented and suboptimal response. In short, profound changes altered the picture of development work in far reaching and profound ways. Again, faith institutions and leaders were very much part of this process of confrontation and debate.

Service delivery: the case of HIV/AIDS and malaria

Throughout the early years of development, faith-inspired organizations played important roles in delivering services, often (though not always) with a special focus on poor communities. The process was quite often turbulent with shifts in direction, but in many countries religious organizations, which had long histories of running schools, hospitals, universities, and clinics, continued to do so. They often represented a safety net in the sense of providing direct aid to destitute people and communities. Many programs serving disabled people, limited though they were, were run by faith-inspired organizations.

In some situations, for example much of anglophone Africa and several Latin American countries, the roles of faith-inspired organizations in health and education have evolved in a reasonably clear and continuous way. There was agreement on who would do what, that different models of health and education were apt and desirable, and on some at least implicit divisions of responsibilities. The role of Muslim education in Indonesia largely fits this pattern. However, in many places the situation has been far more complex, with changes in approach over time, active contestation of roles, and friction and tensions. The roles of madrassas in Pakistan, nationalization of church schools and hospitals in Nigeria and Mozambique, and assumption of state responsibility for health and education in China are examples. In various places a muddle-through policy has prevailed, which partly

explains the emergence of hybrid systems and rather poor data and information.

The increasing global focus on health issues is an important new factor that is changing the picture. The HIV/AIDS pandemic is putting extraordinary stresses on health systems, especially in the high-prevalence countries (most intensively across Southern Africa). It also presents ethical dilemmas that range from the priority given to people directly and indirectly affected, standards of care, stigma, care of orphans, and approaches to sex education and prevention. As the pandemic has unfolded the important roles that faith-inspired organizations play have become increasingly visible. Many have emerged as leading advocates of expanded treatment (the Community of Sant'Egidio, for example), some have taken strong stances on prevention debates (parts of the Catholic community in particular), and many work day by day on the ground to cope with the pandemic's human impact. The dialogue and coordination are often fractious and dysfunctional but overall the HIV/AIDS pandemic has served to give far greater prominence to the roles of faith-inspired organizations in the broad area of service delivery.

Malaria is another example of a specific health issue that is prompting rethinking of faith roles. Malaria is an ancient scourge and contemporary killer, especially of children. As a global campaign steps up to eradicate the disease, special focus is going to potential roles that faith communities can play, especially in mobilizing global support, in providing care through faith-run hospitals and clinics, and at community level (encouraging proper use of bednets, encouraging parents to seek medical care for children with fevers). Malaria offers the advantage that the ethical issues involved are less contentious than for HIV/AIDS, so that those obstacles to dialogue and partnership should be less significant.

In situations of conflict

Faith-inspired organizations often play significant roles in areas affected by conflict. The links between religion and conflict are the topic of hot debate, and clearly they vary widely from situation to situation. Some conflicts have clear religious roots, more have indirect roots. Many argue that religion is exploited in conflicts, but it nonetheless is part of the mix of causes. And the role of religious leaders and institutions in peacemaking and peacebuilding is often significant and inspiring.

Quite apart from these questions and roles, faith-inspired organizations play particularly significant roles in many conflict-affected areas.

They are often the last organizations remaining, and the first to return when the guns fall silent. The fact that religious organizations today are virtually the only providers of education and health services in large parts of the Democratic Republic of the Congo is indicative.

As the global agenda focuses increasingly on the poorest countries, which often are those most troubled by conflict, the roles that faith organizations play there have become more and more prominent. The strategic and moral imperative to address the needs of the "Bottom Billion" (Collier, 2007) has to date not involved religious organizations to a significant degree; but it should.

Culture, faith, and transformation

A fifth area where religion and development come together is rather more difficult to define in tangible terms. It relates to the question of values and cultural distinctness. This presents two of the more complex questions surrounding development as well as international affairs more broadly: how far are differences in approach desirable and feasible in an era where globalization is so forcefully at work? And what is the end that is desired, the ideal society, or societies? These questions are obviously not in any sense the exclusive province of faith leaders and institutions, but interfaith discussions and encounters among faith and development organizations often put these questions in stark relief. Ancient questions about whether different faith traditions favor or hinder development, epitomized in arguments put forward by Max Weber, suggesting that Protestant values favored economic progress, continue to this day. A current focus is on the role of the burgeoning Pentecostal movement sweeping much of Latin America, Africa, and Asia. Studies suggest that a "Weberian" effect is apparent in Pentecostal communities, for example in work ethic and increased savings.

The Fes Forum, part of an annual festival of global sacred music, offers a fascinating example of efforts to shed light on these debates (Marshall and Keough, 2005). The Forum's founder saw the combination of the example of diverse music and the historic example of the city of Fes, which prides itself in both tolerant social ethic and deep commitment to art and culture, as inspiration for a robust engagement on questions about values and globalization. For six years an annual forum brought together intellectuals and activists, often with widely differing backgrounds and viewpoints. The relevant point here is that the juxtaposition of different disciplines with the explicit presence of religion brought into open exchange the fundamental questions relating to values that many religious leaders see as essential. When environmental

and climate change issues were discussed, the views of scientists were confronted with traditions of care of nature, with a strong conclusion of common ground. Debates about reconciliation, forgiveness, justice, and mercy linked law, culture, gender roles, and religious teachings (Marshall and van Saanen, 2007).

The minefields

The arguments that religion and development share much common ground seem persuasive, even compelling: there is a powerful shared concern to address the miseries associated with poverty and to promote social justice. There are hundreds of thousands of people and a plethora of institutions engaged in active work on the ground on a daily basis. It is, nonetheless, worth highlighting some of the minefields that have impeded and continue to stand in the way of more active collaboration. These are discussed in greater detail in my piece on the tensions involved (Marshall, 2008a: 1). Briefly, a wide variety of quite different factors explains concerns about the risks involved in promoting active faith development partnerships and dialogue.

Arguments advanced to suggest that religious institutions and ideas do not belong centrally in global discussions about development fall essentially into three categories. First, in many circles religion is seen as divisive, suggesting that engagement is likely to exacerbate social, political, and even economic tensions and conflicts at many levels. For example, there is a common view that many conflicts are directly linked to religion, that jealousies among faiths and denominations within faiths are rife. Many have concerns, many quite reasonable, about how to draw boundaries between "church" and "state," with anxiety at what might be perceived as faith intrusions into areas (for example, content of education, gender relations) viewed as the province of the state. More concretely, when it comes to including faith voices in policy discussions, some question how to decide which voices to listen to; some simply pale as they recognize the complexity of religion and its many dimensions; and a major fear turns on perceptions of motivations, and particularly on the widespread perception that even the most technical development work (running a clinic, digging a well) is motivated first and foremost by the desire to convert, thus direct and hidden proselytization.

For others, the primary concern is their perception that most religious attitudes and work run counter to the basic goals of development, which are about modernization and change. These arguments can address many issues but the most significant surround reproductive

health and gender roles. The perception is that most religious institutions are committed to the status quo and tend to be hierarchical and patriarchal. And third, there is a perception that religion's importance is declining, and thus that it merits a lower priority than other civil society groups (labor, for example).

There are ample reasons to question each of these suppositions, even as the elements of truth are acknowledged. Religion can divide communities, but it can also promote peace and reconciliations. Some of the world's greatest peacemakers have deep religious ties and convictions. Many countries have worked out ways to engage both faith and state, in creative and differing ways. Many of the fiercest fighters for social justice (Martin Luther King Jr., to take just one example) come from faith communities. And it seems beyond dispute today that religion is important for life, politics, economics, and society in many if not most world communities. The challenge, then, is to move beyond stereotypes and to counter ill-informed or emotionally driven views with facts, evidence, and thoughtful dialogue about some of the complex differences in both perceptions and realities that divide communities and individuals.

This summary focuses on why secular development institutions have often proved hesitant to engage actively with faith communities. A similar set of preconceptions and hesitations that arise primarily among faith institutions might also be traced. Again, complexity and diversity is the watchword and no single line of argument can legitimately be traced. However, four common critiques are commonly heard from faith leaders about what they perceive as approaches of development institutions.

First, many read into the language and actions of development institutions a furtherance of what are perceived as "Western" and "imperialist" motivations, above all to benefit powerful countries and multinational companies. Expressions of altruistic and disinterested objectives can be greeted with suspicion. The WCC critique of what they often term the neoliberal economic approach to development is an example (WCC, 2003). A not uncommon suspicion is that the rich world really wants to maintain its relative position and/or that the basic paradigm calls for all to consume at the greedy rates and levels they read as materialistic, Western-ideal lifestyles.

A second set of concerns focus on what is seen as the destructive effects of modernization and some specific changes that come with it on traditional cultures and on the family structures that many faiths point to as the essential building blocks of a healthy society. These concerns may be tied to specific actions like dam construction or

privatization of publicly run municipal water systems, or to broader social changes which, for some faiths, include changing gender roles and expectations.

A third set of concerns turn on what is perceived as an a-ethical approach to development issues. Failure to address explicitly basic concerns and issues, or framing development strategies in technical terms, is read as ignoring key ethical dimensions.

And fourth, the approaches and organizational structures of the international development community are seen as incomprehensible, or enigmatic. This perception is linked to the widespread use of the language of economics as well as to complex organizational charts and quite frequent reassignment of people within many institutions.

These generalizations are intended to signal a complex array of deeply held and often deeply felt concerns and objectives to development work, evident both in official protests and in unspoken objections. And they are by no means universal—many of development's strongest supporters are from faith communities.

Toward conclusions

Building stronger partnerships among development and faith institutions offers significant potential to enhance both quality and impact of many types of development work. This is affecting a wide range of institutions, faith-inspired and secular, that operate on the global stage. An array of successful examples, in fields ranging from HIV/AIDS to environmental protection, sanitation, community mobilization, and microcredit attest to the potential for common cause and common action. In looking to paths forward, several offer considerable promise.

The first involves knowledge—a broad topic, applying both to the most religiously motivated and the most secularly inclined. Faith institutions and partners are often woefully ignorant of the disciplines and approaches that drive development work. Likewise, levels of ignorance about basic religious beliefs and organizations among secular actors are often high. Research is patchy and clearly insufficient. What many advocate as a first practical step, therefore, is often called "mapping." This generally refers to efforts to take systematic stock of the landscape—who does what, where, why, with what resources and with what impact.

Beyond various approaches to establishing the mapping landscape (country, region, sector, among others), more in-depth evaluation and investigation is needed. Systematic assessment of impact and lessons from faith-inspired development work are strikingly thin. And basic

research is needed on wide-ranging issues, for example, to understand better the connections among religiously linked values and behaviors and processes of social change.

Given the huge scope of potential areas for action and investigation, there is merit in encouraging a focus on priority areas. Three examples might be health, education, and youth. Further, active efforts to engage faith leaders and communities on a critical question such as how to improve governance and fight corruption merit high priority.

There is often more heat and noise than light and insight in exchanges among faith and secular institutions on some of the more controversial issues on the development agenda. These include the implications of changing gender roles, approaches to contraception, the respective roles of public and private sectors, and the content of school curricula. While perfect concord is unlikely, there is nonetheless merit in pursing thoughtful exchanges which might allow for greater understanding and identification of common ground.

Systematic exploration of potential partnerships in focused development areas could yield important results. Of particular interest are situations where conflicts disrupt services across the board and where faith institutions are active. Expansion of promising efforts on challenges like HIV/AIDS and malaria is desirable. Generally, exploring expanding partnerships within the context of the MDGs can help ground common efforts in an ethical framework with a practical and identifiable set of goals to inspire and guide action.

An important and complex question is how existing institutions and systems of global governance might facilitate this process. Are new institutions needed? Or can existing institutions respond to new challenges presented?

In most instances, specific cooperative efforts, problem-solving to address tensions or discordant action, and dialogue to address common areas of concern, will focus on specific places and sectors of activity. A common effort to support children orphaned by HIV/AIDS is likely to work best when it is anchored firmly in a local community. Most practical development issues play out at community and national levels. However, globalization also transforms the ways in which institutions interact at local levels, and that applies to the intersections of development and faith. Many describe faith institutions as the original global institutions, as faith traditions moved across continents and, later, national boundaries. The aspirations of many faith traditions have long been and remain global, and modern telecommunications link communities in many regions of the world. Increasingly citizens may identify themselves as Muslim or Buddhist on a par with or above

their national citizenship. Important global institutions aim to provide a glue to bind communities. Some are specific to a faith tradition, for example the Organization of the Islamic Conference and the WCC. The institutions of the Catholic Church are active in all continents. To an increasing degree these transnational organizations interact with other global institutions on a broad agenda of issues, from climate change to human rights. The major global interfaith organizations (WCRP, Parliament of the World Religions, and URI) were created to promote engagement among faith communities and to promote world peace. They increasingly see development issues as integrally part of their core mandates, and hence are reaching out to a wide range of secular institutions.

The UN institutions are, in different ways and differing pace, also engaging the nexus of faith institutions and issues as they touch on the broad development agenda. At the global level, the dialogue processes falling under the general rubric of Dialogue of Civilizations touch, fairly tangentially, on issues of concern to development. Education is the most prominent example. Specialized agencies are addressing the links rather more specifically. Prominent examples are the World Bank's decade-long engagement with faith communities on a broad agenda of issues linked to the Millennium Development Goals; the UN Population Fund's many efforts to engage faith leaders and communities on reproductive health issues; and UNICEF's efforts to work with faith institutions to promote the welfare of children.

Bibliography

Albright, Madeleine (2007) *The Mighty and the Almighty: Reflections on America, God, and World Affairs* (New York: Harper Perennial).

Berger, Peter L., Jonathan Sacks, David Martin, Tu Weiming, and George Weigel (2009) "Berkley Center for Religion, Peace and World Affairs" (Washington, DC: Berkley Center for Religion, Peace and World Affairs). Available HTTP: http://berkleycenter.georgetown.edu (accessed 20 July 2009).

Casanova, Jose (1994) *Public Religions in the Modern World* (Chicago: University of Chicago Press).

Clinton, William Jefferson (2006) "Embracing Our Common Humanity: Global Interdependence and Security in the 21st Century," Rabbi Marc H. Tanenbaum Memorial Lecture (New York: Tanenbaum). Available HTTP: www.tanenbaum.org/Clinton2006.pdf (accessed 20 July 2009).

Collier, Paul (2007) *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It* (Oxford: Oxford University Press).

Davie, Grace, and Abdullahi A. An-Naim (eds.) (1999) *The Desecularization of the World: Resurgent Religion and World Politics* (Grand Rapids, Mich.: Wm. B. Eerdmans Publishing Company).

Johnston, Douglas and Cynthia Sampson (eds.) (1995) *Religion: The Missing Dimension of Statecraft* (New York: Oxford University Press).

Latinobarometro Corporation (2007) *Latinobarometro 2007* (Santiago, Chile: Latinobarometro Corporation). Available HTTP: www.latinobarometro.org/ (accessed 4 August 2009).

Marshall, Katherine (2008a) "Religion and Global Development: Intersecting Paths," in Thomas Banchoff (ed.) *Religious Pluralism, Globalization, and World Politics* (New York: Oxford University Press).

——(2008b) *The World Bank: From Reconstruction to Development to Equity* (London: Routledge).

Marshall, Katherine and Lucy Keough (2005) *Finding Global Balance* (Washington, DC: World Bank).

Marshall, Katherine and Marisa van Saanen (2007) *Development and Faith: Where Mind, Heart and Soul work Together* (Washington, DC: World Bank).

Narayan, Deepa, with Raj Patel, Kai Schafft, Anne Rademacher, and Sarah Koch-Schulte (2000) *Voices of the Poor: Can Anyone Hear Us?* New York: Oxford University Press for the World Bank.

UN (2000a) "United Nations Millennium Declaration," Resolution adopted by the General Assembly, 55/2 (New York: United Nations). Available HTTP: www.un.org/millennium/declaration/ares552e.htm (accessed 20 July 2009).

——(2000b) "Millennium Development Goals," (New York: United Nations). Available HTTP: www.un.org/millenniumgoals/ (accessed 20 July 2009).

WCC (World Council of Churches) (2003) *Lead Us Not Into Temptation* (Geneva, Switzerland: World Council of Churches). Available HTTP: www.oikoumene.org/en/resources/documents/wcc-programmes/public-witness-addressing-power-affirming-peace/poverty-wealth-and-ecology/neoliberal-paradigm/01-03-lead-us-not-into-temptation.html (accessed 20 July 2009).

Index

"50 Years is Enough" campaign 119
A Better World for All: Progress Towards the International Development Goals 139
Abbas, Tahir 285
activism, religious 295
additionality 170
advocacy partnerships 219
African debt: China's role 177–79; country wishes 181
agency 240–42, 247, 249
agency slack 217
Alliance of Small Island States (AOSIS) 194
Amartya Sen Commission 188, 189, 192, 204
Ames, Brian 77
Annan, Kofi 123, 139–40, 242
anti-globalization 250
Appropriate Technology International (ATI) 54
arms trade 64
Arndt, H.W. 36
Asia, Muslims 271–72
assets, distribution 48–49
Atlantic Charter 31–32

Bagchi, A.K. 246
Ban Ki-moon 242; letter from Corporate Accountability International 248
Bank for International Settlements 33
basic structure 238–39
Becker, Elizabeth 171
Begg, Moazzam 285
Berle, Adolf 33
Berry, Albert 11–12
Bhagwati, Jagdish 60–61
bias, ideological 64
bilateral assistance programmes 298
billionaires 214
Bird, Graham 80
Bloomfield, Arthur 35
Bolivia 247
Bolton, John 144
Borgwardt, Elizabeth 32, 37
Bottom Billion 60
Bottom of the Pyramid thesis 244
Boughton, James 73, 74, 76, 82
boundaries, church and state 308
Bretton Woods 10–11, 12; adoption of development role 41; commitment to development 27; flawed design of institutions 124; initial drafts 32–33, 34–35, 38–39; *See*n as uninterested in development 30–31; views of participating countries 37–39
Broadwater, I. 219
Brown, G. 273
Brown, Gordon 169; debt relief proposals 172
Buddhists 273–74
Bueno de Mesquita, Bruce 91, 92, 104
Bull, Benedicte 18
Bush, George W. 142; debt policies 169
business and development 235–36; institutional approaches 242–50; societal approaches 250–54

Callaghy, Thomas 16
Camdessus, Michael 75–76, 78, 81, 83, 84
capability 238
capability paradigm 244–45
capital flows 63–64
celebrity diplomacy 216–17
CEO Water Mandate 248
Chapman, Terrence L. 96
Charter for Natural Resource Revenues 62
Chen, Shaohua 4, 6
Chiang Kai-shek 37
child labour 222
Children's Vaccines Initiative (CVI) 221
China: Muslims 272–73; as new creditor 177–79; role of League of Nations 29–30; support for international development 37
Christianity, in Europe 270
Churchill, Sir Winston 31–32
civil service 91, 104
Clark, Colin 36
Clark, Marie 171
class formation 214
Clemens, Michael 60–61
climate change 194
Clinton, Bill 225
Clinton Foundation HIV/AIDS Initiative 227–28
Clinton Global Initiative 217, 223
club model 212
coalitions 192–93
Collier, Paul 60, 62
Commonwealth Finance Ministers' Meeting, 2006, SIDS report 198
Commonwealth Heads of Government Meetings (CHOGMs) 195–96
Commonwealth Parliamentary Association (CPA) 195
Commonwealth political economies 190
Commonwealth Secretariat 193–94, 195–96
Commonwealth/World Bank Report, 2000 194–95, 198
Commonwealths 17, 187–92
communications, faith communities 302
competition, global 198
Conable, Barber 117
conditionality 78, 93–94, 180
conflicts, role of faith institutions 300, 306–7
Consultative Group on International Agricultural Research (CGIAR) 52, 53
consumption inequality, underlying factors 48
Cooper, Andrew 216–17
Corporate Accountability International, letter to Ban Ki-Moon 248
corporate power, and state behaviour 246
corporate social responsibility (CSR) 222, 244, 249
corporations, agency of 249
corruption 49, 64, 249
Côte d'Ivoire 276–77
Cox, Robert 136, 213, 217, 228, 241
critical theory 237–38
cultural change 116–17, 121, 123
cultural distinctness 307
cultural inequality 272, 276–77
culture: in bureaucracies 121; faith and transformation 307–8

DAC, *Groupe de Reflexion* 138
Danchie, S.J. 196
debt regime, changes to 166–67
debt relief proposals, Gordon Brown 172
debt rescheduling 164–65
debt sustainability 166, 168, 180
delegitimization 249
democratization 14, 113, 124–26
developing countries *see also* poorer countries: heterogeneity 46
development: assessing approaches 237–42; explanatory dimension 239–40; and faith 296–97, 299–302; faith-inspired organizations 301; impedances 252; institutional context 297–99; interfaith organizations 301; League of Nations view of 29; normative dimension 238–39; religious communities, global assemblies

301; religious movements 301–2; role of technology 55; secular 300–301; small-scale family farm systems 50–53; and social power 253–54; strategic dimension 240–42
development agenda, reclaiming 254–55
Development as Freedom 240
Development Assistance Committee (DAC) 53
Development Decade 137
development institutions, critiques from faith communities 309–10
development knowledge 255
development world 297
Diamond Development Initiative (DDI) 201–2
Diop, Aboulaye 178
diplomacy, Tracks One, Two and Three 195–96
discounted payback 175–76
distributive paradigm 238
divergence, development institutions and social actors 254
Dollar, David 6
domestic political institutions 103
"Double Standards, Debt Treatment, and World Bank Country Classification: The Case of Nigeria" 174–75
Dreher, Axel 93–94, 96–97

Earth Summit, Rio 194
Easterly, William 180
economic crises, distributional consequences 104
economic crisis 299
economic growth 47–49, 61–64
economic orthodoxy 71
economic power, imbalance between business and states 235–36
economic reform, distributional consequences 93
education: faith communities 302, 305–6; inequality 269, 272–73, 276–77; Muslims, international 283; public-private partnerships (PPPs) 224–25
Eliminating Child Labor in Tobacco initiative 222–23
elite initiatives 220–21, 223, 224–25, 227–28
elitism, multilateral organizations 211–18
employment, inequality 269–70
enabling conception of justice 239, 252
enterprise, non-agricultural, small-scale, labor intensive 53–55
environment, Global Compact 249
environmental insecurity 194
"environmentally green technology" 63
Equalities Commission survey 270–71
Escobar, A. 250, 251
Ethical Trading Initiative (ETI) 192
Eurodad 79
Evans, Huw 72
Evenson, Robert E. 52
executive multilateralism 212
exploitation, curbing 62–63
expropriation 49

fair trade movement 236
faith *see also* religion: culture and transformation 307–8
faith communities: critiques of development institutions 309–10; dimensions 302; education 302, 305–6; health 302, 305–6, 308–9; humanitarian assistance 303–4; Millennium Development Goals (MDGs) 299–300
faith-development nexus 296–97, 299–302; conflicts 306–7; culture, faith and transformation 307–8; developing links 302–8; knowledge 310; mobilization, conflict and dialogue 305; need for research and evaluation 310–11; participation transformation 304; potential 310–12; service delivery: HIV/AIDS and malaria 305–6; tensions 308–10; transnationalism 311–12
faith groups: in international relations 295–96; poverty and inequality 20
faith-inspired organizations 301

faith institutions, role in conflicts 300
farming, small-scale family farm systems 50–53
favouritism 94–95
Fes Forum 307–8
Fifth World Water Forum 247
flooding 2
Food and Agricultural Organization (FAO) 50; support for international development 51–52
food crisis 247
food insecurity 246
food, price rises and shortages 1–2
food security, and food sovereignty 247
food sovereignty 236, 247
foreign direct investment (FDI), effects of 57
Four Freedoms 299
France 268–71
free trade 58
freedom 238
Friedmann, John 253
Fundación para el Desarrollo Sostenible (FUNDES) 54
funds 115–16

Gates, Bill 225
General Agreement on Trade and Tariffs (GATT) 49–50, 59–60
geopolitics 16; of debt relief 169–77; Iraq 169–72; Nigeria 173–77
Ghana 276–77
Gini coefficient 47
global actors: physical investment 56–58; support for land reform 51–52, 53; support for non-agricultural, small-scale, labor intensive enterprises 53–55
Global Alliance for Vaccines and Immunization (GAVI) 220–21
Global Compact 17, 219, 235; as forum for business 242; principles 249
global competition 198
global connections, Muslims 281–85
global development institutions 235
global economic crisis, effect on poverty 7
global elite, priority setting 228
Global Fund to fight Aids, Tuberculosis and Malaria (GFATM) 223, 224–25
global governance: approaches to 192; business solutions 18–19; Commonwealths 189–92; and domestic income distribution 90; elitism 216–17; evolution 191; faith groups 20; and horizontal inequalities 288–89; institutional interactions 21; international institutions – UNSC 94–97; non- or semi-state regulation 204; public-private partnerships (PPPs) 209–10, 226–27; reducing poverty and inequality 15; role in poverty amelioration 3; understanding 9
Global Hand 223
global identities 266
global institutions: information dissemination 55; Islamic 284; performance 11
global issues, attention given 203
global poverty 4–7
Global Reporting Initiative 192
Global Transparency Initiative 127
globalization: alternative movements 250–52; resulting issues 191
Gollin, Douglas 52
governance, multilateral organizations 211–12
"Gozo Statement on Vulnerable Small States" 199
Gray, Arthur 195
Green Revolution 52, 64
Group of Eight (G-8) 166
groups, inequalities among 265–66
Growing Inclusive Markets Initiative 235
Growing Sustainable Business (GSB) 243
Gupta, Sanjeev 76

Hague Club 163
Hajj 284
health: faith communities 302, 305–6, 308–9; inequality 269, 276
Health Committee of League of Nations 29

Heavily Indebted Poor Countries (HIPC) initiative 16, 72; antecedents and development 165–69; creation 165; extension 171; move to MDRI 169–73; original aim 168; role of NGOs 167–68
hegemony 214
Helleiner, Eric 10–11, 34, 36
High Commission on the Modernization of World Bank Governance 114
HIV/AIDS 306
Holy See, role in MDGs 150
horizontal inequalities 19–20, 188, 189–92, 204, 265, 267–68 *see also* Muslims; and global governance 288–89
Horkheimer, M. 237–38
hostility, states and faith 303
Hulme, David 15
human development, and results-based management (RBM) 146–48
Human Development Indicators (HDIs) 190
Human Development Reports (UNDP) 137–38
human rights 249
humanitarian assistance, faith communities 303–4
hunger 246

ideas, faith communities 302
identities, fluidity 266
ideological bias 64
import substitution industrialization 39
income concentration, changing patterns 213–14
income distribution, and IMF 92–94
income inequality 5, 270, 275; underlying factors 48
income poverty 47–48, 138
Independent Evaluation Office (IEO) 79, 81
India: Muslims 272; neoliberalism and food insecurity 246; support for international development 39
Indonesia 275–76
industrial countries, weakness in reducing poverty and inequality 46
inequality: assessing global governance 7–9; between countries 277–80; cultural 272, 276–77; education 269, 272–73, 276–77; employment 269–70; health 269, 276; horizontal 19–20, 188, 189–92, 204, 265, 267–68; IMF approach to 73–77; income 270; international 289; Israel/ Palestine 279–80; overview 4–7, 64; performance of global actors 49–61; political 272, 276–77, 289; role of IMF 72; role of poorer countries in reducing 36–40; sources of 47–49; structural 239; trajectory 47; variety of measures needed to reduce 46; vertical 19, 188, 189–92, 204
inertia 48
information: dissemination 63; institutions and NGOs as clearing houses 55
inspiration, faith communities 302
institutional change 241–42
institutions, as reflecting power 241
Inter-American Bank (IAB) 11, 33, 34, 37–38
interfaith organizations 301
International Agricultural Research Centers (IARCs) 52
International Bank for Reconstruction and Development (IBRD) 11, 30, 39, 74, 115
International Cocoa Initiative 222
International Development Goals (IDGs) 138–40, 154–55; as source of MDGs 141
international development mandates: development of 27, 28–31; United States' support 31–36
International Finance Corporation (IFC) 116
International Financial Institutions (IFIs) 49; criticisms of 209
International Institute of Agriculture 29
international institutions, adoption of development role 40

International Investment Agency 35
International Labour Organization (ILO) 29, 211–12; partnerships of convenience 222
international migration 60–61, 63
International Monetary Fund (IMF) 11, 50; addressing poverty and inequality 73–77; assessing impact of programs 74–75; conditionality 93–94; creation 71; distributional issues 74–75; economic reform, public wages and salaries 90; effects of arrangements on public wages and salaries 97–103; effects of programs on income distribution 104; evaluation 12–13, 84; and income distribution 92–94; Independent Evaluation Office (IEO) 79; managerial attitudes 73–77; mandate 39; organizational and cultural challenges 77–81; poverty and inequality 13, 72; poverty, growth and inequality 77; pressure from NGOs 72; quotas 93; reflective evaluation 76, 78; reforming for poorest members 81–84; research 74, 76–77, 78; rhetoric and realty 81; and UNSC 94–97, 101–3, 104–5; working papers 74
international organizations, questions of strategic reform 114
International Standards Organization (ISO) 192
international trade 58–60
internet 284–85
investment, physical 56–58
Iraq, debt relief 169–72
Islamic Development Bank 283
Israel/Palestine 279–80

Jenkins, Bruce 127
Jensen, Nathan 93–94
Johnson, Omotunde 74, 93, 94
Johnson-Sirleaf, Ellen 179
justice 238–39

Kapur, Devesh 30, 39, 60
Kaul, I. 219
Keohane, Robert O. 212
Keynes, John Maynard 40
Khan, Mohsin 75
Kimberley Process Certification Scheme (KPCS) 200, 203, 204
Kimberley Process (KP) 17, 21, 188, 191; compared to Small Island Developing States (SIDS) network 201–3; role of PAC 199–201; and Small Island Developing States (SIDS) network 192–93
Kindleberger, Charles 35, 36
Kisanga, E. 196
Knight, Malcolm 75
knowledge production 255
Kohler, Horst 78
Kraay, Aart 6
Kuziemko, I. 96
Kuznets Curve 76
Kuznets, Simon 76

labour rights, Global Compact 249
land reform 50, 51–52, 64
late industrialization 36
Latin America 33–35, 37–39
League of Nations 28–30
legitimacy 244, 254
liberalism, economic orthodoxy 71
Liberia 179
life expectancy 5
Love, Joseph 39

malaria 306
Malaysia 274–75
malnutrition 246
Manmohan Singh Commission 188, 189, 190, 191, 192, 194, 209
Mann, M. 253
Manoilescu, Mihail 39
mapping 310
market multilateralism 217
Marshall, Katherine 20
McIntyre, David 196
McMichael, Philip 247, 251
media 284–85
Meier, Gerald 30
Mexico 38
micro- and small enterprises 54
microfinance 54
middle class 92, 104
migration 50

military training 283
Millennium Assembly of the United Nations 139–40
Millennium Declaration 140, 298
Millennium Development Goals (MDGs) 3, 15, 244, 245, 298–99; ambivalence of rich nations 144–45; antecedents 136–37; assessing achievement 150–53; challenges 153–54; changes from IDGs 141; evolution 136–42; faith communities 299–300; goals, targets and indicators 155–58; ideas 146–48; increased role of UN 139–40; institutions 148–50; material capabilities 143–46; negotiations with OECD 140–41; overview 135; poorer countries' lack of interest 145–46; poverty reduction 151–52; reproductive health 140, 141, 147, 150; role of Holy See 150; role of OECD 150; role of United Nations 149; UN summits 137–39; understanding 142–50; United Kingdom leadership role 145
missing middle 54
mission creep 78, 217
mixed actor coalitions 188
modernization, damage to traditional cultures 300
Mokhawa, Gladys 202–3
Momani, Bessma 12
Moran, Theodore H. 57
Morgenthau, Henry 34
Moss, Todd 175
Mukherjee Reed, Ananya 18–19
Multilateral Debt Relief Initiative (MDRI) 16, 165, 173
multilateral organizations: criticisms of 209; elitism 211–18; governance 211–12; increasing obsolescence 213; influence of heads 217; neo-Gramscian view 210, 213; transparency 212
multilateralism 17–18, 21
multinational companies (MNCs), penalizing for damaging practices 63
Murphy, Craig 8, 11, 29, 30
Muslims: Asia 271–72; China 272–73; education and training 283; Europe 268–71; family connections and remittances 282–83; finance and aid 283–84; global civil and political institutions 284; global connections 281–85; global identity 266; horizontal inequalities 19–20, 268–77; hostility towards 271, 273; India 272; Indonesia 275–76; inequalities between countries 277–80; Israel/Palestine 279–80; Malaysia 274–75; media and internet 284–85; overview of evidence of inequality 281; perceptions 285–87; Philippines 273–74; Thailand 273–74; West Africa 276–77

Nashashibi, Karim 76
national state, role in development 36
Natural Resource Curse 57, 58, 59
natural resources 64, 236
Nayyar, Deepak 237
neoliberalism: and alternative strategies 136; India 246; and legitimacy 244; and property rights 51
Netherlands 268–71
networks, formal and informal 9
New Deal 32, 33–34
New International Economic Order (NIEO) 165
new multilateralisms 191–92
NGOs: debt policies 169; information dissemination 55; role in HIPC 167–68
Nigeria 173–77, 180–81, 276
Nooruddin, Irfan 13–14, 92, 104
North, Douglass 116–17
Nunnenkamp, Peter 57
Nussbaum, Martha 244–45, 249
Nye, Joseph 212

Obasanjo, Olegun 174, 175
OECD, role in MDGs 150
oil 1
Okonjo-Iweala, Ngozi 149, 177, 180

One World Trust's Global Accountability Project 192
operational partnerships 219
Organization of the Islamic Conference 284, 289
organizational models, need for alternatives 236
organizational reform 114–15; causes 115–16; conflicting objectives 121; cultural change 116–17, 121, 123; evaluating 118; hardware 116; process 116
organizational theory 114
organizations, faith-inspired 301
Oxfam 169, 172
Oxfam International 79

Pan-American Financial Conference 38
Paris Club 16, 149; emergence of 163; evaluation 179–80; evolution 164–65; Iraqi debt relief 169–72; menus/terms 166; as "non institution" 162
Partnership Africa-Canada (PAC) 191, 199–201, 203
partnerships of convenience 220, 222–26
patents 62
Peet, Richard 30
Pentecostalism 307
per capita income 4
perspective of freedom 244–45
Pettifor, Ann 78
Pew Trust 285–87
Philippines 273–74
physical investment 56–58
Point Four program 31
policy partnerships 219
Policy Support Instrument (PSI) 176–77
political capital 49
political inequality 272, 276–77, 289
political liberal spirit 245
political multilateralism 228
poorer countries *see also* developing countries: adoption of development role 41–42; reducing inequality 36–40; reforming IMF to meet needs 81–84
Portfolio Management Task Force 119, 121
post-development critique 41–42
poverty: alleviation 2–3; assessing global governance 7–9; effect of global economic crisis 7; extreme 5–6; as focus of elite initiatives 227–28; IMF approach to 73–77; measuring social dimensions of lending 73; performance of global actors 49–61; role of global institutions and mechanisms in alleviation 13, 15; role of IMF 72
poverty gap 2, 3
poverty reduction 46, 52, 64, 151–52
Poverty Reduction and Growth Facility (PRGF) fund 72, 79–81
Poverty Reduction Strategy Paper (PRSP) 72, 77, 79, 168
power inequality, public-private partnerships (PPPs) and global governance 226–27
power relationships 21
Prahalad, C.K. 244
prejudice 270–71
"principled pragmatism" 242–43
priority setting, by global elites 228
protectionism 64
Public International Unions 28
public-private partnerships (PPPs) 18, 21; definition 218; diverse nature of 218–26; governance 225; power inequality and global governance 226–27; types of 219–20; and UN 209–10; in UN system 219
public wages and salaries 90; effects of IMF arrangements 97–103

Rao, Vijayendra 122–23
Ravallion, Martin 4, 6
Rawls, John 238–39
redistribution, loss of legitimacy 249
reform creep 120
reform, proposals for 12
regional development banks 298
Reiter, Dan 96
religion 295, 308 *see also* faith
religious communities, global assemblies 301

religious dimension, neglect of 295
religious movements 301–2
reproductive health, Millennium Development Goals (MDGs) 140, 141, 147, 150
research and development (R&D) 50; agricultural 52; improving support for 62; non-agricultural 54
research methods, IMF/income study 104–6
resilience 195, 197–98
resource flows 180–81
resource mobilization partnerships 219
results-based management (RBM) 138, 140, 142, 146–48
rights, defining 245–46
Rist, Gilbert 29, 30, 31
Roosevelt, Franklin 31
Rosenau, James 9
Rosenstein-Rodan, Paul 40
Rothkopf, David 215–16
Rudra, Nita 92, 104
Ruggie, John 139, 168

Sachs, Jeffrey 180
Salam, Suhayb 271
Salop, Joanne 74, 93, 94
sanitation 7
Schmidt, Garbi 266
secularism 295, 303
Sen, Amartya 6, 147, 238, 240–42, 244–45, 249
Shaping the 21st Century 139
Shaw, Tim 16–17
Simmons, Joel W. 92, 104
sins of commission 63
Sisson, Charles 74, 75, 94
Sivan, Emmanuel 266
small and medium-sized enterprises (SME) 54–55
small and micro-enterprises 54
Small Island Developing States (SIDS) network 17, 21, 188, 191, 193–99; and Kimberley Process 192–93, 201–3
small-scale family farm systems, creating 50–53
Smillie, Ian 202, 203, 204
Snow, John 170
social groups 239
social justice 238–39; alternative movements' view 251–52; distributive paradigm 244; transformative paradigm 252
social power: aims of mobilization 251; defining 253; and development 253–54
social power perspective 251
societal approaches, to business and development 250–54
Soros, George 225
sovereign debt regime 164–65, 168
Spatz, Julius 57
Special Program for Research and Training in Tropical Diseases (TDR) 222
state behaviour, and corporate power 246
static theory 58–59
Stewart, Frances 19
Strategic Compact initiative 114, 118, 119–23
structural inequality 239–40, 252
structure 238, 239–40
Sub-Saharan Africa 81
subcontracting 17
Sun Yat-sen 37
superclass 215–16

Tanzi, Vito 77
tariff barriers 59
Taylor, Ian 202–3
Taylor, John 170
technological transfer 50, 62, 63
technology transfer 55–56
Thailand 273–74
The International Development of China 37
Theil coefficient 47
Track One, Two and Three diplomacy 195–96
trade barriers 59, 63
traditional cultures 300
transformation, culture and faith 307–8
transnational capitalist class 214–15
transparency: multilateral organizations 212; World Bank 127

Trichet, Jean-Claude 162
triple helix 163, 166
Truman, Harry S. 31
trust 302
Type II multiple stakeholder partnerships 224

UN-business initiatives 19
UN Conference on Trade and Development, 1993 219
UN Finance for Development (FFD) conference 142
UN Fourth World Conference on Women 138
UN Framework Convention on Climate Change (UNFCCC) 194
UN Global Compact 192
UN Guidelines for Cooperation with the Business Community 219
UN Intellectual History Project (UNIHP) 191–92
UN organizations, governance 209
UN Security Council 13
undernourishment 6
United Kingdom: global leadership role 145; Muslims 269–71
United Nations: Charter 30; legitimacy 244; relations with private sector 242; role in MDGs 149; subcontracting 17
United Nations Development Programme (UNDP) 297–98
United Nations Education, Science, and Culture Organization (UNESCO) 50, 211
United Nations Foundation 223
United Nations Fund for International Partnerships 223
United Nations General Assembly 2000, focus on poverty 298
United Nations Global Compact (UNGC) *see* Global Compact
United Nations Security Council (UNSC) 90–91; and IMF 94–97; temporary members 95–96
United States: ambivalence towards MDGs 143–44; changing attitudes to MDGs 141–42; housing market collapse 1; support for international development 31–36; support for Latin American development 33–35
Universal Declaration of Human Rights (UDHR) 137, 299
Utting, Peter 204

values 307
van Gogh, Theo 271
venture philanthropists 225
vertical inequalities 19, 188, 189–92, 204
violence, towards Muslims 271, 273
violent conflict, and group inequality 267–68
voluntarism 241
Vreeland, James 13–14, 72
vulnerability 194, 195, 197

Wade, Robert 6
Wapenhans Report 119, 121
wars, fostering 62–63
Washington Consensus 64, 73, 144
water 246, 247–48
We the Peoples: The Role of the United Nations in the 21st Century 139–40
wealth concentration 213–14
wealth inequality 5
Weaver, Catherine 14–15
welfare-theoretic model 240
well-being 29
Welles, Sumner 33
Werker, E. 96
West Africa 276–77
White, Harry Dexter 32–35, 38–39
Witteveen, Johannes 74
Wolfensohn, James D. 119, 125, 215, 221
Wolfowitz, Paul 117
Woolcock, Michael 122–23
World Bank 12, 50, 297; causes of reform 115–16; challenge of reform 112–13; conceptualizing reform 114–19; conflicting objectives 120, 121; criticism of 112; cultural change 125–26; culture 121–22; democratization 113, 124–26; governance reforms 125; information disclosure 126–27; intellectual culture 122;

internal reformers 125–26; matrix management system 120; need to satisfy conflicting interests 115–16; Operations Evaluation Department 120; overview of reform 128; potential role in development 81–82; presidency 124; process of reform 116–18; Quality Assurance Group 120; recruitment 122; reform efforts 14–15; Strategic Compact initiative 114, 118, 119–23; support for land reform 51; support for small-scale farming 52; trade policy 60; transparency 127
World Bank Staff Association 118–19
World Business Council for Sustainable Development 235
World Development Report 1990 (World Bank) 137
World Economic Forum 223, 228
World Food Programme (WFP) 2
World Health Organization (WHO) 50
World Social Forum 250
World Summit on Social Development (1995) 138
World Summit on Sustainable Development 194, 224
World Trade Organization (WTO) 49–50, 60

Year of Africa 175, 177
Young, Iris 238–39, 245–46, 251–52

Zammit, Ann 242
Zoellick, Robert 125
Zürn, Michael 212