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REFORMING GLOBAL DEVELOPMENT INSTITUTIONS
What do sixty years of reform proposals tell us?
A background paper by Roy Culpeper, NSI and Sam Wangwe, ESRF
September 12, 2005

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Low-Income Country Perspectives."

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1. Introduction

This paper provides some background history on the question of Southern perspectives on reforming the world’s development agencies. It is broad in scope, covering over half a century of complex events, but it does not purport to be a definitive or comprehensive treatment. Rather its purpose is to provide some historical context for the question at hand, namely how to assess Southern perspectives on reforming the development architecture at the current moment (2005).

Today’s “international development architecture” comprises a host of multilateral organizations such as the World Bank and the United Nations Development Programme; regional organizations such as the Inter-American Development Bank and the United Nations Economic Commission for Africa; bilateral organizations such as the UK’s Department for International Development and the Canadian International Development Agency; and a number of special or ad hoc initiatives such as the Colombo Plan, the Club de Sahel and the Global Alliance for Vaccines and Immunization (GAVI). Their common and fundamental purpose is to foster economic and social development in the world’s poorer countries (see Sagasti, Bezanson and Prada 2005 for a comprehensive description).

Besides the development architecture, a set of policies, institutions and treaties govern international monetary cooperation (principally the IMF), trade (the WTO and its predecessor, GATT), finance (e.g. the Bank for International Settlements and its associated committees), investment and technology (GATT/WTO/regional trade agreements), only some of which are specifically oriented toward development objectives, but most of which tend to impact, for better or worse, on developing countries. Development organizations thus form a part of what may be called the “global economic architecture”, comprising all the institutions of international economic cooperation, whether oriented to finance, trade, monetary and exchange-rate relations, investment, technological transfers, or development.

This paper presents an overview of proposals over the last five decades to reform the global economic architecture. Its purpose is to contextualize Southern (developing-country) perspectives on reforming the international development institutions. The rationale of the paper is straightforward. There have been a number of proposals to reform the global economic architecture since the 1950s—the most notable, perhaps,

¹ We are grateful to Gerry Helleiner for comments on an earlier draft.

being proposals for a New International Economic Order in the 1970s. Until recently, most of these have emanated from (and have carried the endorsement of) the South², generated by the fact (or perceptions) that the international economic system is inherently unfair to developing countries, making their development prospects unnecessarily and unjustifiably difficult. Furthermore, almost all such proposals have been holistic in their approach, addressing the whole panoply of institutions in the global economic architecture. They have typically encompassed but have gone far beyond the development institutions, since these comprise only part, and for some developing countries not necessarily the most critical part, of the global economic architecture. Finally, it must be said that very little has come of these proposals—the global economic architecture has changed very little as a result, largely because Southern support for such proposals has been met with opposition or even hostility from the North.

Since these proposals have had at most a negligible impact, any analysis to ascertain current Southern perspectives on reform must take this history into account, which from a Southern vantage-point, must be considered sobering. If Southern viewpoints on reform have regularly been rejected in the past, why would the outcome be different today, particularly if the exercise is restricted only to the development part of the global architecture?

In contrast, recent proposals emanating from the North to reform the international economic system appear to “go somewhere.” The financial crises of the 1990s generated pressures from the industrial countries to reform the “global financial architecture³.” These were motivated by the threat that growing global financial instability could be devastating to the industrial countries themselves. These resulted in some changes in the global financial architecture, for example through the creation of the Financial Stability Forum and the Group of 20 Finance Ministers. However, even these “reforms” did not bring about fundamental or systemic changes (rather, they were primarily aimed at reducing financial fragility in developing countries through financial sector reforms); and they were oriented at emerging markets rather than the poorest countries.

The paper is organized as follows. The next section, covering the period 1945-1982, examines the origins of North-South debates on the global economic architecture after World War II, the establishment of UNCTAD, and Southern proposals for a New International Economic Order. The third section then addresses reform proposals emerging from Africa, from the late 1970s until the recent initiative on a New Economic Partnership for African Development. The fourth section picks up the story with the “lost decade of the 1980s” and the UN conferences of the 1990s, and ends with the Monterrey

² In this paper “the South” represents the collectivity of developing countries. However, the growing heterogeneity of this grouping is recognized and is briefly discussed below. Correspondingly, “the North” refers to the collectivity of developed countries. Where reference is made to “the West” it means the member-countries of the OECD, i.e. the non-Soviet bloc developed countries, during the Cold War.

³ The financial architecture, like the development architecture, is another subset of the economic architecture, comprising institutions such as the World Bank and International Monetary Fund, the regional development banks, the Bank for International Settlements and the Basel Committees, etc., involved in maintaining international financial stability, in attempting to prevent financial crises, and to mitigate them when they erupt.

Conference in 2002. The paper concludes with some observations on the implications of these debates and proposals of the past for current Southern perspectives on reforming the global development architecture.

2. The postwar regime and the rise of the NIEO debate

The global economic architecture and its underlying system of rules are essentially only six decades old. For the generation born after World War II, it is easy to forget how recent a phenomenon this constitutes in the larger contexts of world history or of international relations. For all its faults and inadequacies, the current system is in marked contrast to attempts at international cooperation prior to World War II. Indeed, one could well characterize today's system as still in its infancy, or as a "work in progress."

The current system has been built essentially on bilateral, regional, and multilateral relationships among sovereign states⁴. It was necessary for most of the world's developing countries to emerge as sovereign states, in many cases from centuries of colonialism, for these relationships to take root. However, it was not *sufficient* for developing countries merely to be independent and sovereign. It is worth noting, for example, that independence came to many Latin American countries during the 19th century. As sovereign countries they tried, but failed, to inaugurate economic cooperation with the United States as early as 1890, at an Inter-American Conference convened in Washington. This marked one of the earliest attempts at regional development cooperation; also noteworthy was the fact that this initiative was led by the developing countries. Despite that failure, the Latin American countries persisted. Fifty years later a convention to establish an Inter-American Bank was actually signed by the United States, but soon abandoned during World War II (Culpeper 1997:27-28).

With few exceptions⁵, the current system of international economic institutions emerged for the most part after World War II, with the rapid decolonization of Asia and Africa. During the interwar period, the ill-fated League of Nations had primarily been a European organization. Moreover, the interwar system was scarred by attempts of the victorious powers of World War I to secure reparations from Germany, contributing to a persisting climate of enmity that led to World War II. In contrast, the ethos prevailing among the Allied powers after World War II was to create a new international system dedicated to preventing further conflict, by supporting reconstruction in war-torn countries, including the defeated Axis powers.

⁴ Private charitable foundations have also played an important role, relatively minor in terms of their share of total flows in the early postwar decades, and increasingly important since the 1990s.

⁵ The International Labour Organisation, created in 1919 by the Treaty of Versailles which also brought the League of Nations into being. However, the ILO survived after the League's demise and is the oldest multilateral organization in existence today. Another possible exception is the Bank for International Settlements, established in 1930. However, the original purpose of the BIS was to expedite war reparations from Germany after World War I. After World War II, the BIS and its associated committees (e.g. the Basel Committee on Banking Supervision) became a forum for G-10 central banks. Its involvement in "development" issues grew with the increasing integration of developing countries into the global financial system and the financial crises of the 1970s and 1980s.

Furthermore, also in contrast to the League of Nations, universal membership has been a hallmark of the postwar United Nations, the Bretton Woods institutions (the International Monetary Fund and the World Bank), and to a lesser extent the General Agreement on Tariffs and Trade (later the WTO), in which developing countries have constituted a numerical majority.

The fact remains, however, that the economic institutions and the system of rules emerging in the wake of WWII were *designed* largely by the developed countries, with the victorious powers (particularly the U.S. and the U.K.) playing the dominant role. To be sure, some developing countries participated in the conferences leading to the creation of the UN and its specialized agencies, the Bretton Woods institutions, and the International Trade Organization (which was stillborn and led instead to the establishment of GATT). But their role was marginal. And subsequently, the governance of the global economic organizations (the Bretton Woods Institutions and the GATT) was dominated by the Western industrial countries and remained so in the following decades.

The fact that one of the three global institutions, the ITO, did not emerge along with the two Bretton Woods institutions had a marked impact on North-South relations in the ensuing decades. The GATT fell far short of the original aims and scope of the ITO: GATT did not include the function of commodity price stabilization, or the objectives of employment creation, development, or the control of restrictive development practices, all of which were intended objectives of the ITO. As Singer (1989: 6-7) put it in retrospect, “GATT became and to some extent remained very much a First World institution, and initially failed to make allowances for the special problems of developing countries.” As noted below, GATT’s shortcomings contributed directly to Southern proposals for systemic reform.

In the United Nations, admittedly a body with a much broader political mandate for peace and security as well as development, a different dynamic came to prevail. As many newly-independent developing countries joined the U.N., the South rapidly formed a voting majority. It was not long before they demonstrated their views in the U.N. about how the global economic architecture should evolve. As early as the 1950s, there arose a debate about the founding of a new multilateral institution to complement the World Bank, which at its inception only provided loans on market-based terms to their industrial country members for postwar reconstruction, and later initiated similar lending to creditworthy developing countries. There were no multilateral institutions that could provide grant or at least concessional financing to the poorest countries, which were not creditworthy for market-based lending. Two contending proposals emerged: a special grant-making arm of the United Nations (SUNFED); and a new concessional lending affiliate of the Bank (the International Development Association (IDA)).

The debate on these competing proposals indicated, even at this early stage, a division between the developed countries on the one hand, which preferred to situate the new facility in the Bretton Woods institutions they effectively controlled, and on the other hand the developing countries, which preferred the United Nations in which they formed

a voting majority. By 1960 the debate was resolved: IDA was created and SUNFED was not (Shaw 2005; Singer 1989). This episode presaged the subsequent debates about and the evolution of the development architecture. Because resources for IDA depended on grants from the donor countries (typically the case for development agencies), donors have tended to ensure that they retain control of the facility, and to shape its policies and its programs.

By the 1960s, developing countries increasingly turned to the UN to try to rectify an international economic order that they perceived as not supporting, indeed, even undermining, their needs. By the 1970s, growing frustration at lack of progress and new opportunities arising from the oil price shocks led to demands for a New International Economic Order. The proponents of the NIEO pressed for more development aid, but only as part of a larger package of reforms to North-South relationships in trade, finance and technology. High on the agenda were the regulation of primary commodity markets and the creation of a Common Fund for this purpose; improved access to industrial country markets; international monetary reform; codes of conduct for transnational corporations; technological transfer on acceptable terms; and economic co-operation among developing countries (Helleiner 1982: 1).

The foundations of the NIEO debate were actually laid by Prebisch and Singer in the 1950s, in a series of seminal articles that established the hypothesis of the peripheral economy⁶. The hypothesis states that the prices of primary commodity exports tend to decline relative to the prices of manufactured exports, implying secularly deteriorating terms of trade for commodity-exporting developing countries. Accordingly most of the gains from trade accrue to manufactured-goods exporting countries (i.e. industrial countries), and therefore producing commodity exports could not provide a reliable basis for capital accumulation and development. In the view of Prebisch-Singer, to escape from commodity dependence and foster industrialization, trade relations would have to be significantly altered, and such measures would have to be complemented with significantly higher aid flows (MacBean and Snowden 1981: 93-110). Perhaps more controversially, the hypothesis advocated infant-industry development strategies, to be achieved through an interventionist strategy of trade protectionism, import-substitution and export promotion.

The Prebisch-Singer hypothesis presented a challenge to the Bretton Woods institutions, the GATT, and their industrial country members, unwilling at first to contemplate fundamental changes in international trade or financial relations. However, growing demands by developing countries to consider such issues at the U.N. led in 1964 to convening the first United Nations Conference on Trade and Development. The conference was followed by the creation of the UNCTAD Secretariat in Geneva (with Prebisch at the helm as its first Secretary-General) to provide a permanent forum in

⁶ UNECLA, *The Economic Development of Latin America and Some of its Problems* (New York: UN, 1949); Hans Singer, "The distribution of gains between borrowing and investing countries," *American Economic Review, Papers and Proceedings* (May 1950); Raoul Prebisch, "The role of commercial policies in underdeveloped countries," *American Economic Review, Papers and Proceedings* (May 1959); Raoul Prebisch, "Toward a New Trade Policy for Development," (UNCTAD, 1964).

which to undertake further analysis on “structural” issues pertaining to international economic relations.

The establishment of UNCTAD created a space in which critical thinking, particularly from a development perspective, about global economic policies, relationships, and institutions could take place. It also led to a series of international conferences approximately every four years (the most recent being UNCTAD XI in São Paulo in 2004) in which most of the United Nations membership is convened to address key development policy issues of the day.

UNCTAD conferences in New Delhi (1968), Santiago (1972), Nairobi (1976) and Manila (1979) created fora in which the Group of 77 developing countries, also formed in 1964, pressed their demands for a NIEO. UNCTAD invested considerable effort toward creating an “Integrated Program for Commodities”—comprising up to 18 international commodity agreements to stabilize prices, supported by a “Common Fund” to finance buffer stocks arising from the agreements. These were among the principal elements of the ill-fated NIEO.

A more lasting, if limited, achievement of UNCTAD was the creation of the Generalized System of Preferences—non-reciprocal preferences by industrial countries for manufactured exports from developing countries. The GSP was not a truly “multilateral” initiative in the sense that implementation arrangements differed among industrial countries, which tended to impose limitations in the form of quotas and exclusions of textiles, leather goods and processed agricultural commodities. Nonetheless it provided developing countries a window for export diversification away from primary commodities and therefore an incentive to invest and create additional employment and incomes.

UNCTAD has remained strongly supported by developing countries, precisely because it continues to voice their concerns and perspectives. In this regard it frequently challenges the “mainstream” global agencies such as the World Bank, IMF and the GATT/WTO on the high ground of policy formulation and impact on developing countries. Yet at the same time, because of the indifference or hostility of many industrial countries to many of the positions it espouses, UNCTAD has become a somewhat marginalized body in the international system. It has also been suggested that institutions like UNESCO and ILO have risked being marginalized and pressure put on them to reform when they were perceived to be spearheading the course of the South. For instance, in the early 1980s ILO put up arguments questioning the wisdom of structural adjustment programmes from the point of view of the threat on basic needs. Around the same time ILO faced budget cuts from the United States, a leading Northern member country. In addition, UN organisations which were perceived as primarily championing the course of the South faced the threat of extinction or serious restructuring as happened to the UN Centre for Science and Technology Development, UN Centre for Transnational Corporations and the UN Committee for Development Planning. This should not be the case if Southern perspectives are respected or at least taken seriously.

In the 1970s the movement to create an NIEO reached its apogee, stimulated by the tumultuous events of that decade. These included the breakdown of the Bretton Woods system of fixed exchange rate parities in August 1971, the oil price shocks of 1973 and 1979, the UN Special Session in September 1975 that resulted in a Consensus Resolution authorizing negotiations toward an NIEO⁷, the convening of a Ministerial Committee of 20 (including 10 representatives from developing countries) to consider the reform of the international monetary system (see below), a Conference on International Economic Cooperation in Paris, and finally, the proposal in the Report of the Independent Commission on International Development Issues (the Brandt Report⁸) to initiate “global negotiations” which led to “North-South Summits” held at Montebello (Canada) in 1981 and Cancun in 1982. The Summits signaled that even if the North were not prepared to agree many of the demands of the NIEO, it was at least prepared to discuss the issues seriously at the highest levels.

A new coalition of developing countries—the Group of 24, represented by their Ministers of Finance or Central Bank Governors—was formed in 1971 resulting from consultations among the G77, as the fixed exchange-rate system was breaking down. While the main objective was to “concert the position of developing countries on monetary and development finance issues,” at its first meeting in Caracas the G24 recommended the formation of a Committee of Twenty (C-20) representatives from the IMF Board of Governors. This committee would comprise no fewer developing country representatives than the IMF’s Board of Executive Directors. Its purpose was to “provide for fundamental improvements in the decision-making process regarding international monetary issues” in view of “dissatisfaction that important decisions affecting the International Monetary System have been taken by a small number of developed countries to the exclusion and neglect of the interests of the rest of the international community, and that these decisions have adversely affected the economies of developing countries”⁹. The meeting also took positions on SDR emissions as a channel of additional finance for development and expressed dissatisfaction with the present system of determining IMF quotas—which has continued to the present day.

The C-20 did not succeed in reforming the international monetary system (the system of fixed exchange rates could not be restored and there was little agreement on the parameters of a flexible exchange-rate system). However, when it disbanded it led to the establishment of two permanent Ministerial-level policy committees. In effect, the C-20 itself metamorphosed into the “Interim Committee” (which was ultimately renamed the International Monetary and Finance Committee two decades later). This committee meets twice a year to consider key international monetary and financial issues (typically, leading issues on the IMF’s agenda). In parallel a similar Ministerial-level “Development Committee” was established to consider key development issues (typically, on the World Bank’s agenda). The fundamental decision-making modalities of the IMF or World Bank were not altered—the OECD countries still exercise about 60 percent of the voting power

⁷ UN General Assembly Resolution 3262 (S-VII), September 16 1975.

⁸ *North-South: a Program for Survival* (1980).

⁹ Intergovernmental Group of Twenty Four on International Monetary Affairs, First Meeting of Ministers, *Communiqué*, 5-7 April 1972, Caracas.

in the two organizations. However, the developing countries have approximate parity with their Northern counterparts in the IMFC and Development Committee, that is, they occupy the same number of seats, providing them with a political space in which to raise concerns and provide their perspectives on issues of the day.

There were thus two converging currents in the 1970s. On the one hand, a significant part of the postwar global economic architecture—the Bretton Woods monetary system—had effectively broken down and there was no clear consensus on what would take its place. On the other, oil producers discovered they could exercise considerable market power and secure (twice) a quadrupling of prices, presenting a strategic threat to the industrial countries. Put more positively, the events of the 1970s gave rise to the possibility of a “grand bargain” between the North and the South, with both sides gaining advantages from a more stable and prosperous global system. Certainly the Brandt Report’s recommendations went a considerable distance toward many of the demands of the NIEO, in pressing among other things for:

- a substantial increase in development resources for the poorest countries;
- more equitable participation by developing countries in the processing, marketing and distribution of their primary commodity exports, via inter alia support for the Integrated Program for Commodities and the Common Fund;
- greater access to industrial country markets for developing countries’ manufactured exports, via extending the GSP, reducing protectionism, and infrastructure support and technical assistance for poorer countries;
- a new international trade organization incorporating both GATT and UNCTAD;
- an international code of conduct for transnational corporations, investment and the sharing of technology¹⁰; and
- a new approach to development finance, including “an international system of universal revenue mobilization” and “timetables to increase ODA from industrialized countries to the level of 0.7 percent of GNP by 1985” (Brandt 1980: 282-291).

Perhaps some success can be claimed by proponents of NIEO and the debates they prompted in the UN. Their impact should be measured not so much with regard to reform of the “architecture” but instead with respect to the behaviour and policy priorities of key institutions such as the World Bank (see Jolly et al, 2005: 5). In 1973 the Bank launched its “poverty focus” initiative and did so within a conceptual framework of “redistribution with growth”, ostensibly dethroning the singular emphasis given to GNP growth. Accompanying the shift away from aggregate GNP was increased attention to “basic human needs” for food, shelter and so on, which are poorly captured by the metric of per capita income. The poverty focus initiative prevailed in the Bank during the rest of the decade, until it was displaced by the overwhelming preoccupations with debt and adjustment after 1980.

¹⁰ It is interesting to note how much Northern opinion has changed on this subject. Bhagwati (1978: 19-20) argued that multinational corporations are a good thing, bringing technology and management expertise, but “need to have their international conduct regulated by explicit codes and legal sanctions, including the extension of trust-busting legislation to external operations in the social interest.”

Despite the seeming accommodation of the Northern-dominated Brandt Report, the NIEO agenda foundered and ultimately expired in the 1980s for a number of reasons. First, world economic growth slowed considerably from the postwar “Golden Age” between 1950 and 1973. The slowdown emanated from the industrial countries, and was partly shock-induced (the quadrupling of oil prices twice during the 1970s) and partly policy-induced (industrial countries shifted their macroeconomic priorities from the maintenance of full employment to the control of rising inflation).

A slower growth environment in key markets constrained developing countries’ prospects for growth through trade, and also dampened prospects for reduced protectionism in those markets. Second, industrial countries adopted energy-saving strategies to reduce their vulnerability to further oil price escalations, thereby reducing the bargaining advantages oil exporters had gained. Last but not least, crucial political shifts also occurred in the North. The formation of the Group of 5 leading industrial countries in 1975 (growing into a Group of 7 in 1976) to deal with the multiple crises of the decade heralded a willingness to retake the initiative from the G-77 and G-24 on world economic issues. Moreover, conservative governments much less inclined to be sympathetic to the aspirations for a NIEO assumed power in the USA and the UK. Indeed, UK Prime Minister Thatcher and US President Ronald Reagan effectively buried the NIEO at the Cancun Summit in 1982.

In retrospect, it is worth belabouring two fairly obvious characteristics of the NIEO project that are pertinent for the present exercise of assessing past Southern reform proposals:

- First, the NIEO addressed the *entire spectrum* of the global economic architecture—including institutions dealing with aid, trade, finance, and monetary relations. These were seen as interconnected and interrelated parts of a large package of needed reforms. Although not expressed in this way at the time, NIEO proponents called for greater coherence among global institutions.
- Second, however, the NIEO was concerned mostly about reforming international aid, trade and finance *policies*. These included a greater volume of aid resources, more access to industrial country markets, more equitable shares of processing and value-added in commodity production, and so on. As to “reforming the architecture” in the sense of changes to the structures and functions of international agencies (including the creation of new agencies), along with their coordination and coherence, the NIEO included the demand for a Common Fund and its associated International Commodity Agreements. However, proponents were more preoccupied with the operational behaviour of the current architecture, i.e. its policy priorities, than with changing its shape or the way it worked. This characteristic of the NIEO was to be reflected in subsequent Southern proposals to reform the international system (on these points see Commonwealth Study Group, 1983).

The 1980s ushered in a decade of debt crises in the more advanced developing countries particularly in Latin America, and the collapse of development in much of sub-Saharan Africa. These resulted both from external shocks (the oil price shocks and petro dollar recycling; widespread drought and famine in Africa) and from internal causes (mounting inefficiencies of state-driven and import-substitution models of development). In East Asia, the story was dramatically different, hardly affected at all by the world economic slowdown, and dominated by a third decade of export-driven industrialization and growth.

From the ashes of the NIEO proposals, which now seemed utopian in contrast to the urgent needs of the day, arose a very different debate, more preoccupied with the need for “adjustment” than for “finance” for the most distressed countries, whether they were among the middle-income or the poorest. The “lost decade” of the 1980s led to very different responses in the two worst-affected regions of Latin America and sub-Saharan Africa.

In Latin America, seven years of hard negotiations on debt reduction and restructuring culminating in the 1989 Brady Plan also led to the “Washington Consensus”, a policy package aimed at reaching and maintaining internal and external balance in order to lay the foundations for renewed creditworthiness, investment and growth in developing country debtors. This was a dramatic turnaround in the policy stance of the region, which had given rise to a number of “structuralist” schools of development thinking in addition to that of Prebisch and the research of the UN Economic Commission for Latin America. Now, policy direction hailed from “Washington” which collectively represented the IMF, World Bank, the Inter-American Development Bank, and of course the U.S. Government (particularly its Treasury Department). And its contours were decidedly at odds with Latin American structuralism, and even with the Keynesian foundations of the “Golden Age”; hence the descriptor of “neo-liberal” policy applied to the Washington Consensus.

By the 1980s, it had also become clearer than ever that the “South” was far from a homogeneous bloc of developing countries, if it ever was. Korea, Taiwan, Singapore and Hong Kong were entering their third decade of spectacular rates of economic growth, and the “Southeast Asian tigers” of Thailand, Malaysia and Indonesia showed promise of similar growth performance. China adopted a far-reaching program of liberalization and rural de-collectivization in 1978, initiating its own trajectory of rapid growth. The result was that economic disparities among the “South” were becoming much wider than the gap between the most advanced developing countries and the leading industrial countries¹¹.

Associated with these huge income disparities within the developing world were economies vastly different in their structural characteristics—their sectoral composition,

¹¹ For example, on one set of estimates, by 1990, Ethiopia’s per capita GDP was \$350 (versus \$277 in 1950); South Korea’s, \$8,977 (\$876 in 1950); the USA’s, \$21,866 (\$9,573 in 1950). The ratio of USA to Korean per capita income in 1990 was 2.4, compared to 10.9 in 1950; Korean to Ethiopian, 25.6 in 1990 (versus 3.2 in 1950). (All figures in 1990 dollars). Angus Maddison, *Monitoring the World Economy 1820-1992*. Paris: OECD, 1992, pp. 197, 205, 206.

the composition of their foreign trade, their savings and investment ratios, and so on. Most sub-Saharan African countries remained overwhelmingly agricultural and their populations predominantly rural. The structure of their exports remained dependent on traditional goods or primary commodities. The Asian tigers, in contrast, had rapidly industrialized and urbanized, while Latin American countries tended to fall in between.

It follows that there was also a growing gulf between the needs of countries facing widely different circumstances and opportunities. It is thus not surprising that from the 1980s, Southern reform proposals became more differentiated based on regional commonalities and challenges. The UN's regional economic commissions (for Latin America and the Caribbean [ECLAC] and Africa [ECA] in particular) were among the first international bodies to develop distinct regional strategies and policy options to respond to their unique challenges (Jolly et al 2005, ch. 4). These were becoming most stark in the case of sub-Saharan Africa, the subject of the next section.

3. Sub-Saharan Africa: New Challenges and Demands¹².

By the 1980s post-colonial African countries were confronting the formidable development challenges specific to the continent. With the Lagos Plan of Action Africans began to raise their voice in order to attempt to reform the international economic system. When the African heads of states and governments met in Monrovia in July 1979, to discuss the economic problems facing the continent and to take a stand on the need to address these problems, they arrived at some very historic decisions. They declared, among other things, that they would take measures to realize national and collective self-reliance in the economic and social domains contemplated by proponents of the New International Economic Order (NIEO). They clearly expressed their political support for taking urgent measures to realize rapid economic growth.

In this regard, they resolved that it was vital to do the following:-

- Promote economic and social integration of African economies to enhance self-reliance and self-centered development;
- Create national, sub-regional and regional institutions in pursuit of self reliance;
- Give primacy to human resource development;
- Place science and technology at the center of Africa's development processes;
- Ensure self-reliance in food production and guarantee the African people proper and adequate nutrition, together with other basic needs for a civilized standard of living;
- Undertake proper planning in all sectors of development - particularly agriculture, industry, and environmentally sound use of natural resources -with the aim of achieving modern economies at the national, sub-regional and regional levels by the year 2000.

¹² The following section comprises parts of a paper by Anyang' Nyong'o (2002) and also draws from Wangwe (2003).

The heads of states and governments therefore charged the OAU Secretary General and the Executive Secretary of the Economic Commission for Africa to come up with a sound plan for achieving these objectives. This is what led to the Second Extraordinary Session of the Heads of States and Governments held in Lagos in July 1980 to pass The Lagos Plan of Action and The Final Act of Lagos for the economic development of Africa.

The Lagos Plan of Action (LPA) was a detailed elaboration of the general principles and objectives arrived at in Monrovia in 1979. It went into details, sector by sector, on how Africa could, through collective self-reliance, achieve rapid economic and social development during the last two decades of the twentieth century. The Final Act of Lagos (FAL) committed the African governments to establish an African Economic Community (AEC) by the year 2000 and stated steps to be taken to this effect. The AEC was seen as an institutional arrangement to facilitate tapping of economies of scale and larger regional markets as well as enhance the bargaining position of Africa in the global system through enhanced collective bargaining. In other words, the FAL took the principles, programs and projects enunciated in the LPA as agreed upon, and went further to state the kind of economic and political institutional agreements necessary to realize these, including more concerted action on collective self reliance and collective bargaining.

Given that the West was hostile to arguments advanced by the advocates of the NIEO, it was not surprising that it paid scant attention to the LPA and FAL, which embodied many of the assumptions and principles of the NIEO. In particular, the LPA laid considerable blame for Africa's problems on the external environment and the "global economic architecture." The LPA faced criticism from the World Bank for not giving enough room to the private sector, not conceding to reforms necessary in the public sector to stimulate growth and being too ambitious in its projections on what Africa could achieve in terms of economic transformation through modernization of agriculture and economic restructuring through industrial growth. The World Bank therefore set up its own assessment of the possibilities to jump-start African economies, so as to overcome underdevelopment. Professor Elliot Berg was appointed by the World Bank to head a team who produced a report entitled *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* (World Bank, 1981; commonly known as the Berg Report).

Like the LPA, the Berg Report also analysed the African economies sector by sector, and was equally convinced that Africa had little to show in terms of development twenty years after independence. But unlike the LPA, the Berg Report delivered a judgment that basically placed the cause of the development problem of Africa in domestic policy shortcomings and mismanagement of the economies and downplayed the role of the external factors such deteriorating terms of trade, debt and the functioning of the international development architecture. The Berg Report put the African state and African bureaucracies, the state and domestic policies in the dock.

While the LPA had avoided raising political issues, the Berg Report was quite explicit about corruption and accused the bureaucracy of eating up scarce resources in development, mismanaging public affairs and generally becoming a parasite on society. The state-led development model that relied on heavily subsidizing social welfare,

industrializing through tariff-supported import substitution, foreign exchange controls and deficit financing of public expenditure was deemed to be unsuitable and antithetical to the growth of the private sector. For, in the view of the Berg Report, it is the growth of the private sector that African economies needed for accelerated development.

The Bank therefore recommended a two-pronged solution to the crisis of underdevelopment and the search for accelerated development in Africa. First was the need to roll back the state from involvement in the economy by privatizing public enterprises and confining the state to its traditional role as a regulator. The second was to open up the economy to more private sector participation and market forces through economic liberalization. Economic reform policy packages containing some or all aspects of these two dimensions came to be known as Structural Adjustment Programs (SAPs), and were handed down to African governments by the World Bank and other donors as conditions for aid disbursements.

However, with the multiple development crises of the 1980s and 1990s, debates intensified on the need for debt relief, and the appropriateness of structural adjustment and policy conditionality. While Africa did not want to simply pour cold water on SAPs, their adverse effects could not be ignored. A more proactive approach was therefore taken by the Economic Commission for Africa in conjunction with African governments to produce Africa's Priority Program for Economic Recovery 1986-1990 (APPER). This was later converted into the United Nations Program of Action for Africa's Economic Recovery and Development (UN-PAAERD).

In these two initiatives, Africans tried to come to terms with SAPs, and to propose to the UN body economic programs and objectives under which African governments could engage the external world in a joint endeavour to tackle economic and social backwardness in Africa. The problem of the debt burden became prominent, inadequacy of investment resources was underlined and unequal exchange in trade was underscored. These issues needed to be addressed first, and a commitment made to infuse the continent with capital investment that would help to absorb the various shocks (natural and economic) impacting the African continent and its people. Such a strategy would reduce or avoid the need for structural adjustment policies altogether.

Critics noted that African governments were not taking their own responsibilities seriously, that the LPA had not even addressed the issue of "good governance", that this has been left to the World Bank to raise in the Berg Report and that African governments have since then kept mute. It was further pointed out that it needed to be spelled out clearly in APPER and UN-PAARED whether and how the African versions of structural adjustment policy were actually on the agenda.

Accordingly, in 1989, the Economic Commission for Africa (ECA) produced The African Alternative Framework to Structural Adjustment Program for Socio-Economic Recovery and Transformation (AAF-SAP). Without abandoning the commitment to collective self-reliance that was the linchpin of the LPA, and still underscoring the need for massive capital investment in African economies so as to kick-start economic growth,

AAF-SAP nonetheless conceded to the demands of the World Bank led SAPs agenda. It however introduced a new dimension: the need to pay attention to vulnerable groups and to create social safety nets to mitigate adjustment programs. It recognized the need to adapt adjustment policies to the need for structural transformation.

However, AAF-SAP was perceived as a challenge to the way structural adjustment policies were designed by the Bretton Woods Institutions. During this period the socialist bloc was also undergoing major restructuring in its political and economic systems, which helped focus attention on addressing governance issues in Africa. It was in this context that the ECA prepared and held the famous Arusha conference on Popular Participation for Democracy in Africa and subsequently produced The African Charter for Popular Participation for Development (1990). Given this positive predisposition to good governance and noting that this was the first time that the official documents discussing Africa's development agenda conceded that democracy was a cardinal issue, the UN now went ahead to produce the New Agenda for Development of Africa in the 1990's (UN NADAF, 1991) which had heavy doses of good governance as a *sine qua non* for Africa's economic recovery.

The New Partnership for African Development (NEPAD) initiative launched by five African leaders in 2002 brought together many of the strands of the development debate over the previous two decades. In this respect, NEPAD represents both continuity and change on the part of African leaders' perceptions of their problems and of their willingness to consider new solutions. For example, unlike AAF-SAP and LPA, it endorses the importance of sound macroeconomic management and in addition it tackles the issue of good governance and partnerships frontally in Africa. NEPAD perceives positive engagement with the world economic system as the only realistic way out, and proposes an approach to partnership which also involves renegotiating international trade arrangements to improve equity in WTO rules and regulations; to reduce unequal exchange in international commerce; and to have better and more rewarding access to foreign markets. It also suggests that this partnership implies a kind of social democracy at a global level whereby those who have been favoured by history for various reasons to be developed will have some stake in investing in the rapid development of Africa provided this is done with African leadership taking the initiative¹³.

On the other hand, NEPAD - like its predecessor the LPA - is also strong on collective self-reliance and puts a premium on regional integration as part and parcel of the strategy for African economic renaissance. NEPAD, like the African Charter for Popular Participation, takes the issue of peace, security and human rights as critical to any prospects of development in Africa. In this regard, priority is given to the settlement of the debilitating internal conflicts in Africa and the creation of a political democratic order wherever such order is wanting. This includes a whole range of conflicts from the obvious ones like the ones in the Great Lakes region, the Horn of Africa and Western Sahara to the less talked about ones like the conflicts in northern Uganda.

¹³ Such an approach to partnership is largely consistent with Millennium Development Goal number 8.

It may be noted that in recent years, partnerships and aid relationships have been put to scrutiny and efforts are being made to revisit those relationships based on past experience. Donors have recognized that using conditioned lending, in effect, to force African governments to implement such reforms, is not likely to have a high success rate. Thus, while not abandoning the notion of aid tied to reforms, donors have begun to explore ways to reshape the way they do business. A new regime is emerging and it involves commitments on the part of aid donors to four elements: selectivity, participation, ownership, and developing new modalities for managing the aid. These elements are being shaped within the broad conceptual context of the Comprehensive Development Framework (CDF) proposed by the World Bank. The CDF is a template intended to include the numerous and diverse elements – economic, political, social, even cultural – that can play a role in development, broadly defined. Following on the CDF and international development goals agreed in the DAC in 1995, a number of developing countries, with the support of the World Bank, have also produced Poverty Reduction Strategies to guide government policies and investments (including aid-funded investments).

A new aid regime is emerging as indicated by recent developments on the donor side and on the African side. There is greater interest in poverty reduction; the end of the Cold War is changing alliances and partnerships; international peer pressure is being applied to improve aid effectiveness; initiatives are being taken to forge new partnerships between donors and recipients; and within recipient countries, partnerships with various actors are being redefined.

First, the poverty focus as expressed by OECD (1996) and subsequently the UN-endorsed Millennium Development Goals, the World Bank's Comprehensive Development Framework and the increasing adoption of poverty reduction strategies in Africa are all major departures from past policies.

Second, the end of the Cold War will not end the importance of foreign policy and donor interests in influencing aid allocations but it may reduce the preponderance of aid allocations along the old ideological lines. In this situation, even new criteria for aid allocations have a better chance of being considered and put into practice.

Third, international peer pressure is being applied to improve aid effectiveness including harmonizing aid delivery mechanisms. The initiatives that are currently being taken in OECD through the DAC and Strategic Partnership with Africa (SPA) processes as well as initiatives taken under the UN system are encouraging.

Fourth, initiatives are being taken to forge alliances with private international capital such as public-private partnerships in infrastructure investments.

Fifth, the trend towards political liberalization and democratization in Africa and endorsement of efforts to achieve good governance at the Pan-Africa level, as in the Africa Union and New Partnership for African Development (NEPAD), are indications that Africa may be rethinking its approach to development management. The new

approach to development is slated to be more inclusive and participatory and more amenable to accountability to the local stakeholders. In the NEPAD framework, for instance, Africa views assistance from development partners as supplementing Africa's own undertakings and efforts. The African Peer Review mechanism is an important initiative in the area of governance.

In summary, while the New Partnership for African Development launched in 2002 evolved from these earlier debates, there had been a subtle shift in the position of African leaders. African leadership opinion maintained, as in the past, that the international system was not functioning in Africa's best interests, and in many ways serves to undermine it. Moreover, as in the past, and similar to the approach of the NIEO, proponents took a holistic view of the development challenge, addressing trade, international finance and debt, as well as foreign aid. To this list, however, was added some new elements, absent in the past: recognition of the centrality of good governance (democracy, human rights, the eradication of corruption), the need for sound macroeconomic management, and stable peace (beyond the mere absence of conflict).

But a caveat should be added. The increasing role of the G8 in shaping NEPAD and the relatively greater effort put on external resource mobilization compared to the effort put on redefining partnerships and role and position of Africa in the global system could undermine the core of the spirit of NEPAD.

4. Rethinking development: UN Conferences, Asian Crisis, and HIPC.

The decade of the 1980s was in many respects calamitous to the developing world, bringing plummeting commodity prices, the worst debt crisis in half a century, and a world-wide slowdown in economic growth. In the words of the South Commission report launched in 1990, "...unless the world community takes determined action, the international environment in the 1990s is likely to remain fundamentally hostile to the development prospects of developing countries in several respects." The report went on to recommend a three-part agenda: a more "self-reliant" strategy for the South, based on more efficacious national strategies; strengthened cooperation among countries of the South; and, echoing the calls for a NIEO, a "fundamental restructuring of the international economic system" (South Centre 1993: 3-49). But such calls for international restructuring now seemed to be retreating into the past.

Instead, as mentioned in the previous section, during the "lost decade" of the 1980s, developing countries increasingly were on the defensive against the new orthodoxy (structural adjustment policy) that had assumed the commanding heights in development institutions, particularly the World Bank and the IMF. The new orthodoxy's proximate aims were to return to or move towards internal and external macroeconomic equilibrium. The former implied fiscal balance and monetary restraint; the latter, import compression and export promotion along with full and timely debt servicing within a sustainable balance of payments position. While these ultimate objectives were unexceptionable, the policies urged upon developing countries in order to achieve them were often controversial and politically charged. They typically meant cutbacks in

government expenditure, including through reductions in social programs and public investment; they often included the liberalization of trade and financial markets, widespread privatization of state-owned enterprises, and deregulation (Ghai, 1991).

Structural adjustment was given higher priority than longer-term goals of poverty reduction or social development, on the grounds that internal and external equilibrium would restore the foundations for sustainable economic growth. However, skeptics began to criticize public sector cutbacks for undermining growth and poverty reduction, questioning whether they were “necessary short-term sacrifices.” Such skeptics regrouped in the UN and its various agencies. The first challenge to the new orthodoxy came from UNICEF, in a series of reports that demanded “adjustment with a human face,” i.e. adjustment that protects social expenditures in health and education as crucial long-term investments (Cornia, Jolly and Stewart, 1987).

UNICEF’s critique spawned a cohort of “social dimensions of adjustment” programs among multilateral and bilateral aid agencies. At about the same time UNDP sought to revive the more holistic approach to development that had briefly emerged during the 1970s. Drawing substantially on Amartya Sen’s work on human capabilities and functionings, UNDP constructed a new Human Development Index, conflating measures of material progress with those of education and health. The index became the centerpiece of UNDP’s new Human Development Report (beginning in 1990), presenting a rival to the World Bank’s World Development Report as the pre-eminent flagship publication on development issues. It is perhaps not coincidental that under an increasing barrage of criticism the Bank announced in 1990 that its “overarching objective is poverty reduction.”

Other neglected issues had surfaced during the “lost decade”: environmental sustainability, human rights, gender equity, and population policy. Along with social development, a rising chorus of critics maintained that each of these formed crucial elements in any holistic concept of development. But every issue was complex in its own right. To do such issues justice, each deserved particular in-depth attention. Thus was launched the series of UN development conferences, starting with the 1990 World Summit for Children in New York; and in 1992, the Rio de Janeiro Conference on Environment and Development (UNCED). There followed conferences on Human Rights in Vienna (1993), Population and Development in Cairo (1994), Gender and Development in Beijing (1995), Social Development in Copenhagen (1995), and Human Settlements (Habitat II) in Istanbul (1996), and the World Food Summit in Rome (1996).

Each conference generated its own declaration and plan of action. All can be said to have been at best only partly implemented. For present purposes it should be asked: to what extent were these conferences Southern-led or driven? And to what extent did they call for a reform of the global economic or development architecture?

As to the first question, the conferences of the 1990s were not driven in the same way as the debates of the 1960s and 1970s culminating in proposals for a NIEO. Essentially the roots of the NIEO were in developing country capitals, led by thinkers, practitioners, and

others. Some individuals such as Prebisch took up senior positions in the UN, who served as Executive Secretary of ECLAC and then headed the newly-established UNCTAD. But while the NIEO movement originated outside the UN, the UN came to play a leading role as the debate evolved. In addition, the key individuals in the debate tended to be Southerners. In contrast, the conferences of the 1990s were from the beginning led more from within the UN than from developing country capitals. Moreover, the impetus came not only from leading Southerners in the UN system but by individuals from across the entire membership of the UN—i.e. from both the North and the South. To be sure, since the conferences were convened by the UN, it is also true that they conveyed the perspectives of the majority of the membership, i.e. the South.

However, another significant difference between the UN conferences of the 1990s and earlier movements for international reform was the growing involvement of Civil Society Organizations. The majority were Northern-based, garnering support from their governments, often through bilateral donor agencies. Northern CSOs also influenced new directions in donors' interventions, for example, by giving greater weight to issues such as environmental sustainability and the gender dimensions of development, and initiating projects in these areas (Van Rooy 1998). Although a great many CSOs from the South participated in the conferences of the 1990s, their counterparts in the North tended to be better-financed and organized. It is not surprising that this gave rise to a certain amount of tension and occasional friction between Northern and Southern CSOs and some suspicions that the North, through their CSOs, was continuing to assert control over the evolving development agenda (see South Centre 1996:212-214).

As to the reform programs called for by the conferences, each generated an extensive and complex program of action with follow-ups. It is not possible here to do justice to the scope and depth of the proposals that emerged. For example, one of the earliest conferences, UNCED, generated two Conventions—on Climate Change and Biodiversity—endorsed the Rio Declaration and the Forest Principles, adopted Agenda 21, a 300-page plan for achieving sustainable development in the 21st century, and created the UN Commission on Sustainable Development (CSD) to ensure effective follow-up. A Special Session of the General Assembly was held in 1997, and on the tenth anniversary of UNCED (in 2002) a World Summit on Sustainable Development was convened in Johannesburg. The Summit produced a plan of implementation and sanctioned a multi-year program of work for the CSD.

Similarly, the 1995 World Conference on Women produced the Beijing Declaration and a Platform for Action encompassing, among other things, institutional and financial arrangements. As with UNCED, there were follow-ups on the fifth and tenth anniversaries. The other major conferences produced similar outcomes. In general, the reforms sought by the international conferences were *issue-specific, targeted results* in development policies and programs. In this regard there were some relatively minor changes to the “architecture”—for example, with the creation of the Commission on Sustainable Development. Like the NIEO, the conferences did call for a restructuring of the international architecture via a re-balancing of the roles and relationships of the North and the South, but such calls were pro forma—their main focus was elsewhere.

However, the 1990s conferences had a cumulative effect in each calling for substantive change and additional resources. Because of their specific, results orientation, the conferences consequently set the stage for two world summits—the Millennium Summit of September 2000 and the International Conference on Financing for Development at Monterrey in March 2002—that attempted to distill the key outcomes into (relatively) coherent and crisp plans of action. But neither can be described as “Southern-led” to the same degree as the conferences of the 1990s, for the reasons described below.

Indeed, the Millennium Development Goals, which emerged in the 2000 Millennium Summit Declaration, evolved from a set of “International Development Targets” originating from the OECD Development Assistance Committee (OECD, 1996). In the ensuing years, debate erupted as to the adequacy of the targets, the degree to which they fully or properly represented key outcomes from the UN conferences, and the process by which they were derived. In particular, the OECD/DAC targets were drawn up with little or no input from developing countries. And the ultimate list of Millennium Development Goals, along with their associated targets and indicators, failed to include a number of key recommendations, for example, on sexual and reproductive rights emerging from the Cairo and Beijing conferences (North-South Institute 2005: 71).

Accordingly, the MDGs were heavily criticized for backtracking from the far-reaching aspirations of the conferences of the 1990s. Moreover, the eight MDGs are highly asymmetrical. The first seven specify time-dated quantitative targets to be reached by developing countries. (For example, the target for MDG-5 states: “By 2015, reduce by three quarters the ratio of women dying in childbirth.”) The eighth, however, calls for “a global partnership for development” and is addressed primarily to the developed countries. But it contains no time-bound or quantitative targets. For example, MDG-8 could have required donors to reach the ODA/GNI target of 0.7 percent by 2015; but no such target is mentioned. In general, MDG-8’s targets are quite vague and open-ended¹⁴.

Expectations for the Monterrey Conference, in the meantime, had grown considerably. Each of the conferences of the 1990s had generated a program of action with substantial financial implications as well as “systemic” ramifications (i.e. enhancing the consistency and coherence of the financial, monetary and trading systems in supporting development). Achieving the Millennium Development Goals, even though inadequate in the eyes of critics, would also entail significant costs. The hope of many was that Monterrey would address these financial and systemic issues in a comprehensive and satisfactory manner.

Preparatory work for Monterrey, undertaken by an expert panel chaired by former Mexican president Zedillo, indicated that a doubling of aid flows (an additional \$50 billion per year) would be necessary to achieve the MDGs. In the event, donors’ pledges

¹⁴ For example, MDG-8 states: “Develop further an open trading and financial system that includes a commitment to good governance, development, and poverty reduction—nationally and internationally.” And: “Deal comprehensively with developing countries’ debt problems.”

at the conference fell far short of this goal—indicating an annual increase of about \$12 billion to be reached by 2006.

However, Monterrey went far beyond simply discussing aid resources for development, as important as that issue was. In addition to addressing “financial and technical cooperation for development,” the conference discussed the mobilization of domestic resources, private foreign investment, international trade, debt relief, and “systemic issues”. The Monterrey Consensus declaration made recommendations in each of these areas. At the time of writing, the Consensus is still, at best, a work in progress.

Summarizing the conferences of the 1990s (up to and including the Monterrey Conference) is a daunting task. But, for present purposes, the following are some of the salient outcomes:

- Through the United Nations, the developing countries challenged the new economic orthodoxy, with its preoccupations on structural adjustment, in the Bretton Woods institutions;
- A series of proactive conference agendas emerged based on more holistic conceptions of development. This, in turn, led to very issue-specific policy reforms directed at the global economic architecture;
- Policy implications went beyond the “development architecture” to encompass trade, finance, and monetary institutions;
- The Millennium and Monterrey Summits attempted to synthesize the results of the conferences and craft a unified and comprehensive strategy to mobilize the requisite resources and ensure a coherent approach on the part of all international institutions (both the development agencies and the international trade, finance and monetary institutions), developed and developing countries. Implementation is still in progress, although it seems clear that neither will the MDGs be achieved by 2015, nor will even the limited commitments of Monterrey be met on schedule. On the other hand, by 2005, the MDGs have arguably come to represent as close to a universal platform for action on development as the world has yet seen.

In addition to the series of conferences noted above, a commission on global governance was launched in 1992 on the initiative of Willy Brandt, Swedish Prime Minister Ingvar Carlsson, Commonwealth Secretary-General Sonny Ramphal, and Dutch International Cooperation Minister Jan Pronk. Some 28 individuals (fifteen from the South) served in their personal capacity on the commission, which was co-chaired by Carlsson and Ramphal. Their report, *Our Global Neighbourhood*, was published in 1995. In many respects this was a successor to the earlier Brandt Commission’s response to proposals for a NIEO. This time, however, the context was different: the Cold War had ended, much of the former Soviet bloc was in transition toward market-based economies and democratic societies, and there was hope for a “peace dividend”.

The report made some sweeping recommendations to strengthen and reform the United Nations, including, inter alia, the possibility of global taxation, the formation of an

Economic Security Council to replace ECOSOC, an end to the veto power of the five permanent members of the Security Council, a new parliamentary body of civil society representatives, and the establishment of an International Criminal Court (which subsequently was endorsed in Rome three years later).

At the time the Commission published its report, there were increasingly strident calls for reform of the United Nations system from critics who were not particularly sympathetic to the UN and who were motivated to weaken it even further. The Commission on Global Governance was unquestionably sympathetic to the UN and sought to see it strengthened through the reforms it recommended. Yet some of its proposals provoked considerable criticism, for example from the South Centre (1996: 208-214) on the grounds that they would further weaken the voice of developing countries and their influence over decision-making in the global institutions. For example, the Commission recommended the abolition of such UN bodies as ECOSOC, UNCTAD, UNIDO, and possibly some regional economic commissions, on the grounds that they have largely served their purpose. The South Centre disagreed: “Recommendations to abolish such bodies are...likely to attract the support of fervent critics of the UN, mostly from the North, for whom such institutions have been a constant source of irritation owing to the fact that they have often helped developing countries articulate their views and challenged the dominant economic order, or to the fact that they have not converted sufficiently rapidly to the belief that free trade and the market mechanism will resolve most development problems.” (South Centre 1996: 211)¹⁵

Most of the major UN conferences noted above took place between 1990 and 1995. The second half of the 1990s was riven by financial crises, the first outbreak originating in Mexico at the end of 1994 and spilling over into much of Latin America in 1995 (the “Tequila” crisis). The second outbreak originated in Thailand in July 1997, before spreading to Korea, Indonesia, Malaysia, Singapore, Hong Kong and the Philippines. By 1998 financial crisis had spread to South Africa, Brazil and Russia. However, since a number of Northern creditors were heavily exposed in the most severely affected countries, the financial crises were fully global in scope and threatened the stability of Northern capital markets and economies. This galvanized the G-7 countries into action; UK Prime Minister Tony Blair, hosting the 1998 G-7 Summit at Birmingham, called for a “new Bretton Woods” to reform the international financial architecture.

Despite these bold intentions, the reforms initiated by the G-7, while important, were quite modest in scope. In particular, they focused principally on identifying and remedying financial fragility in emerging-market countries where the crises erupted—that is, at the “periphery” rather than tackling problems emanating from the “centre” of the global financial system. Two new bodies came into being—the Financial Stability Forum, dominated by the G-7 countries and representatives of the international financial institutions; and the Group of 20 Finance Ministers, which included the principal emerging market countries as well as the G-7 and Russia. These bodies helped to enhance the transparency and mechanisms of accountability in the financial systems of emerging

¹⁵ Many of the themes of this 1996 report were recapitulated and updated in South Centre (2005), a report issued on the occasion of the Second South Summit at Doha in June 2005.

markets, as well as strengthening financial systems and their ability to manage financial crises (Culpeper 2001: 165-171). But the reforms stopped short of tackling systemic instability on a global level.

In contrast to the limited reforms generated by the G-7, a UN Task Force reviewing the financial crises in 1999 did make more sweeping recommendations to strengthen systemic stability on a global level. For example, it called for improving the consistency of the macroeconomic policies of the major industrial countries; the provision of adequate international liquidity in times of crisis; augmenting the IMF's resources through borrowing and extraordinary emissions of Special Drawing Rights, transforming the Fund into a genuine lender of last resort; and low-conditionality assistance during crisis, avoiding issues related to economic and social development strategies. It particularly emphasized preserving the autonomy of developing countries with regard to capital account issues, recommending that capital controls should not be regarded only as temporary instruments (United Nations, 1999). However, little, if anything, resulted from this UN Task Force initiative.

There were other more radical proposals to reform the international financial architecture—emanating from the Asian countries. In the early stages of the 1997-98 crisis, Japan in coalition with its Asian neighbours proposed the pooling of \$100 billion of their reserves to create an “Asian Monetary Fund.” However, this proposal was stillborn due to the opposition of the IMF and the United States, on the grounds that there should only be one, universal, monetary fund.

Clearly, there was limited scope for more substantial reforms to the international financial architecture, particularly when these touched on the roles of the global economic organizations (the BWIs and the WTO). For this reason some Southern experts continue to put considerable emphasis on changing the decision-making structure and the relative lack of influence of developing countries in formulating policy in those organizations. A key issue in this regard is relative voting power in the IMF and World Bank (Buirar, 2005: 15-16, 25-28).

In addition to spearheading (albeit limited) reforms to prevent or manage financial crisis in emerging markets, the G-7 was also instrumental in initiating debt relief for the poorest countries (i.e. the Heavily Indebted Poor Countries or HIPC). However, in this case, the problem was of considerably longer gestation. In its 1987 *Trade and Development Report* UNCTAD had identified the weaknesses of the international debt strategy and recommended dramatic action if debt-burdened countries were to experience sustainable growth (Jolly et al 2005, 56). The debts of many HIPCs in fact predated the 1980s, but became considerably more burdensome in that decade. Several initiatives were taken to reschedule and partly forgive HIPC debt through the G-7 and the Paris Club in the 1980s, but these were inadequate to make a real difference. But it was not until the HIPC initiative of 1996, further enhanced at the Cologne G-7 Summit of 1999, that significant debt reduction became possible, with the inclusion of multilateral debt in the formula.

Even then, relief was slow in coming, because of the tortuous process to which debtor countries were subjected in order to be eligible and then accorded debt reduction. Thus, while the G-7 was instrumental in bringing about debt relief for the poorest countries, it was both too little and too late, since yet further relief (in the form of outright cancellation of multilateral debt) was still being deliberated by the G7/G8 during their meetings in 2005, almost a decade after the launch of the HIPC initiative. The reason for this tardiness and inadequacy was that the poorest countries, unlike the emerging markets, did not pose a “systemic threat” because the magnitude of their debts was much smaller. In addition, most of the debt was official, owed to public creditors principally in the North, who had a disincentive to come to terms with the issue (i.e. they were part of the problem). They ultimately only did so because of an effective lobbying campaign by civil society organizations (Serieux, 2001).

A major innovation in policy that came in the wake of HIPC was the Poverty Reduction Strategy Papers (PRSPs, or PRSs), which were required initially of all HIPC beneficiaries, and then of all recipients of the World Bank’s IDA resources. Debtors obtaining relief through HIPC were expected to articulate a poverty reduction strategy, derived through an inclusive and participatory dialogue with civil society, indicating how liberated resources would be reallocated to health, education or other sectors in order to benefit the poor. There was another important rationale: PRSs were also supposed to signify “ownership” by developing countries over their development policies and strategies. The weight attached to ownership, in turn, reflected a shift in thinking about the policy dialogue with donors. Donor-imposed policy conditionality was no longer felt to exercise any long-term influence over the behaviour of recipients; instead, recipients demonstrating ownership over policy reforms were now thought to be more likely to “stay the course” and implement them.

But critics charged that the changes brought about by the PRSPs were cosmetic. Dialogue with civil society was often not representative of the poor. The scope of dialogue focused on reallocating liberated debt servicing payments to health and education and typically ruled out budgetary and macroeconomic policy issues. Policy conditionality imposed by the World Bank’s Poverty Reduction Strategy Credit and the IMF’s Poverty Reduction Growth Facility was similar to that of earlier structural adjustment programs.

To conclude this section, in the 1990s a groundswell of reform proposals swept through the UN. Those proposals have had knock-on effects through quinquennial and decennial follow-ups, as well as through the Millennium and Monterrey Summits. However, it must be said that, while they have helped to refine the development agenda and bring about a degree of consensus on that agenda, the actual achievements—measured by actual reforms to the global economic architecture—have been modest.

The reforms that did emerge from the 1990s came about because of the direct intervention of the world’s richest and most powerful countries—the G-7. These occurred in the international financial sector in response to the crisis and instability in the second half of the decade, and to lobbying by CSOs. In this case it must also be said that the “reforms” that have come about have been modest—changes to the “plumbing” rather

than to the “architecture.” Nonetheless, the fact that changes occurred, and they occurred because of the intervention of the G-7 rather than the United Nations, is significant, suggesting that where systemic reform is concerned, the perspectives of the North (and particularly the G-7 and, ultimately, the United States), are far more important than those of the South.

5. Conclusions and Recommendations

- Reform proposals from the South in the past have tended to cover the entire panoply of global economic organizations, including not only development agencies, but trade organizations, and monetary and financial organizations and have included policy issues without an explicit “development” remit. Such a broad-spectrum approach remains appropriate today—for example, agricultural subsidies and non-agricultural market access are at least as crucial to many poor countries as increased foreign aid. Another example is migration policies (“Mode 4” in WTO parlance), which have a number of direct and indirect impacts on developing countries.
- Over the past few decades increasing differentiation among developing countries has made it much more challenging to design and negotiate “Southern” proposals to reform the entire global economic architecture, given the vastly different needs, interests and bargaining power of the poorest countries, other low-income countries, and emerging-market countries. For its part the North is unlikely to consider sweeping reform proposals to the economic architecture unless the system is in dire crisis and threatened with collapse.
- Although Southern demands for reform of the system have evolved since the NIEO debates of the 1970s, many of the underlying concerns remain and continue to inform Southern perspectives on international economic issues. In general, Northern principals (e.g. donors) are more likely to ask whether agents (aid agencies, IFIs, recipient governments) are “doing things right,” i.e. whether they are effective and efficiently using resources; whereas Southern principals (recipient governments, civil society) are more likely to question whether agents are “doing the right thing,” i.e. whether the policy framework and objectives are appropriate to developing countries’ needs and capabilities.
- Since the 1980s, developing countries and Southern spokespersons have tended to focus on contentious policy issues such as the design and impact of conditionality, much more than “architecture” (with the important exception of voice—see the following point). In general, Southern critics charge that too many aid and non-aid policies are inimical to their development options and prospects.
- A recurrent concern in Southern reform proposals is the voice of developing countries in decision-making in the global organizations, particularly in the BWIs, but also in the GATT/WTO, and even to a degree in the UN system, where the rich and most powerful countries are perceived to have an inordinate degree of control.

- Southern proposals that lead to diminished Northern control of international agencies and programs are generally rejected by the North, substantially diluted, or subjected to continuing discussions with no clear outcomes. This is particularly the case where significant resources are committed by the North.
- The above points suggest that care be exercised in soliciting Southern perspectives on the global development architecture, and that the history of past North-South debates be kept in mind. If such perspectives are sought, they are likely to encompass questions different from (even if they are related to) those posed by Northern decision-makers.
- Recommendations for further work include:
 - Restricting the focus, at least initially, to the poorest, more aid-dependent countries but adopting a broad-spectrum approach to include aid, trade, and other non-aid issues;
 - Soliciting from a subset of such countries perspectives on institutional reforms to aid, trade and other parts of the global architecture;
 - Seeking and helping to formulate ideas that will increase coherence among aid and non-aid policies and instruments while giving pre-eminence to development objectives, and suggesting modifications to the architecture where this is appropriate.

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