

Global Economic and Social Governance and the Role of the UN

Recommendations for the Financing for Development Conference
-Agenda Item VI

Center of Concern*

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A) Any sustainable solution to the “systemic issues” should address the imbalances inherent in the process by which global policies are currently made. In order to address those imbalances, the process should: 1) give institutions with the mandates, expertise and experience to address a particular issue greater decision-making power over it, 2) give developing countries more decision-making power on global policy issues that affect them, and 3) balance specific economic policy goals with social, environmental and human rights goals.

B) Without recurring to the creation of new institutions, those imbalances only can be addressed by strengthening the role of the UN, including its specialized agencies and funds, in economic and social policy-making. This includes establishing regular and ongoing mechanisms for the UN to negotiate global economic and social policies with the international financial institutions and the World Trade Organization, increasing the UN’s capacity for policy analysis and reforming its funding mechanisms so as to guarantee a predictable and adequate flow of resources.

Systemic issues as issues of process: Trends in global governance

The so-called “systemic issues” do not have as much to do with the substance of global policies as with the process for making them. Thus, a honest discussion of item VI of the FFD Agenda should start by acknowledging the problems derived from the current way that international organizations with a global mandate work together to make global policies.

Along these lines, an examination of the relationship between the main trade, financial and monetary policy-making organizations, World Bank, IMF and WTO (“FMT institutions”), and the UN reveals a consistent trend towards transferring decision-making power from the UN to the FMT institutions.

When the UN was created, it was endowed, through its Charter, with authority for dealing with the problems of international cooperation in their widest aspects. These included not only those of a political but also those of an economic and social nature. However, today, the UN does not play any significant role in economic-policy design. This role is monopolized by the FMT institutions.

Furthermore, an extension of the same dynamic has been the transfer of decision-making on non-economic policy matters from the UN to those institutions. Several indicators demonstrate this trend. First, the striking differences of power between the UN and the FMT institutions. The World Bank and IMF have a large amount of resources available to fulfill their mandates and have powerful means to have their decisions enforced. The

WTO, while not having such a large budget as the Bretton Woods institutions, enjoys also tremendous enforcement powers as it can apply trade sanctions with devastating economic impact on its members. Conversely, the UN has a budget far from sufficient to effectively perform the wide spectrum of functions it is expected to. Moreover, the UN specialized funds and agencies usually lack any certainty about the amount and predictability of resources that states will contribute to them, which deprives them of the ability to adopt long term strategies and agendas.¹ By the same token, the UN lacks strong enforcement mechanisms, with the exception of the Security Council's power to take measures to restore international peace and security.

Second, the mandates of the World Bank, IMF and WTO currently address issues that are within the domains of different UN organs and specialized agencies. The agendas of the World Bank and IMF currently address security, environment, social policy, gender, health and educational issues, among others. They exert decisive influence on these issues either directly, by setting the actual policies, or indirectly, by determining economic policy directions with a strong impact on them. WTO agreements currently address, among other areas, agriculture, intellectual property rights, trade-related investment measures, and services. All of these issues relate to health, education, social policy, environmental standards, labor rights, indigenous peoples' rights, food security, and the protection of vulnerable sectors of national industry. In short, the WTO agreements have a tremendous impact on the ability of its member countries, particularly the poorest ones, to carry out a national development strategy.

Third, there is a troubling lack of dialogue and coordination between the two sets of institutions. The World Bank and IMF, despite being specialized agencies of the UN, exhibit a large degree of independence from it. Based on a largely discretionary interpretation of the Relationship agreements that link them to the UN, the Bretton Woods institutions have consistently remained aloof from recommendations of the UN. Although the World Bank increasingly mentions partnership with other organizations, including those within the UN system, as part of its strategy, the partnerships usually mean the World Bank setting policy directions that the respective partner institution implements. Partnership in the design of policy directions is very rare. As for the WTO, its formation in 1995 as an organization outside of the UN framework is more than telling.

The resulting imbalances

This transfer of decision-making from the UN to the FMT institutions has caused fundamental imbalances in the process for making global policies that prevent the process from providing policies that effectively deal with the current global issues.

The first imbalance is that the institutions with specific mandates to address social, environmental, and other non-economic issues (e.g., WHO on health matters, ILO on labor matters, UNIFEM and DAW on gender matters, etc.²) are being increasingly displaced from policy-making on issues in which they have experience and expertise.

Instead, they have become the implementing agencies for policies designed by the FMT institutions, which lack their experience and expertise.

Second, access to decision-making in the FMT institutions, is heavily tilted in favor of the developed countries.³ Therefore, switching decision-making on some issues from the UN system to the FMT institutions, means that developing countries are less able to participate in shaping those decisions. Less participation by developing countries in global policy-making invariably leads to global policies that unduly privilege the interests and views of developed countries over their ones. This is not only a matter of concern from the perspective of developing countries interests. The effectiveness itself of the policies so designed is compromised as, in our interdependent world, long-term solutions to global problems require a broad-based input and cannot be designed by a few powerful countries.⁴

Third, the FMT institutions, besides having a mainly economic perspective for their policy analysis, have become increasingly polarized around a single-model economics based on the neoliberal paradigm. Moreover, to a great extent, coordination among FMT policies already takes place in order to pursue a neoliberal economic model.⁵ Without opening judgment over the validity of the chosen specific model, pursuance of any single economic model by these institutions is in itself questionable as it risks adjusting non-economic human and environmental ends to the requirements of such a model. The tempering role that initiatives coming from UN funds and agencies played, during the 90s, on the excesses of the economic dogmas followed by the international financial institutions should be a warning sign about the dangers of letting the latter institutions drive the global development agenda.⁶ Economic policies and paradigms should be but instrumental to the achievement of social, environmental and human rights goals, and not the other way around.

Addressing the imbalances: undoing the current trends

As has been shown, the imbalances are related to a trend towards transferring decision-making from the UN to the FMT institutions. Since a new set of institutions that would redistribute jurisdictions in order to restore balance is unlikely to happen, reversing such a trend seems to be an unavoidable step, even if not sufficient in itself, towards achieving appropriate global policies.⁷

Indeed, before and during the Financing for Development process, several proposals have already been floated that, to different extents and in different ways, seek to redress the imbalances. Some speak broadly about the need to reform the UN creating “a more organic link” between autonomous or nearly autonomous actors such as the Bretton Woods Institutions and the ideas of human development favoured by other arenas within the UN⁸. Others, more strongly, suggest strengthening the oversight role of the UN in respect of the financial institutions, including reexamination of the recommendatory and decision-making powers of the UN vis-à-vis those institutions⁹. There are those who also add a reconsideration of the relationship between the UN and the WTO, currently outside the UN system.¹⁰ Finally, there are proposals that explicit the institutional framework that

would embody these goals, be it strengthening UN ECOSOC¹¹ or creating an Economic Security Council, which would act as an apex organization for the rest of the institutions with a global mandate.¹²

Within their diversity, a common element that distinguishes all of the proposals mentioned above is that they all seek to restore a significant role for the UN in the economic and social policy fields. Their differences lie in the legal and institutional devices that would embody such a role, but not on the principle.

¹ COWI and Oxford International Associates, at 66. (“The UN system, unlike the MDBs, uses funding mechanisms that do not result in sufficient volume, predictability, stability and fair burden sharing. Voluntary funding of UN operational activities for development is not just unequally shared. It depends too much on the short-term preferences and changing priorities of donors. A basic question, therefore, is how to match multilateral funding and recognized international needs in a way that achieves predictability, stability and fair burden-sharing.”)

² The institutions mentioned as examples are all specialized agencies and funds of the UN. WHO is the World Health Organization, ILO is the International Labor Organization, UNIFEM is the United Nations Development Fund for Women and DAW the Division for the Advancement of Women.

³ In the World Bank and IMF, the number of voting shares held by each member country is directly proportional to the amount of money they originally committed, so wealthy countries get larger voting shares. In the WTO, decisions are formally made by consensus. Yet, the wealthiest countries (Japan, the US, Canada and the European Union countries), have more weight than the rest of the members because of their economic power. For more on how the decision-making mechanisms at the WTO work against developing countries see Helleiner (2001). By contrast, at the UN, with the exception of the UN Security Council, the one country-one vote system allows developing countries better access to decision-making, giving them a real say and a real voice at the table.

⁴ See UNCTAD (2001) at 74 (Arguing that lack of progress on designing effective global mechanisms for the prevention and management of financial instability and crises is due to the major industrial countries’ excessive leverage in the fora that would design those mechanisms, which have kept out of the reform agenda issues of immediate concern to developing countries.). See also Adams (1994), at 47 (“...there has to be a wider and broader-based intellectual input into the definition of the agenda and the discussion of the issues... Otherwise, policy will continue (and increasingly so) to reflect the narrow preoccupations, viewpoints and interests of a few economically powerful states that represent an ever shrinking share of mankind, and fail to take account of a broader viewpoint essential for long-term solutions to global problems.”)

⁵ For an accurate account of the World Bank, IMF and WTO’s increasing coordination of policies in order to support the neoliberal economic model, and the growing linkages between the implementation of such a model and government’s policies that foster human rights, social and environmental objectives, see Rowden (2001).

⁶ COWI and Oxford International Associates, at 3 (“...much of the seminal thinking about development since 1980 appears to have emanated from the UNDFPs and not from the IFIs. It has been the intervention of the DFPs (UNDP) on issues such as ‘social and human development’ reflecting the importance of human and social capital that have influenced the development thinking and programmes of the 1990s. In a similar vein, UNICEF made a major contribution to influence development policy with its approach to putting a human face on adjustment during the 1980s. Left to their own devices with a monopoly over the development agenda, the IFIs would probably have inflicted far more unnecessary economic and structural damage in the developing world than they actually did, had initiatives such as those alluded to above (along with myriad of others) from the UNDFPs not checked these exuberant excesses. Similarly, pressures for the Brady Initiatives and the HIPC initiative on mitigating the impact of excessive indebtedness came from outside the IFIs through the application of external pressure in which the DFPs played an extremely useful supportive role. Left to themselves, the IFIs would have continued to refuse acknowledging that an indebtedness problem even existed...”)

⁷ It is worth noting that strengthening the UN’s role vis-à-vis that of the international financial institutions does not necessarily require modifications to the institutional mandates of the IFIs, as expressed in their

constitutive treaties. It actually means bringing the current practice of the financial institutions into line with their original mandates.

⁸ Falk (2001), at 15

⁹ Adams (1994) at 48.

¹⁰ Sub-Commission on the Promotion and Protection of Human Rights (2000), para. 19 (“...WTO must radically review its mechanisms of operation... and its relationship to the United Nations system as a whole.”)

¹¹ See NGO Caucus on Item VI of the FFD Conference - Systemic Issues

¹² High Level Panel on Financing for Development (2001), at 28 \

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