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The Good Governance Agenda of International Development Institutions

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THE GOOD GOVERNANCE AGENDA

OF INTERNATIONAL DEVELOPMENT INSTITUTIONS

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ABSTRACT

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International development institutions (IDIs) have increasingly emphasized good governance and democratic reform in the provision of foreign assistance. This is especially apparent with respect to the United Nations Development Programme (UNDP), World Bank, European Union (EU), and United States Agency for International Development (USAID). This project describes and explains the good governance and democracy promotion program of each institution.

Previous studies have accounted for IDIs' good governance and democracy promotion in the 1990s in a generalized way. They have taken into consideration external international changes such as the fading of the Cold War and increased global interdependence between the North and the South. They have also discussed how international normative changes such as democracy's strengthened position in the post-Cold War world and civil society's newfound viability have affected development programs. Some studies have attributed the enhanced attention to democracy and good governance promotion in the 1990s to a general learning curve or better understanding of what local characteristics facilitate development and what IDIs can do to encourage such characteristics.

This project's contribution to the fields of international political economy and development studies is its more distinctive focus on the each of the four institutions

mentioned and on how each one's specific programs reflect differences in the power distribution among member states or stakeholders. This provides a richer, more nuanced explanation, as well as a clearer understanding of how IDIs' imminent power structures have and are continuing to influence and shape broader shifts in development thinking.

This project is dedicated to
Louise Brown Wilson and to the memory
of Robert Draughon Wilson.

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My grandmother, Louise Brown Wilson, and I spoke almost every day during my writing days, and without her, this would have been a lonely time. I thank her for her constant care and thoughtfulness. I would also like to thank my parents, Charles and Diane Hofheimer, for believing in me for so many years. My sister, Kristen Hofheimer; brother, Richard Daniel Hofheimer; and nephew, Shay Flanagan, provided me with some levity throughout my writing process. For that, I am grateful.

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CHAPTER I

INTRODUCTION

International development institutions' (IDIs') approaches to the goals and processes of development can be seen in their statements, documents, studies, policies, and programs over the years. A trend emerges among the leading IDIs in the early 1990s, reflecting a new sense of what development involves and necessitates. Terms such as "good governance," the "developmental state," and "social progress" figure largely around this time period, reflecting an heuristic and epistemological change in beliefs about how development can be achieved and sustained. Surfacing around this time is a growing recognition that development is context-dependent and that states need to take active roles in providing the right policy environments and governance conditions for development to occur.[1] Although their stances were by no means the uniform, these IDIs increasingly viewed, and still view, the state as part of the process of development, rather than as an obstacle to it, as had often been the case with earlier neoliberal reform programs such as the controversial structural adjustment programs prescribed by the World Bank and the International Monetary Fund. In the early 1990s, Adrian Leftwich

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The format for this dissertation follows the current style of requirements for Kate L. Turabian's *A Manual for Writers of Term Papers, Theses, and Dissertations*, Sixth Edition (Chicago: University of Chicago Press, 1996).

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[1]Scholar Georg Sorensen wrote in 1998 that a new model is currently gaining ground in Western theory and practice. It takes a broader view of the political and economic issues at stake in that it combines ideas about a state that is democratic in the sense of being responsive, legitimate, and under the rule of law, with ideas about a strong, developmentalist state, better capable of promoting economic and social development. This is a fresh turn in Western thinking...." Georg Sorensen, *Failed States and International Security: Causes, Prospects, and Consequences* (West Lafayette: Purdue University, 1998).

aptly asserted that a "new orthodoxy dominates official Western aid policy and development thinking. At its core is the confident assertion that good governance [is] not simply desirable, but essential" for development in all nations.[2] Good governance notions differed between IDIs, as will be explained, yet an overriding theme emerged that emphasized a rule-based liberal polity which protected human and civil rights, with an effective, non-corrupt public administration accountable to its citizenry and open to citizen input. State capture and corruption were discouraged and simultaneously transparent and effective states attentive to the needs of citizens from the bottom up, as well as to long-term country growth, were prescribed.[3] As the 1990s progressed, economic crises that occurred in Mexico, South East Asia, Eastern Europe, and Russia served to confirm the value of good governance, as states with poorly established institutions and systems of governance were particularly susceptible to economic travails. Argentina's economic troubles in the early twenty-first century, following troubles in Brazil, provided further affirmation of the need for good governance, as many of these countries' problems were blamed on undeveloped legal systems, poor government institutions, lack of government responsiveness to peoples' needs, and states' difficulties collecting taxes. Continuing poverty in most African countries was persistently linked to poor governance, as civil wars broke out, and chaos and poverty increased. Further, in the wake of the terrorist attacks in the United States on September 11, 2001, scholars and policy makers noted the connection between terrorism and chronic weak or illegitimate

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[2]Adrian Leftwich, "Governance, Democracy, and Development in the Third World," *Third World Quarterly* 14:3 (1993): 605-6.

[3]Lynda Chalker, *Good Governance and Aid Programmes* (London: Overseas Development Administration, 1991), 1-3.

governance. Troubles in the Middle East, made more public than ever by growing media attention, and the subsequent wars in Afghanistan and Iraq reiterated such concerns. Credible and enduring democratic or "well governed" states were called for as a panacea for a host of new international problems with widespread repercussions.

As scholar Carlos Santiso contends, in the 1990s, the "strengthening of good governance in developing countries... [became] both an objective of and a condition for development assistance."[4] Instead of urging a generic recipe for minimal state control as it had throughout the 1980s, the World Bank around this time became more flexible and open to the notion that more state legitimacy was desirable and that development would likely proceed diversely in states with their own unique histories and characteristics. The historically non-political World Bank's new emphasis on poverty reduction and equitable distribution signaled a profound shift in rhetoric and to some degree policy toward development initiatives. There was a growing recognition that development requires not less, but a different sort of state involvement, and that good governance contingent upon and reflective of general citizens' needs and desires is most often a precursor to development, not a result, as had been believed by many in earlier decades. The United Nations Development Programme (UNDP), European Union (EU), and United States Agency for International Development (USAID) also increased their emphases on their often similar but in important ways variant notions of good governance, as well as on democracy assistance, for developing countries. For all four of these IDIs, the strengthening of good governance became a priority both rhetorically and

[4]Carlos Santiso's often quoted statement about the purpose and requirements of good governance promotion appears in various of his articles, including "Governance Conditionality and the Reform of Multilateral Development Finance," *G8 Governance Series*, Number 7 (Washington, D.C.: Johns Hopkins University Press, 2002), 4.

programmatically. All of them, although minimally in the case of the World Bank, also openly promoted democracy, which overlapped with and informed their interpretations of good governance. This project will take a broad and nuanced view of the factors underlying such changes for each of these four IDIs and of how each one developed good governance and democracy promotion programs and policies amenable to its unique goals and values embodied by its stakeholders.

Purpose of the Research

Many scholarly examinations have recognized the shifts in focus to good governance and democracy promotion in the 1990s.[5] Some have gone further to note the diversification between IDIs' good governance and democracy assistance rhetoric, programs, and policies, usually with special emphasis on the differences between the World Bank's (and often the International Monetary Fund's) and the UNDP's approaches, or between multilateral and bilateral good governance designs and efforts. Few, if any, studies, however, have expressly set out to explore the institutional reasons for the variance between the actual programs and policies of particular IDIs and what this signifies in terms of IDI agendas and constitutional or associational identities. Good governance and democracy promotion programs and policies are distinctive in substance and focus for each of the IDIs examined here for reasons of their origins and IDIs'

[5] Adrian Leftwich, "Forms of the Democratic Developmental State: Democratic Practices and Developmental Capacity," in *The Democratic Developmental State*, eds. M. Robinson and G. White (New York: Oxford University Press, 1998), 52-83. Also see Adrian Leftwich, *States of Development: On the Primacy of Politics in Development* (Malden: Blackwell, 2000), 152-70; Samuel Barkin, "Resilience of the State: The Evolution and Sustainability of Sovereignty," *Harvard International Review* 22:4 (winter 2001): 42-7.

allegiances to their stakeholders, and these programs and policies are better understood when viewed as such. A fuller grasp of the institution-specific rationales for the particular nature of these new programs and policies can be instructive, particularly as critical scholars and policy makers continue to evaluate what is useful for helping spur lasting and inclusive development that broadens peoples' access to wealth, resources, and opportunities. This project attempts to provide a fuller description of when, how, and why the UNDP, World Bank, EU, and USAID began to prescribe good governance. It also seeks to differentiate between the actual programs and policies of each of these institutions and to demonstrate how the programs and policies reflect their unique power structures.

Since the 1960s, if not earlier, issues regarding development aid have been among the most controversial within the North-South discussion, and the fact that the leading IDIs have finally reached seemingly comparable conclusions and begun to strive towards descriptively similar goals masks a still extant ideological divide. It is important to probe more deeply and remain cognizant of how powerful shareholders in the leading IDIs are shaping development policies. A careful examination of good governance policies and programs can help reveal some fundamental differences between them and show how this new development agenda is indeed variable and reflective of donors' own often complex and multifaceted goals and desires. Such an analysis is significant as development with its multiple interpretations continues to be a vital goal, perhaps increasingly so due to globalization's impacts, and scholars' and policy makers' understanding of what development entails remains both fluid and consequential. Still today, as the wealth and privilege of the richest are showcased through the media like never before in Northern countries, roughly twenty percent of the world's more than six billion inhabitants live in

severe poverty, and that percentage is predicted to increase as the global population continues to grow exponentially. Development policies and the rationales behind them have the potential to affect not only individual lives, but entire communities, countries, and continents. It is perhaps more imperative today than ever before to clearly assess the value and aims of such policies as globalization increasingly interconnects human lives, entire societies, and the international landscape.

Methodology

This project describes and analyzes IDIs' increased good governance and democracy promotion efforts in the 1990s by conducting case studies of four individual IDIs: the UNDP, World Bank, EU, and USAID. In order to provide a broader analysis of this phenomena, the enhanced yet versatile IDI attention to good governance and democracy promotion in the 1990s, and why it has been variable, a wide array of IDIs have been selected. Three are multilateral: the UNDP, World Bank, and EU. One, USAID, is bilateral. These four influential IDIs have unique mandates, rules, organizational structures, and shareholders to satisfy. They have been selected to present a far-reaching range of relatively powerful and visible IDIs. Since by their charters and mandates, each has its own independent goals and approaches, certainly it is interesting that all four institutions began concentrating more on good governance and democracy promotion in the 1990s. Yet even more noteworthy are the differences exhibited in each IDI's version of good governance and democracy promotion and how these differences reflect their power bases. A more individualized, institution-specific study provides a fuller, richer, and more nuanced explanation of good governance and democracy promotion in the 1990s. Surely it is with limited vision that one, for example, would

attempt to attribute the UNDP's and the World Bank's increased prioritizing of good governance to similar institutional factors.

Additionally, it should be noted that as international political economy is in many ways a multi-disciplinary field, spanning foreign policy, political science, security, development, and economic studies, so too is this project. The field of IPE and this project are based on the view that politics and economics are inseparable; politics help determine international economic relations, and international economic relations help determine politics. The challenge of IPE is how to best to understand these relationships and the outcomes they generate. Accordingly, this project concerns itself with how economic and political forces worked together to help propel different IDIs to concentrate more on good governance and democracy promotion in the 1990s. Some overlap in political and economic determinants will exist, as all of these IDIs are located in the same international system, yet perhaps it is the differences in the motivations of these IDIs that will be most intriguing. By studying these dissimilarities, the overall trend towards more attention to good governance and democracy promotion can be better understood and more critically evaluated.

This project is organized as follows. This chapter concludes with a review of the history and role of foreign aid. The second chapter reviews the leading theories and arguments about the relevance of the state to the workings of the market and to development theories and then traces changes in development theories since World War II. Next analyzed is literature on the general factors leading IDIs to increase their foci on good governance and democracy promotion in the 1990s as well as on critical accounts of the nature of effects of such efforts. The subsequent chapters turn to each of the institutional case studies.

For the UNDP (chapter III), first a description of the UN and the UNDP's power structure, history, and evolution of policies is provided. The UNDP's good governance programs, which emphasize both top-down and bottoms-up efforts to create equitable and environmentally friendly reforms, are characterized, and the way in which the UNDP's good governance and democracy promotion policies reflect its one-country, one-vote power structure are explained. Also explored is the fact that the UNDP functions as an institution within the broader UN and how its good governance promotion reflects goals of the larger organization. For the UNDP, good governance translates into programs aimed at improving quality of life and quality and quantity of government services provided. Policies stress the importance of fostering human rights protection, structural equity, and respect for the environment.

For the World Bank (chapter IV), an institution with weighted voting dominated by richer Northern countries, a description of its power structure and organizational imperatives is followed by an account of its history and the evolution of its development policies and programs. Next, the Bank's good governance programs, which themselves broaden in scope throughout the course of the 1990s, are characterized. The Bank is forbidden by its charter to make political prescriptions or attach political conditions to its loans, and hence its new concentration in the 1990s is on good governance in a more technically-defined sense, rather than on democracy with its more partisan or ideological overtones. Due to the Bank's own elitist power structure and the fact that it is financially beholden to Northern countries, it has tended to limit the concept of good governance to conditions that make poor countries more amenable to Northern standards of conduct, particularly those that create market economies conducive to intervention by and exchange with Northern-dominated market economies. In the early 1990s, little attention

was given to the complicated processes through which the poor and disenfranchised might gain genuine access to influencing political processes and hence expand their own resources and opportunities. Rhetorically and sometimes programmatically, this technical emphasis was expanded during the decade, yet the ways in which the Bank's good governance programs continued to reflect its distinctive power structure are shown.

For the EU (chapter V), an increasingly integrated institution itself despite challenges to its unity, its power structure, history, and evolution of policies is described. The EU's Third World development efforts evolved in a more gradual and incremental manner than did the World Bank's, as they comprise a relatively smaller portion of the larger institution's purpose. This is elucidated by briefly tracing their evolution within the larger framework of EU activities. The way in which the promotion of democracy and the strengthening of good governance in the 1990s reflect the EU's delicately balanced power structure is explained. For the EU, the management of foreign assistance has sought to overcome credible claims of ad-hocism due to strong bilateral imperatives and issue-oriented NGO influences overshadowing an institution-wide imperative. The EU's democracy and good governance promotion in the 1990s revealed a lack of cohesiveness that can be traced to its struggles to achieve more harmonization of national, and sometimes transnational, civil society prerogatives.

As a bilateral institution, USAID (chapter VI) does not face the dilemma of reconciling goals of multiple countries with seats at the decision-making table like the other IDIs studied here. It does, however, struggle with reconciling its identity as a development institution with pressures to serve United States commercial, political, and social interests. This is no simple feat. A description of the current state of the nearly fifty-year-old institution and its unique power structure is provided, followed by a review

of USAID's history and the evolution of its policies. Next, USAID's good governance policies are examined, as is the manner in which these reflect the institution's power structure. USAID attempts to remain a technically sophisticated, independent organization, yet its good governance and democracy promotion programs and policies reveal its persistent accountability to United States foreign policy and business interests.

A concluding chapter (chapter VII) summarizes the project's findings. Then a brief commentary on each institution's progress in facilitating development in the 1990s and present points of concentration are included. A review of the current state of institutional development efforts and what this project has provided in terms of an enriched understanding are also presented.

History and Role of Foreign Assistance

Good governance and democracy promotion are recent trends in development assistance, an enterprise with a long history characterized by diverse motivations and mixed results. After more than fifty years of organized multi- and bilateral spending on various forms of foreign assistance, the intentions and value of that spending remain controversial. Some believe that foreign aid has largely been motivated by altruism,[6] while others see it as largely a vehicle for cultural and economic imperialism by the Northern countries.[7] It is often difficult to determine what role development assistance has played in promoting growth and development in poor and beleaguered countries for

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[6]David Lumsdaine, *Moral Vision in International Politics: The Foreign Aid Regime, 1949-1989* (Princeton: Princeton University Press, 1993).

[7]Theresa Hayter and Catherine Watson, *Aid: Rhetoric and Reality* (London: Pluto Press, 1985).

multiple reasons. First, no clear and universally accepted context for evaluating the impact of various sorts of assistance activities exists. Second, various forms of aid from different sources have had distinctive goals. Bilateral aid, with its traditionally more strategic focus, may have served its critical function for the donor involved, yet failed to alleviate human suffering or reduce global poverty in ways with which multilateral donors often at least rhetorically concern themselves. Aid in some cases may have helped in the short-term, yet not over the long-term. Because foreign aid has goals distinctive to its donors, its value is not easy to assess. Further, research data designed to determine the role of foreign assistance is problematic in and of itself. For example, low-income countries such as many in Africa, Asia, Latin America, and the Middle East often lack credible systems for compiling economic statistics, and much of the data used to evaluate the quality of life or human welfare is itself subject to interpretation. Political economists gauge development by differing measures. While per capita income, employment rates, and access to health care and adequate nutrition can be measured, other phenomena such as availability of opportunity and freedom valued by humanists such as Amartya Sen and Mahbub ul Haq are difficult to fairly or uniformly quantify.[8] Further still, the factors driving material and social progress are extremely complex and multi-faceted. Historical and geopolitical processes that influence countries' routes to development, a concept in and of itself subject to debate, are obviously influenced by many factors. Some are not easy to identify, and foreign assistance is only a part a larger, complicated process. Many

[8]For a useful discussions on development as freedom of choice and opportunity, see Amartya Sen, *Inequality Reexamined* (Cambridge: Harvard University Press, 1992) and more recently, Amartya Sen, *Development as Freedom* (New York: Anchor Books, 1999); also see Mahbub Ul Haq, *Reflections on Human Development* (Oxford: Oxford University Press, 1995).

political, cultural, and economic trends may occur together with the flow of international assistance, which makes determining and assessing causality enigmatic.

In any case, a wide review of the literature on development suggests that foreign assistance, under the best of circumstances, has played only a modest role in promoting economic development and improving human welfare. So far in recent history, neither bilateral nor multilateral aid has ever amounted to the grand project once envisioned in monetary figures and less empirical quality-of-life descriptions. Though in rare cases the average amount of foreign assistance transferred can comprise a substantial percentage of a recipient country's gross national product in a given year, the average amount given to developing countries worldwide is small compared with the size of their economies--2 percent to 3 percent of their GNPs. Wealthy donor countries have typically given less than 1 percent of their GNPs toward development assistance, even when domestic public support for foreign aid has been high.[9] Further, the gap between the rich and the poor has grown unprecedentedly wider. In the period between 1960 and 1995, the income ratio between the world's richest and poorest twenty percent grew from 30:1 to more than 80:1, and the gap continues to increase. Some predict that within the next decade it could widen to 150:1.[10] Clearly, the processes of intervention need more careful thought.

Despite the North's declining interest in dispensing aid, few would disagree that the quality of aid needs to be improved, and the likelihood of reaching the poorest needs to be enhanced. Further compounding the dilemma is the trend of increasingly rewarding the haves and ignoring the have-nots. As Michael Mandelbaum contends, in the post-

[9]For an insightful analysis of domestic politics and foreign assistance, see Mark Otter, "Domestic Public Support for Foreign Aid: Does it Matter?" *Third World Quarterly* 24:1 (February 2003): 115-25.

[10]Peter Jay, *The Wealth of Man* (New York: Public Affairs, 2000), 246-47.

Cold-War world, a new "basis for political legitimacy emerged: prosperity."[11] With private capital flows comprising of a nation's potential resources,[12] the poorest countries have more stake than ever in being viewed as credible sites for investments, yet they need to demonstrate a certain level of success to even be considered worthy in this regard for investors to take notice. Sometimes the problem of poor institutions is compounded by a nation's lack of resources deemed valuable by rich countries and organizations.

The challenges facing development assistance today are well known, yet many do not realize just how young the development industry is. Institutionalized foreign assistance did not become common until after World War II, although various western European countries have had small bilateral programs and engaged in small-scale

[11]Michael Mandelbaum, *The Ideas That Conquered the World: Peace, Democracy, and Free Markets in the Twenty-First Century* (New York: Public Affairs, 2002), 379.

[12]The flow of private capital to developing countries increased substantially in the early 1990s and has continued to increase in an unprecedented manner. These private capital flows include foreign direct investment, international or regional lending by international banks, and equity flows (stock market investment). They do not include private grants by non-governmental organizations, which have represented less than 5 percent of all private flows. Private capital flows to developing countries were about US$2.2 billion in 1962, about a third of official aid flows. During the 1980s, intergovernmental foreign assistance, which includes concessional and non-concessional funds, was usually greater than private flows. Since 1991, however, foreign assistance flows have remained fairly steady in constant dollars, and private capital flows to developing countries have risen sharply. Private capital flows peaked at around US$300 billion in 1997, while aid flows have remained constant, or in some years, declined. Manuel Pastor and Eric Hilt, "Private Investment and Democracy in the Developing World," *Journal of Economic Issues* 29:1: 23-243; Ian Vasquez, "Official Assistance, Economic Freedom, and Policy Change: Is Foreign Aid Like Champagne?" *Cato Journal* 18:2 (fall 1998): 275-86.

multilateral lending dating back to well before the twentieth century. Foreign aid first gained momentum when the United States, with its $13 billion Marshall Plan aid allocated over the period of 1947-1951(at an average annual 2.5 of America's GNP). This aid, designed to help rebuild Europe following the war, helped popularize foreign assistance, drawing attention to its humanistic value and strategic utility.[13] The success of the Marshall Plan led America to establish the Point Four program in 1951, to provide technical assistance to poor countries, and soon thereafter to create the Development Loan Fund, offering concessional loans earmarked for specific development projects. In the meantime, the World Bank, created as one of the Bretton Woods institutions after the war, shifted its emphasis from post-war reconstruction to dispensing development loans. The number and size of development agencies of the UN increased in the 1950s and 1960s.

Europeans' commitment to foreign assistance has traditionally always been and continues to be higher than that of the United States. The United States' Marshall Plan and leadership in founding the BWIs, though, in addition to its unprecedented post-World-War-II power, have highlighted the American contribution to the formation of widespread foreign aid programs throughout the developed world. United States combined bilateral and multilateral assistance peaked at $51 billion (in 1997 dollars) in 1947--the height of post-war reconstruction. By the end of the century, American foreign assistance totaled about $14 billion. Despite a small peak in the wake of the Asian financial crises of 1997, at less than 1 percent of the federal budget, United States annual

[13]Don Babai, "World Bank," in *The Oxford Companion to Politics of the World*, 2d ed., ed. Joel Krieger and others, 911-18 (New York: Oxford University Press, 2001).

spending on foreign assistance was at its lowest level of the postwar era.[14] American foreign aid world rise slightly in the new millennium, particularly for strategic uses such as post-conflict reconstruction, yet remained a low priority compared to other federal programs.

Bilateral assistance, which still accounts for about 70 percent of foreign aid, generally reflects a country's national priorities. The United States, for example, gave most of its aid to its former wartime allies in Western Europe in the 1940s to help the continent rebuild its national economies and infrastructure conducive to American political and economic interests. In the 1950s and 1960s, the United States allocated about half of its foreign aid to Asian countries of perceived strategic significance--particularly South Korea, Taiwan, and South Vietnam. In the 1970s, as concerns over oil intensified, American priorities shifted to the Middle East. The United States began transferring large security and economic assistance programs to Israel and Egypt, two countries that still receive much of America's bilateral aid.[15] Since 1979, the year of the Camp David Accords, countries in the Middle East have received about half of all United States bilateral assistance.[16] Other bilateral donors have also directed their foreign assistance spending towards pursuing their political or economic interests. Japan, for

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[14]See Age F. P. Bakker, *International Financial Institutions* (New York: Longman Publishing, 1996), 46-9; European Commission, *Green Paper on Relations between the European Union and the ACP Countries on the Eve of the 21st Century* (Luxembourg: Office for Official Publications of the European Communities, 1997).

[15]Israel also assumed greater significance to the United States, as the pro-Israel lobby grew increasingly influential.

[16]See, for example, Vernon W. Ruttan, *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid* (Baltimore: Johns Hopkins University Press, 1996); Robert Packenham, "Political Development Doctrines in the American Foreign Aid Programs," *World Politics* 17 (January 1966): 231.

example, devotes the majority of its assistance to other Asian countries. During the Cold War, France and Britain allocated most of their aid towards former colonies, though now that trend is loosening as more of their funds go towards newly independent Eastern European states and to trading partners in the more developed Asian countries. Bilateral assistance appears to be less strategic, however, for some of the smaller donors; the countries of Scandinavia, for example, have tended to devote their funding to poor countries, with foreign policy concerns playing a less notable role.

Multilateral institutions and regional multilateral development banks, which also became more prevalent and active in the decades since World War II, have in some cases favored the poorest countries as well. In the early 1990s multilateral donors gave more than 45 percent of their concessional assistance--grants or loans at low interest rates--to the least developed countries. The UNDP has long been known for its tendency to favor the poorest countries and regions. By contrast, individual nations gave less than a fourth of their concessional assistance to that same group of countries.[17] Often multilateral institutions and banks have also shown preference for assisting the countries with the greatest political and economic significance to their stakeholders. Politics play a large role in many of their aid decisions. The EU's allegiance to former European colonies throughout the Cold War evidences a strong nationalistic rationale, with aid decisions reflecting the ongoing compromises between the union's most powerful members.[18] The

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[17]Steven W. Hook, "Foreign Aid and the Illogic of Collective Action," in *Foreign Aid Toward the Millennium*, ed. Steven W. Hook (Boulder: Lynne Rienner, 1996).

[18]For more on this controversial topic, a good starting place can be found in Bakker, 46-9.

World Bank has targeted many countries posing obstacles to an open world economy.[19]

Differences between the types of aid have also emerged. In 1962, Hans Morgenthau delineated "humanitarian, subsistence, military, bribery, prestige, and aid for development."[20] These labels are mostly self-explanatory and are similar to other descriptions of types of aid that have emerged over the years. Morgenthau conceptualized humanitarian aid as the only non-political form of assistance, given to help countries or peoples during times of great duress. Subsistence aid, in his view, was allocated to prevent social crises in order to maintain the geopolitical status-quo. Military aid was of course alliance, war, or battle-related aid, and bribery was as its name suggests. Prestige aid encompassed modern resources such as technological innovations given to improve the donor's image. Aid for development referred to assistance geared towards spurring economic development. This typology is still mostly relevant, although the same assistance often does encompass more than one of these categories, having multiple primary and secondary goals. Yet another useful category of aid is project aid, given specifically for a specific plan or project, as the World Bank was well-known for during several Cold War decades. This form of aid is less common today due to criticism of the "islands of luxury" it created in many otherwise devastated communities and its failure in most cases to relate to long-term development goals. As stated, the efficacy of foreign aid in helping alleviate suffering in poor countries remains disputable, and donors

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[19]John Van Oudenaren, *Uniting Europe: European Integration and the Post-Cold War World* (Lanham: Rowman and Littlefield, 2001), 244-46.

[20]Rita Abrahamsen, *Disciplining Democracy: Development Discourse and Good Governance in Africa* (London: Zed Books, 2001), 38-42; consult also Hans Morgenthau, "A Political Theory of Foreign Aid," *The American Political Science Review* (1962): 301-309.

and outside observers have made a cottage industry out of attempting to discern how and under what conditions it should be allocated.

The primary arguments about the weaknesses of foreign aid are that it is used to satisfy donor rather than client needs; creates dependence; does not reach the intended beneficiaries; supports corrupt regimes; does not help because it prescribes flawed policies; is undermined by contradictory policies; facilitates cultural imposition; causes environmental problems; and exacerbates inequalities within and between countries. Most of these viewpoints have been well-documented, studied, and taken into consideration, at least rhetorically, by the larger aid agencies and institutions. These criticisms, nevertheless, still have merit in many instances.

The contention that foreign aid is often more donor- than client-driven is a weighty one that this project examines in part. Certainly this is true in certain cases. Politicians, for example, may be rewarded for appearing generous with foreign aid. Motivated by bureaucratic self-preservation, IDIs may also base some of their aid decisions upon publicity concerns. They may grant more assistance to countries or plights that the media has spotlighted to boost their own images and reputations. When debt relief became a popular issue in the late 1990s, for example, many aid institutions quickly took up this cause.[21] Aid agencies may also provide assistance to countries and regions in which their stakeholders have political and economic interests. They may make their aid conditional upon "reforms" that serve their stakeholders' strategic interests.[22] It would not

[21]See, for example, Denise Froning, "Will Debt Relief Really Help?" *The Washington Quarterly* 24:3 (summer 2001): 199-211.

[22]For a useful critique of the North's uses of foreign aid, see Graham Hancock, *Lords of Poverty: The Power, Prestige, and Corruption of the International Aid Business* (New York: Atlantic Monthly Press, 1989).

necessarily matter if aid were donor-driven, as long as it was forthcoming, if in fact aid always helped the client countries. As other arguments about the usefulness of foreign aid assert, this is not always the case.

The argument that aid creates a cycle of dependency has been well-documented.[23] Many countries, particularly in Africa, that have depended on foreign aid for decades remain dependent. SAPs and later good governance promotion have been ways some IDIs have addressed this problem; the implicit argument is that if countries adopt certain programs and policies, they will become less reliant upon their creditors. This does not always or even often work as planned, however, as Africa, a primary target of SAPs and now of good governance promotion programs, still lags behind in the world economy and remains indebted to its creditors. Only during the 1990s did many countries in Africa undertaken reforms, and many of these reforms were cosmetic or those conducive to quick implementation. Similarly, Russia, newly freed from Communist rule, underwent shock therapy at the behest of its creditors in order to purportedly help it stand on its own feet; unfortunately, the neoliberal macroeconomic reforms only helped create an environment where corruption ran, and still runs, rampant. In many ways, foreign aid does create dependence, even if this is what IDIs mean to avoid. It is not generally the case that IDIs desire this; it is rather that development is a more complex process than had been anticipated and that countries' unique circumstances play a larger role than is often accorded them.

The arguments that aid does not reach its intended targets and that it is squandered

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[23]See Robert Zimmerman, *Dollars, Diplomacy, and Dependency: Dilemmas in U.S. Economic Aid* (Boulder: Westview Press, 1993); Sarah Tisch and Michael Wallace, *Dilemmas of Development Assistance: The What, Why, and Who of Foreign Aid* (Boulder: Westview Press, 1994).

on corrupt arguments have in fact been fairly well addressed, though not always resolved, by the major IDIs in recent years. More consideration has been placed on transparency and accountability, which are of course easier to require without the imperatives of the Cold War. For decades, rent-seeking diplomats hoarded and squandered vital aid funds. IDIs granted or lent money to Chile under Augusto Pinochet, Ethiopia under Mengistu Haile Mariam, the Philippines under Ferdinand Marcos, and Romania under Nicolai Ceauçescu. Also, the poorest within countries were sometimes further harmed by sharp cuts in social spending resulting from neoliberal economic reforms that were part of aid packages. Decreasing the size of the public sector, for instance, invariably means many of the poorest paid workers lose their jobs. Devolving certain state activities to the market can raise the level of exclusion of the poor through new pricing policies in discriminatory markets. Accountability to local clients can also be undermined when public service functions are contracted out to the private sector or to NGOs. IDIs have for the most part acknowledged such facts, although often blaming these problems on the client countries rather than on their own programs and policies. Charges of corruption targeted at poor country governments and elites, though often valid, have been used by IDIs in attempt to help excuse their failed programs and policies.

Others have expressed concern that foreign aid does not help because it prescribes flawed policies or works against natural conditions in developing countries. High-yield seeds that were distributed by aid institutions during the "Green Revolution," for example, ended up delivering higher costs than benefits to countries. These seeds produced more food, required more fertilizer and attention, and proved disruptive too. Fortunately, most IDIs now incorporate equity the status-quo farming cycles in many aid recipient countries. In Kenya in 1985, food aid intended to help ease a temporary famine

continued to be flown in long after the crisis. This overabundance overwhelmed markets, depressed prices, and reduced farmers' incomes.[24] In Egypt, the United States sent surplus food for decades during the Cold War to the detriment of local farmers, who could not compete. In the 1970s, Egypt could feed itself, but by the 1990s, was importing close to half of its food supply. Another example of perceived flawed prescriptions of IDIs includes many of the shock therapy programs advocated in post-Soviet Russia. The rapid adoption of neoliberal capitalist practices proved disastrous since the country did not have the political experience or institutional mechanisms in place to support a free market. Some observers even attribute Mexico's 1994-1995 currency crisis partly to adherence to IMF and NAFTA financial liberalization conditionalities.[25] Not every attempt to help is indeed helpful, partly because countries are so diverse in their histories, circumstances, and needs. Most aid institutions of any repute have gradually realized this, but this lesson has too often been slow in coming.

Another credible argument against foreign assistance is that it is sometimes undermined by contradictory policies. A bilateral donor may, for instance, provide aid to a country to help it improve its industry and promote exports, while the donor country uses protectionist measures that simultaneously harm the poor country. American authorities urged the Bangladeshi government, for example, to promote labor-intensive goods during the 1980s, but then set American import quotas on these goods.[26] The EU

[24]Lloyd Timberlake, "The Politics of Food Aid," in *Earth Report: Monitoring the Battle for Our Environment*, eds. E. Goldsmith and N. Hildyard (New York: Mitchell Brazley, 1988), 23-24.

[25]See John Dillon, *Turning the Tide: Confronting the Money Traders* (Ottawa: Canadian Centre for Policy Alternatives, 1997), 70-76.

[26]Anne Krueger, *Economic Policies at Cross-Purposes: The United States and*

also has fairly received criticism for its highly protectionist Community Agricultural Policy, which often works to the detriment of many of the poor countries the EU claims to care about. Foreign aid loses its utility and legitimacy when contradicted in such ways. Donor countries do not always practice good governance policies themselves, and this hypocrisy does not go unnoticed. Additionally worth noting is that complementarity *between* donor policies is important; sometimes problems are caused not by a single donor, but by many donors allocating aid to the same country. Kenya in the early 1980s, for example, was receiving funds, some of them conditional, from at least 60 donors. It is easy to see why this overwhelmed the government's capacity to use this assistance wisely.[27]

Another objection to foreign aid policies centers on the cultural imposition that aid entails. Structurally, the donor is always in a position of superiority in the aid dynamic, and this opens way for manipulation and tacit and explicit power plays. This contention may be particularly well-founded when aid is conditional upon reforms subject to donor agendas. With conditional aid, countries are often required to dismantle their entire formal or informal systems of governance and to alter their ways of life in order to garner aid. Yet *no* gift or concessional loan truly is free in the sense that even if conditions are not attached, expectations are. The substantial aid packages that the United States has provided to Egypt over the last several decades, for example, have had strong political motives behind them. Egypt has long known that it owes the United States a certain amount of allegiance, particularly in a conflict situation. Weaker

Developing Countries (Washington, D.C.: The Brookings Institution, 1993), 63.

[27]See Sajal Lahiri and Pascalis Raimondo-Moller, "Coordinated and Uncoordinated Foreign Aid," in *New Perspectives on Foreign Aid and Development*, ed. B. Mak Arvin (Westport: Praeger, 2002), 124-38.

countries have little leverage in many cases against stronger ones, the latter prescribing policies they may not even adhere to themselves.[28] A common charge against the EU is that it prescribes and even requires democratic reforms in its aid allocations, yet suffers from a democratic deficit itself. Unfortunately, poor countries have little power to remedy this and other related issues. They often find themselves stuck in situations of powerlessness.

Another criticism, that foreign aid causes or exacerbates environmental problems in recipient communities, has received much attention from NGOs and environmentalists. Market capitalism in general has been blamed for increasing the range and extent of global warming, ozone depletion, resource depletion, and toxic pollution, as well as intensifying the problems of acid rain, nuclear radiation, and chemical releases. As was evident in recent Kyoto Protocol meetings, capitalist expansion into developing countries has been blamed for many of these assaults and for causing levels of pollution and decay that would be unacceptable in the rich Northern countries. The World Bank most specifically has been rightly accused of paying little attention to the ways its programs have affected the environmental quality in recipient countries.[29] Fortunately, likely largely due to the negative press it has received over this issue, today this IDI is more conscientious about how its policies affect or alter the environment, as are most of the

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[28]Many wealthy countries and multilateral aid agencies for instance, require that client countries remove all barriers to trade, while maintaining their own protectionist measures. The United States, for example, uses tariffs as high as 45 percent on many of the products that poor countries produce, such as agricultural staples, textiles, and apparel. See Froning, 202, and Ha-Joon Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective* (London: Anthem Press, 2002).

[29]For an account of the World Bank's environmental degradations, see Bruce Rich, *Mortgaging the Earth: The World Bank, Environmental Impoverishment, and the Crisis of Development* (Boston: Beacon Press, 1994).

major aid institutions. "Sustainable development" has become a popular movement. The more vehement critics, though, are still not satisfied, nor are they likely to be. Industrial development causes pollution. Yet at least there is a growing awareness of many of these degradations, made possible largely due to increased global interconnectedness. This makes aid agencies increasingly accountable for--but many contend not sufficiently responsive to--the environmental impacts of their policies.

Yet another common complaint about foreign aid is that it exacerbates inequity, both within and between countries. The former charge has often been well justified, as corrupt leaders in developing countries have misdirected funds for personal gain and as neoliberal market reforms have often been enacted without due attention to the needs of the poorest within countries. As corruption has been less tolerated in recent years and as more attention has been paid to the disruptive effects of inequity within countries, foreign aid, however, is heading in a more promising direction. Donors have undertaken various initiatives to help the poorest and to prevent state capture. More work, though, certainly needs to be done in addressing this problem. The latter charge that aid contributes to inequality between nations continues to be a complicated problem. Rich countries become richer and more powerful when aid institutions require countries to open up their economies. These poor countries usually have the potential to benefit in the long-term as they are increasingly exposed to the workings of regional and international trade and market forces and as they acquire new skills and knowledge. This learning process, from the position of a weak country with an underdeveloped economy and political structure, may be quite painful, though. More could be done to help poor countries through such difficult times.

Over the years, most donors have come to believe that many different factors

contribute to development and that foreign aid should be tailored to consider countries' unique historical, geographical, and cultural contexts. Particularly since the 1980s, donors have concluded that the basic neoliberal prescription that sound economic management and an outward-oriented trade and industrialization strategy are imperative economic components of successful development; noninflationary monetary policies and low budget deficits provide a favorable climate for saving and the accumulation of capital; and the extent of a country's openness and its integration into the world economy and trading system are significant for the development of viable economies. Increasingly, especially since the 1990s, aid donors generally agree that the political and economic choices developing countries make also play important roles in determining how well and how fast they develop, and that development cannot be imposed on a country purely from the outside. Structural adjustment lending that reached the height of its popularity in the 1980s helped reveal this fact. Previous experience and the lessons of others have demonstrated to most bilateral and multilateral donors that certain characteristics of governance are vital for development to occur. To various degrees, most donors now agree that countries that have had a high measure of political stability and social order are more likely to develop than countries that have experienced instability and chaos. Most also concede that the less corrupt and self-serving a developing country's government, the more likely it is to achieve long-term development. This involves not simply a deconcentration, but a devolution of state power, so that all citizens have opportunities to participate and influence outcomes. Also commonly accepted today among donors is the belief that successful development usually depends on developing countries having the means to protect property rights and maintain efficient institutions. This usually means having institutions such as an impartial legal system and a well-regulated central bank or

banking system. Investment in the growth of a nation's inhabitants such as funding education systems and various training programs has also been accepted as a constructive use of foreign aid. Countries that are rich in the social and political institutions that stimulate interpersonal trust, civic cooperation, and social cohesiveness usually have more efficient, responsible, and responsive governments; have better governance systems; and grow faster.

Donors have also come to see that greater quantities of assistance are not always more helpful or effective at alleviating poverty and nurturing opportunity. A country given too much foreign assistance may not have the capacity, experience, or even the will to effectively use it to its best advantage. Donors have learned that even a small quantity of well-targeted, well-managed aid can be useful in achieving results. Greater quantities of assistance that are poorly used will not necessarily solve or even help ease a nation's problems. Donors have largely come to understand that essentially, foreign assistance given to developing countries reinforces what is already there. If a country has good economic and governance policies, the result is likely to be more of the same. If a country has inefficient economic policies and a corrupt or poorly managed political system, the result is likewise generally more inefficiency and mismanagement.

The manner in which donors provide foreign assistance may also influence the value of this assistance. When aid is given to achieve more than one objective, for example, it may not be as useful to the recipient's growth and development. For example, when assistance goes to an ally to further strategic objectives, as with United States assistance allocated to Honduras in the 1980s, it may reinforce unproductive economic choices. In addition, other economic or trade policies sometimes undermine the developmental goals of a donor's foreign assistance program. An extreme example

occurred when the United States set quotas on Bangladeshi textile imports soon after providing foreign assistance that this country used to expand its textile exports. Foreign aid, donors have learned, must be granted considering the larger economic and political context in which the both donor and recipient are situated. These contexts help determine the ways aid ends up being utilized.

In recent years, most IDIs, bilateral and multilateral, have come to recognize that foreign assistance is but a small component of a larger picture. In 1996, Mancur Olson, Jr., summed up the sentiments of many foreign aid donors when he reported that factors such as access to knowledge and capital cannot explain the relative income differences between nations: "The only remaining plausible explanation is that the great differences in the wealth of nations are mainly due to differences in the quality of their institutions and economic policies."[30] IDIs have largely concluded that poor nations with the best economic and governance policies consistently grow the fastest. Donors typically agree that factors such as the quality of a poor country's economic and governance policies appear to be considerably more important in promoting growth and development than the quantity of foreign assistance the country receives. In fact, how successful foreign assistance is in promoting growth critically depends on such background conditions, which are highly contingent upon a complex array of political and economic factors.

Donors have learned through experience that although foreign assistance appears to have only a marginal effect overall on the immediate or short-term quality of life in a given country, it may promote development in the long term, depending on the environment in which that assistance is used and the larger framework in which it is

[30]Mancur Olson, *Power and Prosperity: Outgrowing Communist and Capitalist Dictatorship* (New York: Basic Books, 2000).

given. Assistance offered to countries that are well-governed and have adopted market-oriented economic policies and socially inclusive political policies may provide a boost to their development. On the other hand, assistance given to countries that have been governed poorly or have employed restrictive economic and political policies is less likely to positively contribute to their well-being and future prospects.[31]

Despite these agreements by most foreign aid donors, though, the good governance and democracy promotion programs that have proliferated in IDIs vary considerably. Some, such as the World Bank's, stress qualities such as financial openness, transparency, accountability. The UNDP's good governance programs take a more holistic view towards development and foreign assistance, emphasizing equity within countries in the development process and the importance of participation and locally grown civil society as powerful moral forces to regulate a country's economic and political decisions and its use of foreign aid. The EU's good governance policies largely stress the importance of democracy, human rights, poverty alleviation, and open access to political participation by citizens in poor countries. USAID's good governance programs reveal a heightened concern with the stability of political and economic systems. The good governance terminology IDIs is often similar, but the power structures that rule them still influence their priorities, policies, and programs. Globalization, or the weakening of borders and intensified penetration through borders of ideas, people, money, and other resources, has helped propel many foreign assistance donors to think more clearly about to whom and how they give. Most donors have realized the value of

[31]Joachim Ahrens, "Towards a Post-Washington Consensus: The Importance of Governance Structures in Less-Developed Countries and Economies in Transition," in *State, Society, and Development: Lessons from Africa*, eds. Niels Hermes and Wiemer Salveda (Groningen: University of Groningen, 1999), 18-64.

sound economic policies and credible governance institutions, yet differences and disparities persist about how to best help the world's poorest and how to best safeguard and improve the freedom and security of those who already have it. IDIs new emphasis on good governance and democracy promotion is not simply a fad; there is much truth to the rationale behind such programs and policies. Yet underneath the rhetoric, more individualized motives continue to surface albeit in new ways. The value of foreign aid in the future lies partially with learning to discriminate what truly is in the best interests of poor countries and what perhaps is donor-serving and less relevant to the actual needs of the poorest.

CHAPTER II

THE EMERGENCE OF THE GOOD GOVERNANCE AGENDA

The early 1990s were a turning point of sorts in the history of foreign assistance. The ending of the Cold War and its strategic prerogatives coincided with the apparent triumph of democracy. Also, a general decline in public support for foreign aid programs surfaced in the United States and abroad. Such factors and others led the aid industry in general to reevaluate its methods and motives. The good governance agenda evolved during this time.

Part of this new agenda relates to changing views of the significance of the state in the Westphalian sense. A review of timely literature on the role the state can and should play in the development process helps explain significant aspects of the good governance agenda.

Relevance of the State

A number of scholars have provocatively argued that the state is less relevant in this era of globalization, or international interconnectedness that intensified in the 1990s and continues today. Kenichi Ohmae, for example, is known for his statement that the state is an "artifact of the eighteenth and nineteenth centuries" that has already lost its role as a meaningful participant in the global economy. He contends that states are increasingly ineffective at satisfying the needs and desires of citizens and that their most vital reasons for being (controlling military strength and the use of natural resources) are no longer important. National military strength is too expensive to maintain, and the world is now information-, not natural resource-based, Ohmae argues. Nations also no

longer maintain their territorial identities, for globalization enables people to communicate in real time any time; states have become virtual. People's physical locations are less important, as technology, communications, and travel have made the world essentially borderless.[1] This argument does raise important considerations: the state is less important in fulfilling certain functions. Ohmae, however, fails to consider new roles that the state has assumed as the world has changed, as mediators in the processes of globalization, as will be discussed. Perhaps instead of calling the state "dead" or "useless," it would be more appropriate to call the state "changed."

Others who question the relevance of the state to modern life argue that not only are the reasons for the existence of the state diminished, but also that the state is no longer able to manage its economy or its citizenry. States' claims to autonomy such as the ability to control cross-border economic negotiations, investment, monetary and fiscal policy, immigration, emigration, and even exposure to ideas are all diminished. Transnational corporations (TNCs) search out cheap resources, labor, and tax systems from global offerings and become in essence nation-less. National governments have trouble taxing businesses with multiple operations in different countries, and thus collect less revenue to provide for social welfare. People travel in search of opportunity and eventually many, including the generations that follow them, lose connection with their original national identities. Ideas and information know no borders and are increasingly difficult to monitor or control. These points are largely legitimate, as the international landscape has markedly changed over the past few decades; the state's former loci of control have indeed shifted. The state's usefulness has not, however, become eradicated.

[1] Kenichi Ohmae, "The End of the Nation State," in *The Globalization Reader*, eds. Frank Lechner and John Boli (Oxford: Blackwell, 2000), 207-11.

The state today by necessity assumes a different, albeit no less important role. For development to be sustained or for it to occur, the state must provide not only a certain level of openness but also a responsiveness to how this openness affects its citizenry. The state chooses to participate in the global political economy by its rules, regulations, and conventions. National leaders, influenced by their constituents, then must assess how globalization is affecting them and the country's position in the larger world political economy and gear its responses towards self-preservation. When the Asian financial crisis occurred in 1997, for example, the United States and other Organization for Economic Cooperation and Development (OECD) states provided funds in attempt to help assuage the global and regional impacts, and each state made adjustments in its own decisions about how to best protect itself. The emergency was not handled perfectly by OECD states, or even well by some standards, but few could dispute that this situation required an active response by the state. In essence, the state's role is not dead. It is simply different.

Many scholars further argue that national governments have become in a sense slaves to the market's forces--they have become reactors to the market, rather than actors. Governments, alert that they must compete to lure and retain vital factors of production, lower taxes and thus their spending. The provision of public goods decreases with the revenues, and as capital and labor become more fluid, "dollars begin to count for more than votes. . . and democracy is defeated." People may believe they live in democratic societies, these critics assert, but this is a mere illusion. In less or non-democratic societies, people may believe their leaders are basing their policies on their stated goals and plans, but instead they are playing a game of continuous catch-up with market forces

over which they have little control.[2] This argument makes some well-grounded contentions, yet also fails to consider that entering the market by reducing protectionism and opening borders is a conscious choice by states in order to gain perceived rewards. And such rewards have indeed been forthcoming: many once impoverished Asian countries have transformed themselves into wealthy, vital nations by embracing the market and actively seeking to use it to their best advantages. China today is an apt example of a country that is actively pursuing market and political openness, although sometimes warily, in order to acquire the gains other nearby nations have reaped. In doing so, China is by no means retiring its state control; it is consciously shifting it to meet the demands of a changing world.

The claims that declare the state, and all other international or regional actors, are less relevant do have some merit and do provide some needed insight. Susan Strange writes that due to globalization, "state authority has leaked away, upwards, sideways, and downwards. In some matters, it seems even to have gone nowhere, just evaporated. The realm of anarchy in society and economy has become more extensive and all kinds of authority have diminished." In Strange's opinion, the state is "hollowing out" and this is dangerous, for "some necessary authority once exercised by states is now exercised by no one."[3] According to such critics, supranational organizations are, like the state, market-bound. Not even the rising force of civil society can make much impact on the market-driven world, they say. States have lost power, and no entity has made marked progress as a counter-force against wild capitalism. Some cite recent uprisings of cultural groups

[2] "Markets Go Global," *Economist* 344 (20 September 1997): 23-6.

[3] Susan Strange, "The Defective State," *Daedalus: Journal of the American Academy of Arts* 124:2 (1995): 56-59, 71.

with shared histories or religious convictions as a sign that the state and the sense of order and community it once imparted are no longer sound. Theodore Levitt contends that the "obsolete" state is sounding its "last violent death rattle," and that this rattle is now being heard in the form of virulent nationalism or ideological sentiment expressed by many, mostly from developing countries. It is largely a backlash against globalization and its weakening of national cohesion, Levitt asserts, and against neoliberal orthodoxy (which is hegemonic due to the economic power of the North, particularly that of the United States).[4] Certainly the tragic events of September, 11, 2001, drew attention to this conviction. Even before September 11, Peter Drucker aptly wrote that the state "has shown amazing resilience."[5] Its roles have changed; the international social, political, and economic landscape has changed and continues to evolve. States have adapted or at least begun adapting to their new duties and obligations. Economist Martin Wolf also sees the state as still not only viable, but vital. He writes that "[g]lobalization is a journey . . . towards an unreachable destination." A fully "globalized world" is impossible, he contends, since in such a world, the costs of transportation and communication would be zero, and the barriers created by different national leaderships would have vanished completely. Wolf argues further, echoing the thoughts of many, that globalization is not an inevitable process, but rather, a choice that states and national leaders make. "Globalization can progress only as far as national policy makers will allow," he writes.[6]

[4] Theodore Levitt, "The Globalization of Markets," *Harvard Business Review* (May/June 1983): 101.

[5] Peter Drucker, "The Global Economy and the Nation-State: A True Survivor," *Foreign Affairs* 76:5 (September/October 1995): 159.

[6] Martin Wolf, "Will the Nation-State Survive Globalization?" *Foreign Affairs* 80:1 (January/February 2001), 178.

States opt to participate in the international economy and to partake in the international social environment because doing so increases their capacities to provide for and protect their citizens. Most every economist, Gini index in hand, can tout the long-term gains of open markets, for rich and poor nations alike.

The fact is that since the developed world has embraced globalization to the extent that it has, the developing world has little choice but to follow suit. Yet unfortunately, even though it will be of benefit, the developing world initially has little choice in the matter and is forced to play by the developed world's rules in the developed world's game. Even if in the long run, globalization brings absolute gains to all of its participants, it can still be uncomfortable to make the shift to a more open economy and society (especially under the tutelage of another).[7] Yet this is where the Third-World state has enormous potential and also the daunting challenge of stepping in to help buffer and protect its citizens in the process. Richard Higgott writes tellingly about how states can step in to help mitigate the short-term painful effects of globalization, particularly in developing countries. An important step states can take, he aptly contends, that is often overlooked is to open far-reaching channels of communication with citizens and help make them aware of the process of globalization, what it entails, and what its short- and long-terms effects may be. After that, national leaders can make efforts to become attune to the segments in their societies that may be suffering the most and attempt to increase their livelihoods and opportunities.[8] In an ideal world, that is what modern developing states would do. This ideal is indeed at least part of many good governnance agendas.

[7]Ibid.

[8]Richard Higgott, "Economic, Politics, and the (International) Political Economy: The Need for a Balanced Diet in an Era of Globalization," *New Political Economy* 4:1 (March 1999): 23-36.

State mediation is an important component of the development process, and where no functioning, coherent, and committed state exists, this absence is felt. The world has witnessed the difficulties many states have experienced while opening up their economies. The "shock therapy" of Eastern European and Russian states following the Soviet Union's collapse serves as a cautionary tale: too much swift economic restructuring without a capable state accountable to its citizens' basic needs can not only be too painful to bear but also makes conditions ripe for state re-capture. The state, rich or poor, continues to have profound significance, but its methods, responses, duties, and roles have markedly changed.

States can indeed become more powerful and impactful than ever before. Economist Hendrik Spruyt rightly argues that it is "possible to argue that globalization actually enhances sovereign authority."[9] National governments become more valuable in their abilities to affect domestic wellness and to secure a place in the larger world for their citizenries through international involvements, whether formal or informal. Ian Douglas calls the new charge to states a responsibility of "knowing the terrain within which we are situated" and of working flexibly within this new terrain. States are not stronger in and of themselves, yet because they are more networked, they are connected with more power channels. Douglas continues to assert that states are "not witnessing the evaporation of authority but its reverse: the deeper embedding of order."[10] States actually have more potential to partake in international public goods and garner influence than in

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[9]Hendrik Spruyt, "Decline Reconsidered." *Harvard International Review* 17:3 (summer 1995): 38-9.

[10] Ian Douglas, "Globalisation and the End of the State?" *New Political Economy* 2:1 (7 March 1997): 165-77.

any previous time, but they must work through new complex venues and use more sophisticated methods to perform their duties and remain viable.

States are still learning how to claim their new power and make it last. The rise of civil society, once thought of as a check on state power, might actually end up empowering the state by helping prevent it from self-destructing with wild capitalism. Local, regional, and international civic activism can help instruct and guide states as they attempt to bolster the quality of life of their citizenries. The transformation and potential increased role of the state, for believers, requires that states become more cosmopolitan. Knowledge is an ever stronger source of power. Territoriality is no longer relegated to geographical space. Soft power is more relevant than ever before, as states learn from other states they respect and admire.

The state has clearly lost control in certain domains as a result of globalization, but this does not mean it is no longer pertinent. In fact, it has the potential to be more significant than ever before, by actively embracing the benefits of globalization and presciently working to counter the negative aspects.

Economic development requires the transformation of state institutions, which cannot occur without political and social reforms fostered and consistently monitored by the state. The good governance agenda of various IDIs is in many ways an outgrowth of the altered roles states must adopt in the world of the new centurty. With more interconnectedness and trans-border activity, greater, not fewer, state-imposed rules are often necessary to provide a semblance of order and predictability in the midst of new forces and impacts. Many states are taking measures to provide good governance in various forms, such as providing reliable institutions. Leading IDIs are encouraging

this, as well as efforts to attach states to supranational good governance agreements.[11] No clear and error-free road map for what this entails exists, however. Shifting roles can be a daunting process for states with little or no experience in these realms. Additionally, motivations of intervening institutions are not always benign. As Bruce R. Scott contends, the "Washington consensus on the universality of the rich-country [state] model" can be "both simplistic and self-serving."[12] Many have said the same of the post-Washington consensus, or the conclusion that politics matter as much if not more than economics.

Participating in globalization is a conscious choice states make, albeit oftentimes out of desperation. In a general sense, the rewards clearly outweigh the down sides. Yet, particularly early on, developing countries often have little influence in shaping their involvement in the world economy, and some prescribed "rules of the game" are weighted against them. The World Bank estimates that the developing countries would gain about $30 billion a year in wealth if the rich countries lowered their own agricultural trade barriers alone.[13] Wealthy nations often limit immigration from poor countries into their own, yet insist that their TNCs have open entry into poor countries. Because developing countries lack wisdom and influence in the world economy, their own states are particularly vexed by having to make decisions about whether and how to integrate. There is no easy resolution to these problems, yet a recognition of the viability of sound,

[11] For more on these supranational efforts, see Susanne Soederberg, "Grafting Stability onto Globalisation? Deconstructing the IMF's Recent Bid for Transparency," *Third World Quarterly* 22:5 (2001): 849-64.

[12] Bruce R. Scott, "The Great Divide in the Global Village," *Foreign Affairs* 80:1 (January/February 2001):176.

[13] Cited in "Hunger: Always with Us," *Economist* 363:8277 (15 June 2002): 73.

credible states experienced in taking care of their constituents and capitalizing on the opportunities available with increased international transactions is a beginning.

It is useful to review not only theories on the relevance of the modern state, but also the history of development theories as precursors to an examination of IDIs' good governance agendas. As views on the role of the state inform the programs and policies of IDIs, so too do opinions on what development means and how it can be achieved.

Theories of Development

Many scholars and practitioners agree that as the twenty-first century has set in, development theory has either become less relevant, reached an impasse, or become too esoteric and disjointed to be of use. The Third World, the periphery, or the satellite countries, as different writers prefer to term the less-developed countries, are still largely impoverished, and the developed world still cares, but maybe not as much as it once did. Neoliberalism seemed to "win" the war and the world with the collapse of the Soviet Union in 1991, yet the absolute gains of free trade seem relatively slow in coming to poor nations. The problems of underdevelopment still abound, with people dying of hunger and the diseases of poverty in the South at inexcusable rates. Civil wars and high crime rates continue to plague the poorest countries. Natural resources are still utilized at alarming rates, and the North-South income gap continues to widen. The excluded in the Third World have not yet discovered any universally or even largely effective formula for increasing their opportunities and access to prosperity or even improved well-being. Additionally, byproducts of poverty and poor governance such as more sophisticated international drug trafficking and terrorism have surfaced with unprecedented repercussions.

Many recent approaches to distill postmodern or new radical theories where "helping rediscovers its innocence"[14] are still themselves being better formulated and articulated as the state of the international political economy field progresses. No single impactful theory has emerged in recent years that has provided meaningful insight and clarity to theoretical debate, yet many smaller theories have provided some degree of illumination. The recent emphasis on good governance and democracy is not really a theory, yet it draws from a growing understanding provided by the many theories and ideas about development that have gained attention over time and from donors' experiences.

In any case, it is worthwhile to survey the major development theories that have captured attention since the end of World War II as their rises and in many cases demises help illuminate the ongoing development debate. Some scholars make an interesting distinction between political theories *of* development and political theories *for* development. The former theories chiefly explain, while the latter (mostly Northern in origin) chiefly prescribe. This chapter will briefly review both of these types, examining mainly the dominant theories: modernization theory, dependency theory, world systems theory, neoliberalism, postmodernism, feminist development theory, postcolonial theory, and the relatively new good governance and democracy promotion agenda. All of these purportedly concern themselves with improving the living conditions in and levels of prosperity of the poorest countries. Development is often measured with standardized indicators such as real gross domestic capita, life expectancy, adult literacy, daily calorie supply, access to safe drinking water, and infant or under-age-five mortality rates. Some believe, however, as is evident in much of the UNDP's recent literature, that such

[14] Quote from Marianne Gronemeyer, "Helping," in *The Development Dictionary: A Guide to Knowledge and Power*, ed. W. Sachs (London: Zed Books, 1992), 66.

indicators cannot come close to measuring well-being's intangibles, which theories for development tend to overlook with their foci on economic progress. Development is difficult to define and to measure, regardless of the theory or theories used.

The lifespan of development theories is relatively short: they became popular in the wake of World War II, as countries looked to reconstruct their economies and societies after this period of devastation and uncertainty. Europe and Japan faced the enormous task of rebuilding what had been destroyed, the United States looked towards building a new world conducive to its interests and values, and Third World countries faced new opportunities and challenges as many of their former their colonial ties were weakened or severed. The issue of how the British, French, Portuguese, and other European colonies and former colonies could be made more productive called for practical responses. About 35 percent of the world remained in a colonial or semi-colonial condition. Everyone, of course, had his or her own ideas about how nations should design their foreign economic policies. Initially Keynesian economists formulated prescriptions based on a "positivist orthodoxy." It was inspired by the success of the wartime and post-war state intervention in the economy and by the Marshall Plan. Newly independent countries and African colonies vying for independence were urged to increase rural productivity and to shift unnecessary agricultural labor into industry. By the end of the 1950s, though, this early faith in neo-classical development economics had begun to fade, as development failed to proceed. Laggard economic growth in countries such as India revealed that development was more complex than had been assumed.

A new school of mostly American theorists soon began to dominate the development discourse. They came from outside of the two largest aid organizations in the world then, the World Bank and USAID, with their explanations for previous failures

at facilitating development by powerful policy makers. With a degree of hubris undisguised, modernization theorists, or structuralists, held up the North's historical development experience as the model of progress all nations should, and inevitably would, follow. For these theorists, with their pride in the America's newfound global power and the noteworthy power of her Western European allies, economic development within a "modern" (or liberal democratic) society was the goal all countries should seek. Authors cited different characteristics of modernity, but most descriptions included secularization, urbanization, scientific and technological advancement, and social mobility. They also emphasized supposed precursors to development such as merit-based wealth, regard for social innovation and intellectual diversity, an independent private sphere, rule by law, private property rights, and an advanced labor division. They argued that such components complemented the growth of modern capitalism, which would, in turn, spur development. Development was believed to involve movement through certain economic stages.[15]

As Christine Sylvester writes, the

> usual recipe called for the local use of resources rationally, in tandem with assistance from developed countries, and within a democratic environment. By following the rationality of modernization, a country afflicted by underdevelopment could hope to move briskly into the modern tempo of life within a relatively few years, perhaps a decade.[16]

Modernization theory, though, began to be increasingly challenged by the late 1960s, as development did not occur as anticipated in most poor countries, and the growth of authoritarian regimes and revolutionary struggles in the Third World increased. It

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[15] Cyril Black, *The Dynamics of Modernization* (New York: Harper and Row, 1966).

[16] Christine Sylvester, "Development Studies and Postcolonial Studies: Disparate Tales of the Third World," *Third World Quarterly* 20:4 (1999): 703-21.

became more and more clear that not all countries could achieve development by following a Northern-drawn road map. Modernization theory obviously was not universally applicable to the Third World. Transitional countries were often less stable than either traditional or modern ones. Violence and instability resulted from rapid social change in countries without effective political institutions to mediate and moderate.

In the meantime, the developing countries still faltered behind, showing few signs of progress. Latin American countries in particular felt slighted, as they had been formally independent for a century or more, with little share of the North's wealth. Additionally, critics, often rightly, accused modernization theorists of acting out of class and ideological self-interest. Later observers would contend that the United States in particular structured development policies which bolstered its economy and power in absolute terms and relative to the power of its chief rival, the Soviet Union. Others would reproach the North for believing its particular development model was suited for countries with vastly different histories and cultures. The loudest condemnation at the time came from the people of Latin America. Their protests were credible, yet their proposed alternatives would not prove viable.

Neo-Marxist dependency theory, popularized in the late 1960s and early 1970s, arose out of objection to modernization theory and its pro-Northern, capitalist orientation. Dependency theorists did not reproach the virtues of modernization, but held that delinking from the world economy through a Socialist revolution was the only fair and effective development solution. Socialist nations could then pursue their own independent development processes, without Northern interference.[17] Andre Gunder

[17] David Booth, "Marxism and Development Sociology: Interpreting the Impasse." *World Development* 13:7 (1985): 761-87.

Frank echoed the ideas of scholars such as Raol Prebisch and drew from Latin American historiography as he critiqued the North. With an unsettling degree of merit to his claims, Frank blamed rich capitalist countries for having exploited the developing world's natural resources and labor and for creating dependent elites. He and others contended that the rich countries extended control over the developing world through exploitative trade structures, such as the BWIs. The North was in essence *developing underdevelopment*, so that the Third World would remain eternally dependent and powerless. Dependency theorists had a right to feel this way, and they progressed somewhat at having their voices heard. International institutions took a few of their ideas into account in formulating policy, yet underdevelopment remained, and the North-South income gap continued to widen. Delinking from the world economy, though an enticing idea for many exasperated by the world's inequity, did not prove to be a realistic solution.

Theorists carried on and looked for new ideas to help stimulate the world's poor countries and economies. World systems theory, a somewhat more virulent form of dependency theory, grew out of many of dependency theory's assumptions. It, however, made the world system, rather than the individual state, the proper unit for development analysis. If within a developed country the contradistinction between labor and its ownership led to class struggle, then on a global scale it led to struggle between countries. This was because the concentration of industry and capital in some countries was formed at the expense of the developing world. The primary conflict of capitalism was not between the bourgeoisie and the proletariat, but between the developed and the developing countries, or the core and the periphery. The labor class in the core countries helped exploit the periphery, and, therefore, proletariat revolutions could not solve this larger conflict. Rich countries like the United States were thought to exert structural

power over poor countries by influencing financial and monetary arrangements and determining the price of the world's trading and reserve currency. This insightful yet still not solution-oriented approach focused on the dynamic of interdependence and the global systemic structure and connected processes. Development trends and cycles were analyzed using a large-scale and long-term framework. Immanuel Wallerstein argued that due to concentrating on manufacturing industry, labor specialization and organization enabled Western Europe and the United States to develop strong state systems. In contrast, the less-developed countries adopted a form of production requiring relatively little skill. These countries became exporters of basic products. Over time, the developed countries became increasingly able to extract surplus from the weaker countries, due to their capable state systems. Because of their increasingly strong position, the developed countries began imposing terms of trade, which only exacerbated global economic and social inequalities. These theorists asserted that the developed world did not sincerely wish to promote Third World development, but simply wished to further its own gains in this exploitative relationship.[18] They made their points well. The problem with this approach was that despite its perspicacity, it offered little practical advice on how to remedy this systemic injustice. It also failed to account for the fact that some Third World countries were in fact becoming economically sturdy in the face of these well-articulated odds.

Another theory, neoliberalism, attempted to prescribe remedies for underdevelopment that world systems theory could not. Lack of development in poor countries was ascribed to import substitution, expansion of the government sector, and a

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[18]Immanuel Wallerstein, "The Rise and Future Demise of the World Capitalist System," *Comparative Studies in Society and History* 16 (1974): 387-415.

large-scale regulation of the private sector of the economy, or basically, too much state. Neoliberalism became popular in the late 1970s after the debt crisis of the time, the widespread economic stagnation of the 1970s, and the growing plight of Socialist economies. Neoliberals shared a belief that state intervention, rather than providing necessary stability, interfered with development. Deepak Lal, P.T. Bauer, Bela Balassa, Ian Little, and others from the new right called for a less-regulated global marketplace that they argued would spur growth and development everywhere. The invisible hand of the market could benefit rich and poor nations alike. Government spending reductions and market-enhancing policies were advocated. Neoliberalism had an ideological component, as "containment liberalism" aimed to deliver economic growth through foreign aid. This would reduce the attractiveness of Communism in the Third World and ensure that the North could continue exercising and expanding its control there.[19] Many of these theorists supported conditional BWI loans to developing countries to help stimulate their economies. The debt crisis of 1982 served as the opening for structural adjustment programs (SAPs), which sought to roll back the state even further from economic life. SAPs intended to weaken domestic entrepreneurial groups by eliminating protectionist barriers to Northern imports, lifting foreign investment restrictions, and integrating poor economies into the Northern-dominated global economy. Structural adjustment loans (SALs) were quick-dispersing loans which could relieve a country's balance-of-payments deficit or repay interest due to private banks or the BWIs. Conditions were attached. Receiving countries often were required to reduce government spending, in order to control inflation and reduce the demand for capital inflows from

[19]John Brohman, "Universalism, Eurocentrism, and Ideological Bias in Development Studies: From Modernisation to Neoliberalism," *Third World Quarterly* 16:1 (March 1995): 121-40.

abroad, a practice often resulting in reduced social spending. Receiving countries often had to cut wages to reduce inflation and make their exports more competitive; liberalize restrictions on imports; remove foreign investment restrictions; devalue local currencies relative to hard currencies like the dollar; privatize state enterprises; and embark upon extensive deregulation programs. If the receiving country did not follow these guidelines, often successive loan dispersions would be withheld.[20] Common challenges to SAPs have been numerous and justifiable. Structural change does not happen easily. Those with personal and institutional interests in maintaining the status-quo in Third World countries have worked to sabotage the SAP process. The government elite often do not want to lose their own power or curb state spending, and the emergent capitalist classes resent paying higher taxes. Another challenge is that the poorest offer suffer initially as welfare programs are cut. Further still, the lending institutions often lack the authority to successfully monitor the structural adjustment process. Many in the Third World seek to subvert this Northern imposition.

Neoliberalism in general is susceptible to many of the same sorts of criticisms as modernization theory, such as universalism, Eurocentrism, and ideological bias. John Brohman, for example, writes that neoliberalism, like mainstream development theory, has been largely inspired by the social and historical backgrounds and experiences of Northern industrialized states.[21] This approach, like modernization theory, attempts to formulate universally valid concepts and models, overlooking the vast differences of

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[20]Stephen Ndegwa, "A Case Against Structural Adjustment," *New Political Economy* 2:2 (July 1997): 318-22; James Manor, "Politics and the Neoliberals," in *States or Markets? Neoliberalism and the Development Policy Debate*, eds. Christopher Colclough and James Manor (Oxford: Clarendon Press, 1991).

[21]Brohman, 121-40.

nations' experiences and realities.[22] Further, the North obviously has a stake in open access to Third World markets and resources, which neoliberalism promotes. Also, there is the contention that since the developed world has embraced neoliberalism to the extent that it has, the developing world has little choice but to follow suit. Even if it will benefit, the developing world has little choice in the matter and is forced to play by the developed world's rules. Even if in the long run, neoliberalism brings absolute gains to all of its participants, it can still be uncomfortable to make the shift to a more open economy and society.

As neoliberal practices benefitted some countries yet were not easily applicable to or useful for others, new development theories began to emerge in the late 1980s and into the 1990s. Jan Neverdeen Pieterse makes a useful distinction between alternative development theories and some of the newer theories proposing *alternatives to* development. Recent theories have tended to fall into one of these categories. The former ones pay attention to the South's lack of popular participation in development, while the latter, in deconstructing the underlying premises and motives of development, end up rejecting the very concept of development altogether. Alternative development theories express a broad range of concerns, such as how civil society might help the developing world shape its own development course and how ethnic identities impact and are impacted by development. The idea of sustainable development also has become increasingly popular. Most theories concerned with alternatives to development attempt to reveal the development's Northern bias and to negate the very value of development as

[22]Mancur Olson, for example, writes tellingly about how certain institutions conducive to neoliberalism and capitalism such as secure property rights evolved as a matter of course in the North, yet were never well or largely implemented in the South. This in turn hindered the natural development of capitalist systems in many Southern economies. Olson, 25-44.

conceived by the North.[23] These theories denounce many aspects of the Northern-led development ideas, yet most are under-specified or, like dependency and world systems theory, fail to propose viable remedies to widespread poverty.

One noteworthy alternative development approach emphasizes the rising force of civil society as a means to help development proceed in a more humane manner.[24] The development community generally has portrayed civil society as a positive counterbalance or democratic corrective to both the authoritarian or otherwise repressive or corrupt state and to the potentially unsettling and destructive aspects of globalization. In the latter decades of the twentieth century, civil society gained influence due to technological advances and other facets of globalization that enabled wider and broader communication and mobilization. The appeal and legitimacy of civil society was enhanced by the important role civic groups played in rallying against Communism and authoritarianism in the Soviet Union and Asia in the years prior to 1989 and later in mobilizing against apartheid in South Africa. Jessica T. Matthews writes about how the 1990s ushered in "no mere adjustment among states but a novel redistribution of power among states, markets, and civil society."[25] National governments now share power with businesses, international organizations, and a wide variety of non-governmental organizations (NGOs). Civil society in its various forms has growing clout and increasing political, social, and even security roles that were once the sole domain of

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[23]Jan Neverdeen Pieterse, "After Post-Development," *Third World Quarterly* 21:2 (2000): 175-91.

[24]John Boli and George Thomas, "World Culture in the World Polity: A Century of International Non-Governmental Organization," in *The Globalization Reader*, eds. Frank Lechner and Boli (Oxford: Blackwell, 2000): 262-68.

[25]Jessica T. Matthews, "Power Shift: The Rise of Global Civil Society," *Foreign Affairs* 76:1 (January/February 1997): 50-66.

states. NGO-driven international standards of conduct are shaping policies like never before. Many NGOs are particularly concerned with the unprecedented growth of and rising power of TNCs during the past few decades. Their efficiency and international mobility endow them with vast political power and influence. TNC's invest heartily in developing and industrialized countries, use local resources, hire native workers, and impact local state policies and quality of life. Many NGOs view TNC's as imposing and exploitative to societies and their environments. Some NGOs embrace particular issue areas, such as gender equality, human rights, and environmental preservation, while others raise awareness about local or regional social, economic, and political concerns. Others keep watch on institutions such as the IMF, the World Bank, the World Trade Organization (WTO), and the Organisation for Economic Cooperation and Development (OECD) as they play increasingly large international roles. NGOs' power has unleashed enormous criticism, some merited and some not. NGOs are often believed to be playing a growing role in giving development a human face.

Some worry, though, that in recent years particular NGOs and even entire networks of NGOs have become servants to Northern countries and institutions. Marxist and critical theorists have voiced suspicions that these organizations are increasingly becoming arms of TNCs and United States-dominated international organizations.[26] The temptation is great because civil society organizations often depend on financing from Northern institutions.[27] Northern institutions have a vested interest in promoting their

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[26]James Petras and Henry Veltmeyer, "Unmasking Globalization: The Dynamics and Antinomies of Imperial Power" [lecture delivered at the Robert Kenny Prize proceedings, University of Toronto, Canada] (30 May 2001). <http://www.topia.com.ar/articulos/35-int-petraseng.html> [8 February 2003].

[27]Jenny Pearce, "Development, NGOs, and Civil Society: The Debate and its

agendas, and NGOs often have access they lack. Laura MacDonald aptly asserts that many NGOs are well positioned to "penetrate into the very fibres of a community, creating new forms of clientelism and co-option."[28] NGOs are not immune from bribery: some can be bought. Others, however, truly are committed to humanistic concerns. Some contend that whatever their motivations, the NGO-ization of world politics is even more dangerous than overweening state power, since at least democratic states are accountable to people. NGOs are not necessarily. There is some reason for wariness. Studies reveal that in 1970, public grants comprised about 1.5 percent of NGOs' incomes; by the end of the millennium, this figure had risen to about 40 percent.[29] This trend obviously threatens the independence of some NGOs, as well as jeopardizing their legitimacy. Robert Cox has ventured so far as to propose that civil society work may likely be a "top-down process" in which the capitalist class enervates the working class. Often those whose who participate in civil society (including in the share of the benefits) do not represent the poor and disenfranchised and are in fact the more powerful members of societies. In many countries, formal and informal institutions may limit the chances of certain groups, such as women and the landless, to participate in a meaningful manner.[30] It is important to realize that NGOs are not necessarily beneficial or even neutral players and that their

Future," in *Development, NGOs, and Civil Society,* ed. Deborah Eade (London: Oxfam, 2000); Jude Howell and Jenny Pearce, *Civil Society and Development: A Critical Exploration* (Boulder: Lynne Rienner, 2001), 20-43.

[28]Laura MacDonald, "A Mixed Blessing: The NGO Boom in Latin America," *NACLA Report on the Americas* 28:5 (1995), 35.

[29]Ed Brown, "Social Movements, the State, and Civil Society," in *Structural Adjustment: Theory, Practice, and Impacts,* eds. Ed Brown, Bob Milward, Giles Mohan, and Alfred B. Zack-Williams (New York: Routledge, 2000), 178.

[30]Robert Cox, "Civil Society at the Turn of the Millennium: Prospects for an Alternative World Order," *Review of International Studies* 25 (1999): 7-8.

motives, too, are not beyond question. As stated, many NGOs do, nevertheless, have admirable goals. They strive to be autonomous and endeavor to promote the globalization of issues, enable groups of people to transcend the normal channels of diplomacy, and create action and awareness through new methods. They already have many successes behind them, but many believe NGOs need to expand their diplomatic channels and to establish more credibility with traditional forms of governance, such as states and international institutions. Tens of thousands of NGOs have debuted on the international stage in the past decade, many of them since the end of World War 11. Some are domestic, others international, with widely ranging memberships and missions.

In addition to enabling an increased role for civil society, globalization has opened way for soft power to assume a stronger role in international affairs. Development studies have focused on the role played by countries' regional or international reputations in their efforts to develop. Some scholars write about "social capital" within and between nations. Others discuss the rise of the "brand state." Still others describe an increased need for international legitimacy and global credibility.[31] Whatever the terminology, in the present era countries need to be seen in positive ways for economic and political reasons. China, for instance, was long denied Most Favored Nation status in the WTO largely due to its reputation for egregious human rights abuses. China suffered financially, and though it has been granted MFN status, still suffers to some degree due to its poor international reputation. Turkey too has faced difficulties in trading arrangements because many view its culture with suspicion and unease. The importance of international reputation cannot be overstated, and development institutions

[31]Peter van Ham, "The Rise of the Brand State: The Postmodern Politics of Image and Reputation," *Foreign Affairs* 80:5 (September/October 2001): 2-6.

have become well aware of this. Being a World Bank client, for example, can bestow a nation with a certain degree of legitimacy: if the World Bank trusts a country, the country "must be trustworthy." Though awareness of social capital is important and useful, some IDIs have used its new relevance to increase their own power over client countries. Development institutions have leveraged the significance of social capital to urge non-market improvements (such as respect for human rights). Obviously such leveraging can be construed as self-serving, but on balance, Southern countries are probably helped more than harmed albeit in a somewhat manipulative manner.

Another recent influence on the evolution of development theory is the field of ethnodevelopment studies. These look at how traditional development theories overlook or marginalize the importance of ethnicity to development trends and prospects. Many ethnic struggles all over the world reveal that economic development has a differential impact on various ethnic groups that is not attended to by mainstream or less critical development theory's prescriptions. This approach is concerned with how economic problems may influence ethnic relations in a wide variety of ways, such as producing internal colonialism, distributional conflicts, regional imbalances, competition for scarce resources, labor/market conflicts, and other difficulties. Multiethnic societies often experience more severe problems with uneven development, which leads to protests and further dilemmas. These theorists call for greater attention to cultural pluralism, internal self-determination, territorialism, and environmental sustainability. They raise the issue of how material improvements can be made compatible with the maintenance of basic cultural identities.[32] These ideas are thought-provoking and should indeed inform

[32]R. Stavenhagen, "Ethnodevelopment: A Neglected Dimension in Development Thinking," in *Development Studies: Critique and Renewal*, eds. R. Apthorpe

development policies, but are often difficult to sell to those concerned with bottom-line facts, figures, and other data. Sensitivity to ethnic differences and racial or cultural prejudices has never been easy to instill in those who need it most.

The concept of "sustainable development" also became popular in the late 1980s and 1990s and helped lead to the creation of the United Nations Environmental Programme (UNEP) and environmental units in other aid agencies. Most understand the term to mean environmentally conscious development, though sometimes the definition has been broadened to include social concerns such as equity and women's rights. Sustainable development advocates worry that careless pollution of the environment and squandering of natural resources will harm peoples' well-being in the long term.[33] Such concerns are generally valid and ask that people, organizations, and nations be more conscientious about how their choices and decisions affect the environment.

Perhaps the most radical of the newest varied approaches to international development is postmodernism, also a difficult concept to sell to those with little interest in changing the status-quo. This approach provides useful insights into the Northern bias of development theories. Postmodernists have attempted to add historical, cultural, and spatial nuance and context to development understanding and approaches. Building upon dependency theory, these theorists view development as a Northern notion that needs to be deconstructed in order to be well understood. Development, many of these theorists contend, has been oftentimes considered a universal and timeless goal, when it actually is rooted in the specific historical and economic circumstances of post-World War II

and A. Krahl (Leiden: E.J. Brill, 1986); Bjorn Hettne, *If Women Counted: A New Feminist Economics* (San Francisco: Harper Collins, 1988).

[33]For more descriptions of what is mean by sustainable development, see Anders Wijkman, "Does Sustainable Development Require Good Governance?" *United Nations Chronicle* 35:1 (1998): 86-88.

Northern societies. Postmodernists urge development practitioners to consider how the very notion of development itself reveals the bias that a modern capitalist lifestyle is preferable to all others. Modernity and all that is associated with it is idolized by Northern societies, according to this view, while other states of existence are seen as backward, non-progressive, and primitive. This enables the North to remake the world in its image. Development, like colonialism, attempts to produce the export of Northern ideas and values on a grand scale.[34]

Postmodern studies, which became popular around 1980, reassert the value of local history and culture often ignored or overlooked by Northern creeds of "progress." These theorists do not reject the North, but attempt to insert the periphery by recovering, rediscovering, and remembering what has been left out or hidden. Postmodernists attempt to deconstruct development's core assumptions that capitalism, progress, rationality, and modernity are desirable. Poverty, for example, is not necessarily the problem that many in the first world believe it to be. Economic poverty in the Third World may be less a problem than the moral or spiritual poverty believed to be common in the First World. Some do not feel that people in Third World countries are suffering by living at the subsistence level. Some actually view the simple living that accompanies poverty as a resource for personal growth that should not be discounted or necessarily changed. The same can be said for other developing world characteristics that the North attempts to correct. These theorists look not for alternative development theories or models, but for alternatives to development.

Feminist postmodernists add to this theory that the idea of development is based

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[34]For more on postmodernist approaches to development, consult the entries in W. Sachs, ed., *The Development Dictionary: A Guide to Knowledge and Power* (London: Zed Books, 1992).

upon a male bias of Northern philosophy and theory. Instead of simply viewing this bias as sexism or patriarchy, this approach sees it as seeping out into the production of dichotomies such as man/woman, public/private, culture/nature, rational/emotional, among others. The first term in each of these dichotomies is given primacy, and the interdependence and overlap of the characteristics between the first and second term is ignored in order to reinforce this primacy. Women are thus less valued and often confined to the "less significant" private realm, when really they have much to offer.[35]

Despite the awareness they provide, these newer, more radical approaches to development have had a marginal impact upon development practitioners in recent years. The latest tendency among practitioners has been to promote various versions of good governance. Instead of viewing concepts such as state intervention and market forces as opposites or treating structural reform and human development as irreconcilable, these new ideas increasingly looked for ways in which such approaches might complement each other. Good governance is not truly a development theory because it is more concerned with results than with concepts; yet this agenda in its various forms has taken hold of the development discourse since the 1990s. Studies on policy reform began to increasingly suggest in the 1990s that the influence of political context on economic outcomes is crucial. Researchers contended that weak institutions and political systems were partly or even largely responsible for laggard economic development. As will be later examined, different IDIs had their own unique versions of how to improve countries' systems of governance. Good governance promotion, considered an updated

[35]Ruth Pearson, "Rethinking Gender Matters in Development," in *Poverty and Development into the 21st Century*, eds. T. Allen and A. Thomas, 383-402 (Oxford: Oxford University Press, 2000) and the essays in Maxine Molyneux and Shahra Razavi, eds., *Gender, Justice, Development, and Rights* (Oxford: Oxford University Press, 2002).

version of modernization theory by some, usually entails urging poor countries to adopt the basic neoliberal economic tenets in addition to adopting habits, customs, and institutions deemed "good." Often democratic regimes and features are urged. Good governance programs and policies differ in aims and constitution, but common themes emerge: sound economic management and accountable, transparent, and reliable legal and governmental institutions. Some IDI programs reveal a strong interest in promoting participatory government, an active civil society, and "fair" multiparty elections. The combination of neoliberal economic prescriptions and good governance qualities are believed to be conducive to capitalist expansion, making developing countries more productive and dependable. Violence and social unrest, which impede the stable functioning of the market and society, are believed to be discouraged with good governance practices and democratic societies. These beliefs, as one might expect, were mutually reinforcing.

To the standard characteristics usually deemed crucial for good governance, more traits were deemed indispensable by many IDIs in the late 1990s. Local senses of ownership of the development process and more pro-active, or developmentalist, state leaderships were urged. It came to be believed that governments that understood and saw the need for reform were indeed more likely to enact reform. To achieve successful development, the new prescription was for the donor and the recipient country to choose realistic and appropriate goals and policies that would help the developing country achieve these goals. In order for foreign assistance to spur development, IDIs contended that donor and recipient countries needed to agree on common definitions of development and similar areas to target with foreign aid. Many IDIs began paying more attention to the role of domestic politics, and those with stringent conditionalities looked more

carefully at how effective they were. Some IDIs became more selective in their aid allocations, favoring countries that demonstrated commitment to reform.

In the mid- to late 1990s, IDIs also displayed a heightened concern with reducing governmental corruption. Patron-client networks in developing countries that led to factionalism, administrative deception, lack of legitimacy and transparency, and a weak state influenced by demands of elite political supporters were increasingly blamed for poor development outcomes. As the "c" word was targeted, certain general ideals were also advocated: empowerment, participatory government, human-oriented development, and pro-poor policies. Heightened emphasis was also put on public relations for IDI programs. Demonstrable results of development assistance were required. As Cold War prerogatives no longer provided clear rationales for supporting certain aid allocations, taxpayers wanted to see how their dollars were being spent and what the results were in tangible terms. Although the motivations behind the good governance agenda are not always wholly altruistic, as will be shown in later chapters, good governance promotion that values individual country predicaments and needs and that addresses structural inequities within and between countries holds out the greatest potential yet to help poor countries. This type of good governance promotion is clearly political and should not attempt to mask this fact. Effective democratic institutions can complement macroeconomic policy reforms, provide social safety nets, and cushion countries attempting to participate more vigorously and successfully in the world economy. Countries committed to enhancing their own systems of governance can find ways of meeting their citizens' needs with stronger and more reliable state institutions that are representative and responsive. Democracies that are genuinely democratic can provide the conditions for equitable and dynamic development.

Good governance promotion, though, is also highly fraught with potential perils. Political conditionality can be very intrusive, imposing Northern desires on vulnerable countries. It can be used to further the North's agenda at the South's expense, while appearing on the surface benign if not friendly. Political conditionality can also become a perverted part of the development dynamic, as state leaderships become more beholden to donors than to their citizens. Also, as stated, each country has its own circumstances that require different versions or incarnations of good governance. The sequencing and timing of reforms, for example, needs to vary depending on country conditions. Support for reforms needs to develop locally in its own way and cannot be imposed in a top-down fashion. Donors also need to be careful to avoid facilitating new forms of corruption. Good governance assistance is important and influential work; it demands keen attuneness to many factors and dynamics and should not be reduced to technical formulations.

In conclusion, development theories since the end of World War II have been largely colored by the perennial North-South debates about power and privilege. The North clearly wants to help the South, but the innocence of this desire has been and remains questionable. Without doubt, some credible ideas about how development should occur have surfaced from the North. But the South, too, and those observers truly concerned with its fate for humanitarian reasons have had justifiable reasons for being skeptical of the North's intentions and means. As many theories have surfaced and later become obsolete, one can only wonder what development practitioners will be purporting is essential in ten or twenty years. Still, though, for the purposes of this project, the popular good governance agenda leading IDIs began promoting in the 1990s requires more careful scrutiny.

The Rise of Democracy Assistance

Scholarly explanations for IDIs' increased attention to good governance and democracy promotion in the 1990s are surprisingly vague, considering the potential significance of the shift towards increased Northern intervention in the South's national affairs. Most often, the literature endeavors to describe the nature of the shift, not the particular, distinctive goals of each IDI's policies and programs. When rationales for the new good governance and democracy promotion programs and policies are provided, they are not usually institution-specific. Instead, they tend to justify the new emphases as resulting from common trends. Most often without differentiating between the institutions' unique programs and policies, they concentrate on the following factors: conditions stemming from the fading of the Cold War, increased interdependence between the North and the South, aid fatigue in countries from the North, international normative changes, and lessons from past development efforts. This review will briefly present and evaluate these positions. It will then describe and assess the major arguments on the effectiveness of democracy promotion. These include contentions that democracy promotion has been largely successful, and in a less positive vein, that it continues to exacerbate global inequalities, has centered too narrowly on the Northern model, overly emphasized the formal features of democracies, been haphazardly and unevenly applied, overlooked consolidation difficulties and challenges, and relied too heavily on Northern-based civil society rather than on engaging domestic political actors themselves.

Political and Economic Changes

Many scholars assert that the development community's good governance and democracy promotion in the 1990s resulted at least partly from the ending of Cold War

prerogatives. Certainly this was a major impetus. The fading of the Cold War's East-West ideological tensions removed much of the rationale for previous strategic efforts to asymmetrically garner Third World influence. This change would ostensibly pertain more to bilateral than multilateral aid, though some scholars aptly view the major multilateral IDIs as oftentimes principally motivated by their most powerful country members. When the Soviet Union collapsed, American national interest shifted its primary emphasis from containment and other Cold War security concerns to perpetuating an open, stable global economy conducive to its economic and security interests. Other Northern countries shared similar goals. Scholars claim that good governance promotion followed from such motivations, as economically open, politically stable countries generally require sound leadership practices and policy environments. Some assert more particularly that after the Cold War ended, the international financial institutions expanded their mandates and their SAPs to include good governance promotion in order to move countries towards embracing Northern economic and political ideals and values. Others argue that the IFIs and many IDIs have used the ending of the Cold War to expand the scope of their conditionalities to garner more economic gain from as well as power and influence over the developing world.[36]

Such arguments are instructive: the fading of the Cold War certainly removed justification for supporting corrupt leaders, and it opened up opportunities fof countries to assume new values, political systems, and market economies amenable to Northern interests. Yet the arguments mentioned tend to be overly universalized. Not all of the

[36]Jan Nijman, "United States Foreign Aid," in *The Global Crisis in Foreign Aid*, eds. Richard Grant and Jan Nijman (New York: Syracuse University Press, 1998), 29-33; Martin Doornbos, "Good Governance: The Rise and Decline of a Policy Metaphor," *Journal of Development Studies* 37 (August 2001): 93-112.

IDIs and bilateral aid agencies have had similar goals and visions in the post-Cold War world, and their good governance promotion programs and policies are not all alike in substance and emphasis. It would be difficult to argue that the UNDP, for example, has been motivated by rich country interests or driven to construct a neoliberal world order. Further, even among the more Northern-led IDIs, different factors and motivations have shaped their good governance promotion agendas. The fading of the Cold War is a significant explanatory factor, yet in a broad, general sense.

Another view is that since after the Cold War, there was no longer as strong a geopolitical reason for IDIs to support authoritarian and corrupt political regimes, IDIs were freed up to consider other goals. Hence, the easing of international security concerns allowed IDIs to reorient their foci and take other issues more seriously. Good governance policies, which were increasingly believed to promote peace and stability, rose to the forefront of IDIs' priorities and agendas. Also, democracy promotion, a Northern ideal, was believed to have resurfaced in less Manichean times. Scholars have identified various reasons for believing that democracies tend to make the world a friendlier place. They note that elected legislatures and other democratic structures and institutions often restrict the ability of leaders to mobilize societies for war, that the norms of peaceful conflict resolution that democracies nurture locally carry over into foreign affairs, and that democratic institutions generate more transparent, honest, and credible information about national intentions than do non-democracies. Also, since democracies are built on shared social purposes and interests, the rise of conflicts, especially ones strong enough to preempt war, is generally limited.[37] Here again, these

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[37]Mark Duffield, *Global Governance and the New Wars: The Merging of Development and Security* (London: Zed Books, 2001).

viewpoints help explain some of the motivations behind the new IDI programs and policies in a general sense. They fail, however, to differentiate between more individualistic IDI intentions and motivations and to look specifically at IDI stakeholders and power structures. USAID, for example, has always been beholden to American foreign policy objectives, and in the 1990s was increasingly called upon to prove its merits with results-based approaches. This more signally explains USAID's fine-tuning and reshaping of aspects of its development agenda, including its increased emphasis on good governance promotion.

It was even easier to justify the promotion of good governance and democracy, some assert, because of the failure of the Asian model evidenced in the 1997 Asian economic crises. Before this spiraling calamity, a feasible alternative to democracy was the modernizing autocratic leadership that managed noteworthy growth rates in Asia's newly industrializing economies. In the 1960s and 1970s, authoritarian regimes in Asia's tigers—Hong Kong, Taiwan, Singapore, and South Korea—all sustained yearly growth rates of about 9 percent. The model of East Asian exceptionalism contradicted the democratic model as a promising alternative for developing countries. Some scholars and policy makers saw autocracy as amenable for development, at least in its early stages. This view was weakened, though. Triggered by events in Latin America, Western investors lost confidence in securities in East Asia and began to pull money out. A rapid snowball effect led many Asian countries into times of duress, and countries around the world, particularly wealthy ones, felt the crunch. This exigency did serve to buttress democracy further as the preferred political environment, yet there are numerous interpretations of what actual lessons were learned.[38] The Asian crisis, of course, does

not explain IDI motives for good governance and democracy promotion, which were already being carried out at the time; yet it did provide further support for the belief in democratic governments.

Also resulting from increased interdependence, IDIs are described as desiring to make developing countries more secure for private investment and more reliable sites in which to conduct transnational business in the 1990s. Some argue that the increasing prioritization of neoliberalism has undermined genuine efforts to help the South develop and elevated Northern efforts to exploit the South's resources; good governance promotion, it follows, extends this latter goal. This is an extension of Marxist and critical theories, which make valuable points about the general inequities in the world system. Northern countries increasingly depend upon resource-rich developing countries. The rapidly growing number and size of TNCs begun in Northern countries rely upon the developing countries for inexpensive primary products and labor.[39] By the mid-1990s, there were more than 40,000 TNCs in the world, with more than 250,000 foreign affiliates.[40] Additionally, since the oil crisis of the 1970s, oil had been a particular

[38]The financial crisis started in July 1997 in Thailand, and affected currencies, stock markets, and asset prices of several Asian countries, including some of the East Asian tigers, as well as other regions. For more information on this subject, see, for instance, Mark Beeson, "Politics and Markets in East Asia: Is the Developmental State Compatible with Globalisation?" in *Political Economy and the Changing Global Order*, 2d ed., eds. Robert Stubbs and Geoffrey R.D. Underhill, 352-61 (Toronto: Oxford University Press, 2000); Kanishka Jayasuriya and Andrew Rosser,"Economic Orthodoxy and the East Asian Crisis," *Third World Quarterly* 22:3 (2001): 381-96.

[39]David A. Leblang, "Property Rights, Democracy, and Economic Growth," *Political Research Quarterly* 49: 5-26; Robert Kiely, "Neoliberalism Revised? A Critical Account of World Bank Concepts of Good Governance and Market Friendly Intervention," *Capitalism and Class* 64 (1998): 63-88; Enzo Grilli, *The European Community and Developing Countries* (Cambridge: Cambridge University Press, 1993), 146.

[40]United Nations, *World Investment Report 1995* (Geneva: United Nations Conference on Trade and Development, 1996).

concern, with demand for it growing steadily. While these points are pertinent, they are broadly construed and fail to examine IDI programs and policies specifically and carefully. Interdependence between countries and regions has always existed, and rich countries have many choices about where to base their businesses and operations and how to garner needed resources and labor.

Scholars also point out that in the 1990s, addressing global problems and potential problems such as overpopulation, the spread of HIV/AIDS, drug trafficking, terrorist threats, and environmental degradation increasingly required Third World cooperation. They note that it was more apparent in the early and later 1990s that political/economic affairs and decisions in one country or region increasingly affected the global landscape. As Deborah Brautigan contends, the fact that globalization had intensified international interconnectedness on many levels made the stability of developing countries more pertinent to the developed countries than ever before.[41] Scholar Thomas G. Weiss adds that the extreme torment in countries such as the former Yugoslavia, Somalia, and Rwanda in the 1990s provided an entrance for increased domestic intervention in floundering states. This was particularly true, as the international community often ended up paying for humanitarian relief in conflict or post-conflict societies. Increased availability of media coverage of such tragedies enhanced this sense of global interconnectedness.[42] This likely was part of the reason some IDI leaders began to increasingly promote good governance, in hopes of making the political and economic

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[41]Deborah Brautigan, "Governance, Economy, and Foreign Aid," *Studies in Comparative International Development* 27:3 (fall 1992): 3-25.

[42]Thomas G. Weiss, "Governance, Good Governance, and Global Governance: Conceptual and Actual Challenges," *Third World Quarterly* 21:5 (October 2000): 795-814.

environments of developing countries more stable and more open to the North and its ideals. Yet again, this interdependence did not occur suddenly in the 1990s, although it was made more publicly known; clearly more was behind the elevation of good governance promotion in the 1990s.

Yet another rationale for IDIs' increased emphasis on good governance and democracy promotion in the 1990s centers on aid fatigue in Northern countries. In many cases, the decade of the 1990s brought with it less incentive to spend energy and money on helping developing countries.[43] ODA reached its peak in the early 1990s and then declined steadily throughout the decade. In just ten years, overall ODA rates fell by about 10 percent. For various reasons, including simple frustration with past failures, many in the general public as well as those in national leadership roles were increasingly tired of dispensing foreign assistance. The United States in particular was finding little support for foreign aid programs in the early 1990s, due in part to a Republican-led House and Senate and of course the changed security environment. Japan's own financial problems caused its aid budget to fall, Germany's fell as the country adjusted to reunification concerns and costs, and the EU became preoccupied with internal matters including preparations for expansion and a new single currency. Some scholars assert that by imposing good governance criterion on aid decisions, IDIs could more conveniently justify foreign aid reductions. The concept of good governance was in essence, sufficiently vague so that donors with aid fatigue could explain away their new lack of

[43]For a useful discussion of the effects of aid fatigue on IDI programs, see Julie Aubut, "The Good Governance Agenda: Who Wins and Who Loses, Some Empirical Evidence for 2001" (2004). <http://www.lse.ac.uk/collections/DESTIN/Working Papers.html> [8 January 2005]; see also Richard Gibb, "Post-Lomé: The European Union and the South," *Third World Quarterly* 21:3 (2000): 457-81.

interest in strategically less important countries and regions.[44] Africa neglect could be blamed on Africans, rather than on donors' lack of altruism. This was likely part of the appeal, or at least not an unwelcome "benefit" of using good governance conditionalities for some donors. Use as a potential escape clause from the compunction to dispense aid and unsatisfactory relationships with client states is not, though, enough reason for the spawning of the whole good governance discourse and for the widespread development of new programs and policies.

Some scholars assert that good governance promotion was meant to help promote foreign investment and locally-driven economic competence so that some of the development agencies' burdens might be lifted. Increased private capital flows and trade opportunities put developing countries in positions to fend more for themselves, but at the same time revealed their inexperience with doing so. If aid weary developed countries wanted to increasingly abandon the project of aid, poor countries needed not to be given fish, but to learn to fish themselves. Good governance promotion intended to help them do this.[45] This contention makes sense, but does not account for the fact that aid in the 1990s favored middle-income countries and countries of strategic importance to donors. It is also somewhat incompatible with the fact that aid levels began increasing in the new millennium.

[44] Peter Burnell adds that post-September 11, 2001, aid amounts have been resurgent due to renewed security concerns, as well as increased awareness of the uneven effects of globalization. See Peter Burnell, "Foreign Aid Resurgent: New Spirit or Old Hangover?" Research Paper No. 2004/44 (July 2004). <http//:www.wider.unu.edu/ publications/ rps/rps2004/rp2004-044.pdf > [25 January 2005].

[45] Ian Smillie, *Mastering the Aid Machine Revisited: Poverty, Aid, and Technology* (London: ITDG Publishing, 2000), 17.

Still others assert that good governance and democracy promotion provided funding-deprived development agencies with a post-Cold War rationale or purpose. They contend that bureaucratic survival motivated this new agenda and that popular democratic trends such as empowering civil society and ensuring that decision-making processes were transparent were embraced by the IDIs. This could well be part of the reason some aid institutions took up these new missions. Democracy was so popular in the North that many in the 1990s, especially the early 1990s, saw it as a cure for all sorts of malaises, from ethnic strife to extreme poverty. In the United States in particular, the concept of democratic enlargement was extremely popular, and USAID's ability to help foster this added to its perceived usefulness. For supposedly apolitical organizations like the World Bank, however, appearing pro-democratic was less viable or even acceptable. Still, though, there was probably some truth to this claim for most of the major IDIs.

Others argue that many IDIs attempted to link developmental assistance more closely with security objectives, in order to increase the viability of foreign aid in light of increasing aid fatigue.[46] Hence, developmental assistance was linked to good governance, which in turn was linked to international security. The construction of this new relationship helped provide a new post-Cold War paradigm for foreign assistance. This argument is intriguing and thought-provoking, yet difficult to prove. It is also more relevant to certain IDIs, such as USAID, than others, such as the World Bank, which by its charter is mandated to be apolitical.

Still others hold that good governance promotion began largely as an effort by the much-maligned BWIs to gain legitimacy. Aid fatigue and increased criticism left them particularly vulnerable to losing their influence, and good governance promotion was an

[46] See Duffield, *Global Governance*, 1-12.

attempt to gain more respect. Rita Abrahamsen contends that generally for the Northern-led BWIs, good governance promotion was "seductive" with its use of terms such as "empowerment," but that in the end, it truly offered the South no new independence or power. She writes that the good governance discourse, despite the efforts of its proponents to present it as radically different from past development doctrines, "reproduces the hierarchies and relationships that have been the hallmarks of development ever since its inception in the post-war period."[47] Abrahamsen uses compelling language to make these charges, yet she does not augment her argument with careful examination of the BWIs' actual policies. She does, however, successfully invoke researchers to investigate her claims with more detailed studies.

International Normative Changes

By the 1990s, a general sense of agreement that liberal democracy was conducive to prosperity and peace had emerged. Many developing countries were ready or more ready than usual to accept or even embrace this.[48] Democracy was consolidated in Western Europe with the transitions in Greece, Portugal, and Spain. This was particularly true for Central and Eastern European countries, recently freed from Soviet leadership and influence. Apartheid in South Africa was in its final stages, and soon the first Chinese democracy would take form in Taiwan, as would the first Korean democracy in the South. The new preparedness of many countries to accept democratic ideas and forms

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[47]Abrahamsen, 139.

[48]Larry Diamond, Juan J. Linz, and Seymour Martin Lipset, "Introduction: Comparing Experiences with Democracy," in *Politics in Developing Countries: Comparing Experiences with Democracy*, 4 vols., eds. Larry Diamond, Juan J. Linz, and Seymour Martin Lipset (Boulder: Lynne Rienner, 1990), 1-37.

of governance, including an increased role for civil society, helped propel many IDIs to promote democracy and good governance.[49] Clearly the normative inclinations of many developing countries did help propel IDIs to increasingly concentrate on good governance in the 1990s.

Others argue that the developed countries, particularly the United States but also Western Europe, began attempting to impose their values on the rest of the world more ardently with the fading of the Cold War. Western triumphalism translated into Western attempts to direct and control the norms and principles guiding countries throughout the world. The doctrine on non-interference in another nation's affairs was being upheld less and less fervently in the 1990s. The United States, for example, began a series of humanitarian interventions to stop human rights abuses that would have been untenable during the Cold War, when security concerns overrode more value-laden domestic interests. Both of these contentions help explain the popularity of good governance and democracy promotion in the 1990s, but they do not scrutinize particular IDI motivations.

Some scholars contend that more focus on good governance and democracy assistance happened because such programs became increasingly acceptable throughout most of the international community in the 1990s, and hence were no longer considered

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[49]Olufemi Babarinde, "The European Union's Relations with the South: A Commitment to Development?" in *The European Union in the World Community*, ed. Carolyn Rhodes (Boulder: Lynne Rienner, 1998), 143. It must be added, though, that as the 1990s ended and the new millennium was ushered in, the promises of the world embracing democratic norms were beginning fade slightly. Reform efforts were often thwarted in their early stages. Countries such as Pakistan vacillated between democratic and authoritarian regimes, Peru's democratic prospects remained dim as President Fujimori held onto his rule, and China's Communist party continued its autocratic ways. Russia, once believed to be fertile soil for new democratic governments and processes, remained largely in the hands of controlling elites. Few Middle Eastern countries had committed to embracing democratic ways, and Africa remained not only poor, but ridden by often violent internal conflicts.

off limits. The time was indeed ripe for such efforts, and if even the World Bank was entering this realm, then it seemed permissible for other aid agencies to follow suit. Such claims do make some sense: the World Bank has long been considered a pioneer in international development efforts, and pioneers are subject to imitation. But not all good governance and democracy assistance programs resemble the World Bank's even slightly. As will be demonstrated in later chapters, more duplication of rhetoric existed than of actual policy.

Some maintain further that the growing power of TNCs based in the developed world helped create and instill this normative view, since reliable trading partners and stable investment sites require a certain level of good governance and democracy.[50] TNCs have become increasingly selective about governments. Often if rulers do not govern well and adhere to free-market policies, they reduce their operations or withdraw altogether from developing countries. The increasing status and power of TNCs unquestionably altered the relationship between First and Third World countries, yet the manner in which this in turn affected IDI motivations has not been studied in detail.[51] The World Bank, for example, is more associated with a pro-business agenda than is the UNDP, whose policies often intend to protect developing countries from corporate and more generally capitalist imperialism.

Some scholars assert that many IDIs attempted to take advantage of the nearly ubiquitous acceptance of democracy in the 1990s. Because of the new seductiveness or at least widespread legitimating of democracy, IDIs began promoting good governance:

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[50] Thomas D. Lairson and David Skidmore, *International Political Economy: The Struggle for Power and Wealth* (New York: Harcourt Brace, 1997), 83-84, 306-7; Steven P. McGiffin, *The European Union: A Critical Guide* (London: Pluto Press, 2001), 137-40.

[51] Ibid.

this agenda, though, comprised only very superficial democratic institutional forms that were compatible with continued neoliberal economic reforms desired by the IDIs. A G24 discussion paper about the international financial institutions' new good governance focus, for instance, described it as follows:

> The new mission [good governance] arrived at a moment when growing doubts regarding the purpose and effectiveness of the IFIs seemed to threaten their funding, and even their continued existence. Suddenly the IFIs have jumped in to the front lines of multiple wars being fought by humanity: against AIDS, human rights violations, gender discrimination, environmental degradation, drug trafficking, authoritarian governments, etc. To drive the point home, the World Bank has recently started to draw attention to those objectives, and to its own role, in CNN advertising.[52]

Critics charge that while taking up the veil of institutional reform, political openness and participation in the fight against poverty, the international development community was continuing to if not increasing its efforts to peddle its own value-laden normative view of social relations and assuming ever-higher righteous ground. They contend that in the process, the IDIs were avoiding or merely paying lip service to the vital issues of social service provision, redistribution, economic democracy, and the unequal relationship between people and capital. These critics point out that so long as the neoliberal economic model remains unquestioned, the IDIs will be dispensing a program which fails to decrease the South's poverty. This argument is reminiscent of the ideas of dependency theory. It does hold some truth, yet, again, it is a criticism too generically applied. Such wholesale protests fail to acknowledge the differences between the IDIs and their motivations and the distinctions between their particular programs, policies, goals, and power structures. They also fail to acknowledge that some degree of order in society can

[52] Devesh Kapur and Richard Webb, "Governance-related Conditionalities of the International Financial Institutions," *G-24 Discussion Paper Series* (New York: UNCTAD, 2000).

actually help citizens and that the opportunity for participation in or influence on a society's political processes, as advocated by many of the IDIs, can indeed benefit the least advantaged. Further, such rebukes undercut the motivations for some of the truly humanitarian programs sponsored by some IDIs. It is difficult to attribute programs that promote political equality for the landless, for example, to the North's power concerns.

Increased Cognizance

Others contend that simple awareness and experience helped motivate IDIs to focus on good governance in the 1990s. As Santiso asserts, in "the 1990s, concerns over the relative ineffectiveness of aid and the pervasive effects of endemic corruption prompted the IFIs to revisit their traditional approaches and to question their original assumptions."[53] The neoliberal Washington consensus promoting fiscal restraint, trade liberalization, sound economic management, deregulation, and privatization, shared by some but certainly not all IDIs, of the 1980s had become Washington confusion by the early 1990s, many claimed.[54] The "best and the brightest" of development theory had been wrong about many things, the most important of which was how to help alleviate poverty. It increasingly made sense that a free market could not much benefit from an antiquated, distorted, poorly established, or undeveloped state system of governance. IDIs' field presences in developing countries had by the 1990s alerted Northern practitioners of the serious problems poor countries faced enacting seemingly simple

[53]Santiso, "Governance Conditionality," 4.

[54]For a useful description of what the "Washington Consensus" entails, see John Williamson, "What Washington Means by Policy Reform," in *Latin American Adjustment: How Much has Happened?* ed. John Williamson (Washington, D.C.: Institute for International Economics, 1990).

reforms. Further, more understanding of the need for good governance was partly the result of SAPs, some contend. A side effect of structural adjustment was the exposure of the unreliability of transitional markets' access to global international capital markets. A number of studies seeking in part to explain the failure of SAPs emanated from universities and institutions such as the World Bank. They quantified connections between good governance, democracy, and development.[55]

IDIs' experience increasingly led them to believe that national leaders needed not only the will to promote development in their countries, but also the capacity, and that depended on the nature of the extant policy environment and state institutions.[56] Some argue that in spite of the 1997 financial crisis (which was blamed on the lack of democracy by some), the success of the East Asian tiger countries in the late 1980s and early to mid 1990s was particularly instructive, especially when juxtaposed with the lack of progress in African countries. Srategists saw that establishing markets required pro-active government policies, as had been the case in the East Asian successes. Advanced industrialized economies could no longer assume that simply adopting certain sound macroeconomic policies could produce development. Sound institutional infrastructures like those in the tigers required government action to establish and maintain. Sometimes government interventions had been useful to if not instrumental to East Asia's success.[57]

[55]Craig Burnside and David Dollar, "Aid, Policies, and Growth," Policy Research Working Paper no. 17777 (Washington, D.C.: The World Bank, 1997); Paul Collier, "The Failure of Conditionality," in *Perspectives on Aid and Development*, eds. Catherine Gwin and Joan Nelson (Washington, DC: Overseas Development Council, 1997); William Easterly and Sergio Rebelo, "Fiscal Policy and Economic Growth: An Empirical Investigation," *Journal of Monetary Economics* 32(3)(1993): 417.

[56]Peter Gibbon, "Structural Adjustment and Structural Change in Sub-Saharan Africa: Some Provisional Conclusions," *Development and Change* 27 (1996): 751-84.

[57]For some onlookers, the financial crisis in East Asian countries beginning in

Africa, on the other hand, had not progressed because it lacked effective institutions, enforceable laws, governmental transparency, and commitment to change, among other factors.[58] The later failure in some of the East Asian tigers better revealed what these countries had done right and what they had failed to do. Certainly there were valuable lessons learned. Corruption and cronyism did contribute to the problems, yet American bankers and investment managers were the ones who poured billions of dollars into those emerging markets. The success and the subsequent crisis did highlight the opportunities and risks of international financial flows, with relevance to foreign assistance transfers. IDIs were encouraged to continue emphasizing the building and securing of reliable and transparent state institutions, as well as policy environments where national leaders were held accountable.

In the 1990s, analysis from scholars and practitioners in the North increasingly focused on the need for both a strong, developmentalist state and a more democratic, responsive state. According to Merilee Grindle, for example, a strong developmental state has the following capacities: institutional, technical, administrative, and political capacity, where the latter includes legitimate authority and responsive and representative government.[59] The state, such research contends, needs to be effectual as well as responsive, or both developmental and representational. Many IDI leaders were educated

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1997 would further highlight the need for good governance. The common explanation for the crisis would be that while many of these countries had some of the good governance prescriptions in place, they lacked other ones. Bridget Welsh, "Lessons from Southeast Asia: Growth, Equity and Vulnerability," in *Models of Capitalism: Lessons for Latin America*, ed. Evelyne Huber, (University Park: The Pennsylvania State University Press, 2002), 237-276

[58]Joseph Stiglitz, "An Agenda for Development in the Twenty-First Century," in *The Global Third Way Debate*, ed. Anthony Giddens (Malden: Polity Press, 2001), 341-2.

in the North and came to believe this new popular wisdom. The proliferation of non-state actors helped spread the message. International NGOs, TNCs, and global media increasingly influenced policy makers from many venues. Many urged that more attention be paid to various facets of good governance, such as reliable institutions, non-corrupt representation, respect for human rights, and equitable access to economic resources and opportunities.[60] This broadened endorsement of the good governance agenda unquestionably influenced and directed the international development community's new embrace of democracy and good governance promotion in the 1990s.

These arguments explaining the establishment of the good governance and democracy promotion agenda in the 1990s are largely credible and useful. While providing many valid points, however, they tend to be overly generic and to largely overlook the institutional identities and internal dynamics of the specific IDIs. Each IDI is in the end beholden to its key stakeholders, and leaders within the institutions must be convinced that their institution is satisfying goals of importance to them. It is particularly helpful to take a closer, more nuanced view of the major IDIs and their good governance policies and programs to examine the changes in agenda. Good governance promotion varies between the different IDIs and serves different purposes for each, as will be later demonstrated. This project will delve more deeply into the individual characteristics of the UNDP, World Bank, EU, and USAID which led to their increased emphases on their own unique versions of good governance and democracy promotion in the 1990s

[59]Merilee Grindle, *Challenging the State: Crisis and Innovation in Latin America and Africa* (Cambridge: Cambridge University Press,1996).

[60]See the essays in John Boli and George Thomas, eds. *Constructing World Culture: International Nongovernmental Organizations Since 1875* (Stanford: Stanford University Press, 1999); Weiss, 797-99.

Viability of Good Governance Promotion

As stated, the arguments about the motives for and efficacy of good governance and democracy promotion programs and policies are many. Some contend that such programs have generated many positive outcomes, or less positively, that they have overly emphasized the Northern model, focused too much on the formal features of democracies, been applied unevenly or not selectively enough, not sufficiently acknowledged consolidation difficulties and challenges, and unduly emphasized civil society promotion rather than strengthening political institutions themselves.

While good governance and democracy promotion have not yielded perfect results, the results are promising. Governments that are democratic, responsive, and concerned with social equity can well serve as the foundations for prosperous, peaceful countries. The number of stable democracies worldwide continues to grow, and certainly development institutions' emphases on good governance and democracy promotion have played some role in this trend. There are plenty of reasons to criticize development agencies' efforts, yet it is tempting to overlook the fact that democracy promotion has helped in some countries and could potentially help in many others. Good governance and democracy promotion can be very altruistic goals, if pursued for the right reasons in ways that take into account client needs above all else. As development policy makers worry about corruption in developing countries, it is imperative that they make sure their own motives and practices remain transparent and pro-poor.

Democracy promotion, though, gives rise to important ethical as well as theoretical and practical concerns. It is often at least partially the result of sincere aims to help countries develop and to improve the well-being of their citizens. Yet it is still subject to criticism. Some claim that without significant changes, the softening and

widening of the Washington consensus, although a positive development, is not going to make much headway in addressing the injustice, poverty and inequality issues that have been extant for many decades.[61] It is true that a major international problem of the late twentieth and early twenty-first century is that across the world, lines have been emerging between fast-growing, resource-poor, undercapitalized, and uneducated populations on one side, and technologically advanced, resource rich, and politically powerful societies on the other. Good governance and democracy promotion efforts are unlikely to substantively alter this, yet there are signs that IDIs are increasingly aware of these inequities and are at least attempting to be responsive to them.[62] Markets greatly influence the distribution of power and policy choices, and if developing countries improve the reliability and accountability of their governance institutions and policy environments, they can incrementally strengthen their positions in the market. Empowered Southern states can affect the nature and distribution of property rights and the rules governing the production and distribution of wealth in their societies and on the larger, international playing field. IDIs are providing new opportunities for developing countries to learn how to make themselves stronger both politically and economically, yet this process is complicated and not without potential peril.

One such peril is that not all developing countries fit simply into any ascribed or prescribed mold. Among the loudest voices criticizing many aid institutions claim they are trying to implant Northern models of governance and democracy in societies with

[61] See the essays in Phoebe Griffith, ed., *Unbinding Africa: Making Globalisation Work for Good Governance* (London: The Foreign Policy Centre, 2003).

[62] European Commission, *Summaries of the Discussions on the External Aid Reform of the European Union* (Luxembourg: Office for Official Publications of the European Communities, 2001); Lawrence H. Summers, "International Financial Institutions Reform: Renewed Global Focus on the World's Poor," *Vital Speeches of the Day* 67:1.

vastly different historical backgrounds and geopolitical circumstances.[63] Each particular society has its own features that must be taken into account when designing and implementing governance reforms, these critics rightly point out. Countries as diverse as Cameroon and Singapore should not be expected to have identical governments, nor is it possible to create such constructs. Each country can and should have its own distinctive governance systems and characteristics that work best to serve its own citizens. The United States and France do not have similar governance systems, so why should this be expected of developing countries? Development policy makers and practitioners should strive to be conscientious and flexible. Most of the major development institutions are aware of these impracticalities, yet sometimes tend to forget them as they eagerly implement reforms agendas. Engaging with communities throughout the reform process is still sometimes not given the attention it needs. Governance reform is not merely *technical*; it is *political*. Without entering this murky territory, learning its unique dynamics in different countries, and embedding reforms within the political context, the reforms will be merely cosmetic. Some have argued that Northern governments tend to narrowly focus on installing the formal features of democracy in a top-down fashion.[64] The tendency to do so often arises from the hurried or stressful circumstances development practitioners find themselves in and is understandable, yet ultimately not viable. A handful of democratic features does not constitute a democracy; democracy is a far-reaching system that needs to be embedded in a society's values as well as its regime features. As has been seen in countless cases, these formal democratic features can be

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[63]Abrahamsen, 1-5.

[64]B. Raman, "Maldives: A Mini Ukraine in the Making?" New Delhi: South Asia Analysis Group, Paper No. 1194 (20 December 2004).

quickly corrupted or overturned if they are not connected to supportive bottoms-up created institutions, with the requisite societal participation and support for long-term, holistic reform. Some scholars maintain that often times Northern countries narrowly focus on installing the institutions of formal democracy in attempt to instill the values of economic liberalism and supply the needed institutions for a market economy.[65] Evidence of this trend can be seen in the way many Northern IDIs focus their democracy promotion and assistance programs in middle-income countries, or countries with valued commodities. Certainly this is evidence of the North imposing its values and desires upon the South. Fortunately, there have been recent efforts to make aid more inclusive. The MDGs are a step in the right direction.

A common theme in recent development literature has been that focusing too narrowly on electoral democracies or certain other administrative features ignores the all-important and always complex political environments that exist in poor countries. Leftwich offers a very revealing argument along these lines about the World Bank's good governance agdenda. He divides this agenda into three realms: the "systemic," "political, and "administrative." The first realm includes the rules governing the distribution of power; the second mechanisms such as free and regular elections, checks and balances on power, structures of accountability and pluralism; and the third on available and trustworthy information, efficient and credible public services, and an accountable and transparent public administration. Leftwich argues that this institution's good governance promotion fails to understand that good governance is a function of the state and its capacity. Simply creating an "enabling environment" for an open market and

[65] Larry Diamond, "Promoting Democracy in the 1990s: Actors and Instruments, Issues and Imperatives" (1995). <wwics.si.edu/subsites/ccpdc/pubs/di/di.htm> [20 November 2005].

democracy is not offering much new, he claims.[66] Without understanding and working with and within extant power channels, true reform is not achieved, and genuine democracy assistance efforts are hijacked. Such claims are reasonable ones, but sometimes installing certain technical features can indeed be a starting point for democracy and good governance to take root. It is of course useful for IDIs to acknowledge that governance reform is indeed not only political but usually highly political. Ignoring or making light of this fact can only be counterproductive.

The assertion that good governance and democracy promotion and policies have been applied inconsistently has grown stronger in recent years and not without warrant. Many contend that Northern donors strategically promote good governance and democracy in places where they have vital interests and overlook other countries and regions that they perceive to be less relevant. This contention is not difficult to verify, and certainly bilateral governance aid tends to be used in these ways. The United States, for example, increased the breadth and scope of such programs in Mexico and Latin America shortly after signing the North American Free Trade Agreement. Similarly, throughout the 1990s, France applied much of its bilateral good governance and democracy promotion funding to its former African colonies and to the former franc-zone region. Japan promotes good governance most emphatically in Asia. Democracy promotion reflects donors' desires as well as clients' interests. While this is difficult to change, it is still useful to be aware of underlying motives and the reasons why democracy is often promoted in an uneven fashion. For multilateral agencies, this

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[66]Vladimir Shkolnikov, "Recommendations for Democratization Assistance in the Caspian Region" (Vienna: Organization for Security and Cooperation in Europe, 2004); Leftwich, "Governance," 363-386.

unevenness stems from other motivations and reveals itself differently. Favoring middle-income countries or more trusted clients helps guarantee demonstrable success and loan repayment. As will be explained, major multilateral agencies have acknowledged these tendencies and taken steps to not be perceived as overlooking the poorest countries, yet there is still a tendency to do so.

Other critical claims, that aid agencies often do not sufficiently acknowledge democracy consolidation difficulties and challenges, have been proven valid time and again in recent years,[67] as fledgling democracies in Africa, Latin America, Asia, and Eastern Europe have faltered and sometimes failed altogether. Some attribute these failures to the lack of established personal property rights and other institutions developed countries often take for granted and to aid agencies' overlooking these prerequisites to good governance. Others see such failures as resulting from IDIs' overemphasis on democratic features and lack of attention to creating strong developmentalist states, or states committed to both acquiring better governance institutions and behaviors. Civil society proponents often contend that democracy must be created from the bottom up and that failure to do so yields fragile or superficial reforms. Political commitment to democratic reform must be embedded in deep layers of a society.[68] Certainly democratic consolidation is complex. Democratic governance encompasses a whole range of processes through which a society reaches consensus on and implements regulations, human rights protection, policies, social structures, and laws.

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[67]Letitia Lawson, "External Democracy Promotion in Africa: Another False Start?" *Commonwealth and Comparative Politics* 37:1 (1999): 23.

[68]Carlos Santiso, "Promoting Democratic Governance and Preventing the Recurrence of Conflict: The Role of the United Nations Development Programme in Post-conflict Peace-building," *Journal of Latin American Studies* 34:3 (August 2002): 55-86.

Laws are devised and implemented by many institutions: the legislature, judiciary, executive branch, political parties, private sector, and civil society. Consolidating democratic governance involves the many ways society organizes itself to ensure equality of opportunity and equity (in terms of social and economic justice) for all citizens. Most aid agencies have come to realize this and do not underestimate the challenges involved in promoting and nurturing democratic development.

Some argue rightly that it is particularly difficult for poor people to take advantage of the opportunities democracies can provide due to a variety of institutional constraints. Free flows of information are often limited, and even if this is not the case, poor people often have trouble knowing how to increasingly participate in influencing politics. Also, pro-poor projects and initiatives can be hijacked in a great many ways. Funds allocated for micro-loans for poor women, for instance, may be used as bribes, or service deliverers may receive payment but fail to deliver. Weak capacity leads to rent-seeking pressures in a variety of ways. States most in need of democratic reforms are often times the least able to carry out such reforms.[69] It is true that poor people who most need assistance are often the least able to voice their needs and to stand up for themselves when these needs are not being met. People accustomed to having little power often do not know how to take advantage of resources provided them. Thankfully, aid agencies have been paying more attention to this fact, although in some cases belatedly. The UNDP has been a pioneer with its pro-poor focus, and other aid institutions are gradually incorporating more programs and policies that help ensure that people are not left out. The World Bank's Poverty Reduction Strategy Papers (PRSPs), also adopted by other

[69]Congressional Budget Office, "The Role of Foreign Aid in Development: South Korea and the Philippines" (Washington, D.C.: CBO, 1997).

IDIs, aim to make the benefits of aid more inclusive. Still, more work needs to be carried out in this area, though.

The argument that too much emphasis has been put on developing civil society organizations and involving them in political processes, neglecting other elements such as state apparatus, certainly has merit.[70] Some IDIs have a tendency to portray civil society as "good" and the state as "bad," while both are needed in the creation and livelihood of viable democracies. After decades of neglect, civil society has probably been given too much credence in recent years as the facilitator of sound democracies and champion of human rights and equitable development. It is important not to idolize civil society. Civil society includes some organizations that contribute little or nothing to society's ability to serve and protect its citizenry. Violent groups that incite hatred, religious extremists, and narrow special interest groups of various kinds are part of civil society, too. Some civil society organizations are not democratic, and concerns can credibly arise about their legitimacy, accountability to their members, and right to represent the interests in their sector. There are often disputes and differences in interests between NGOs working in different sectors or geographical regions. Many are underfunded and beholden to governments or foreign donors. In general, though, the growing importance of civil society both locally and on the international stage, and the positive roles they play in both places, make significant contributions to the efforts of the world's people to empower themselves. As many have elucidated, civil society is not all good and always for democracy or for the people, though of course it can be. Involving civil society is

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[70]Francis Fukuyama, "State Building: Governance and World Order in the Twenty-first Century," transcript of Carnegie Council "Author in the Afternoon" speech (New York: Merrill House, May 19, 2004).

important, but so are building strong representative political parties and finding dynamic, responsive leaderships.

Review and Suggestions

Perhaps most of all, IDI's democracy and good governance promotion efforts of the 1990s have revealed that there is no silver bullet or magic answer for either how to consolidate vibrant democracies or even how to help nations develop. Donors have largely adopted the cause of good governance promotion, and it is a worthwhile cause, yet donors' wishes still often overpower clients' needs. This is unfortunate, but unavoidable. The only way poor countries and people can gain power in unfair structural relationships is to move out of and beyond their weakened positions; on the positive side, elements of good governance and democracy promotion, whatever donors' motives, do help equip the beleaguered to make such moves.

Many early attempts to foster democracy and good governance failed, largely because pluralism is difficult to create in countries and communities with high levels of inequality. Governance reforms often threaten extant power relations within countries; patronage systems through which power is acquired and maintained are at stake, as are formal and informal channels of collusion through which public wealth and resources are allocated to citizens. The elite within those countries desire to maintain the status-quo and fear any sort of change. Further, democratic reforms have often been required in tandem with neoliberal economic reforms, which include cuts in social spending and programs that jeopardize existing regimes. Leaders are tempted to close down or manipulate democratic channels within their societies that threaten their positions. Many of the major IDIs have encountered this resistance and the corruption or lack of accountability

that often accompanies it. They then added anti-corruption programs and policies to conditionalities, yet still faced resistance to their agendas. In order to avoid such resistance from recipient countries, better communication and coordination between donors, national leaders, civil society, and citizens in general is crucial. IDIs will continue to have complex motives, but they can build trust and thus better cooperation with countries they aid if representatives from all parties devise clear, realistic, and appropriate goals. These goals should of course take into account the recipient country's unique situation and potential challenges.

Further compounding the problem of nurturing good governance is the fact that the conditions that make such reforms possible are ideally a capacity to improve economic management and balance this with attention to social interests and needs; improving governance often requires a certain level of good governance to already be in place. The conditions that make good governance come to fruition in one country may not be imitable in another country with a wholly different cultural, geographic, and political environment. IDI programs and policies need to be flexible and attune to such differences.

Also of significance is the amount of legitimacy an external institution has within a recipient country and the degree and strength of political will within the recipient country that is attached to good governance reforms. Importantly, in order to foster long-term development, IDIs need to continue to increasingly help recipient countries understand the value of improving the welfare of the poorest citizens first to earn support for development prospects and projects. Countries that understand the stakes involved in equitable development will be better equipped to carry out measures to improve basic livelihood of citizens. This in turn will increase citizens' desires and abilities to

livelihood of citizens. This in turn will increase citizens' desires and abilities to cooperate and contribute to the welfare of their communities and nations.

It is imperative that IDIs supporting good governance and democracy carry out more careful and thorough studies to understand the true power dynamics within recipient countries. Lack of knowledge and conception of power structures in local contexts often undermines attempts to introduce reform, as do competing agendas by various IDIs with similar rhetorical goals but little inter-agency cooperation or understanding. Also, the pace and sequence of governance reforms in recipient countries should be based on careful studies of the networks of mediation between states and society that are used to instigate and secure appropriate reforms. Credible parties, unions, business organizations and associations, ethnic solidarities, and other special interest groups can indeed negotiate reform where there is true incentive for reform. IDIs need to increasingly admit that reform is always political, and politics is always particular, sometimes tenuous, and often messy. Technical reform agendas must confront and become part of both formal and informal channels of power. Reforms that help create well-managed economic systems cannot proceed without facing inequities in economic and political environments. The efficacy of a government is always contingent upon that government's legitimacy and fairness. Otherwise, cosmetic democracies only temporarily camouflage scars and cleavages that are in the long term irrepressible. Electoral non-democratic states still exist in many countries and regions. Additionally, Northern leverage is not often enough to induce good governance and democratization. Linkages that provide real incentive to embrace reform, coupled with widely representative senses of ownership and political will, are needed to instigate the seeds of genuine reform.

Proposed Argument

This project proposes that the UNDP, EU, World Bank, and USAID have created different good governance programs and policies that particularly reflect their distinctive power structures. Certainly the shift in emphasis within each of these organizations deserves a more particular and clear justification than has been provided in the literature. Each of these IDIs has an individual historical background, set of stakeholders to satisfy, internal composition, world view, international role, and predisposition that affects its reactions to changing realities. Obviously, a different combination of reasons led each to heighten its emphasis on good governance promotion in the 1990s. This project argues that the particular nature of the UNDP's, World Bank's, EU's, and USAID's good governance programs and policies reflect individualized, institution-specific goals. A closer look at the variances between these IDIs' programs and policies reveals goals germane to each institution's unique power structure.

The UNDP, for example, saw the opportunity to help define the international understanding and promotion of good governance as a means to increase the institution's relevance and advance its own agenda of helping create to some extent a more equitable world system. The UNDP's good governance promotion, with its emphasis on human rights protection, environmental protection, issues of equitable distribution, special attention to the needs of the poorest countries and people, and fair access to a country's resources, reflects its noticeably non-Northern dominated power structure. The UNDP's good governance programs reflect a particular emphasis on reducing the inequity between the North and the South and on human rights protection. Less obviously, a careful reading of UN and UNDP documents written throughout the 1990s shows that the UNDP, often overlooked or disregarded by powerful countries such as the United States,

is working on its own institutional renewal; by linking good governance, democracy, and respect for human rights to peace, stability, and economic conditions conducive to market economies, the UNDP increasingly links its own equity goals to motivations of IDIs such as the World Bank and other rich country-dominated power structures. This new institutional linkage[71] helps the UNDP build a case for its own renewed relevance in the post-Cold War world. The UNDP in its documents positions itself as a democracy promoter, peace maker, and efficient traditional economics-focused development institution. This new linkage also gives the UNDP renewed purpose within the UN itself, as other UN agencies, such as UNICEF for Children and the World Food Programme, had taken over areas previously under the UNDP's mandate.

The World Bank's emphasis on good governance may appear an admirable goal but this institution is still overly committed to ensuring that poor country economies become market-ready; with its orthodox economic approach that relies heavily on quantitative indicators and its adherence to its restrictive mandate, the World Bank continues to be motivated by efficiency concerns rather than legitimacy concerns. In most cases, governance reforms are actually oriented towards strengthening market reforms instead of genuine democratization and attainment of human rights. The World Bank's good governance programs reveal a focus on many of the qualities conducive to an open market economy that earlier SAPs addressed. With their emphasis on transparency, accountability, and openness to trade and the international market

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[71] J. Zoe Wilson in "Wishful Thinking: Willful Blindness, and Artful Amnesia: The UN and the Promotion of Good Governance, Democracy, and Human Rights in Africa" (Ph.D. diss., Dalhousie University, 2004) studies this linkage in her attempt to compare and contrast her own field experience surveying UNDP good governance programs with the institution's rhetorical goals.

economy, they go even further than the SAPs in reflecting the World Bank's Northern-dominated power structure. In short, World Bank good governance promotion programs in the 1990s and beyond show continued emphasis on traditional orthodox economic principals that are clearly motivated by economic efficiency concerns. The World Bank has included politics in its agenda, but in a limited way. Political stability is seen as necessary to create and protect market economies. Democracy promotion has been viewed by many Northern policy makers as a needed support to the new patterns of economic relationships associated with economic globalization, and the World Bank's democracy assistance programs support liberal democratic values conducive to freer trade and the expansion of investment opportunities for private, mostly Northern capital. Governmental legitimacy is stressed in World Bank documents and programs, but it is mostly top-down state authority that is stressed. Further, the quantitative indicators that are used to measure progress do not truly address the complicated spectrum of issues involved in the relationships between economic and political reform. By adding on concerns such as many voiced at the UNDP, for an increased role for civil society and the elevation of women's rights, World Bank good governance programs and policies appear increasingly proactive towards general equity issues, yet they continue to emphasize top-down reforms that avoid the messy process of empowering citizens. The complex spectrum of issues in the relationships between economics, politics, and social issues is given little of the attention it so desperately needs.

The EU's good governance programs differ in substance from the UNDP's and the World Bank's. They demonstrate the desire of this IDI's stakeholders to promote accountability and stability in nearby regions and in potential trading partners, as well as to justify reductions in special privileges accorded to former colonies. Motivations

toward good governance and democracy promotion that gained strength in the 1970s and 1980s were given momentum in the 1990s with the signing of the Treaties of Maastricht, Amsterdam, and Nice. In addition to poverty alleviation, electoral assistance and judicial reform have become areas of key emphasis, revealing a desire for more democracy and accountability on the continent and with trading partners and countries that have large populations of migrants to the continent. EU governance aid has become specifically political, yet the EU has had difficulty translating its lofty program goals into community-specific programs. The EU essentially "wants it all" in terms of the general goals of good governance and democracy promotion—economic and security gains for its own member countries and aid recipients, as well as empowerment and human rights protection for poor people in aid-receiving countries. Its good governance programs reflect a lack of transparency and cohesiveness in the EU leadership itself, as well as inexperience. The EU does not have the research capabilities of the World Bank, nor has it arrived at the right mix of positive and negative incentives to spur reform and progress. Its incentive conditionality sometimes works against its stated aim to help the poorest, because performers are rewarded and the most desperate in the most backward states do not receive much needed assistance.

USAID's good governance and democracy assistance programs throughout the 1990s and beyond reveal this institution's own complex motivations, different from any of the multilateral institutions examined here. They evidence a growing desire to stimulate genuine participatory bottoms-up democracies that empower the poor, yet they reflect a bias towards quantifiable indicators rather than the more intangible qualitative, behavioral change aspects of democratic reform characteristic of UNDP programs and policies. The agency has had the most success with programs fostering the development

of civil society, independent media, local government party formation and consolidation, and electoral processes.[72] This engagement is worthwhile, yet USAID programs have not made much headway in reaching deep into the political climate of societies, connecting people with its programs and policies. USAID programs also show weaknesses in the agency, which is a visible democracy promoter yet is dependent on governmental bureaucratic prerogatives. Its programs are often hampered by working at cross purposes with the State Department's top-down programs. United States democracy assistance is channeled through so many governmental arms and agencies, including not only the State Department but also the White House, the Treasury Department, United States Embassies, and the newly created Millennium Development Goals, that USAID has to compete with other organizations promoting democracy in different ways. Through USAID, NGOs are granted contracts to carry out nearly 80 percent of USAID's democracy assistance programs, which focus on electoral assistance and empowering independent media and grassroots groups and organizations. These programs overall, however, have not yet found the means to stimulate the structural changes needed to make lasting equitable changes.

The international donor community needs to view democracy as a long-term process of building trust from within, rather than as a quick remedy or solution that can be implanted from the outside. EU and UNDP programs most clearly reveal this understanding, yet both face their own handicaps. EU programs in general suffer from

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[72]See three documents prepared by Management Systems International for USAID and issued in May/June 2001: *The Transition to Sustainable Democracy in South Africa and the Strategic Role of USAID; The Transition to Sustainable Democracy in Bolivia and the Strategic Role of USAID;* and *The Transition to Sustainable Democracy in Bulgaria and the Strategic Role of USAID.*

too much bureaucratic differentiation and confusion, making them difficult to monitor and perplexing to initiate and implement in recipient countries. UNDP programs lack resources and sometimes legitimacy with client countries. World Bank and USAID good governance and democracy promotion programs typically show more consistency and have more leverage with aid-receiving countries; the reforms prescribed and implemented by both of these IDIs, though, are not as genuine and deeply embedded as they might be, reflecting the need for more understanding of and working conscientiously with countries' unique political climates.

CHAPTER III

THE UNITED NATIONS DEVELOPMENT PROGRAMME

Roughly 30,000 United Nations staff are involved in development work, with a roughly estimated $10 billion a year being spent on development. These funds are channeled through many agencies and programs, many not earmarked for development exclusively or specifically.[1] The UNDP, the largest UN agency providing development aid, gives a surprisingly modest portion of the overall institution's aid, about $2.5 billion annually, including the funds it channels through other United Nations agencies and programs. The goals of the UNDP, which has about 6,000 employees working in 186 countries, are expansive, and its work is well-known.[2] Human development, poverty elimination, equitable distribution, and environmental protection are its trademark areas of focus. Few would criticize such altruistic concerns, yet because UNDP member contributions are voluntary and many of the developed countries prefer to allocate their aid through their own bilateral programs or other multilateral institutions, the institution

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[1] Clare Short, "Foreword" in *Reforming the UN System: UNIDO's Need-Driven Model,* George Assaf and others (New York: Kluwer Law International, 2001), xv. This figure reveals an increase from the early 1990s, when United Nations aid was assessed as more than $6 billion for the each of the years 1992, 1993, and 1994 by the Organisation for Economic Cooperation and Development. Organisation for Economic Cooperation and Development, *Development Cooperation: 1995 Report* (Paris: Organisation for Economic Cooperation and Development, 1996). As Nicholas Eberstadt argues, however, these figures are a bit controversial and certainly difficult to evaluate. He wrrites that a "comprehensive assessment would require, at the outset, evaluation of thousands upon thousands of development projects, mountains of policy documents, and the by-now nearly countless action programmes and agendas...." Nicholas Eberstadt, "The Impact of the UN's Development Activities on Third World Development," in *Delusions of Grandeur: The United Nations and Global Intervention,* ed. Ted Galen Carpenter (Washington, D.C.: The Cato Institute, 1997), 224, note 2; also 213-14.

[2] Figures from United Nations Development Programme [homepage] (no date). <http://www.undp.org/> [10 January 2005].

has never had the means to readily or easily achieve its extensive development goals. Many of the UNDP's strongest supporters are themselves developing countries without the financial clout to match their aspirations for the program. Due to this system of elective funding and the larger system of one country/one vote in the UN, UNDP goals, programs, and policies do not tend to mirror those of the developed and most powerful countries. They instead tend to reflect a panoply of desires that either wealthy and poor countries can agree upon, or ones that poor countries believe are not well-represented elsewhere. Hence, UNDP endeavors often combine universal humanitarian impulses with desires to create more opportunity and advantages for those often marginalized poor countries and the poorest or most overlooked groups within countries.

Additionally, because many leaders in developing countries worry about the short-term well-being of their countries, citizens, and selves and have not yet decided whether more open and interdependent economies will benefit the poorest in the long-run, a wariness persists about whether to and how to support neoliberal market reform programs and policies. As the UNDP's *Human Development Report 1999* states, globalization "seeks to promote economic efficiency, generate growth, and yield profits. But it misses out on the goals of equity, poverty eradication, and enhanced human security." The UNDP, which claimed in its 1996 *Human Development Report* that "there is no automatic link between economic growth and human development," has generally attempted to include humanitarian goals in its development work help mitigate the uneven effects of globalization. This emphasis has been one of the hallmarks of its prrograms and policies. This is in addition to concerns about equity btween and within recipient countries.[3]

[3]United Nations Development Programme, *Human Development Report 1999*

UNDP assistance is allocated through three "programme levels." The global/interregional programme promotes activities to benefit the international UNDP system. This programme aims to support the development of the policies and goals of the UN system. Regional support programmes form the second level. They have a distinctly regional focus (Arab, Africa, Europe and Commonwealth of Independent States, Asia and Pacific, and Latin America and the Caribbean) and work to foster the exchange of regional knowledge and experiences. Finally, country-level programmes are designed to support national development priorities. Most UNDP aid channeled through all three of these levels is not conditional. Also, recipient countries sometimes pay half or a part of project costs.

What the UNDP calls "core" funding (money given to help with imminent needs, yet without a specifically designated purpose) peaked at $1.2 billion in 1992 and had dropped to about $700 million by the end of the 1990s. There was, however, a rise in "non-core" funding, or funding earmarked for particular projects or programs; non-core funding reached an average of $1.6 billion by 2001.[4] All levels of UNDP programs, including its international network of country offices, work with public and private sector partners, civil society, and increasingly other IDIs, to promote sustainable development. The organization, which reports to the General Assembly, funds projects and programs and helps governments, civil society organizations, and other aid institutions address poverty and its many related problems. The UNDP is the most pro-poor of the

(New York: Oxford University Press, 1999); idem, *Human Development Report 1996* (New York: Oxford University Press, 1996).

[4]United Nations Development Programme, "UNDP and Governance: Experiences and Lessons Learned," *Lessons Learned Series* no. 1 (1998). <http://magnet.undp.org/Docs/gov/Lessons1.htm> [30 November 2001].

multilateral IDIs. According to its own analyses, about 99 percent of its main programs focus on the 66 countries where about 90 percent of the world's poorest live. The UNDP is led by an Administrator responsible to a 36-member Executive Board. This Board, in turn, reports to the United Nations Economic and Social Council (UNESC).

UNDP capital has been used to provide food, clothing, and shelter; medical care; education; agricultural supplies; infrastructure planning and construction; skills training and employment assistance; technological apparatus and training; policy advice; and democracy assistance, among other goods and services. Increasingly in recent years, the UNDP has provided development advice in addition to funds. Despite criticism over its efficacy throughout the years, the UNDP has been important symbolically as well as practically. As even one-time UN critic Nicholas Eberstadt concedes, the organization has "played a critical, arguably a central, role in the globalization of what are now called 'development assistance policies.'" He further states about the larger United Nations' development assistance policies,

> Not only was the UN 'present at the creation' of that new [post World-War-II] instrument of diplomacy and finance; in the decades that followed, the UN system helped secure worldwide acceptance of the proposition that massive state-to-state resource transfers in the name of growth and progress for low-income areas should be a regular feature of the modern international order.[5]

The UNDP's annual *Human Development Reports* have been widely influential in shaping the international development discourse. The institution, however, consistently struggles to raise funds to carry out its expansive goals.

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[5]Eberstadt, 213.

The UNDP, despite its own well-documented problems and issues,[6] has helped to create norms and establish standards that continue to affect multilateral and bilateral aid policies today. American diplomat James F. Leonard contends that it is one of the most productive and best managed United Nations organizations.[7] With more financial support and a stronger endorsement from the developed countries, though, the program could be more instrumental in helping direct international efforts to promote development that prioritizes human welfare and equality.

As the new millennium approached, the UNDP had achieved its goals to some degree. As Clare Short contends, the organization has "played a valuable role in helping people.... It has played an important part in the advances in human development over the last 50 years."[8] Despite its difficulties securing funding, the UNDP has financed many valuable projects, and as Eberstadt contends, "Pockets of excellence do exist within the UN development apparatus...."[9] But the UNDP has not by any means reached its full

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[6]UNDP critiques usually target the program's perceived inefficiency, internal bickering, and management and financial problems. Catherine Gwin and Maurice Williams, "The U.N. and Sustainable Development," in *U.S. Foreign Policy and the United Nations System*, eds. Charles Williams Maynes and Richard Williamson (New York: W.W. Norton, 1996); United Nations, *The United Nations in Development: Reform Issues in the Economic and Social Fields,* Nordic United Nations Project (Stockholm: Almqvist and Wiksell International, 1991); United Nations, "A New United Nations Structure for Global Economic Cooperation: Report of the Group of Experts on the Structures of the United Nations System," EC/AC.62/9 (New York: United Nations, 28 May 1975); Robert Jackson, *A Study of the Capacity of the UN Development System* (Geneva: United Nations, 1969).

[7]James F. Leonard, "U.S. Policy Towards the United Nations" in *U.S. Policy and the Future of the United Nations*, ed. Roger A. Coate, (New York: The Twentieth Century Fund Press, 1994), 223.

[8]Clare Short, "Rethinking the United Nation's Mission," *USA Today* 130:2674, July 2001, 54-7

[9]Eberstadt, 215.

potential. Much of this stems from its financial struggles. The initial aim of the merger that created the UNDP was to marry technical assistance with financing, and to reduce interagency competition for funds, but the second of these goals has not been achieved as planned. Throughout the Cold War, the UNDP struggled financially, never acquiring the budget needed to meet the many demands placed before it. This made rivalry for funds intense. In recent years in particular, such competition has been stronger than ever.[10] The collapse of the Soviet Union and Eastern European dictatorships has increased demands on the UNDP, and problems such as ethnic violence, refugee crises, environmental degradation, drug trafficking, disease, and chronic poverty continue to strain the organization's management and funds. The fact that the United States, the United Kingdom, Austria, and Belgium have all markedly reduced their contributions to the UN in recent years has not helped matters.[11]

These continued pressures on the UNDP have resulted in strengthened efforts to promote development in the 1990s and beyond. UN Secretary-General Boutros Boutros-Ghali placed renewed emphasis on sustainable development,[12] also calling for greater coordination between multilateral and bilateral efforts towards this goal. Additionally, he

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[10] Rosemary Righter, *Utopia Lost: The United Nations and World Order* (New York: The Twentieth Century Fund Press, 1995), 57-8.

[11] R. Cassen and others, *Does Aid Work?* (Oxford: Oxford University Press, 1986), cited in Righter, 5.

[12] The UNDP defines "sustainable development" as "development that empowers the poor and generates growth which is equitably distributed. Such development preserves the environment rather than degrades it, and advances women instead of discriminating against them. It promotes job-led growth rather than jobless growth. In other words, it is development that stresses empowerment, employment, equity, and the environment." United Nations Development Programme, "UNDP and Governance."

emphasized the linkages between peace, development, and democracy.[13] On December 20, 1993, for example, in an address to the Foreign Correspondents club in Tokyo, Japan, he asserted that

> [t]hree challenges are before us: peace, development, and democracy. Without peace, there can be no development and there can be no democracy. Without development, the basis for democracy will be lacking and societies will tend to fall into conflict. And without democracy, no sustainable development can occur. Without sustainable development, peace can no longer be maintained....[14]

Boutros-Ghali's broadening of the discussion on development to consider its implications not only for basic human welfare but also for conflict and war prevention revealed and underscored an even wider dimension to the development debates. This made the UNDP's work even more relevant to the peace and security promotion of the United Nations generally.

History and Evolution of Policies

The UN began working in the development field right from its start. In the mid-1940s, UN development agencies were created to assist people in war-torn countries. The first agency created, the UN Relief and Rehabilitation Administration (UNRRA), was soon joined by eight others, each with its own mandate and mission. Unlike the World Bank, these agencies provided grants rather than loans in addition to their services. As the UN's development work expanded, better coordination between the agencies was sought. With the encouragement of less-developed member countries, the UNDP was

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[13]A whole literature exists on the relationships between peace and democracy. Bruce Russett, for example, argues that democracies rarely fight one another. Bruce Russett, *Grasping the Democratic Peace: Principles for a Post-Cold War Peace* (Princeton: Princeton University Press, 1993).

[14]"Three Challenges: Peace, Development, and Democracy," *United Nations Chronicle* 31:1 (March 1994): 2

created by the UN General Assembly in 1965. It was a joining of two other United Nations agencies: the Extended Program of Technical Assistance (EPTA) and the Special Fund promoting public and private investment. The purpose was largely to integrate and better coordinate United Nations aid. Poor countries also hoped its creation would translate into more aid for the South.[15] The new organization, led by Administrator Paul Hoffman, was to support developing countries by providing funding and technical assistance derived from national development goals. This mission reflected the development thinking of this time period, emphasizing the needs of developing countries to become self-reliant and to create the conditions necessary for poverty alleviation. Popular development theories at the time were based on the assumption that clearly defined stages of economic growth existed: with the right urban industries and infrastructure, countries would inevitably grow more prosperous and efficient.[16] The UNDP's mandate provided it with the status of a fund administration program rather than a development agency; it did, though, have appreciable influence over the nature of development policies other United Nations programs pursued due to its benefactor role.[17] The UNDP used country quotas based on GNP per capita, population size, and other indicators, as well as its own discretion, to decide how to best allocate its funds.

[15]UNDP's Administrator, Paul Hoffman, who had previously helped distribute Marshall Plan aid, initially planned to attempt to coordinate UNDP aid with World Bank loans, but did not succeed in his early efforts to do so. He ended up abandoning this early intention, which set the stage for a general lack of coordination between UNDP and World Bank efforts. The World Bank was more intent on using the IDA rather than the UNDP to gage how to best direct its development efforts. Righter, 57-8.

[16]Walt Rostow, *The Stages of Economic Growth* (Cambridge: Cambridge University Press, 1960).

[17]By 1985, thirty-seven United Nations agencies and participating organizations were vying for UNDP funding. Righter, 58.

To better understand the UNDP, it is helpful to first review the nature of the larger organization in which it is located. Originally, of course, the United Nations was designed primarily as a security organization. The end of each of the World Wars of the twentieth century led to the creation of a world organization dedicated to conserving the post-war power arrangement and promoting peace. The League of Nations, originally promoted but never joined by the United States, never became widely influential in the international arena. Its post-World-War-11 successor, the United Nations, however, which the United States and other major powers did join, was more successful. It survived the Cold War despite its sometimes difficult life course.[18] Some contend that the United Nations has been useful in preventing a third world war, while others see it as largely a waste of time and resources.[19] Certainly it has and continues to undergo international scrutiny and to experience various controversies, especially about the allocation of and contracting of funds. Most scholars and policy makers, though, contend that the United Nation's history has included both failures and successes and that the very existence of the organization has been significant for international peace and cooperation efforts.

The UN, created on October 24, 1945, with fifty signatory state members, emerged from the Allied coalition of the same name that was born on January 1, 1942. Its carefully deliberated Charter, designed with the most input from the United States,

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[18]For a useful history of the UN, see the essays in Benedict Kingsbury and Adam Roberts, eds., *Presiding Over a Divided World: Changing UN Roles, 1945-1993* (Boulder: Lynn Rienner, 1994); Max Jakobsen, *The United Nations in the 1990s: A Second Chance?* (New York: The Twentieth Century Fund Press, 1993); Geoff Simons, *UN Malaise: Power, Problems, and Realpolitik* (New York: St. Martin's Press, 1995).

[19]See the essays in Ted Galen Carpenter, ed., *Delusions of Grandeur: The United Nations and Global Intervention* (Washington, D.C.: Cato Institute, 1997).

Russia, and the United Kingdom, evidenced the view that the system of states required an international organization to foster not only security but also justice and human rights.[20] The Charter's 111 articles formalized the UN's purposes, principals, structures, procedures, tasks, and financial arrangements. Membership was limited to states, and six principal organs were defined: the General Assembly, the Security Council, the Economic and Social Council, the Trusteeship Council, the International Court of Justice, and the Secretariat. The General Assembly, the plenary organ, controls much of the UN's work: it approves the budget, plans international conferences, sets priorities, oversees the work of subsidiary bodies, and adopts resolutions. It meets in regular session for the last quarter of each year. The Security Council has five permanent members (the United States, Russia (formerly the Soviet Union), the United Kingdom, France, and China). Originally, it had six other members elected for two-year terms by the General Assembly. Since 1965, it has had ten additional elected members. Decisions require a positive vote from at least nine members, and any of the permanent five may issue a veto. The Council meets often throughout the year and makes decisions compelling all members to cooperate. It has a broad mandate to take action in response to threats, breaches of the peace, and acts of aggression. The 54-member Economic and Social Council (ECOSOC) seeks to coordinate efforts of the organization's specialized agencies in economic and social matters, including human rights. The Trusteeship Council was established to supervise the transition of trust territories to self-governing states. With the ending of the Trust territory of the Pacific Islands in 1994, it suspended operations. Since

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[20]Peter R. Baehr, "Organization of the UN: A Tale of Two Worlds," in *The United Nations in the New World Order*, eds. Dimitris Bourantonis and Jarrod Wiener (New York: St. Martin's Press, 1995), 177-88.

most cases of decolonization did not involve trust territories, most decolonization processes were superintended by different UN bodies, such as the Committee on Decolonization (established in 1961). The International Court of Justice in the Hague, of which all UN states are members, has twenty-five judges elected for nine-year terms by the General Assembly and the Security Council. It considers cases introduced by states and provides legal opinions to other UN organs and bodies. Before June of 2000, it had handled seventy cases between states and provided twenty-four advisory opinions. The Secretariat is comprised of more than 9,000 UN staff members at the headquarter in New York and in other scattered offices. UN leaders have included Trygve Lie (Norway, 1946-53), Dag Hammarskjöld (Sweden, 1953-61), U Thant (Burma, 1961-71), Kurt Waldheim (1972-81), Javier Pérez Cuéllar (Peru, 1982-1991), Boutros Boutros-Ghali (Egypt, 1992-96), and Kofi Annan (1997-).[21] The UN system also includes many other bodies and specialized agencies. One-hundred and ninety-one states now belong to the UN.

Though its original purpose has remained, the particulars of the United Nations' role and the pressures on the organization have changed over time. East-West animosity handicapped many Security Council efforts to take decisive action in the organization's first forty-five years.[22] As Lev Voronkov contends, the East-West confrontation "left a substantial mark on the UN, as the stand-off pervaded all spheres of life, and was

[21]United Nations, "Basic Facts."

[22]By 1990, the Soviet Union had vetoed 114 Security Council resolutions, the United States 67, the United Kingdom 30, France 18, and China 3. Most of the Soviet Union's vetoes occurred before 1966 (103), while most of the United States' occurred afterwards. This evidenced the United States' growing disenchantment with the UN and its increasing view that the organization was dominated by angry Third World and Communist states. In the century's last decade, after the Cold War, only nine vetoes were put forth: United States 5, Russia 2, and China. Ibid.

reflected in the powers, structures, and programs of the UN and its special agencies."[23] From the early 1960s, the developing countries have attempted to use their growing majority within the United Nations to receive more attention for their particular concerns. It was this pressure that largely led to the creation of the United Nations Conference on Trade and Development (UNCTAD) in 1964.[24] UNCTAD, created by the General Assembly, institutionally embodied the specific Third World perspective on international political and economic affairs. Northern countries did not support the creation of this new agency, yet in this case the South prevailed. UNCTAD was established as an Assembly organ agency, rather than as a specialized agency, to help ensure that it would receive adequate financial support. Argentinean economist Raul Prebisch, known for his articulation of dependency and world systems theories, helped create UNCTAD and served as its first secretary-general. The new agency immediately became an uncomfortable multilateral setting for developed countries. Over the years, UNCTAD has served as a potent symbol of unity and a gathering place for Third World expression. Additionally, developing country economists such as Prebisch helped provide the intellectual underpinnings for various new demands for a better arrangement in world trade for poor countries.[25]

The creation of the UNDP followed the General Assembly's 1960 proclamation

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[23]Lev Voronkov, "International Peace and Security: New Challenges to the UN," in *The United Nations in the New World Order*, eds. Dimitris Bourantonis and Jarrod Wiener (New York: St. Martin's Press, 1995), 2.

[24]Richard Rothstein, *Global Bargaining: UNCTAD and the Quest for a New International Economic Order* (Princeton: Princeton University Press. 1979). Since the 1980s, though, UNCTAD's significance has declined.

[25]Graham Evans and Jeffrey Newman, *The Penguin Dictionary of International Relations* (New York: Penguin Books, 1998), 384-85.

that the United Nations would pursue four successive development decades, to emphasize the need for international cooperation to foster development. Part of this new focus was due to developing countries' increased power within the United Nations and their desire to lessen the gap between rich and poor countries, or at least to help the improve the welfare of the latter. Before the end of the first of these decades, the need for such cooperation was as critical as ever, as early efforts to spur development in the poorest countries revealed the difficulty of this challenge and as the decolonization process proceeded, accompanied by challenges facing the newly independent states. During the second development decade, the success of the Organization of Petroleum Exporting Countries (OPEC) revealed new possibilities for poor countries to increase their stature in the international arena. Following the new fortunes of the OPEC, in 1974 the General Assembly adopted the Declaration and Programme of Action on the Establishment of a New International Economic Order (NIEO). It was based on "equity, sovereignty, interdependence, common interests, and cooperation among states, irrespective of their economic and social systems" and was meant to increase the relative economic and political power of developing countries. Developing countries also joined to form the Group of 77 (in contrast to developed countries' Group of 8, later 9) for similar reasons. The UNDP's early years were a time of new hopes for many developing and newly independent countries.[26]

These hopes, however, largely faded as poor countries remained most often marginalized. Conservative groups within OPEC cooperated with the North to recycle petrodollars, and threatened developed countries survived the crisis with little loss in relative power. Other commodity cartels were not established as many had expected, and

[26]Voronkov, 3-4.

in the end, the OPEC cartel's actions proved more injurious to developing countries, leading in part to the South's subsequent debt crisis. Further, the first oil crisis created new rifts among countries in the South, rifts that would grow deeper as the Newly Industrialized Countries (NICs) began to emerge.[27] Instead of gaining prosperity and power relative to that of the North, the 1970s and early 1980s saw the South more divided within the United Nations and more dependent upon the North. But this has not been true only within the context of the United Nations. As R.J. Barry Jones contends, over the years, the United Nations has "remained fundamentally, a creature of the international system within which it is located."[28] Power struggles, pertinent issues, controversies, and concerns from the larger international system of states are reproduced to varying degrees within the United Nations.

Throughout its early years and particularly following the OPEC debacle in the 1970s, the United Nations' policies generally did not reflect a neoliberal agenda. Instead, they favored state regulation, economic intervention, and humanitarian social considerations. UN programs and policies reflected the view of many states--including the Soviet bloc, the Third World, the Asian tigers and the West Europeans--most of whom opposed neo-liberal prescriptions. Even as neoliberal beliefs strengthened in the 1980s in the United States and parts of Western Europe, the United Nations and the UNDP worked from the position that the poor and marginalized in the world needed state protection from Northern capitalist exploitation. This led to even less support for the institution. The United Nations attempted to remain relevant to the post-Cold-War world.

[27]There is some discrepancy about the membership of the NICs, yet Hong Kong, South Korea, Taiwan, and Singapore are the indisputable members.

[28]R.J. Barry Jones, "The United Nations and the International Political System," in *The United Nations and the New World Order,* eds. Dmitris Bourantonis and Jarrod Wiener (New York: St. Martin's Press, 1995), 19.

Its role in lending credibility to the Persian Gulf war effort was lauded, fueling hopes for a more united, cohesive, and effective future United Nations world role. These hopes, however, were largely short-lived, as the organization became involved in various intractable intra-state conflicts.[29] Throughout the 1990s, the United Nations' peacekeeping ambitions and missions increased nevertheless. The UN remained continually active and was perhaps most innovative in preventative diplomacy and fact-finding missions; yet its emphasis on human rights and focus on sustainable development increased as well.

Particularly since the mid-1990s, the promotion of human rights has become a vital goal for the United Nations. Throughout the early 1990s there was a resistance among member states to commit to financing projects dealing with human rights protection. Some member countries did not want scrutiny turned to their own human rights abuses. The UN Center for Human Rights in Geneva lacked adequate staff and financing, with just 0.7 percent of the UN's overall budget dedicated to human rights activities. This was despite the fact that the UN's top leadership remained more firmly committed than ever to the cause. Boutros-Ghali advanced this stance with eloquence at the Hague in January, 1994: "Indeed, the notion that individual human rights can be protected by the international community is one of the great practical and intellectual achievements of international law," he said. The United Nations Charter included many references to the value of and need to protect human rights. Despite the resistance of some country members, the UN has been committed to protecting human rights since its inception, but its focus was renewed in the 1990s. This was partly due to the end of the Cold War

[29]Ramesh Thakur, "A Crisis of Expectations: UN Peacekeeping in the 1990s" (no date). <http://www.questia.com/popularSearches/u_n_peacekeeping.jsp> [10 January 2005].

allowing for more attention to be paid to this issue and was inspired partly by the wide awareness of human rights abuses in many countries and regions made possible by technology's increased impact. In 1993, the second World Conference on Human Rights in Vienna was widely heralded and attended by representatives from more than 170 states and about 2,300 NGOs.[30] Attention to this issue has only increased since in both the world at large and within the UNDP.

Development has always been a UN priority, and several of United Nations' agencies in addition to the UNDP work specifically to promote development. As its various agencies work together, the United Nations' development efforts have come to be commonly known as the "UN development system." Today the United Nations' main goals are still to promote international peace and improved human welfare, and a large component of this increasingly involves working to solve economic, social, and political problems. A rising awareness of the connections between all of these goals, in addition to the effects of globalization, has made all UN aspirations particularly relevant yet no less challenging.

The organization also has an interesting history. Over the years, the UNDP has been progressively transformed from a passive grant provider into an active dispenser of policy advice. In its first decade, it struggled to form a single identity out of the programs

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[30]The Universal Declaration of Human Rights adopted by the General Assembly includes a list of the organization's principles and standards on human rights. Taken together with the two international conventions adopted by the United Nations in 1966 and two Optional Protocols to the International Covenant on Civil and Political Rights adopted in 1966 and 1989, it is commonly called the "International Bill of Human Rights." Edward Newman, "Realpolitik and the CNN Factor of Humanitarian Intervention," in *The United Nations in the New World Order,* eds. Dimitris Bourantonis and Jarrod Wiener (New York: St. Martin's Press, 1995), 190-211 and Benedict Kingsbury and Adam Roberts, eds., *United Nations, Divided World: The UN's Role in International Relations,* 2d ed. (New York: Oxford University Press, 1993).

from which it emerged, one (the EPTA) having a more project-oriented emphasis and the other (the Special Fund), a more country-specific focus. As the new IDI worked to better to discover its own mission, a "capacity" study was performed in 1970 to make suggestions. Findings were highly critical of the UNDP and urged that a needs-based system be instituted and that country bureaus be established. These suggestions were adopted, and the UNDP began to reveal its distinctiveness from bilateral and other multilateral aid programs. The UNDP would at least attempt to be genuinely committed to helping countries with the greatest needs by knowing first-hand local situations and challenges.

After Rudolph Peterson became the UNDP Administrator in 1972, the UNDP committed to strengthening country ownership of programs. Urging that its programs address national priorities, the UNDP less often supported scattered individual projects. Instead it began to takes a more holistic, integrated "programme approach," assisting activities linked to countries' own development goals. The UNDP itself mainly focused on the technical aspects of institution-building in developing countries during the mid-to-late 1960s and the 1970s. UNDP and other UN-funded agency officials in poor countries contracted with mostly inside experts to assist with various projects.[31] These included helping governments manage state affairs and provide for citizens' basic needs, such as for water, food, clothing, housing, health care, and education. Many projects included the building of modern infrastructure and the creation of new industrial sites that would

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[31]In his little-heeded 1969 study, Robert Jackson argued that the system through which specialized United Nations proposed projects, vied for funding and then selected experts to oversee projects was inefficient and even corrupt. Agencies essentially built their own empires in developing countries using their own specialists. They attempted to preserve their own niches and to secure funding, Jackson contended, and many projects were of little use to long-term poverty alleviation. Jackson, *Capacity of the UN*, 49-52.

utilize local commodities and labor. Little attention was given to the ability of the recipient governments to broadly manage such needs from long-term perspectives, nor to the governance methods and policy environments present. Development results did not match expectations; the plight of all but a handful of poor countries did not markedly or in many cases, noticeably, improve. The plight of some countries even appeared to grow more dire, in terms of GDP and citizens' access to life's basic necessities.[32]

Throughout the 1970s and 1980s, the UNDP began emphasizing more participatory and inclusive approaches to development, realizing the benefits of wider citizen involvement to the development process. During this time, the UNDP began increasingly working with NGOs, and it started to more often apply private sector techniques and strategies to public sector enterprises and projects. The UN's international conferences during this period, such as ones on Basic Needs, Women, and Education, reinforced the participatory methods the UNDP was advocating and teaching.[33] Many lauded these efforts, but some held that many corrupt governments went along with programs superficially only to insure their continued streams of aid.[34]

The UNDP's efforts did not mirror those of most other development organizations at the time. As other donors, both multilateral and bilateral, began to increasingly emphasize structural adjustment and other forms of conditionality throughout the 1980s, the UNDP, as well as other UN agencies involved in development work, continued to stress poverty alleviation and the end of human suffering due to poverty above any other

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[32]United Nations Development Programme, "UNDP and Governance."

[33]Ibid.

[34]UNDP, *Structural Adjustment with a Human Face* (New York: UNICEF, 1991).

goals.[35] The UNDP and the agencies it funded became involved in countless development projects towards these ends, but efforts were often largely uncoordinated, and sometimes the advice dispensed was not the most competent available.[36] Even the UNDP's new National Technical Assistance Cooperation Assessments and Programs (NATCAPS), designed to help local governments "identify, assess, and rank their human resource needs. . . and provide the basis for more rational allocation of funds,"[37] did not seem to help efforts. Often attempts to devise development strategies instead resulted in lists of projects.[38] In addition to these problems, the UNDP increasingly experienced problems raising funds,[39] accommodating the desires of member countries and various internal and external critics, and, most importantly, achieving its goal of helping to alleviate poverty and suffering. Early expectations that the program could make a noteworthy difference in the lives of millions withered, yet were given a needed boost with the creation of the *Human Development Reports* and *Human Development Index(HDI).*

The launch of the UN's now yearly *Human Development Reports* and *Human Development Index (HDI)* in 1990 reflected the organization's renewed focus on development generally and on the more specific human aspects of poverty and its alleviation. The *HDI* measures developmental progress by combining measures such as per capita income, life expectancy, and educational attainment, and it ranks countries

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[35]Ibid.

[36]Righter, 268-69.

[37]United Nations Development Programme, *World Development Annual Report, 1987* (New York: UNDP, 1987), 30-33.

[38]Righter, 276-77.

[39]Stephan Klingebiel, *Effectiveness and Reform of the United Nations Development Programme* (London: Frank Cass, 1999).

from best to worst. Excitement over the first publication was part of a larger sense of anticipation that the UN was on the verge of a renewal, as international events were shifting dramatically, and hopes for the end of the Cold War were raised. While not everyone was enthusiastic about the launch of the report,[40] many heralded it as an important effort to re-focus aid on its most admirable if not always most efficient purpose: helping to alleviate human suffering.[41] Due partly to this focus in the 1990s, the UNDP experienced a period of attempted rebirth that was shared with the larger United Nations organization. The UN generally was attempting to make its work in various realms more holistic, relating security, economic, and social issues to the goal of improving peoples' lives.[42]

The UNDP aimed to increasingly become an agency that coordinated development efforts and continued to distribute funds.[43] This was intended to preserve the UNDP's relevance and its usefulness. The UNDP would serve as a dispenser

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[40]M. McGillivray, "The Human Development Index: Yet Another Redundant Composite Indicator," *World Development* 19:10 (1991): 1461-68 and T.N. Srinivasan, "Human Development: A New Development or Reinvention of the Wheel?"*American Economic Review: AEA Papers and Proceedings* 84:2 (1994): 238-43.

[41]See M. Hopkins, "Human Development Revisited: A New UNDP Report," *World Development* 19:10 (1991): 1469-73.

[42]In 1990, at a special UN, the General Assembly, for instance, adopted the Declaration on International Economic Cooperation. Member states pledged their "strong commitment to a global consensus to promote international economic cooperation." In 1991, the General Assembly adopted a resolution to strengthen United Nations work in the economic and social fields. United Nations, *Basic Facts about the United Nations* (New York: United Nations Department of Public Information, 1993), 94-5. Also, the finalizing of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) and its transformation into the WTO within the United Nations system revealed a broad new dedication to economic matters. See Voronkov, 7.

[43]Ruben P. Mendez, "United Nations Development Programme" (no date). <http://www.yale.edu/unsy/UNDPhist.htm> [12 January 2005].

of knowledge, advice, counsel, and guidance on development issues, largely those concerning governance.[44] The *Human Development Reports* analyze the relationships between growth, consumption, inequality, poverty, and the environment. They include various indices that rate countries on quality of life, satisfaction of citizens' basic needs, human freedoms and opportunities, and other facets of life. Scholars Adil Najam and Ambuj Sagar contend that the annual reports have become the "flagship publication of not only the UNDP, but possibly of the entire UN system." They further contend that since the publication of the first report, the "concept of human development as championed by the United Nations Development Program has moved from being just another interesting idea on the periphery of the development debate to its very core."[45] In addition to the UNDP's principal report, hundreds of individual country reports, as well as several sub-national reports, have been completed. The HDR's focus is on enlarging human choices and freedoms. Tellingly, the first report begins with the lines, "This Report is about people, and about how development enlarges their choices."[46]

William Draper's III wanted to make certain that peoples' choices were respectful of the environment. During his presidency of the UNDP from 1986 to 1993 he prioritized the environment, women's participation, and an increased role for NGOs as institutional goals. Under his leadership, Agenda 21 was set. Agenda 21, adopted in June 1992 in Rio de Janeiro, was the first major international environmental initiative that aimed to

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[44]David Forsythe, "The United Nations, Human Rights, and Development," *Human Rights Quarterly* 19 (May 1997): 334-49.

[45]Adil Najam and Ambuj Sagar, "Shaping Human Development: Which Way Next?" *Third World Quarterly* 20:4 (1999): 743.

[46]United Nations Development Programme, *Human Development Report 1990* (New York: Oxford University Press, 1990), 1.

combine sound environmental practices with sustainable development; it basically asserted that sustainable development could not occur without paying heed to environmental concerns. This was an important linkage that helped develop the groundwork for the UNDP's later initiative at the 2002 meeting of the World Summit on Sustainable Development. Here the UNDP and other major development agencies pledged to making environmental respect an element in all future international agreements. Draper, suggested for the position by former United States president and one-time United Nations ambassador George Bush, Sr., also worked to involve the private sector in development discourse and efforts. He incorporated some business practices such as training workshops and formal corporate appraisal systems in the UNDP system.[47] James Gustave Speth became the new UNDP administrator in 1993, and he furthered Draper's efforts. Aware of the potential of private investment to raise living standards in the South, he worked to involve corporations in numerous UNDP initiatives and further raised the profile of private sector development in organizational programs.

Speth, an environmentalist and intellectual, also emphasized "*human* sustainable development."[48] He synthesized this with the themes of poverty alleviation and women in development, and he stressed country ownership of reform programs.[49] The UNDP defined poverty as Amartya Sen does, as "capability deprivation," and its capacity building programs comprised an ever larger portion of its development agenda. Many components of the UNDP's development agenda attempted to address the unjust

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[47]Mendez, 8.

[48]James Gustave Speth, "On Governance for Sustainable Human Development" (January 1997). <http://meltingpot.fortunecity.com/lebanon/ 254/cheema.htm> [12 January 2005].

[49]Mendez, 5.

distribution of power within countries and to insure basic services to the population. Speth also furthered Draper's early efforts at setting the UNDP's good governance agenda.[50] In many ways the UNDP and the United Nations seemed vital. Pressure from various sources, though, was bearing down on the United Nations in the early 1990s. For one, Europeans wanted more control over the organization. In 1998, Europeans clamored to have one of their own appointed as the UNDP administrator upon Speth's leaving. After all, not only had American nationals monopolized the position for thirty-two years, but also the United States owed the United Nations $1.4 billion in arrears. Further, European member states paid approximately 60 percent of the UNDP's core funding budget at the time and contributed the highest percentage of the United Nations funding, Europeans pointed out. The United States was attempting to further reduce its share of United Nations funding, and its contribution to the UNDP, which had peaked in 1985 at $160 million, had fallen to $151 million in 1996.[51] Despite their contentions, Kofi Annan appointed an American, Mark Malloch Brown, for the job. The choice of Malloch Brown, previously the World Bank's vice-president for external affairs, was perceived by many as a concession to the United States intended to win favor and support from this country.[52]

In the late 1990s, the UN and the UNDP increasingly courted favor with two

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[50]James Gustave Speth, "Welcome Address: International Conference for Sustainable Growth and Equity" (1997). <http://magnet.undp.org/Docs/ speeches/Speth.htm> [10 December 2005].

[51]Thalif Deen, "United Nations: US and Europe Battle for Top UNDP Job" (3 November 1998). <http://www.sunsonline.org/trade/process/followup /1998/ 11030398.htm> [1 January 2005].

[52]Ellen Paine, "The Road to Global Compact: Corporate Power and the Battle over Global Public Policy at the United Nations" (October 2000). http://www.globalpolicy.org /reform/papers/2000/road.htm> [1 January 2005].

unlikely friends—not only the United States but also TNCs. The UN closed down its Centre for Transnational Corporations that had promoted corporate behavior sensitive to the needs of the South. It also abandoned early efforts to create a Code of Conduct for TNCs. Most believe that such actions resulted from the UN's "realist" position: it acknowledged it needed to befriend powerful players. Many deemed Annan to be very friendly with Washington, despite Americans' continuing criticism of the UN and Annan himself.[53]

Annan even increased cooperation efforts between UN agencies and the IFIs. In an effort to promote good governance, an endeavor all were committed to in various ways, the first high-level meeting between the UN and the BWIs was held on 18 April 1996. Annan called for closer coordination of efforts between the institutions. Increased global interdependence and the international ramifications of the Asian financial crisis that was still unfolding revealed the necessity of such coordination and cooperation, Annan asserted. He urged the institutions to put past differences aside and to begin a new spirit of cooperation.[54] In September of 1999, the UNDP issued a press release announcing that the organization would work more closely with the World Bank on future good governance promotion efforts.[55] Part of these efforts would focus on dispensing more advice collaboratively with the World Bank. In late 1999, UNDP Administrator Malloch Brown publicly announced plans that had been in process internally for several years to work to transform the organization from a funding agency to a resource for development

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[53]Ibid.

[54]United Nations, "Development Must Remain Top Priority of United Nations, Agrees UN-Bretton Woods Meeting," *United Nations Chronicle* 35:2 (1998): 75.

[55]"UNDP to Join the World Bank in a Partnership Focused on Good Governance." (no date). <http://www.undp.org/dpa/pressrelease/rele ases/1999/September/29sep99.htm> [15 January 2002].

knowledge and expertise. The UNDP stepped up efforts to speak highly of the IFIs and increasingly toned down public criticism of corporate misbehavior and exploitation by Northern countries.

In the 1990s, the UNDP also began paying more attention to its public image. Conferences were held to teach UNDP staff members how to best represent the UNDP "brand" and describe UNDP programs in a favorable light. The institution became more assertive in leading and participating in various development conferences internationally. It also took a visible role in coordinating and promoting the Millennium Development Goals (MDGs), an effort to halve global poverty by the year 2015. The MDGs, adopted in September of 2000 at the United Nations Millennium Summit, involve many international and national actors, including the World Bank. The MDGs are aiming for a dramatic reduction in poverty and marked improvements in the health of the poor. Meeting these goals is possible but far from assured. Success in achieving them will require notable dedication, political resolve in countries, and an adequate flow of funds and other resources from high-income to low-income countries in a sustained and carefully targeted manner. Annan asked Malloch Brown, in his capacity as chair of the UN Development Group, to coordinate the MDGs in the UN system — to make them a focal part of the UN's work worldwide. These goals have given the UNDP a renewed mission in the new millennium.

Good Governance Programs

A decade before the formulation of the MDGs, the UNDP began promoting its evolving version of good governance in various ways. The UNDP governance agenda emerged gradually and evolved throughout the 1990s. This is evident by the creation of

different governance offices and organizational structures as the need arose throughout the decade. In 1994, for example, the UN Emergency Response Division was developed to collect information and share it with the UNDP about governance reforms needed in crisis, post-crisis, and conflict situations. The following year, 1995, saw the creation of the Management Development and Governance Division (an expansion of the Management Development Programme begun in 1989). This unit was installed and later reorganized to help the UNDP respond to governance needs in countries. In the late 1990s, the UNDP Regional Bureau for Latin America and the Caribbean was increasingly used to collaborate good governance and democracy promotion resources with the UNDP's Barcelona policy headquarters, the International Institute in Governance. Later, as the new millennium began, a new facility was established in Oslo, Norway to help with the design and implementation of democracy and governance programs.

This incremental development of governance units mirrored the UNDP's progression into governance work. Its good governance and democracy promotion programs and policies were unique from the very beginning, partly stemming from UN policies of the 1980s. Whereas the IFIs were then prescribing "adjustment," the UN was then urging "transformation." The UN's Economic Commission for Africa (ECA), for example, in the late 1980s urged not reduced state spending overall but reduced military spending and continued or even increased spending on social programs; not deficit elimination necessarily but more careful, socially conscious deficit financing; not greater exporting of all agricultural products but of those that did not deplete the natural environment; not reduced interest rates across the board but interest rate policies designed to promote productive investments; not steady repayment of foreign debts but credit

arrangements that did not reduce social programs for the poorest. ECA proposals incorporated principals that would later figure largely in the UNDP's *Human Development Reports*. Its 1980s programs helped create the framework for the UNDP's good governance efforts.

By the early to mid-1990s, the UNDP was spending roughly half of its budget on good governance promotion, and the numbers of related programs and projects continued to grow rapidly. By 1998, there were nearly 1,000 active UNDP and UNDP-funded projects. Good governance and democracy promotion have become increasingly important UNDP goals, and this promotion has become a more focal component of UNDP programs over the years.[56]

The UNDP not only has a broad definition of good governance, but also attempts to link good governance promotion to its other primary goals, such as sustainable development. In the 1990s, the UNDP defined governance as:

> The exercise of economic, political, and administrative authority to manage a country's affairs at all levels. It comprises the mechanisms, processes, and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations, and mediate their differences.

For the UNDP, the challenge facing countries is to establish a system of governance that "promotes, supports and sustains human development, especially for the poorest and most marginal." Further, according to the UNDP, good governance has three components: economic, political, and administrative. In a simplistic diagram depicting how "[g]ood governance reaches beyond the state," the UNDP depicts the state, civil society, and the private sector as three equal spheres intersecting. Further, with good

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[56]For a description of early UNDP governance efforts, see Kathryn G. Sessions and E. Zell Steever, "The UN Commission on Sustainable Development: Building the Capacities for Change," in *U.S. Policy and the Future of the United Nations*, ed. Roger A. Coate (New York: The Twentieth Century Fund Press, 1994), 193-215.

governance, as the UNDP describes, the three spheres work together in the following ways:

> the state creates a conducive political and legal environment. The private sector generates jobs and income. And civil society facilitates political and social interaction, mobilising groups to participate in economic, social, and political activities. Because each has weaknesses and strengths, a major objective of our support for good governance is to promote constructive interaction among all three.[57]

Though the UNDP notes that the traits of good governance are difficult to characterize, it suggests the following qualities as "good": participation; rule of law; transparency; responsiveness; equity; effectiveness and efficiency; accountability; and strategic vision. It views these characteristics as interdependent and mutually reinforcing and acknowledges that they reach for a certain non-extant ideal; countries ought to

> aim, through broad-based consensus-building, to define which of the core features are most important to them, what the best balance is between the state and the market, how each...setting can move from here to there.[58]

The UNDP acknowledges that countries have diverse goals and that different governance systems can help them achieve these goals; there is no single recipe for good governance prescribed. Ideally, the state, market, and civil society work together to help represent the interests of the people.[59] At least rhetorically, the UNDP's good governance promotion is above all flexible and contingent upon local needs. The UNDP's definition of good governance is notably broader than that of the World Bank, encompassing not only the technical aspects of governance but also governments' relationships with NGOs and civil

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[57]United Nations Development Programme, "Good Governance—and Sustainable Human Development" (no date). <http://magnet.undp.org/ policy/ chapter1.htm> [10 January 2005].

[58]Ibid.

[59] United Nationd Development Programme Management Development and Governance Division, *Reconceptualising Governance* (New York: UNDP, 1997).

society and the private sector as well as all sectors' levels of inclusiveness, democracy, and respect for human rights.[60] Democracy is intertwined with good governance, and the UNDP urges that vote and voice are not the same thing; the latter, voice, is truly more important, and the former is only one means to achieving the latter.[61] The way a country is established and managed, as well as the ways in which it interacts with civil society and private enterprises, are viewed as significant not only in terms of economic growth but also in terms of human welfare. For the UNDP, governance is important in so far as it influences the treatment of and opportunities afforded to each citizen, women's rights and opportunities in particular, and the preservation of the environment.[62]

The UNDP visibly and unapologetically promotes democracy. A 1998 UN publication contends that the challenge facing all societies is to forge a system of governance where the rights of the individual constitute not a threat, but rather the very foundation upon which policies fostering the common good can be built. *Only* [italics mine] democracy can successfully strike this balance, and the historic move towards democratic rule that has taken place over the past decade represents a powerful affirmation of this notion.[63]

Democracy, however, is not promoted by the UNDP as an end in and of itself; rather, it is seen as a useful if not necessary condition for human development,

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[60]For descriptions of Boutros Boutros-Ghali's and Annan's connecting good governance and human rights promotion, see Boutros Boutros-Ghali, *An Agenda for Democratisation* (New York: UNDP, 1996).

[61]Ibid., 2.

[62]United Nations Development Programme, *Integrating Human Rights with Sustainable Development* (New York: 1998).

[63]Wijkman, 86-7.

development that prioritizes human health, happiness, and access to opportunities. The *Human Development Report 2002* elaborated on the concept of "democratic governance," or governance that promotes human development. Like the UNDP's concept of "good governance," democratic governance requires efficient institutions and a reliable economic and political environment necessary for economic growth and effective functioning of public services. The concept of democratic governance also promotes political freedom and human rights. It aims to create institutions and rules that are efficient but just as crucially fair, and that are developed through a democratic process in which all citizens have a real political voice.[64] Hence by including politics, equity concerns, and human rights emphasis, the UNDP seeks to merge its many goals under the good governance category. Whether the UNDP uses the term "good governance" as it usually did in the early and mid 1990s, or "democratic governance," as it had more commonly since, the goals remain the same: promoting equity, fairness, respect for all, and opportunity, as well as ensuring basic needs are met and the environment is protected.

As stated, UNDP priorities in support of good governance and democratic governance differ for each country, a significant fact in and of itself. Program category titles also changed during the course of the 1990s. In the early 1990s, more program areas existed. Good governance and democratic governance were separated programmatically. Some common good governance focal areas were "Governing Institutions: Legislature, Judiciary and Electoral Bodies," "Public and Private Sector Management," "Decentralisation and Local Governance," "Civil Society Organizations," and

[64]United Nations Development Prrogramme, *Human Development Report 2002* (New York: Oxford University Press, 2002).

"Governance in Special Circumstances." By the end of the decade, a typical democratic governance country program might have been "Local Governance and Civic Participation," "Capacity Development," "Justice and Human Rights," and "Peace and Security."[65] Within the governance framework, typical UNDP headings were "Governing Institutions," "Public and Private Sector Management," "Decentralization," "Civil Society Organizations," and "Governance in Special Circumstances." Following is a description of some of the UNDP's major work in each of these latter five areas.

Governing Institutions

From 1992-1996, the percentage of the UNDP's governance aid budget dedicated to helping governing institutions was just 7 percent, allocated mostly in Africa and Latin America and the Caribbean. The concentration of work in Africa is unique, because many other international development institutions worked more diligently in middle-income countries and countries with abundant desirable resources. The UNDP's budget may have been small for these endeavors, but many programs were enacted. The organization's approach to governing institutions focused on and still works primarily to foster free and fair elections, credible and effective legislatures that protect citizens and enforce property and contract rights, and strong, reliable judicial systems, all with an emphasis on human

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[65]These categories of good governance and democracy promotion are grouped in different ways in many documents. Some key documents are as follows: United Nations Development Programme Management Development and Governance Division, *Capacity Development: Technical Advisory Paper 2* (New York: UNDP, 1997); United Nations Development Programme, *Report on UNDP Assisted Governance Projects Approved in 1994-95* (New York: UNDP, 1997); idem, *Corruption and Good Governance: Discussion Paper 3* (New York: UNDP, 1997); idem, *Governance for Sustainable Human Development: Report of International Conference, New York*, 29-30 July 1997 (New York: UNDP, 1997).

rights promotion.[66] There is a lesser rhetorical desire obvious in the UNDP's literature to transplant a certain type of government and system of governance and more a wish to nurture and advance the most democratic elements already present within communities. UNDP officials are urged to look to find and identify local leaders in government, NGOs, and business and to work with them and help and direct them towards more democratic societies. This is an ideal, of course, yet the UNDP has played an important and expanding role in its efforts.

The UNDP's work has focused on supporting electoral processes at the request of several countries, helping to ensure open registration procedures, secure ballots, access for all to voting sites, the independence of supervisory bodies, and freedom of expression and association. The UNDP, for instance, supported Bangladesh's 1994 elections by conducting voter educations programs, training electoral officials, and coordinating international election observers. In Mozambique, the UNDP organized international efforts to train more than sixty thousand local people in electoral system support. All relevant components of the electoral process, including logistics, civic education, training, and legal and financial management, were explained. In several countries, including Vietnam, the organization has educated and trained female candidates for important offices.[67] The institution's legal and judicial reform programs have also attempted to raise the value of women in various ways in the many poor societies. Beginning with its legal programs in Latin America, the organization has worked to open *political spaces* for women and other marginalized groups through reserved places or

[66]United Nations Development Programme, "International Conference on Governance for Sustainable Development, 28-30 July 1997" (New York: United Nations, 1997), 98.

[67]United Nations Development Programme, "UNDP and Governance."

quotas on party lists. Indigenous peoples and "Afro-descendants" in Latin American countries were also encouraged to become involved in parliaments to help alter the status-quo of elite local rulers. The UNDP asserts that legal reform must be comprehensive and holistic, addressing areas of legal protection of property rights, contract rights, gender equality, human rights, and the environment. Programs address access, enforcement, efficiency, and corruption issues. The reform process is evaluated in its entirety, to see how one reform affects other parts of the system. The UNDP acknowledges that judicial reform is inherently political and that entrenched interests may work to subvert the process. Its programs go beyond fostering narrow legal reforms conducive to business interests such as merely creating faster, more credible legal processes and adopting efficient modern commercial codes. Programs aim to increase access to courts, enforce criminal codes, and provide police protection where necessary. In Moldova in the mid-1990s, the UNDP helped educate citizens about the roles of responsibilities of a parliament, the need for a valid constitution, and the importance of consistent, non-discriminatory enforcement of regulatory and criminal laws. In Gambia, local officials requested and received UNDP assistance with creating fair laws and a sound judicial system. The aid agency also helped set up a system documenting laws and judicial system information.[68]

Public and Private Sector Management

Between 1992 and 1996, the greatest portion of UNDP governance funding, nearly 80 percent, went towards public and private sector management, with 55 percent

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[68]Ibid., "UNDP's Support for Democratic Governance" (no date). <http://www.undp.org/dpa/publications/FFdemgov130503E.pdf> [1 February, 2005].

allocated for enhancement of economic and financial management, 36 percent for public sector management (civil service reform), and the rest for aid delivery and coordination. For the period 1997-1999, while UNDP assistance for public sector management programs still received the most funding, activities focusing on the private sector featured in around 55 percent of future programming. These figures reveal a noteworthy shift. The UNDP was slower at incorporating the desire for a smaller state than were the BWIs, and, arguably, never really embraced it. The UNDP warns against excessive fiscal austerity, premature capital account liberalization, and overly aggressive privatization initiatives.

In the 1980s, while the World Bank was devising its SAPs with privatization and deregulation as prominent features, the UNDP's public sector management programs had been working to make governments more professional in their organizational frameworks. This did not translate into shrinking the state, but making it more competent. Sometimes public sectors actually grew with the help of UNDP officials. The organization supported reviews of the functional distribution of government sectors and institutions and helped countries to create new administrative and organizational frameworks. Instead of focusing primarily on fighting inflation, public sectors were urged to concentrate on promoting job creation, including an emphasis on the impediments to job creation--lack of credit and overvalued exchange rates. According to UNDP documents, if macroeconomic management leads to overvalued exchange rates and high interest rates, there will not be job creation. With UNDP guidance, countries devised recruitment strategies, job descriptions, human resources plans, promotion criteria, and career training programs. The UNDP continues this work, and since the early to mid 1990s, has moved to support macroeconomic management projects and programs *more,*

yet not exactly in line with traditional neoliberal economic efficiency concerns. Creating sound regulatory frameworks to improve investment and trading opportunities has increasingly been on the organization's agenda. A close look at the UNDP's public and private sector management programs and policies reveals, though, concerns with both making developing countries political and economic environments amenable for the market and with addressing social costs of such reforms. As the *Human Development Report, 1996,* states, free market capitalism without regulation often leads to extreme social inequalities in the distribution of global resources and income, which is not only unfair but can be destabilizing to the global system as a whole and to democratic regimes.[69]

As will be discussed in a later chapter, whereas the World Bank's programs view public sector inefficiency, waste, and corruption as problems that stifle the market economy, the UNDP's public sector management and anti-corruption programs focus on these issues as well as on equity concerns. When countries adopt macroeconomic management measures, the UNDP often analyzes how the adjustments will affect citizens in the short and long-term. In Guyana in the early 1990s, for example, UNDP assistance led to the adoption of a comprehensive reform program which included almost US$20 million in donor financing. The adjustment program, which included standard neoliberal reforms, was preceded by analysis on how the speed and sequencing of reforms would affect citizens and was accompanied by policy guidance to address social impact concerns and issues. In Uruguay, a UNDP-sponsored macroeconomic adjustment program emphasized local input in the processes of creating new government institutions, improving coordination with extra-governmental agencies, and increasing cooperation

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[69]United Nations Development Programme, "UNDP and Governance," 1-2.

between the executive branch, parliament, and the judiciary. In Yemen in 1995, UNDP pubic sector reform programs helped local officials and citizens cope with problems such as rising unemployment, excessive reliance on bank loans to pay for the budget deficit, lack of savings, and a high debt to external creditors. The UNDP provided technical assistance for improvements in tax and customs administration, budget management, accounting and bank supervision, and national accounting figures.[70]

Privatization is urged by the UNDP, with methods and techniques differing for countries depending on their circumstances. In the 1990s, the organization worked to educate locals about the potential value of privatization and how to address its redistributive impacts. Civil service reform in general for the UNDP is attentive to both efficiency and distribution issues. In Jordan, for instance, in the late 1990s, civil service was not downsized but rather *rightsized* to better serve citizens. Government service is seen as highly prestigious work in many Middle Eastern countries, so many opt to join this field. Also, government leaders tend to view having many subordinates as respectable. In 1998, 60 percent of Jordan's employed worked for the federal government, so to help the newly unemployed and the rest of the population, retirement incentives were offered, and employment training programs were established. Programs were also created to teach civil service employees to better serve the "customer," or average citizen, including women and the otherwise disenfranchised.[71]

The UNDP's work in Jordan included coordinating the work of various aid agencies,

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[70] Ibid., "Country Reports: Democratic Governance" (2002). <http://www.undp.org.gy/demgovern.html> [11 February 2005].

[71] Jordan Institute of Public Administration, "Synopsis of the Ten Best Practices in Jordan's Civil Service Reform for Human Sustainable Development" (no date). http://magnet.undp.org/Docs/psreform/jordan_ten_best.htm> [10 February 2005].

including the World Bank. The UNDP's public and private sector reform programs increasingly involved various donors in the 1990s. The UNDP has attempted to help shape the way public and private sector reform efforts are enacted. For the UNDP, anti-corruption efforts are interwoven into these programs. This work attempts to uphold the institution's Programme for Accountability and Transparency (PACT). The PACT stresses that corruption is part of poor governance. Good governance is "participatory, transparent and accountable – its social, political and economic priorities are reached by consensus[,] and the poorest and most vulnerable have their say in matters affecting their well being and in the allocation of development resources." Bad governance, on the other hand, "rife with bribery, corruption and maladministration, has the opposite effect."[72]

The UNDP acknowledges that anti-corruption programs often fail because there are weak incentives for implementation that stem from both poor policy design and local institutional environments. Under PACT, the UNDP works with various donors, the private sector, and local and international NGOs to help countries improve their systems of financial accountability and management. The oversight that results from this collaborative effort to curb corruption helps provide incentives for local officials to act responsibly. Through this program, the UNDP has provided support in the area of debt management that takes into account the need to provide pro-poor social services. Other donors are encouraged to consider such elements.

Towards the end of the decade, the UNDP was heavily engaged with other donor initiatives, most notably in the areas of public and private sector reform. In 1999, Malloch Brown was praising the good governance approach and the World Bank's efforts

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[72]United Nations Development Programme, "Support," 2.

in this direction. Malloch Brown said publicly: "I share Jim Wolfensohn's view that this [anti-corruption and good governance generally] is the key to the development frontier," he said, shortly after James Wolfensohn appealed to the World Bank's Board of Governors for further support in such efforts. UN Deputy Secretary-General Louise Frechette joined the chorus supporting a more collaborative effort between the UNDP and the World Bank to promote good governance. In previous years, she said, the World Bank and the UNDP worked towards development in separate ways, with the Bank focusing on economic fundamentals and the UNDP focusing on "adjustment with a human face." Now, she said, more convergence of ideas exists. "The argument you hear in the UN General Assembly and in the boards of the World Bank and the IMF are now so often so much alike that, if you closed your eyes, you could not always be sure whether you were in New York or Washington."[73] That was not really the case, but the UNDP was increasingly becoming more mainstream with some of its ideas and projects, or at least allying itself with powerful Northern IDIs as well as smaller, more localized good governance efforts. Many of UNDP public and private sector management programs are often not greatly different than those of some of the other IDIs. They are, however, often different in that they traditionally include a more humanistic focus. The UNDP's macroeconomic management programs take into account how the speed and severity of reforms affect social programs, citizens' senses of well-being, and public support for the government. The U NDP financial administration reform programs

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[73]Ibid., "Public Sector Management, Governance, and Sustainable Human Development - Discussion Paper 1" (no date). <http://magnet.undp.org/Docs/!UN98-21.PDF/Psm.htm> [8 February 2005]; idem, "Small and Medium Enterprise Development" (no date). <http://mirror.undp.org/mongolia/ public ations/essentials/document/english/ EssentialsSME1.pdf> [8 February 2005].

emphasize integration of public needs with other state expenses, so that debts are serviced without drastically cutting social spending. UNDP programs designed to increase private investment in developing countries simultaneously work to attract foreign investors and to increase the clout of local small and medium-sized businesses.

While early 1990s programs concentrated on meeting isolated goals in sectoral ministries, late 1990s programs addressed a more comprehensive framework. Public sector reform efforts eventually concentrated on improving access to international markets through both the reorientation and restructuring of civil services and public sector institutions. In concert with these efforts, social impacts were addressed.

The UNDP also increased efforts to draw the private sector into its development efforts in the 1990s, including inviting international and local businesspeople to roundtable discussions with representatives from government and CSOs. Issues such as equitable income distribution and women's rights figured largely in these discussions, as did concerns such as taxes and contract rights. The UNDP also began initiatives to support and train local business people to identify opportunities, write business plans, follow laws, register their businesses, and serve their clients. Local government officials and public relations specialists were taught how to court investment. Partnerships were forged to encourage investment and business growth, with UNDP assistance. The challenges of creating a level playing field for private businesses, especially regarding access to land and credit, were addressed. Also, a greater ratio of local to foreign private sector development was encouraged.[74]

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[74]United Nations Development Programme, "Partnerships with Business" (no date). <http://64.233.161.104/search?q'cache:OliWcd4k_NYJ:www.undp.org.my/cms_undp/document/un_information/bus.pdf+undp+private+sector+development&hl'en&lr'lang_enJ> [10 February 2005]; J. Loup, "The UNDP Roundtables and the Private

In the rural sector, governments were encouraged to adopt land reform programs that did not concentrate on commercial land markets, but rather, on land redistribution. Meaningful land reform for the UNDP entails institutional provisions for land redistribution with the provision of credit and access to technology. Land registration is important, but it has to be seen as only one component of a broader program. Land registration enhances the use of land as collateral, but would only be considered effective where there were well-functioning land markets.

Decentralization

Decentralization received a relatively small 6 percent of the UNDP's governance funding in the mid-1990s. For the UNDP, decentralization as part of good local governance is seen as fostering greater accountability to people at a local level and greater opportunities for the interface between civil society and local government in development decision-making at that level. UNDP decentralization programs at the country level are broadly construed, like most UNDP programs. Program activities under this category focus on technical assistance in developing legal and policy frameworks for decentralized authority and management, improvement of financial and human resources mobilization in support of decentralized governance, as well as improved planning and local service delivery initiatives. They include downsizing state control and increasing citizen control over financial, administrative, and legal processes. Much emphasis is placed on making information available to all people in communities and encouraging the entire population, especially the poor, women, youth, and ethnic minorities, to mobilize and participate. NGOs, and what the UNDP terms "Community-Based Organisations" or CBOs and private firms and donors are encouraged to remain or become active. UNDP

Sector" (no date). <http://www.eldis.org/static/DOC10348.htm> [8 February 2005].

provides both technical and financial support for decentralization processes in 90 developing countries.[75] Beginning in the 1990s, programs aim to foster more legitimate, transparent, and accountable local authorities and an active and inclusive local political process; institutional mechanisms for citizens' access to information; consultation and participation of citizens in all stages of the local public resources management cycle; efficiency gains in local services delivery also through a greater involvement of communities and private firms in their provision and production; and greater security for citizens.

Policy documents are careful not to construe certain elements of good governance, such as decentralization, as inherently good. Decentralization, documents state, is inadequate if it merely signifies deconcentration of power; power has to be usefully devolved and channeled through multi-layered new venues. Importantly, for the UNDP decentralization involves balancing state power with multiple branches of government as well as shifting state power to civil society groups and the private sector; it does not, however, entail lowering existing taxes or resisting imposing taxes in countries where they did not exist previously. The UNDP's programs, unlike those of many other IDIs including the World Bank, do not urge neutrality in taxation. In fact, taxes are sometimes raised. In Brazil, for example, the UNDP's decentralization programs included the

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[75]In the year 2002, a more careful study than previous ones was carried out on UNDP decentralization programs for 2001. A total of 253 decentralization-related program activities were carried out in 95 countries. The greatest number of program activities, 85, was being carried out in Africa, followed by Asia and the Pacific (59), Latin America (44), Europe (39) and the Arab States including Palestine (26). Of the activities, 38 percent fell under "Decentralisation Policies," 24 percent were categorized under "Participation at the Sub-National Level, 26 percent as "Partnerships between Local Authorities and CSOs," and 10 percent were "Alliances by the Poor." United Nations Development Programme, "A Global Analysis of UNDP Support to Decentralisation and Local Governance Programmes 2001" (New York: UNDP, 2002).

establishment of the Tobin tax, which funds programs for mothers to help children stay in school. This pilot program is now being replicated in many other countries under UNDP auspices. In most developing countries working with the UNDP, tax systems are based upon needed social expenditures. The UNDP holds workshops on how to create tax administration systems that support countries' social needs.[76]

Civil Society Organizations

Civil society participation for the UNDP was heavily stressed in the 1990s, although by mid-decade, only one percent of UNDP governance funding was allocated to civil society organizations, largely in Latin America and the Caribbean. The UNDP had been involving NGOs in programs and projects for years and established the NGO Liaison Unit in 1986 to encourage this involvement. In the early 1990s, the UNDP enlarged its conception of NGOs and CSOs, and wrote of civil society,

> together with state and market,[it is] one of the three 'spheres' that interface in the making of democratic societies. Civil society is the sphere in which social movements become organized. The organizations of civil society, which represent many diverse and sometimes contradictory social interests, are shaped to fit their social base, constituency, thematic orientations (e.g. environment, gender, human rights) and types of activity. They include church-related groups, trade unions, cooperatives, service organizations, community groups and youth organizations, as well as academic institutions and others.[77]

The expansion of civil society, for the UNDP most emphatically grassroots-level civil society, is seen as the expansion of the space for moral action. But the UNDP does not see civil society development necessarily an inclusive process. "Civil passivity" is often a

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[76]United Nations Development Programme, "ATM Cards Help Nearly 10 Million Brazilian Children Stay in School" (New York: UNDP, 2002); United Nations Development Programme, "Financing Social Expenditure" (New York: UNDP, 2002).

[77]United Nations Development Program, *Human Development Report 1993* (New York: Oxford University Press, 1993).

result of marginalization, documents note, and can be addressed with interventions of education and support. Sometimes societies suffer from the lack of a legal and administrative environment in which local initiatives can emerge and effectively network on social, economic, and other concerns faced by the society. UNDP programs attempt to help alleviate these obstacles. The UNDP is also conscious of the potential misdirection of some CSOs, warning in documents of the dangers of misdirected or less than stable ones that may have destructive agendas and fail to respect human rights.[78]

The UNDP stresses the value of civil society because the formal institutionalization of democracy--routine elections and multipartyism--does not necessary equal democracy in its fullest sense. Too much emphasis on the formal elements might lead one to argue that the Philippines and Zaire, with their multi-party systems and parliaments, would be among the most democratic in the world. According to UNDP documents, in the 1990s, the rapid democratizations of much of Latin America and Eastern Europe had muted legitimate questioning about the ways in which even existing as well as transitional democracies were flawed. It was thus that some of the UNDP's focus in the 1990s was to broaden the goals somewhat to foster a good governance basket of attributes: formally democratic and efficient practices, in addition to the extensive programs aimed at fostering human rights and relief for the poor and the marginalized.[79]

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[78]United Nations Development Programme, "The Role of Civil Society in Local Governance and Poverty Alleviation: Concepts, Realities and Experiences" (May 2002). <http://www.undp.org/mainundp/ propoor/docscivilsociety/roleofcivilsociety.doc> [12 February 2005]; United Nations Development Programme, "UNDP and Civil Society Organisations: Building Alliances for Development" (1998). <http://www.undp.orgmainundp.html> [12 February 2005].

[79]United Nations Development Programme, *Human Development Report 2000*

UNDP documents state that lack of finances can often make CSO agendas reflective of donor agendas. That is one of the main reasons the organization does not heavily fund CSOs. Also, UNDP staff is trained to foster trust between CSOs and local governments. CSOs are trained to meet with local and international business leaders at various stages of the business design and implementation process, as well as for regular "check ups." In the 1990s, the UNDP even discussed the issue of not neglecting CSOs with which it did not have a history of collaborating, such as trade unions and religious groups. "What can they perhaps bring to the table?" a UNDP document asked.[80]

The UNDP has relied heavily on input from CSOs to help establish and institute many of its job creation, job training, and educational programs. In the late 1990s, the UNDP used civil society input to help determine how to create a program that truly empowered the most marginalized in society. The "Beautiful Bulgaria" job creation program led by the UNDP incorporated input and efforts from more than 800 CSOs. The greatest focus was placed on a region, Veliko Tarnovo, where the unemployment percentage was the highest. A total of 3,922 unemployed participated in the programme, achieving qualification and skills in planting and grassing, paving, and dyeing. The UNDP sees job training and creation and education as vital for making good governance more participatory: those without knowledge and skills are less able and less apt to join the political process. CSOs help make this happen by lobbying for local citizens. A great deal of the lobbying has focused on the content of the training and education. Teaching citizens to start their own small businesses using local resources has been an important

(New York: Oxford University Press, 2000).

[80]United Nations Development Programme, "The Role of Civil Society," 2.

component of UNDP programs, as has ensuring that educational materials are high quality, even in the poorest regions.

In some developing countries, micro-credit schemes have proved to be an important instrument for social mobilization. Through a partnership of public and private interests, UNDP microcredit programs began to gain momentum in the mid-1970s, and took on momentum in the early 1990s. By the end of 2001, microcredit financing was provided to 26.8 million poor people. According to the UNDP, while much of the discussion of micro-credit has emphasized the economic aspects, the provision of credit to poor households that otherwise would not have access, much more was at stake, including overturning power structures in local villages and ensuring more economic power to poor people. In both the rural and the urban sectors, the UNDP stresses that programs to promote savings need to exist. Ways of providing credible government guarantees for small savers are devised.

Governance in Special Circumstances

As UN work with CSOs increased, UN security and peace-keeping also rose markedly with the fading of the Cold War. By 1993, more than 70,000 people were serving in United Nations peacekeeping operations, at a cost of US$3.5 billion for that year, dramatically up from US$1.4 billion in 1992.[81] The UNDP also began increasingly promoting democracy assistance in war-torn, crisis, and transitional countries and regions. This was a matter of practicality: the UNDP's field staffs, small grant operations, and extensive CSO relations were well suited to promote the meeting of basic

[81]United Nations, *United Nations Peacekeeping* (New York: United Nations, 1993), 3, 11-12.

needs, democratic assistance, conflict prevention, and emergency and peace building assistance. The UNDP's Governance in Special Circumstances programs, concentrated in Africa and Latin America and the Caribbean, received 6 percent of governance funding between 1992 and 1996. Through its network of country offices, the UNDP had access to play an important crisis management role, including efforts involving the wider donor community. The UNDP was charged with helping put into place democratic features to help stabilize countries. This was done with recognition of the fact that these were initially cosmetic democracies, but the intent was to help bring some measure of temporary stability so that genuine reform could later occur. UN peace keepers would attempt to restore some sense of order and set up elections. Instead of then leaving, as had been the policy in earlier years, the peacekeepers and the UNDP would work to help consolidate these new or fragile democracies in order to prevent the return to a crisis situation. The UNDP became an important link in the UN's new peace-building role, and in the process it was given new relevance. Sometimes the UNDP served as the coordinator of other aid programs in these situations, which gave it a new sense of importance, as well as some influence over countries' governance structures and how they functioned.[82]

The UN was establishing itself as both a peacemaker and a peace keeper in the 1990s, and its developmental arm helped facilitate these roles. During the Cold War, the UN generally refrained from becoming involved in ongoing conflicts. If it did intervene at all, it was to help monitor a cease-fire that had already been negotiated. Yet as the Cold War was fading and in the years following its end, from 1988 to 1994, the UN

[82]United Nations Development Programme, "UNDP and Governance in Special Circumstances" (7 May 1997). <http://www.undp.org/bcpr/archives/governan.htm> [12 February 2005].

intervened in ongoing conflicts around the globe in a visible and forthright manner. UN development agencies, including the UNDP, increasingly entered into these conflict and post-conflict zones and worked alongside military officers. These development practitioners attempted to provide relief, protect marginalized individuals and groups, and, at less vulnerable stages, to set up regimes and institutions designed to help ward off future unrest and conflict. Aid practitioners, particularly those from the UNDP, advised military officers and local leaders about how to set up and monitor elections, educate voters, and support civil reconstruction. It was an entirely new domain and a new role for the UN and the UNDP that had to be pursued carefully and thoughtfully. It was also a notable entrance into a significant field of work. In post-Gulf War Northern Iraq, for example, UNDP assistance also served to help ensure that the Kurds were protected in the short-term and, through the installation and consolidation of democratic features, in the long-term. In many African civil wars, the UNDP intervened to provide basic needs assistance and later good governance aid.[83]

It must also be noted that not only in Special Circumstances, but in all five areas of its good governance promotion, the UNDP in the 1990s became unprecedentedly collaborative. The number of partnerships, joint initiatives, multi-donor projects, workshops, conferences, forums, and the like it sponsored or took part in was so great that it is nearly impossible to track. UNDP officials met and often worked with representatives from the private sector, local and international pubic sectors, local and international CSOs, and bilateral and multilateral donors. An Internet search for keywords "UNDP" and "partnership" resulted in more than half a million results. A search for "UNDP," "governance," and "partnership" resulted in nearly a quarter million

[83]Ibid.

results. Clearly for the UNDP, promoting good governance requires deep and broad involvement.

Institution-Specific Features

The preponderance of developing countries in the UNDP's membership with its non-weighted voting and voluntary contributions has made debates distinct from IDIs such as the World Bank, where weighting privileges wealthy donors. The UNDP's good governance promotion, with its emphasis on human rights protection, environmental protection, issues of equitable distribution, special attention to the needs of the poorest countries and people, and fair access to a country's resources, reflects its noticeably non-Northern dominated power structure. Also, since developing countries receiving UNDP assistance share the costs of reforms, there is added incentive to help the poorest.

UNDP good governance programs are unique in that from the very beginning, in the early 1990s, they reflected concerns for equity and local participation that only came later in many of other institutions' programs. Right from the start of initiating such programs, the UNDP was careful not to limit or compartmentalize its conceptions of good governance. UNDP documents called governance "systemic governance," used terms such as "holistic," and generally postulated that "success" in one aspect of governance was contingent upon many other factors, including success in other aspects of governance. This conscientious lack of technicality made UNDP programs much different than those of the IFIs, as well as many of bilateral aid programs.

The UNDP's more nuanced, holistic programs reflect its power structure's inherent disdain for the quick fix of earlier versions of modernization theory, as well as some degree of resistance to Northern imposition. The organization's good governance

promotion programs and policies are noticeably more country-specific than other IDIs', and, as stated, greater attention is given to the effects of reforms on those marginalized within societies. The UNDP's emphasis on fostering a vibrant home-grown civil society and local business ventures is also reflective of pro-poor, Southern values as a remedy for chronic structural inequalities. While other aid agencies in the later 1990s and beyond have generally shown concern with issues such as ownership of the development process and fostering local initiatives, the UNDP has done so, or at least relatively more of this, from the early 1990s on. UNDP programs recognize and attempt to take into account the way inequalities are often embedded in societies. Human rights promotion programs, for example, are based on the fact that implementation challenges exist.[84] The official recognition of rights is not helpful without the dedication to or ability to enforce them fairly and consistently. For example, the move towards gender equality tends to occur faster de jure that de facto; though legally protected against discrimination, in practice little may be done to enforce this. The UNDP urges follow-up meetings be held to evaluate such factors.

The UNDP's good governance and democracy assistance programs in the 1990s also served to help the larger UN with its pro-poor agenda remain relevant in the post-Cold War World. With aid weariness palpable, especially with many client countries paying partly for programs, good governance incorporated with anti-poverty programs sold well to donors and recipients. The UNDP worked to converge its good governance and antipoverty agendas so that the poorest countries and regions were not overlooked. This pleased stakeholders and suited UNDP ideals.

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[84]United Nations Development Programme, "Country Reports: Democratic Governance."

Many poor countries could be described as lacking the will to develop in the wake of many failed BWIs' SAPs and simply in general in the early 1990s. A sense of powerlessness was present, as the Northern countries appeared to be in charge of the global economy. The Northern-led BWIs and the new WTO were perceived as dominating the global economy, and rich countries no longer had the Soviet challenge or potential challenge to their unity and dominant neoliberal ideology. If poor countries did develop, they were doing so because the North needed them to and they were doing so by Northern-imposed or inspired methods, many believed. Dependency theory had lost its magnetism, but many of its underlying sentiments, mainly that the South was chronically marginalized by the North, persisted. Good governance promotion appealed to many countries in the South because it promised a change, always welcome during dire times, and perhaps some new independence to developing countries. Terms such as "empowerment" and "local ownership" were attractive to countries accustomed to owning little power and having little sense of ownership themselves. Good governance promotion gave poverty-stricken United Nations countries a goal around which political will, scattered in recent years, and could once again be mobilized. The UNDP's increased emphasis on good governance can be construed as at least partly a counteroffensive against the Washington consensus.

There was also a sense of division among the developing countries themselves in the early 1990s that perhaps good governance promotion could help assuage. The United Nations' financial crisis in the 1990s was emblematic of a political crisis among member countries with their own varying agendas. The United Nations in general had increasingly become a forum for disgruntled leaders of the developing countries, leaders who resented the United States and Organisation for Economic Cooperation and Development nations

for their superior global influence but who also resented each other for various reasons. Countries, and their United Nations representatives, competed for what little aid was available, and some developing countries did not appreciate the recent successes of a handful of once very poor countries. In the 1990s, the Asian Newly Industrializing Countries were receiving new attention and more foreign investment, and they still competed with the poorest African countries for aid. Also, regional competitiveness and long-term resentments still persisted. Focusing on good governance could to some measure possibly help assuage these larger problems. It took the focus away from inter-organizational disagreements and provided a new mission around which countries could rally.

In the 1990s, the UNDP was not only concerned about internal challenges, but was also in many respects looking for ways to ensure its future role. As other international organizations grew in number and in influence, the United Nations in general was beginning to seem a bit like an artifact of the Cold-War world. Its role as a symbol of unity seemed less necessary without the previous East-West rivalry, and its role, never particularly clear, seemed unprecedentedly ill-defined. The United Nations generally and its specialized agencies were under new scrutiny. Much of this was directed towards the developmental role of the UN. The United Nations' development activities were receiving more public attention in the 1990s partly because of the renewed attention to the United Nations. The United Nations development system had come to comprise as many as 125 legally independent agencies, organizations, and funds. The more of these entities that were created, the more bodies that were needed to help coordinate them. Critics claimed that without the Cold War's bipolarity, the United Nations' symbolism was losing validity, that the development arena was increasingly dominated by other

IDIs, and that the UNDP was increasingly marginalized in practice. They also asserted that the Cold War divide was no longer an excuse for UNDP failures or paralysis, that the UNDP's promises were often empty, and that while other forms of multilateral cooperation were increasing their vitality, the UNDP was losing what little it ever had. Others contended that the United Nations financial crisis reflected a deeper political crisis within the organization that interfered with its agencies' competencies.[85] The UNDP had too many discordant voices, too much internal dissent, and too little true power, many claimed. This was particularly frustrating for the UNDP, as it was having great difficulty raising funds. Conflict in transition countries was on the rise, causing increased needs for short-term funds, as well as the extant need for short- and long-term funds for chronically poor countries. The UNDP suffered from a sense of disillusionment in the early 1990s. The global oil crisis of 1973 had revealed the importance of developing countries to the international economy, creating a sense of possibility that those previously marginalized could find a new voice and new strength under the aegis of the UNDP. Hopes for a New International Economic Order (NIEO) proposed in 1974, however, had been long lost. The turn towards laissez-faire economics of the 1980s had uneven results, and the Bretton Woods institutions' SAPs and conditionalities had left little room for UNDP influence, as well as no clear sign of being largely effective in and of themselves. The UNDP seemed to have become project-laden, yet mission-less, even though demands for its funds continued to grow. Some hoped that a renewal of the entire United Nations system could be achieved "within the context of the economic and social functions."[86] The UNDP likely saw a broader collaborative effort towards good governance promotion with the

[85]Jakobsen,136-38.

[86]Assaf and others, 27.

other leading IDIs as a means of enhancing its, and the larger UN's, credibility and power. The UNDP had begun calling for a closer collaborative effort with the other leading IDIs in the 1980s, but to little avail.[87]

Perhaps this was the UNDP's opportunity. Perhaps then, also, the UNDP could advance its other goals, such as "human development" and equity within and between nations, with larger support. In October, 1994, then Secretary General Boutros Boutros-Ghali went so far as to call for the establishment of a centralized United Nations Development Council to coordinate policies for the BWIs (including the World Bank and the Fund). He argued that current lack of coordination between the United Nations, the World Bank, and the IMF "can hardly continue for the next fifty years except to the detriment of the cause of development."[88]

UNDP members representing a wide array of developing countries realized that other goals long valued by the UN system generally and the UNDP specifically such as equitable access to a country's resources and opportunities and fair treatment of those most often marginalized in society could be forwarded under the good governance rubric. For the UNDP, good governance promotion as was beginning to be promoted through increased international discourse, by non-state actors and the IFIs alike, was an opportunity. Joining in the dialogue, the UNDP could broaden and widen the more limited conceptualizations starting to emerge from the IFIs to include its own specific concerns. For the UNDP after all, the primary function of the government is to empower its citizens. A 1996 UNDP document from a UNDP workshop on "Good Governance for

[87]Righter,167.

[88]Ibid.

Sustainable Development," for example, listed 18 characteristics of good governance.[89] Twelve of these traits emphasized the promotion of equity. For the UNDP, the chance to help define the international understanding and promotion of good governance would make the institution more relevant and advance its own agenda of helping create to some degree a more equitable world system.

Because of the relatively stronger power of the World Bank and the Fund, it is not surprising that the UNDP has looked for ways to work in closer collaboration with these institutions. When the World Bank's 1989 report *Sub-Saharan Africa: From Crisis to Sustainable Growth* was published, this "broke new ground for the United Nations by addressing Africa's ills squarely, ending the taboo on mentioning internal politics that had made official discussion of development. . . so artificial."[90] In a sense, the report was a step by the World Bank towards acknowledging what had been obvious all along, yet unspeakable by the World Bank--that politics matters. The UNDP had never had a problem acknowledging this. And it benefitted from the temporary affirmation of its views. As is evidenced by increased collaboration, the organization realized the potential benefits to its own agenda of increased association with the relatively more powerful IFIs.

Embracing the good governance rhetoric that was becoming widespread in the 1990s was a way for the UNDP to help shape development policies often largely influenced by the Northern-based IFIs. The UNDP worked to widen the good governance concept of the IFIs to address concerns particularly important to its own mandate. By

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[89]United Nation Development Programme, "UNDP Workshop on Good Governance for Sustainable Development" (New York: UNDP, 1996).

[90]Righter, 206.

cooperating with the IFIs and bilateral donors and sponsoring conferences and joint initiatives, the UNDP had the chance to introduce and reiterate its interest in promoting equitable and human rights-oriented development. UNDP development practitioners were urged to encourage other donors to consider these facets in their design and implementation of programs. At the UNDP's October, 2000 second *Global Forum on World Development* in Rio de Janeiro, Brazil, for example, Harvard scholar and human rights advocate Stephen P. Marks urged UNDP field staff to "acquire a solid background in the human rights approach to convince the partners that it is legitimate and even helpful to development planning to bring in such considerations." Marks continued to state that other

> agencies may be slower than [the] UNDP in integrating human rights into development, especially the international financial institutions and the specialized agencies. Working within those agencies to provide such monitoring is more difficult, but effective application of the human rights framework includes working with them to develop progressively the habits that both reflect and generate a common commitment to the official policy, which comes with experience with integrating human rights.... [91]

Similarly, by embarking with the IFIs and bilateral donors on initiatives such as the UNDP's PACT, the UNDP was able to help broaden and inform other institutions' good governance concepts and practices. Sometimes the effect of this influence, though, may have been difficult to see.

Criticism of the United Nations in general was intensifying in the late 1980s and early 1990s. Adam Roberts and Benedict Kingsbury echo the sentiment of many that after the Cold War, the United Nations could no longer use the East-West divide as an

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[91]Stephen P. Marks, "The Human Rights Framework for Development: Five Approaches," expanded and updated version of speech delivered at the United Nations Development Programme's Second *Global Forum on World Development*, Rio de Janeiro, Brazil, 9-10 October 2000 (Boston: Harvard University Press, 2001), 21.

"all-purpose exculpation for its numerous failures to take collective action."[92] Faith in the UNDP's technical cooperation programs had sunk so low by 1990 that some governments were considering ceasing their aid contributions altogether.[93] Britain's overseas development minister Lynda Chalker went so far as to speak before the UNDP's governing council on the issue. She made continued British contributions contingent upon the UNDP's addressing several proposals (less interagency bickering and better planning and follow-through of development projects, among them). Chalker was not alone: attention was generally increasingly focused on the UNDP's shortcomings.[94] Part of the problem was that the United Nations from the beginning attempted to insulate itself from inter-state bickering by not tying its power to state power; its charter recognized each state's sovereignty equally, without giving more powerful states more power within the United Nations. The result was that the more powerful and richer states, not given their perceived fair share of influence, retreated. The United Nations, many argued, had increasingly become a forum for many Third World voices, but with little actual power to influence events or world conditions.

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[92] Kingsbury Roberts, 76.

[93]The UNDP and the agencies it funds has always received its share of criticism. The Food and Agriculture Organization (FAO) and the World Health Organization (WHO), both funded by the UNDP, have been singled out on many occasions for their perceived shortcomings. The FAO has been accused of consistently overstating the severity of the world food shortage to alarm donors. Nicholas Eberstadt, *The Tyranny of Numbers: Measurement and Misrule* (Washington, D.C.: AEI Press, 1995). The WHO, generally considered successful in its early years, particularly in the fight against various disease epidemics like smallpox, has lately been accused of having too broad and unspecified a mandate to be effective. Javed Siddiqi, *World Health and World Politics: The World Health Organization and the UN System* (Columbia: University of South Carolina Press, 1995).

[94]Righter, 267-68.

The UNDP in particular also was facing a host of new criticism in the mid-to-late 1980s and 1990s. Intense interagency competition for its scarce funds consumed much of its agenda, and the funds it did disperse were oftentimes used to build too many "cathedrals in the desert."[95] The publication of the 1986 report "Does Aid Work?" by a World Bank/Fund intergovernmental task force, while not specifically focused on the UNDP, highlighted the negligible impact that technical assistance was making in the fight against poverty. Also damaging was the publication of the Organisation for Economic Cooperation and Development's 1986 report on development aid, which accused the UNDP of mostly funding "mini-projects working on mini-objectives."[96] The influential first Nordic United Nations Reform Project, published in 1991, also brought attention to a host of United Nations problems and specifically criticized the UNDP's lack of sound analytical capabilities in its development policy prescriptions.[97] The Nordic Project, which was particularly resonant due to the Nordic countries' reputations as generous aid donors, recommended that the UNDP improve its conceptual basis for development aid to provide a stronger rationale for its endeavors. Yet another reform proposal came from the South Center, an independent working group that included some very elite scholars. Its working report identifying the UN's diminished role in supporting economic development had been well-circulated by 1995. The report, published in 1996, argued that the advanced industrialized countries had in essence divested the United Nations of its development role, deferring instead to the BWIs.[98] In the 1990s, the UNDP

[95]Ibid., 61.

[96]Ibid, 59.

[97]Assaf and others, 29-30.

[98]Ibid., 31-2.

was ostensibly trying to overcome such wide-ranging and mounting criticism, or at least trying to shift the focus away from it with a new or reconceived endeavor. As mentioned, in the early 1990s, the United Nations in general was witnessing a steady decrease in the already relatively fewer funds it received from the wealthy and powerful United States. By mid-1999, the United States' debt to the United Nations had reached $1.6 billion, all unpaid dues.[99] It had become increasingly evident that the world's wealthy, industrialized powers were interested in little more than offering lip service to an organization in which their power was not truly reflected. The UNDP in particular, to which contributions were voluntary, was struggling financially.[100] As Rosemary Righter contends, from the beginning, there was intense interagency competition for the UNDP's money. By 1985, for example, thirty-seven United Nations agencies were spending the UNDP's funds, which never amounted to more than 3 percent of official development assistance. The number of projects the UNDP funded had increased exponentially since its creation, yet its budget had hardly grown. Between 1970 and 1993, the UNDP budget had witnessed no real growth at all. Additionally, the UNDP's share of United Nations spending on technical assistance, 65 percent in 1968, had steadily declined, falling to 38 percent by 1980.[101] Increasingly working collaboratively with the World Bank (particularly after its capital funding increase of $75 billion in 1988) and with the

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[99]Robert L. Borosage, "Money Talks: The Implications of U.S. Budget Priorities" (Washington, D.C.: America's Future, September, 1999), 5.

[100]Jakobsen, 173-74; Righter, 232-35; and Klaus Hufner, "The Nature and the Role of Multilateral Assistance of the United Nations System," in *The Future Role of the United Nations in an Interdependent World*, ed. John P. Renninger (Boston: Martinus Nijhoff Publishers for UNITAR, 1989), 172-90.

[101]Righter, 58-9, 167.

Organisation for Economic Cooperation and Development could help allay this situation, as it might help convince richer members to at the least pay their dues.

Even if countries did pay their dues, the UNDP's needs were greater than ever in the 1990s.[102] When the Cold War ended, Soviet aid to some developing countries, greatly diminished since the mid-1980s, ended altogether. At the same time, the former Soviet countries now needed aid themselves and commanded a great deal of international attention, making the competition for aid funds and the struggle to raise awareness for development all the more intense. These increased demands on international development assistance and international humanitarian efforts made it difficult for the UNDP to work towards its goal of promoting human development in all poor countries. Adding to this diversion away from business-as-usual development goals were the growing numbers of "complex emergencies" such as ethnic conflicts, collapsed states, and refugee problems occurring around this time. These were not all the result of the Cold War's end, but many were related to it, and others gained more international attention since the collapse of the Soviet Union shifted international priorities. It was easy for the UNDP to be overlooked as the international system underwent its post-Cold-War reorientation.

Also with the fading of the Cold War, many of the poorer United Nations countries became less strategically important to donors. This gave them less bargaining power with the richer countries, and less power generally in the international system. The nature of bilateral aid is often indicative of individual countries' true sentiments about where and how multilateral aid should be spent. Most bilateral development aid since the end of the Cold War has focused on United States economic interests (such as Egypt and

[102] Ibid., 58-60.

Israel), Japan's trading partners, France and Great Britain's former colonies, middle-income countries with large foreign debts, and former Soviet bloc transition countries. Hence, to obtain member donations from the richer countries for general development goals, including for relief of poverty in the poorest and most overlooked countries, the UNDP depended increasingly on the "political good will" of wealthy nations, notably the United States, Western European countries, and Japan. The UNDP had to earn this good will. Embracing good governance promotion, as the Bretton Woods institutions were, was a way to earn points for the poorer countries, and hence for the UNDP's mission. Even the UNDP itself admitted in its 1992 *Human Development Report* that without the Cold War struggle, developing countries had little impact upon the affairs of the richer countries. The economic impact was certainly negligible.

This put the UNDP in the precarious position of having to raise international public opinion about developing countries, even ones with problematic political situations and histories. The end of the Cold War ushered in a period where countries' international reputations became increasingly important. The UNDP, if it wanted to make a difference in influencing the volume and direction of development aid, had to convince the leaders of the international aid community that the poorest countries were worth such investment. The UNDP also had an interest in this cause due to the discussions that were underway in the richer countries about potentially forgiving increasing numbers of international debts. During the course of the 1980s, the long-term debt of the poorest countries had more than tripled, and many of these countries had to divert money away from citizens' basic needs in order to service their debts. These were the countries that could afford to do even that. The UNDP had reason to want to attain the amity of the rich countries.

It was also a propitious time for the UNDP to attempt to accomplish this.[103] After the Cold War ended, the rich, developed countries were temporarily reconsidering their foreign policy goals and strategic alignments.[104] Also, the era of conservatism epitomized by Ronald Reagan and Margaret Thatcher had come to a close, ushering in the potential for more welfare-oriented strategies on a global scale. This would be a good time for the UNDP to effectively argue its cause or at least garner some positive attention for the plight of the world's most destitute. As Stokke contends, the World Bank "took the lead in the initial period" in promoting good governance.[105] Intervention was extended from the economic to the political environments of developing countries. By showing that it was amenable to this intervention and even joining in the cause, the UNDP hoped to raise its profile. This, in turn, could raise the profile of the most highly-indebted countries in the post-Cold-War world. More development assistance, it was hoped, would follow.

The fading of the Cold War offered a period of renewed hopes for a more viable and effective United Nations.[106] The Gulf War in 1991 was an unprecedented instance of

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[103]Richard Grant and Jan Nijman, "Foreign Aid at the End of the Century: The Emerging Transnational Order and the Crisis of Modernity" in *The Global Crisis in Foreign Aid,* eds. Richard Grant and Jan Nijman (New York: Syracuse University Press, 1998), 3.

[104]Bruce D. Berkowitz, "Handicapping the George Kennan Sweepstakes," *Orbis* 42:3 (summer 1998): 465-73.

[105]Ibid.

[106]Some developing countries did not have high hopes for a revitalized United Nations, fearing that the organization could become a tool of developed countries' national interests. Some worried more particularly that the renewed emphasis on United Nations security and peacekeeping roles would distract the organization from helping developing countries not in the midst of well-publicized conflict. See, for example, Robert Matthews, "United Nations Reform in the 1990s: North-South Dimensions" in

great power cooperation that raised expectations for the role of the chronically marginalized to become a potent force in the post-Cold War world. Some even feared that the UN might become too powerful.[107] The election of Boutros-Ghali in 1992 brought new hopes, as did the seeming renewed cooperation of the Security Council.[108] A sense of anticipation accompanied the first Security Council meeting in New York in January, 1992. The United Nations had not only a new highly visible Secretary-General, but also new member and prospective member states, making membership in the organization almost universal.[109]

The UNDP also saw a potential space growing for more cooperation with the Bretton Woods institutions, which could potentially lend it credibility and perhaps lead to increased funding from the major developed countries. The UNDP also saw an opening for more unity with United States sentiment via good governance promotion. The United States had lost its early enthusiasm for developmental aid due to various factors, such as general aid fatigue and the lack of progress in many developing countries. The explosive growth of the World Bank under Robert McNamara's leadership had made some American leaders wary, and the growing budgets within the United Nations generally did not add to their sense of confidence in aid organizations. This lack of confidence was

The State of the United Nations, 1993: North-South Perspectives, ed. Gerald Dirks and others (Providence: The Academic Council on the United Nations, 1993), 28-37.

[107]Haq, 44.

[108]Gwin and Williams, 111-12.

[109]Not everyone felt so hopeful. Li Luye writes that various factors have "tipped the balance of the existing world pattern," and dominating powers "stress that the United Nations should be given a 'central role,' [but] they in fact are placing themselves above the United Nations." Li Luye, "UN Role in Establishing a New World Order," in *The UN's Role in World Affairs*, ed. Donald Altschiller (New York: The H.W. Wilson Company, 1993), 144.

evident in the United States' half-billion dollar debt from unpaid dues to the United Nations in the early 1990s, its adoption of a policy of zero growth in UN contributions in 1977, and its departure from UNESCO in 1984. In the early 1980s, United States President Ronald Reagan committed to reducing all official development assistance. This sentiment endured throughout the decade, rightly worrying UNDP officials about any future commitments from the United States. Yet all this began to change in the early 1990s. As the Cold War faded, the George Bush administration was clearly reassessing America's position on many issues. In many respects, the administration helped fuel great momentum in favor of cooperation and international law. The Gulf War was an example of such inclination, raising hopes for a "New World Order" with more consensus and solidarity. The United Nations in general saw this as a hopeful sign. Also, the broader organization was receiving more American attention as it increased its peacekeeping activities. The organization was attempting to make itself more attractive to the United States in many small ways. In 1991, for example, the United Nations appealed its 26-year-old resolution equating Zionism with racism, which the United States had always opposed. Many appointments of Americans to prestigious posts were also made. Boutros-Ghali appointed America's` Governor Richard Thornburgh as Under-Secretary General (later to be replaced by America's Melissa Wells) and selected Joseph Verner Reed, another American, to manage the organization's fifty-year anniversary celebration. Additionally, American Burton Pines was selected (by Reed) to serve on the Executive Board of a new NGO, the Institute of East-West Dynamics, which received an initial $250,000 UNDP grant to help Eastern European countries establish free market economies. American Pedro Sanjuan, considered a conservative, would serve as its president. William Draper, the UNDP Administrator at the time (1986-1993),

was known as a conservative and as a friend of American President Bush. In the early 1990s it was clear that that an unlikely friendship was forming between the United Nations generally and American Republican leaders, usually some of the United Nations' harshest critics. This improvement in relations helped create a space for more cooperation between the United States and the United Nations, including the UNDP.

The UNDP also saw the potential for a possible carry-over effect by embracing some of the rhetoric of the World Bank-led good governance promotion. Working in conjunction with the World Bank in particular might boost the UNDP's stature. Also, as noted, the World Bank's notion of good governance tended to be more narrow and administrative than that of the United Nations, the latter of which stressed human freedom much more emphatically as a goal. Maybe by adopting similar terminology, the UNDP could influence this institution to adopt some of the UN's wider human development goals. The UNDP's *Human Development Report* of 1990 is evidence of the its embracing similar rhetoric: its wording came uncannily close to resembling the World Bank's *World Development Report* of 1990.

Synopsis

In the 1990s, the UNDP concentrated on the human aspects of development, promoting programs that focused on people's choices and capabilities. The strategy recognized the limitations of a sole reliance upon market forces, and sought to promote values such as equity, environmental quality, and the empowerment of the poor. The institution operates with a very broad definition of good governance. This conception of good governance has been linked to UNDP's core mission since the mid 1990s, the promotion of sustainable human development. Good governance is considered to be the

primary means for achieving sustainable human development. The UNDP encourages developing countries to develop their own views of good governance.

Yet as the UNDP revealed in the 1990s, this IDI was not averse to increasingly courting the favor of the richest countries. Sometimes this meant co-opting some of the language and practices of dominant countries and institutions, yet with a persistent underlying resolve to remain committed to shifting the Northern-led status-quo.

CHAPTER IV

THE WORLD BANK

The World Bank, a lasting inheritance of the post-World-War-II economic order, is today's leading IDI. Headquartered in Washington, D.C. and with about one hundred country offices, it serves as a primary liaison between developed and developing countries. The World Bank Group is currently comprised of five separate entities: the original International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC, established in 1956), the International Development Association (IDA, 1960), the International Centre for the Settlement of Investment Disputes (ICSID, 1966), and the Multilateral Investment Guarantee Agency (MIGA, 1988). From here on, the term "World Bank" refers to the IBRD and the IDA together, the group's main development arms.[1]

The IBRD has 184 members, and the IDA 164. Each member government is a Bank shareholder, and the number of shares a country owns is based on the size of its economy. The United States is the largest single shareholder, with 16.41 percent of votes, followed by Japan (7.87 percent), Germany (4.49 percent), the United Kingdom (4.31

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[1]The IBRD and IDA, separate but integrated institutions, provide funds to governments. They employ the same staff, are located at the same headquarters, report to the same president, and follow equivalent loan standards for appraisal and approval. The IBRD lends mainly to middle-income countries at near market rates, while the IDA is focused on the poorest countries, offering low-cost loans and grants. While the IBRD and IDA are "specialized agencies" of the United Nations, the World Bank functions as an independent institution comprised of member countries that are the Bank's shareholders. The member countries "own" the Bank and determine its strategies, policies, lending, and membership. A country must be a member of the International Monetary Fund (IMF) before joining the IBRD. Membership in the IBRD is also required for membership in IDA and other Bank institutions. World Bank, "The World Bank Group: Organization" (2002). <http://www.World Bank.org> [10 January 2005].

percent), and France (4.31 percent). The remaining shares are divided among the other member countries.

Staffed by about 9,500 and with a $28 billion annual lending budget, the World Bank is the most abundant source for long-term development lending and credit. Since its beginnings, it has lent more than $500 billion to middle and low-income countries. By constantly redefining itself, resurrecting its image, and continuing to supply knowledge and funds, it has come to serve as a primary source of the world's prevailing development ideas and practice standards. In addition to its capital and financial leverage and its development expertise, the World Bank has attempted to rest its influence upon its "apolitical image"[2] as formalized in its Articles of Agreement:

> The World Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the members concerned. Only economic considerations shall be relevant to their decisions.[3]

By stressing technocratic resolutions to a myriad of development problems, the World Bank endeavors to present itself as benign, non-political, and concerned principally with creating conditions conducive to growth and with raising standards of living in developing countries. Because of its interventionist nature, however, the World Bank has to work ceaselessly to prove its credibility to many of its own member countries as well as critics of capitalism and of the North's rendering of and treatment of the South. Because the very issue of development is controversial and because the World Bank is

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[2]Paul J. Nelson, *The World Bank and Non-Governmental Organizations: The Limits of Apolitical Development* (New York: St. Martin's Press, 1995), 35, 122.

[3]The World Bank's apolitical legal requirements are reiterated in Article 111, section 5b, which requires that the World Bank not consider political or other non-economic factors in making its decisions. Cited in Franz von Benda-Beckmann, "Good Governance, Law, and Social Reality: Problematic Relationships," *Knowledge and Policy* 7:3 (fall 1994): 55-68.

quite prominent, this institution has become a perpetual target of sorts for those with various resentments. The fact that the Bank is still in business and that it is still a significant actor on the international stage is a tribute to the resourcefulness and ingenuity of its leadership over the years. The World Bank is not harmless or blameless, though. It is highly political, as is the nature of any large multilateral institution. It has increasingly come to stand for economic liberalism and development via Northern conceptions, but this does not mean to imply that it is devoid of humanism.

The World Bank has, though, made a profit every year since its creation, totaling about 3 billion in 2004 dollars. The IBRD only lends directly to governments or for projects that they guarantee. The IBRD has lent to 129 countries, yet over 60 percent of these loans have been made to ten countries (in order of total sum borrowed): Mexico, Brazil, India, Indonesia, China, Turkey, Argentina, Korea, the Russian Federation, and the Philippines. IDA lends to governments that have been assigned such poor credit ratings they are unable to borrow from commercial banks. IDA loans are a significant credit source for these countries. More than 20 percent of all IDA funds have gone to India. IDA's top ten borrowers are as follows (in descending order): India, Bangladesh, China, Pakistan, Ghana, Ethiopia, Tanzania, Vietnam, Uganda, and Kenya. The Bank has twenty-seven "vice-presidential" units around which it organizes its functions. Six of these units are regional and focus on Africa, East Asia and the Pacific, Europe and Central Asia, Latin America and the Caribbean, the Middle East and North Africa, and South Asia. Other units focus on issue areas such as the environment, the financial sector, private sector development, development economics, legal affairs, and human resources. The Bank president, chosen by the United States, leads all five arms of the institution. The president's term, which is renewable, lasts five years. Bank operations are also run

and overseen by a complex system of Boards of governors, directors, and executive directors, as well as a development committee. The Bank's Board of Governors, to which each member country elects a representative, meets annually in the fall. It makes important decisions on the institution's strategic course, membership, capital stock, budgets, and income distribution. Twenty-four Executive Directors comprise the Bank's Board of Directors. The five largest shareholders appoint their own representatives, as do the Peoples Republic of China, the Russian Federation, and Saudi Arabia. The remaining sixteen Board chairs are divided. The Board of Executive Directors oversees daily Bank operations and approves all lending decisions. The twenty-four member Development Committee (DC) advises the Bank's Boards of Governors and the International Monetary Fund on issues of development and finance.[4]

Growth of Policies and Programs

The World Bank has evolved greatly since it was created at the post-World-War 11 Bretton Woods conference in 1946. Its initial primary task was to help with the post-war reconstruction of Europe, though it ended up dispersing only four reconstruction loans, totaling $497 million. The Marshall Plan eclipsed its lending by dispersing $41.3 billion in 1953.[5] As had been planned, the World Bank soon began investing in the infrastructure of developing countries. Still, though, even ten years after its beginning, more than half of the Bank's financing went towards loans to the industrialized countries. When the World Bank began focusing more on the developing world (due to the growing

[4]See World Bank, "Organization."

[5]Bruce Rich, "World Bank/IMF: 50 Years is Enough" in *Fifty Years is Enough: The Case Against the World Bank and the International Monetary Fund*, ed. Kevin Danaher (Boston: South End Press, 1994), 6.

asymmetric Cold War strategies of the United States and its allies), it proceeded cautiously, neither wanting to be accused of disturbing the sovereignty of other countries nor wanting to risk its reputation by making bad loans.

By design, however, the institution was in a position to take some risks. Its founders had believed that national governments could not depend only on private sources for adequate and fair international loans. The World Bank, with its considerable access to funds and its own status, would reduce the risk involved in foreign lending during a time when global capital markets were volatile, after the financial tumult of the inter-war years. The Bank would help establish a new standard for making credible loans and provide reliable information about investment prospects.[6]

In the Bank's beginning years, the institution had a rather limited focus that would only expand with time. After its early reconstructive lending, the World Bank came to view itself primarily as a lender for projects, particularly for infrastructure. Modernization theory, popular at the time, influenced the institution's view that with the proper infrastructure in place, poor countries would develop as European ones and the United States had previously. The World Bank responded to growing developing country requests for loans, and most of these loans went to finance the building of roads, railways, power plants, port installations, and communication systems. Much focus was placed upon public sector planning and investment for these projects, while the private market was seen as the most viable sphere of development for industry, agriculture, commerce, and financial services.[7] In the 1960s, though, the World Bank broadened its

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[6]See Bakker, 46-9.

[7]See Ed Brown, Giles Mohan, and Alfred B. Zack-Williams, "The Long Road to

scope and began making loans for agricultural and industrial development. World Bank lending was becoming increasingly politicized, as the decolonization process intensified and the United States and the Soviet Union sought to gain influence in strategic Third World locations.[8] Europe and Japan rose in strength to challenge United States dominance of the global economy, and Third World influence added to a country's international stature.[9]

The following decade, the 1970s, was marked by crisis in the global economy. It was also a decade of growth for World Bank operations. Under the leadership of President Robert McNamara, the World Bank and its power expanded considerably. The Bank formally espoused poverty alleviation as its principal goal, and also rhetorically paid increased attention to humanistic problems such as inequality and lack of access to education. Investing in human capital took precedence over infrastructure loans. The World Bank co-opted some of the terminology from the growing dependency theory movement originating in Latin America. New Bank doctrines such as "redistribution with growth" and the satisfaction of "basic needs" emerged, partly in attempt to quell criticism that the poor were intentionally subjugated or at least overlooked.[10] At the same time, the Bank intensified its lending for rural development and began investing specifically in areas like nutrition, health, water, and sanitation. McNamara asserted that alleviating poverty was essential not just for its own sake but also for global political

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Structural Adjustment," in *Structural Adjustment: Theory, Practice, and Impacts,* eds. Ed Brown, Bob Milward, Giles Mohan, and Alfred B. Zack-Williams (New York: Routledge, 2000), 15.

[8]Ibid.

[9]Brohman, 121-40.

[10]Joanna Macrae, *Aiding Recovery? The Crisis of Aid in Chronic Political Emergencies* (London: Zed Books, 2001), 14.

stability. Hence, he acknowledged in a sense that the Bank was serving the wider political purposes of the North.[11] As its mission grew, the number of World Bank staff rose from 1,500 to 5,200, and the dollar value of loans rose sixfold. Lending increased from $953 million in 1968 to $12.4 billion in 1981.[12]

The second global oil crisis of 1979-80 and the subsequent debt crises, along with the policies of the neoliberal governments in the United States and Western Europe, helped lead to neoliberalism's rise and entrenchment at the World Bank in the early 1980s. Some contend that these phenomena helped trigger a marked change in world view at the World Bank. Bank officials came to believe that the real value of aid could come only from supporting structural adjustment.[13] Neoliberalism's influence at the World Bank and more broadly among the developed countries stemmed from the overall character of the international political economy at the time. Particularly after heavy borrowing following the second oil crisis, many indebted developing countries needed balance of payments assistance that project finance could not provide.[14] The developed countries realized they could not control the world economy to the extent they once had thought possible, and they saw in neoliberalism an answer to this dilemma. The state,

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[11]Ibid., 15.

[12]Sheldon Annis, "The Shifting Grounds of Poverty Lending at the World World Bank" in *Between Two World's: The World Bank's Next Decade*, eds. Richard Feinberg and others (New Brunswick: Transaction Books, 1986), 89.

[13]J. Harrigan, P. Mosely, and J. Toye, *Aid and Power: The World Bank and Policy-Based Lending,* vol. 1, 2d ed. (London: Routledge, 1995), 1, 21-61.

[14]Christopher Gilbert and David Vines, "The World Bank: An Overview of Some Major Issues" in *The World Bank: Structure and Policies*, eds. Christopher Gilbert and David Vines (Cambridge: Cambridge University Press, 2000), 12; Ravi Kanbur and David Vines, "The World Bank and Poverty Reduction: Past, Present, and Future" in *The World Bank: Structure and Policies,* eds. Christopher Gilbert and David Vines (Cambridge: Cambridge University Press, 2000), 87.

many believed, skewed the natural workings of the market and limited its ability to bring absolute gains to all and relative gains to the North. Structural adjustment and other forms of economic conditionality came to dominate the World Bank's lending concerns and policies, eventually accounting for about 25 percent of new lending.[15]

The early World Bank adjustment view revealed the neoclassical perspective that shrinking the size and reducing the activities of the state, enhancing the state's ability to carry out its limited economic role, and correcting domestic policies that impeded the market's efficiency would spur development. The beginning of Alden W. Clausen's Bank presidency reinforced this view. The publication of the Berg Report in 1981 demonstrated some of the basic values present within the institution at the time. The report, formally called *Accelerated Development in Sub-Saharan Africa: An Agenda for Action*, written by Eliot Berg, prescribed less state intervention and greater reliance on market forces.[16] World Bank policies followed from this perspective. The Bank increasingly focused on rolling back the state and minimizing interference with the functioning of the market. Its prescriptions opposed the nature and policies of state-led economies, in the Soviet bloc and in the South generally. Many developing countries were told to abandon infant industry protection and establish vital commodity export markets. Fiscal discipline was urged, as were inflation controls, state expenditure reductions, and balanced state budget deficits. Privatization and competitive exchange rates and trade policies were advocated.[17]

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[15]Colin Leys, *The Rise and Fall of Development Theory* (Bloomington: Indiana University Press, 1996), 19-20.

[16]World Bank, *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* (Washington, D.C.: The World Bank, 1981).

Despite its reputation for imposing stringent conditions to loans, Bank conditionality did not actually begin until 1979. Bank loan dispersement has always been accompanied by a degree of conditionality, which is naturally inherent in lending decisions.[18] Yet SAPs took conditionality to a much higher sphere. Initially, most SAPs focused on the basic policy prescriptions from mainstream classical economic theory.[19] As Christopher Gilbert and others contended in 2000, though, since the 1980s, the "policies have become the projects" of the World Bank.[20] Adjustment lending increased from the World Bank's issuance of its first SAP loan in 1979 in all regions until 1987, when it began to level off and then slowly decrease. Latin American and Caribbean countries received about a third of all of the Bank's adjustment loans during this period, followed by Asia, Africa, Europe, and the Middle East. In all, the Bank dispersed loans equaling about US$20 billion during the 1980s. Structural adjustment loans were most widely used early in the decade, while the more specifically-focused SecALs, sectoral adjustment loans, grew in prominence in the middle of the decade, eventually surpassing SALS in their volume and amounts. SecALs became more widespread because they were easier to implement and to monitor due to their more narrow foci.[21]

[17]Williamson, "What Washington Means," 16.

[18]Christopher Gilbert and others, "The World Bank, Conditionality and the Comprehensive Development Framework"in *The World Bank: Structure and Policies,* eds. Gilbert and Vines (Cambridge: Cambridge University Press, 2000), 291.

[19]Francisco H.G. Ferreira and Louise C. Keely, "The World Bank and Structural Adjustment: Lessons for the 1980s"in *The World Bank: Structure and Policies,* . Christopher Gilbert and David Vines (Cambridge: Cambridge University Press, 2000), 159-95.

[20]Gilbert and others, 290.

[21]Ferreira and Keely, 170-71.

In the early 1980s, *World Development Reports* initially used the terms "adjustment" and "stabilization" indiscriminately and interchangeably. Later, though, stabilization policies came to be known as those meant to achieve macroeconomic balance, such as inflation reduction measures and account deficit reductions. Structural adjustment was more specifically articulated to mean supply-side policies attempting to increase efficiency. Some examples include trade, price, tax, and financial reform; privatization; and labor market reform.[22] World Bank loan requirements focused on the economic sphere, and political reform was not considered a domain for Bank interference, due to the institution's charter limitations and its stance that it was an apolitical institution. The Bank did initiate "public sector assistance reform" projects as early as 1983, as described in its 1989 *World Development Report,* but the reforms were circumscribed to a very narrow, technical domain. The Bank set up programs to assist developing country governments create and implement better financial management policies, reduce the size of civil service, set appropriate salaries, and "help" in other fairly non-controversial ways. Projects were carefully devised to avoid the appearance of political intrusiveness, and they were not the focal point of World Bank activities.[23] They were, however, a precursor to policies to come, foreshadowing the Bank's imminent concern with political environments conducive to efficient market economies.

The volume of the Bank's conditional lending grew dramatically in the mid-1980s. Neoliberal beliefs had become entrenched in much of the North, and structural adjustment proponents believed that the economic problems of the 1970s largely resulted

[22]Ibid., 160-61, 166-67.

[23]Richard Sandbrook, "Bringing Politics World Bank In? The World Bank and Adjustment in Africa," *Canadian Journal of African Studies* 29 (1995): 279; World Bank, *World Development Report 1983* (New York: Oxford University Press, 1983).

from faulty state policies adopted after the first oil crisis of the decade.[24] World Bank policy prescriptions were intended to remedy these perceived deficiencies. They increasingly included liberalizing financial markets, ending subsidies and quotas, curbing state monopolies and price controls, floating exchange rates, and accelerating privatization. Export-based growth and balanced state budgets (including timely servicing of debts) were promoted. In the early 1980s, a large number of developing countries were experiencing severe reductions in already low economic indicators, as well as serious macroeconomic problems. Many countries were unable to either service their debts or feed their citizens. This gave the Bank leverage to intervene in their economies. Critics assert that SAPs were a symptom of the Bank's, and more broadly the North's, desire to control and dominate the South. Others argue that the typical SAP package was overly generic and not formulated to help a specific country with its own unique characteristics and issues. Still others contend that SAPs were detrimental to the social welfare of citizens, particularly the poorest who tended to depend upon the state for basic services.[25] All of these allegations have merit, yet World Bank officials asserted that by getting their economic policies right, the plight of developing countries would improve.[26] It is true that some pro-poor policies were introduced in developing countries following the first debt crisis, but these comprised a small percentage of o verall Bank-

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[24]Giles Mohan, "Preface and Prospectus" in *Structural Adjustment: Theory, Practice and Impacts,* eds. Giles Mohan, Ed Brown, Bob Milward, and Alfred B. Zack-Williams (London: Routledge, 2000), xv.

[25]Abrahamsen, 9-13; Robert Cox, "Multilateralism and World Order," *Review of International Studies* 18 (1992): 161-80.

[26]Bob Milward, "What is Structural Adjustment?" in *Structural Adjustment: Theory, Practice and Impacts,* eds. Giles Mohan, Ed Brown, Bob Milward, and Alfred B. Zack-Williams (London: Routledge, 2000), 24.

initiated reforms. World Bank SAP lending, though, expanded steadily. Between 1980 and 1982, it amounted to $190 million. Between 1986 and 1988, it was $1,241 million. During the decade of the 1980s, it rose to $10, 025 million.[27]

Criticism of the World Bank had reached new heights by the end of the 1980s,[28] and the Bank responded partly by co-opting some of its critics' concerns, as it had done in the 1970s. The Bank responded to claims that it was overly focused on conditions needed for an efficient market economy and re-claimed its dedication to poverty alleviation. Concern about the effects of development programs on poverty surfaced in World Bank's rhetoric and documents decades ago, yet poverty reduction as an independent objective was a fairly new phenomenon. Such a focus had been largely missing or stifled during the 1980s. The Bank, accused of ignoring the social costs of adjustment, would devote its 1990 *World Development Report* to addressing the problem of poverty.[29] The strategy emphasized how the institutional environments of recipient countries needed be structured or restructured so that the poorest were not further marginalized. The report was published in the year following the IMF's statement that it would be unacceptable to "wait for resumed growth alone to reduce poverty."[30] Further, in 1993, a vice-presidency with a special poverty reduction mandate was created at the Bank. Critics would contend that these measures did not change the fact that the Bank

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[27]Ibid., 25.

[28]Ibid.

[29]World Bank, *World Development Report 1989/1990* (New York: Oxford Univeristy Press, 1990).

[30]World Bank, *PovertyReduction Operational Directive* (Washington, D.C.: The World Bank, 1992).

worked to buttress the position of the North via the South, but most would at least concede that the renewed attention to poverty alleviation was a welcomed sign.

The number of projects reflecting the World Bank's renewed concern with protecting the environment also expanded in the 1990s, often falling under the label "sustainable development." Efforts were made to consider the long-term effects of projects and policies on the air, land, and waterways. Topics like conserving biodiversity, reducing greenhouse emissions and pollution, reducing chemical use, and addressing global warming became popular.[31] As the 1990s progressed, particularly during James Wolfensohn's tenure, the World Bank increasingly added to its number of concerns and programs. In addition to its environmental programs, the World Bank also initiated programs focusing on the importance of civil society, women in development, ethnodevelopment, and human freedom as components of development. The Bank also began to show more concern with the quality, not just the quantity, of state capacity.

The Bank opened the way for focusing on good governance promotion as early as 1989 with its publication of *Sub-Saharan Africa: From Crisis to Sustainable Growth*. This report "contained all the ingredients for subsequent good governance discussions."[32] The next year, an internal Bank dispatch explained that "internal or external political

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[31]Giles Mohan, "The Environmental Aspects of Adjustment" in *Structural Adjustment: Theory, Practice and Impacts*, eds. Giles Mohan, Ed Brown, Bob Milward, and A. Zack-Williams (London: Routledge, 2000), 95-116.

[32]Much of the Bank's early 1990s'discussion about good governance emanated from this IDI's work in Africa. This is most likely because of the more active role the Bank took in Sub-Saharan Africa; the large number of dictators in this region; increased calls for democracy among African people; a traditionally strong role for the state in many countries; and the failure of SAPs to entice private investment and foster increased economic growth to the region. R. Smith and P.J. Lipperman, "The World Bank's New Focus on the Quality of 'Governance' in Borrowing Countries and the Linkage Between 'Good Governance' and Internationally-Recognized Human Rights" (Washington, D.C.: Lawyers Committee for Human Rights, 1992), 21.

events may have significant direct economic effects, which, due to their economic nature, may properly be taken into consideration in the World Bank's decisions."[33] In the following year, 1991, the World Bank further confirmed its new position on the necessity of the state intervention in some ways. Its *World Development Report* stated that the,

> proper economic role of government is larger than merely standing in for markets if they fail to work well. In defining and protecting property rights; providing effective legal, judicial, and regulatory systems; improving efficiency of the civil service, and probably the environment, the state forms the very core of development. Political and civil liberties are not, contrary to a once popular view, inconsistent with economic growth.[34]

Many bilateral aid donors were openly encouraging democracy at the time, and other multilateral aid donors were beginning to do the same. As Leftwich contends, however, the World Bank was more cautious in its stance. Instead of advocating democracy or even good government, it adopted the more neutral terminology of "Good governance." Instead of being accused of having too limited a focus, critics accused the World Bank of suffering from "mission-creep."[35] The Bank also began creating its influential Poverty Reduction Strategy Papers (PRSPs). The World Bank's experience in public sector had also promoted a fuller understanding that public sector management must be understood within a broader context of governance. The role of governing institutions was indeed critical to the performance of the public sector, and there were connections between good public sector management and decentralization to local governments, to the private sector, and to civil society. A more holistic, systemic approach to development was

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[33]Ibid.

[34]World Bank, *World Development Report 1991* (New York: Oxford University Press, 1991), 4.

[35]Jessica Einhorn, "The World Bank's Mission Creep," *Foreign Affairs* 80:5 (September/October 2001): 22-35 and Stephen Fidler, "Who's Minding the World Bank?" *Foreign Policy* (September/October 2001), 40-50.

obviously needed to better take account of all these factors. The basic idea was that aid recipients would devise, through a process of lengthy consultation including national civil society and international donors, their own long-term development strategies. The Bank would then work with each developing country to help it achieve its objectives. The Bank explicitly stated that this partnership would take different forms depending on the situation with each country. Countries could only have a partnership with the Bank if they pursued sound macroeconomic policies and adhered to certain standards of good governance, as defined by the Bank. Increased emphasis was placed on the multidimensionality of poverty, yet even the PRSPs, were overly focused on macroeconomic environments, public expenditure management, and decentralization. As will be discussed, avoiding the issue of political participation limited the institution's intended venture beyond traditional Bank public sector management work.

It may be true that since the end of the Cold War, the Bank has been struggling to find its niche and has thus become a bit diffuse in goals. This is, however, a sign that the World Bank is willing to change and grow and that it wants to be useful as well as prosperous. If the past offers insight, the Bank will likely continue to be important well into the future for its knowledge as much as for its funds. Yet as poverty remains a severe problem in much of the world, the World Bank clearly still has much to learn.

Good Governance Promotion

Far-reaching change was begun in World Bank development policy in the 1990s. Ravi Kanbur and David Vines contend that there was a "complete flip around" in the World Bank's development assumptions.[36] This exaggerates the shift somewhat, yet it

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[36]Kanbur and Vines, 95.

was nonetheless significant. Part of this change was evident in the World Bank's new promotion of good governance, which gradually began appearing in World Bank publications and policies in 1989 and into the 1990s. The Bank acknowledged that economic liberalization programs had been largely unsuccessful due to poor management of the programs by recipients, and suggested that political liberalization would help create an enabling environment for economic growth. The very idea continues to be articulated and better defined and prescribed into the new millennium, as World Bank scholars and policy makers continue to experiment, study, and learn from experience. Stiglitz notes, for instance, on the subject of good governance, that while "it is easy to identify the outcomes of good institutions, and to cite examples of institutions which work well and those that do not, it remains far from clear how to go about creating these 'good' institutions."[37] As a result of the World Bank's gradual embracing, acceptance, and understanding of the concept of good governance, tracing its emergence and evolution requires a bit of scrutiny.

At first, the World Bank focused on promoting sound institutions, providing various, evolving definitions of what this entailed. Later, the Bank heightened its focus on equity and social concerns, highlighting the need to protect the poorest and least advantaged groups from the possible harsh effects of transition. Then, particularly after Wolfensohn became the Bank's president in 1995, the issue of corruption among leaders of poor countries came to the forefront.[38] The latest development in the Bank's concern

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[37]Joseph Stiglitz. "Introduction" in *The World Bank: Structure and Policies*, eds. Christopher Gilbert and David Vines (Cambridge: Cambridge University Press, 2000), 3.

[38]Recent years have seen a succession of trials of political leaders and ministerial resignations in the wake of corruption scandals in Belgium, Italy, India, South Korea, Germany, France, the United States, and elsewhere. These examples make it clear that

with good governance has been potentially the most controversial of all: discussions of the political will of a nation's leadership and its commitment to pro-development priorities beyond any particular policy. To this end, the World Bank has even recently created a Capacity-Building and Implementation Division at its Washington base, as well as developing an Africa Capacity-Building Initiative with the UNDP, located in Harare. Certainly concern with a state's capacity and will is far beyond the basic macroeconomic policies the World Bank was urging in the 1980s. Despite the technocratic language used, these World Bank efforts clearly have moved into the political realm; yet as World Bank officials see it, such efforts are not political interventions in and of themselves, but, rather, measures taken to promote the conditions deemed necessary for sustainable economic development.[39]

The World Bank has become increasingly involved in modernizing and decentralizing the state, strengthening public institutions, reforming judiciaries, improving legislatures, working to fight corruption, and promoting participation in political processes. The Bank has set some limits on the degree of its interventions, though. In 2000, it stated that it would not become involved with prescribing police,

corruption is not confined to developing countries. Morris Szeftel, "Misunderstanding African Politics: Corruption and the Governance Agenda," *Review of African Political Economy* 25:76 (June 1998): 221-40.

[39]Paralleling what has been occurring within the World Bank, outside of the World Bank scholars such as Leftwich, Larry Diamond, Stephen Haggard, Seymour Martin Lipset, and others, have been at the forefront of articulating a modern "developmental" state in which leaders are committed to development and willing to tenaciously take risks and attempt changes, sometimes again and again, without a clear blueprint for success. Some of these scholars argue that a democratic state provides the optimal environment for sustainable development. Larry Diamond, "Economic Development and Democracy Reconsidered," *American Behavioral Scientist* 35 (1992): 453-72.

prison, or criminal justice system reform, nor would it attempt to influence parliamentary processes, elections, or political party formation and functioning.

Outside of the Bank, during the 1990s various other bilateral and multilateral aid donors began to increasingly advocate democratic governance. The Bank, though, has not gone so far as to advocate democracy. The type of government it recommends, though, is one that is participatory, transparent, and grounded in the rule of law. It has come to sound much like the Northern model of a liberal democracy.

As noted, the World Bank's 1989 report on Africa was the first time it publicly acknowledged loan recipients' governance problems as impeding development efforts. According to the report, beneath the host of Africa's developmental problems was a "crisis of governance." The World Bank somewhat obliquely defined "governance" as "...the exercise of political power to manage a nation's affairs." It cited institutional, legal, and political conditions that Africa was lacking that were necessary for Africa's development. Good governance was, as has been pointed out, defined in a narrow sense that avoided political ideology as much as possible. The World Bank's definition included the following features: non-corrupt and accountable leadership, a representative legislature, an independent legal system, sound legal rules and enforcement mechanisms to protect the legitimacy of contracts and property rights, and respect for human rights.[40] The World Bank did not use the term "liberal democracy," but the conditions it described and prescribed were those valued by its proponents.

The Africa report was followed by further Bank pronouncements of its growing concern with good governance. As Malcolm Grieve contends, the World Bank's *World*

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[40]World Bank, *Sub-Saharan Africa: From Crisis to Sustainable Growth* (Washington, D.C.: The World Bank, 1989).

Development Report 1990 has a more "humanistic tone" than previous reports. It continues to advocate neoliberal reforms, but also attends more to the government's role in helping protect the poor during these transitions. The report contends that the state's capability to help protect the poor during economic adjustment periods can help ease the process. Labor-intensive projects are recommended to increase opportunities for poor, and governments are urged to expand their allocation of basic social services as well. The report admits that during structural adjustment, the World Bank, not generally recognized for its humility or ability to admit its mistakes, overlooked the poor.[41]

In its *1991 World Development Report,* the World Bank further contributes to its articulation of good governance policies:

> The proper economic role of government is larger than merely standing in for markets if they fail to work well. In defining and protecting property rights, providing effective legal, judicial, and regulatory systems, improving the efficiency of the civil service, and probably the environment, the state forms the very core of development. Political and civil liberties are not, contrary to a once popular view, inconsistent with economic growth.[42]

It argues that in developing countries, the state should not only protect the poor during transitions periods, but also become more discriminatory in the policies its sets generally. The report contends that "governments need to do less in those areas where markets work" and "more in those areas where markets alone cannot be relied upon." It further argues that the

> challenge to policy-makers is to exploit the complementarities between state and market. They can transform the outlook for economic development by having the state intervene less where it may . . . and more where it must...."[43]

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[41]Malcolm Grieve, "Book Reviews," *Perspectives in Political Science* 21:1 (winter 1992): 49-50.

[42]World Bank, *Report 1991,* 4.

Such statements envisage an expanded role for the state in actually politically guiding the development process. They also imply a sense of local ownership for the state, as states themselves are urged to discriminate and decide what political practices and qualities will enhance the market's ability to create opportunity and developmental success.

The World Bank addressed the role of the state further in its 1992 publication, *Governance and Development.* According to then president Preston in his foreword,

> Good governance is an essential complement to sound economic policies. Efficient and accountable management by the public sector and a predictable and transparent policy framework are critical to the efficiency of markets and governments, and hence to economic development.[44]

This publication defines "governance" as the "manner in which power is exercised in the management of a country's economic and social resources for development."[45] Again, instead of calling for a reduced state role, it envisages a state actively engaged in not simply overseeing but actually guiding not only economic policies but also the qualities of the political environment. It clearly identifies four main areas of governance: public sector management, accountability, legal frameworks, and information and transparency. The state is called on to devise the timing and nature of policy reforms to suit its particular market functioning.

The World Bank's publication of *The East Asian Miracle: Economic Growth and Pubic Policy* in 1993 also reflected the institution's evolving posture towards the role of the state in development. Preston in the preface asserts that some "selective [state]

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[43]Ibid., 9-10.

[44]World Bank, *Governance and Development* (Washington, D.C.: The World Bank, 1992).

[45]Ibid.

interventions contributed to growth," particularly in North-East Asia. The document does not, however, go as far as to clearly acknowledge the role of the state in the development of Taiwan, South Korea, Singapore, and Japan.[46] Some scholars assert that it was in its interpretation of the reason for East Asia's developmental success that the World Bank was most reticent to admit the problems with its earlier classical economic orthodoxy.[47] This neoliberal interpretation had been critical in legitimizing the World Bank's SAPs in Latin America and Sub-Saharan Africa and thus seeing these differently was a crucial admission of past mistakes. Hence, the Bank was conservative even in 1993 of granting more credence to the role of the state or the political nature of the development process in these countries.[48] In the 1993 report, though, the Bank acknowledged that East Asian region's success partly stemmed from state guidance. It noted that in addition to encouraging free trade and suppressing interest rates, governments had built national support for growth, grounded partly in evenhanded land reforms; directing local credit allocations towards growth; and focusing on developing promising manufactured exports.[49]

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[46]World Bank, *The East Asian Miracle* (New York: Oxford University Press, 1993).

[47]Kanishka Jayasuriya, Kanishka and Andrew Rosser, "Economic Orthodoxy and the East Asian Crisis," *Third World Quarterly* 22:3 (2001): 381-96.

[48]Ibid, 383. In making their argument, Jayasuriya and Rosser also cite W. Baer, W.R. Miles, and A.B. Moran, "The End of the Asian Myth: Why Were the Experts Fooled?" *World Development* 27:10: 1735-47.

[49]Critics such as Sanjaya Lall, though, contend that the World Bank held back in this report, endorsing the "neoliberal consensus" more so than that the region's proactive policies. Sanjaya Lall, "The East Asian Miracle: Does the Bell Toll for Industrialization Strategy?" *World Development* 22 (1994): 645-54.

The World Bank's *Ghana 2000 and Beyond: Setting the Stage for Accelerated Growth and Poverty Reduction,* also published in 1993, makes more allowances for the role of the state in East Asia's success than the report specifically on East Asia's development.[50] The report seeks to explain how Ghana might adopt some of the policies East Asian countries used to facilitate development, and it comes closer to acknowledging the importance of the state's role in facilitating and guiding development.[51] The report advocates a stronger role for the Ghanaian state in promoting the country's development, and even suggests that Ghana experiment with industrialization strategies, as were used in parts of East Asia. Industrialization strategies are generally shunned by the neoliberal view that less state involvement is the best lubricant for a vital market, and this admission is quite telling.

World Development Reports and other publications did not break new ground in the next few years, instead repeating what had been pronounced in the early 1990s. The World Bank's 1997 *World Development Report* did, though, take the World Bank's evolving shift further into new territory. It further asserted the institution's view about the need for good governance policies, and it went so far as to contend that "social and institutional fundamentals are equally [as] important" for a country's sustained development as neoliberal macroeconomic policies. This was quite a change. The World Bank essentially conceded that without the right policy environments, the economic adjustments it advocated throughout the 1980s and into the 1990s meant little. Economic

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[50]World Bank, *Ghana 2000 and Beyond: Setting the Stage for Accelerated Growth and Poverty Reduction* (Washington, D.C.: Africa Regional Office, 1993).

[51]Sandbrook contends that it "veers even closer to the revisionist [or pro-state] interpretation than the East Asia study." Sandbrook, 281.

policies, this report stated, are important only when supported by effective politics and countries "need markets to grow, but they need capable state institutions to grow markets."[52] This report urged what the World Bank publications would later judiciously term "democratic decentralization," or the devolution of state power to various levels of bodies and organs, all overseen by accountability mechanisms and responsible to a country's citizenry.[53] By 2002, the "apolitical" World Bank was not urging democracy outright, yet was in fact using the term "democratic" to describe many of its earlier and extant good governance policies. The report provides the results of a survey of more than 3,600 private firms in 69 countries that confirm the value of sound institutional frameworks and viable policy environments to potential and present foreign investors. It reiterates the need for states to protect the poor during times of transition and again contends that state institutions should be organized in such a way as to enhance and promote international coordination. The report concludes that good governance does not just help spur sustainable development, but that it is essential for sustainable development.

The Bank's publication of *Assessing Aid: What Works, What Doesn't and Why* in 1998 served to further confirm the Bank's stance that aid only helps those countries with good policies in place. The Bank concedes that aid given to countries with poor policies may actually impede development, causing aid dependence and reinforcing poor governance habits and tendencies. The authors contend that at the time of writing, 32 very poor countries with fair or good policies would benefit from increased foreign aid.

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[52]World Bank, *World Development Report 1997: The State in a Changing World* (New York: Oxford University Press, 1997), 38.

[53]Ibid.

If aid was given to only countries with acceptable policies according to 1998 allocations, 25 million peoples' lives would be improved, they contend.[54]

The following year, the World Bank went even further in its efforts to promote good governance by enlisting the help of many other organizations and institutions. World Bank President Wolfensohn and Organisation for Economic Cooperation and Development Secretary-General Don Johnston signed a memorandum on June 21, 1999, agreeing to create a Global Corporate Governance Forum comprised of the major international institutions and smaller intergovernmental organizations and NGOs to coordinate efforts to improve governance in developing countries. They agreed to pool resources, coordinate efforts, and help design a public-private partnership forum to help developing countries improve their governance policies and practices so that more private and public capital could be attracted. Also in 1999, the World Bank's new *Comprehensive Development Framework* was proposed. It seeks to coordinate donor activities with the input of the private sector, civil society, and the governments of recipient countries.[55] The Bank went from slowly embracing good governance promotion to seeking to lead a concerted international effort toward this end. Results were promising, particularly after UNDP Administrator Malloch Brown announced that his institution and the World Bank had agreed to work more closely together promoting good governance.[56] The UNDP's involvement enhanced the credibility of the World Bank's effort and enlisted the support of many new countries. Also in 1999, the World

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[54]World Bank, *Assessing Aid: What Works, What Doesn't, and Why* (New York: Oxford University Press, 1998).

[55]James D. Wolfensohn, *A Proposal for a Comprehensive Development Framework* (Washington, D.C.: The World Bank, 1999).

[56]"UNDP to Join World Bank," 1.

Bank further institutionalized its good governance promotion, this time at the international level. The World Bank assumed responsibility for some of the IMF's "Reports on the Observance of Standards and Codes (ROSCs)," a set of controversial standards designed to regulate market behavior in developing countries. The Bank, for example, agreed to help oversee a corporate governance plan that would help ensure that investors in the global South were protected from corruption and state mismanagement. ROSCs were partly a response to the East Asian crisis of 1998-1998, in which regional financial problems threatened the well-being of wealthy countries. They were largely an attempt by G-20 countries to cooperate with the IFIs to ensure that markets would be less vulnerable to crises. The next year the World Bank published some surprising statistical results supporting the value of its version of good governance. In September, 2000, the Bank issued a study entitled "The Quality of Growth" that argued that countries could double their living standards by improving their governance policies.[57] World Bank chief economist Nicholas Stern announced publicly that the World Bank's past emphasis on countries adopting sound macroeconomic policies was still vital, but that this alone was not sufficient to promote sustainable development. Good governance was indispensable as well. The World Bank continued to resist promoting liberal democracy by name, yet others on occasion did this for it. Agence France Presse, for example, interpreted Stern's remarks as acknowledging that "democracy" as well as other factors was vital for development.[58] The World Bank's good governance promotion had begun to take on a life of its own.

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[57]World Bank, *The Quality of Growth* (Washington, D.C.: The World Bank, 2000).

[58]Veronica Smith, *Agence France Presse* (25 September 2000).

The World Bank has continued to amend its operational guidelines to feature good governance more prominently in its adjustment and investment lending operations.[59] The Bank's Country Assistance Strategies and PRSPs have increasingly used governance as a measure and criterion. Further, since 1999, the Bank oversees Institutional Governance and Reviews to assess a country's progress in achieving designated good governance features. IDA resources are increasingly conditional upon good governance as well, and since 1998, the twelfth IDA replenishment initiated a performance-based allocation framework. The IDA's Country Policy and Institutional Assessment (CIPA) consider various governance factors, including the extent to which a country implements accountable and effective institutions, transparent economic and social policies, a stable and reliable legal framework, an active civil society, and citizens' ability to participate in the political process.[60]

In the 1990s, the World Bank defined governance as the "manner in which power is exercised in the management of a country's economic and social resources for development."[61] The Bank targeted three facets of governance: the type of political regime, the process the regime uses to manage economic and social resources for

<http://www.World Bank.org/wbi/governance/other_growth.htm> [22 January 2002].

[59]Santiso, "Governance Conditionality," 19; Shahid Javed Burki and others, *Beyond the Washington Consensus: Institutions Matter* (Washington, D.C.: The World Bank, 1998).

[60]Pierre Landell-Mills, *Governance: The Critical Factor: IDA.* (Washington, D.C.: The World Bank, 2000); International Development Association, *Linking IDA Support to Country Performance: Recent Experience and Emerging Issues* (Washington, D.C.: IDA, 2001). [62]World Bank, *Governance: The World Bank's Experience* (Washington, D.C.: Operations Policy Department, 1993), xiv.

[61]World Bank, *Governance and Development*, 3.

development, and the capacity of governments to achieve developmental goals.[62] Some critics claimed that although these conceptualizations bore some similarities to those of the UNDP, they were clearly less focused on citizens' rights and governmental responsiveness to those needs. Instead, some rightly believed, the World Bank's approaches to strengthening good governance in developing countries were remarkably comparable to those used to foster economic reform.[63] The main difference is that the World Bank's aid conditionality has embraced not only the economic but also political domain. Former World Bank Chief Economist Joseph Stiglitz contends that at the World Bank, "Views about development have changed.... Today there is more concern about broader objectives, entailing more instruments, than was the case earlier."[64] Though the Bank uses much of the good governance terminology popular within many IDIs and the development community generally, its good governance programs and policies reveal interest in the efficiency of the state more so than with equity within states. For the World Bank, concerns such as equity, freedom, opportunity, and empowerment that figure so largely in the UNDP's programs and statements often are merely tag ons.[65] The World Bank's genuine concerns appear to have changed little in content from its earlier

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[62]World Bank, *Governance: The World Bank's Experience* (Washington, D.C.:Operations Policy Department, 1993), xiv.

[63]Catherine Caulfield, *Masters of Illusion: The World Bank and the Poverty of Nations* (New York: Henry Holt and Company, 1996.

[64]Joseph Stiglitz, "The World Bank at the Millennium," *The Economic Journal* 109 (November 1999): 587.

[65]The World Bank does in a few cases give equity concerns serious attention in its documents. Perhaps the most comprehensive example to date is in its 1997 World Development Report. In a chart labeled "Functions of the State," the World Bank devotes one/fourth of this chart to "Addressing Market Failure." The remaining fourth is devoted to "Improving Equity." World Bank, *World Development Report 1997.*

SAPs; they simply have been broadened and widened to include aspects of the political realm that the World Bank previously avoided. They also address some new concerns with obstacles to development incurred by some of their previous aid conditionalities.

The Bank has incrementally amended its operational guidelines to include greater consideration of good governance in its adjustment and investment lending operations. The Bank's Country Assistance Strategies (CAS) and the PRSPs now have provisions gauging the quality of governance and, since 1999, the Bank conducts Institutional and Governance Reviews. Similarly, in 1998, the twelfth IDA replenishment began a performance-based funding allocation framework. The Comprehensive Development Framework (CDF) approach also integrates governance concerns.

Most recently, the World Bank reports that its good governance programs have five goal areas or "dimensions." These reflect the World Bank's goals to encourage in its client states (1) governmental structures that separate the powers between independent executive, legislative, and judicial branches; (2) accountable and contestable leaders; (3) effective public sector management; (4) open entry and competition in the private sector; and (5) wide venues for participation and civil society mobilization and influence.[66] By some estimates, the World Bank is currently lending about $5 billion yearly for institutional reform to support such goals. In 1998, the World Bank documented that it was spending about 7 percent of its loan budget on "public sector management." The World Bank itself admits that this amount is difficult to determine, though "because governance is a broad term that straddles the functional classifications the World Bank uses to classify its lending operations." By 2002, the Bank had undertaken more than 600

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[66]World Bank, *Middle East and North Africa Governance* (Washington D.C.: The World Bank, 2002).

governance-related programs and initiatives in 95 countries in support of such efforts.[67] In 2002, it was implementing and encouraging what it termed good governance programs in 50 countries.[68]

Key dimensions of governance identified by the World Bank are public sector management, accountability, legal framework, and transparency and information. The World Bank also here identified four basic elements of good governance: (i) accountability, (ii) participation, (iii) predictability, and (iv) transparency. Main areas of focus for Bank's good governance promotion in the late 1990s were as follows: public sector governance, decentralization, anti-corruption, legal institutions, and voice and accountability.

Public Sector Governance

In the early 1990s, the World Bank's good governance programs and policies focused mainly on public sector reform. The World Bank began to increasingly promote what it termed as "Type 11" Reforms. "Type 1" reforms were generally macroeconomic reforms that could be imposed or at least advocated with a clear set of directives, while Type 11 reforms were more nuanced and value-laden. They had to do with the nature of the political environment: how it implemented its policies and enforced them. Type 11 reforms were more intricate and more political, as well as more difficult to monitor and enforce. Hence, the World Bank had long had a tendency of avoiding them. Experience

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[67]World Bank. "Poverty Matters" (Washington, D.C.: The World Bank, 2002).

[68]World Bank Development Committee, *Note from the President of the World World Bank,* 18 September, Prague. (Washington, D.C.: The World Bank, 2002).

revealed, though, that they were important, and the Bank began venturing into new domain, explaining this as economically motivated.[69]

The World Bank urged maximizing neutrality in taxation and addressing the distributive objective primarily through expenditure policy. This ignored the revenue-raising aspect of progressive taxation. In some documents, the Bank urges moderate taxes. On the basis of a simple model in which the tax revenue is used exclusively to finance transfers to the poor, the article shows that not only would it be optimal to finance the targeted transfers with progressive taxation, but the optimal progressivity increases unambiguously with growing income inequality. This conclusion holds up under different assumptions about the efficiency cost of taxation and society's aversion to inequality.

Decentralization

World Bank decentralization programs focus on political, administrative, fiscal, and market decentralization projects that support reorganization of financial, administrative, and service delivery systems. The decentralization programs are designed to bring about a more consistent and comprehensive approach. Decentralization for the Bank helps alleviate the red tape in decision-making that may be caused by central government planning and control of important economic and social activities. Programs determine the most "appropriate" forms of privatization. Where it is possible to structure competition either in the delivery of a service, or for the right to deliver the service, the Bank indicates that the service will be delivered more efficiently. According to Bank documents, the central government should be involved with overall policy, setting

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[69] Jan Svejnar, "Transition Economies in Perspective" (2002). www.worldbank.org/oed/ transitioneconomies/docs/Svejnar.pdf [20 February 2005].

standards, and auditing; state governments should have an oversight function; and local governments should be involved with the provision of infrastructure and services. The internal common market will be purportedly be functioning efficiently if all resources (labor, capital, goods, and services) are free to move from one region to another without impediments or distortions imposed by policy.

In the 1990s and beyond, the World Bank has stressed the importance of the private sector in its operations and highlighted financial support for the private sector. The Bank offers privatization tool kits and promotes private sector development through a whole panoply of policy reforms. One way is through structural adjustment lending that promotes privatization, investment liberalization, and export-oriented growth. The Bank devotes notable resources to advise governments on how to privatize. Through its structural adjustment lending, the bank will often require a government to cut domestic spending, open up markets for foreign investment, expand exports, and liberalize trade policies. All of these conditions promote a favorable business climate for the private sector. The World Bank often pushes for private sector involvement in infrastructure projects and the privatization of utilities and services.

Recent Bank initiatives have included The Global Facilitation Partnership (GFP), which will coordinate efforts by public and private institutions and international organizations to build a constituency for trade liberalization and trade-related infrastructure. Another Bank project that supports the market is the Integrated Framework for the Least Developed Countries. This promotes the integration of the poorest countries into the international economy. Countries apply for resources from the Integrated Framework in order to obtain assistance in understanding and implementing trade rules, such as agriculture regulations, anti-dumping rules, and the protection of trade-related

infrastructure. Another Bank project that supports the market is the Integrated Framework for the Least Developed Countries. This promotes the integration of the poorest countries into the international economy. Countries apply for resources in order to obtain assistance in understanding and implementing trade rules. Projects that are incorporated into the Integrated Framework advance trade by streamlining the trading process. Indirect taxes levied on exporters are eliminated, as are technical barriers to trade. Frameworks for procurement are created, and adherence to "voluntary" international quality standards is required.[70]

Beyond establishing a good business climate through structural adjustment lending, the Bank encourages private sector development by financing private enterprises. The IFC and MIGA fund and underwrite private companies. The IFC provides project loans to companies, makes equity investments in private projects, and mobilizes capital in the private financial markets. It functions as a catalyst for private investment because its participation improves investor confidence and attracts more private sector financing. In 1998, the IFC funded $2.7 billion in new investments—an unprecedented level of new commitments—and mobilized another $2.4 billion from other private banks. In the last few years, the IFC's lending has increased by an average of 10 percent, while the Bank's lending to central governments has not increased. MIGA helps developing countries attract foreign investment by providing risk insurance. Political risk insurance has been in increasing demand for investment in new and emerging markets. Most IFC and MIGA loans finance projects in the financial services sector, infrastructure such as roads and power projects, and mining/oil and gas development.

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[70]World Bank, "Global Facilitation Partnership for Transportation and Trade" (2003). <http://www.gfptt.org/Entities/PageSimple.aspx> [21 February 2005].

Anti-Corruption

In the mid-1990s, when Wolfensohn became president, anti-corruption became a clear focus. Under pressure from civil society groups, the Bank initiated transparency reforms from within, making many more internal documents available on its website. The Bank also heightened efforts to control corruption in loan recipients. Its 1997 report, *Helping Countries Combat Corruption: The Role of the World Bank,* described the Bank's strategy regarding anti-corruption. The Bank's anti-corruption efforts reflect its apolitical stance on development issues. For the Bank, addressing corruption does not take place as part of a democratization agenda as it does with some other IDIs. Instead, its function is to help insuring the macroeconomic stability conducive to the market economy. This IDI views corruption as a symptom of weak institutions and lack of accountability, rule of law, and participation. Unlike other donors, the Bank does not suggest that democratization is the remedy. For the Bank, anti-corruption strategies can work as well in authoritarian states as in democratic ones, and the Bank's lending in this area reflects this. Therefore, the Bank's anti-corruption program excludes political considerations from an area generally seen as primarily a political phenomenon.

Between fiscal years 1997 and 2000, the Bank had undertaken more than 600 specific anti-corruption programs and governance initiatives in 95 borrower countries. In many cases these activities include surveys of citizens, private firms, and/or policy makers, followed up by workshops. The World Business Environment Survey (WBES), for example, assessed the state of the "enabling environment" for private business activity in more than 100 countries, surveying at least 100 firms per country. Database results were made available. An updated version, the World Business Environment

[71] World Bank, "Integrated Framework" (19 November 2004).<http://www.integratedframework.org/> [21 February 2005].

Survey 2000 (WBES 2000), surveyed more than 10,000 firms in 80 countries, generating measurements in such areas as corruption, legal system, investment climate, and the "quality" of the business environment. Business climate "constraints" reported included the need to lower tariffs and other barriers to international trade; unify exchange rates and interest rates with those in the global market; eliminate subsidies; minimize regulations, licensing requirements, and permits for new firms and investors, including foreign ones; demonopolize public sector activities and privatize state assets into competitive markets; abolish monopoly export marketing boards; and reliably enforce banking regulations and auditing and accounting standards.[72] In Guatemala, for instance, in order to decrease corruption, the Bank helped national officials reform the country's financial management system. Through two projects, the Bank helped with the improving of service delivery by promoting more transparent public sector financial operations. This included modernizing the government's budgeting, accounting, cash management, and auditing sub-systems by making them more accountable. This work was integrated with updated laws and regulations concerning financial management and the adoption of a single database informational system.[73]

Legal Institutions

The Bank's work towards legal reform focuses on three components of the legal process: rules, processes, and institutions. Legal reform does not address civil or criminal

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[72]World Bank, "Governance and Anti-corruption" (2005).<http://info.worldbank.org/governance/wbes/> [20 May 2005].

[73]Ian Bannon, "The Fight against Corruption: A World Bank Perspective" (28 May 1999). <http://www.iadb.org/regions/re2/consultative_group/groups/transparency_workshop6.htm#2> [8 February 2005].

concerns. Projects concentrate primarily on ensuring the reliability and predictability of the legal framework, emphasizing private law to secure property rights, intellectual property rights, and reliable contracts. They also involve public finance management.

The Bank's 1990s' good governance efforts included nearly 500 legal and judicial reform projects in 84 countries, at a cost of US$380 million. Often these projects are accompanied by large structural adjustment loans applied in multiple sectors, with various conditionalities attached. The Bank has also been using Judicial Sector Assessments since 1994 and, since 1999, more detailed and comprehensive Institutional and Governance Reviews.

The Bank has a Legal Vice President who advises countries. The largest judicial reform projects were undertaken in Venezuela (US$60 million) and Russia (US$58 million). The World Bank uses surveys to ascertain investor and business perceptions about the judicial systems in aid receiving countries and tries to make developing countries investor- and business-friendly. The Bank uses efficiency criteria to assess the efficacy of these projects.[74]

The Bank does assist countries with public expense management and tax administration. Such efforts often focus on expenditures, by offering counsel to the president's or prime minister's office, the finance ministry, or the central bank, or supporting taxation reform by improving the capacities of tax administrators to fulfill their jobs.

Bank judicial reform programs in the late 1990s in Africa and Latin America concentrated on fostering judicial independence, reforming pay scales, and providing

[74]World Bank, "Helping Countries Combat Corruption: The Role of the World Bank" (Washington, D.C.: The World Bank, 1998).

training in legal ethics. Other programs worked to improve court administration and case flow management and procedural reform, including reducing ex parte communication between judges and litigants. Providing better access to justice (through small claims courts, alternative dispute resolution, and legal aid) and legal education were also stressed.

In the mid to late 1990s, the Bank increasingly began to pave the way for expanding trade in services. Programs have aimed to expand service exports, such as computer programming services, and reform regulations and barriers to foreign entry into services sectors. At the same time the Bank has been supporting efforts to develop an international framework for government procurement.[75]

Voice and Accountability

The World Bank had been increasingly funding NGOs since 1981, and in the 1990s began relying on them to help carry out its governance work. According to Bank documents, the Bank has made extra efforts to include civil society organizations in its operations, due to their knowledge of the needs and interests of poor communities. The Bank has developed various programs to promote closer collaboration with NGOs, such as "social funds" to finance community-based projects, direct contracts with NGOs to carry out portions of loan projects, grant programs and initiatives including funding of NGO participation in local and international conferences. The Bank has created an NGO Unit, which maintains extensive data on NGOs, and the Bank's Economic Development Institute conducts training programs for NGO representatives. NGOs began receiving

[75] World Bank Group, "Electronic Government Procurement" (no date). <http://wbln0018.worldbank.org/OCS/egovforum.nsf/main/home> [20 May 2005].

hundreds of thousands of dollars in the early 1990s to help carry out Bank projects. This figure has since grown to include millions of dollars.

In 1995, the World Bank adopted its "Mainstreaming Participatory Initiative," an agreement to cooperate more broadly and widely with NGOs. In 1989, nearly 20 percent of World Bank funds were being channeled through NGOs; by 1999, this percentage had risen to 52 percent, and many of these were involved in governance work. Over the course of the 1990s, the World Bank's emphasis on civil society increased, and by the late 1990s, equity and other distributional concerns also featured prominently. Early 1990s programs focused on promoting rule of law, such as the enforcement of contracts and property rights; eliminating corruption and other rent-seeking activities; fostering transparency in public services to ensure efficiency and effectiveness; reducing uncertainties and instability in the economic and political environment; and ensuring efficient public services for basic social services such as schools and healthcare centers. These priorities were essentially designed to increase economic efficiency and growth by setting up an environment conducive to private investments.[76]

In response to criticism, the Bank now makes clear that it develops and institutes its policies in a participatory manner. The intent is to create a sense of ownership of the development strategy, yet the Bank's "consultation" process is dubious, since poor countries seeking loans begin "participating" from an obviously weak and dependent

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[76]World Bank, *Cooperation Between the World Bank and NGOs: FY 1994 Progress Report* (Washington, DC: World Bank, 1995).

position. With Bank-trained officials with expensive educations and extensive training, it is likely often clear who truly "owns" the development process.[77]

Particular Programs Features

With votes weighted to reflect their financial stakes, rich developed countries have an established majority on the Bank's Executive Board. Wealthy donor member states together have the most notable means of influencing the Bank's activities through their capital subscriptions to the IBRD, tri-annual replenishments of funds of the IDA, and their weighted votes within Bank's Board of Executive Directors. When this IDI was first established, two types of votes were created. One was based on financial input, and the other, the "basic vote," was decreed as a benefit of membership, to give the Bank a more representative international mandate. Since the Bank's creation, the percentage of the basic vote has shrunk to less than 2 percent of the total. Developing countries have a relatively small voice in Bank matters.[78]

Further weakening this voice is the fact that the United States-appointed World Bank president has always exerted much control over the direction of this IDI's strategic vision and organizational activity. Having authority above the Board of Executive Directors, the president has much control over choosing which issues and loan decisions are considered and how and when they are considered. The president also makes key decisions about budget allocations and about who occupies senior management roles.

The Bank's chain of representative accountability is long and imprecise. The

[77]World Bank, *The World Bank's Partnership with Nongovernmental Organizations* (Washington, DC: World Bank, May 1996).

[78]Aldo Caliari and Frank Schroeder, "Reform Proposals for the Governance of the World Bank: A New Rules for Global Finance Briefing Paper" (no date). <http://64.233.161.104/search?q=cache:6N1nPFymuuUJ:www.new-rules.org/ Docs/ ifigovernancereform.pdf+world+bank+and+basic+vote&hl=en> [20 May 2005].

associations between most member governments and the Bank are extremely weak. Most member governments (excluding the United States) are quite distant from the workings of the Executive Board, which in turn exercises little oversight with the staff and management. The Executive Boards, though, are the important link from countries to the World Bank. Yet only the largest member countries—the United States, Germany, France, Japan, the United Kingdom, Saudi Arabia, Russia, and China—are directly represented by their own Executive Directors. All other countries are assembled within constituencies represented collectively by just one Executive Director. Most governments thus have only a weak connection to the Bank's actual deliberations and decision-making. For example, 22 African countries, at least 11 of which are highly dependent upon World Bank loans, are represented by a single Executive Director and have a voting share of voting share of just 4.07 percent. This small share of votes reflects a rationale that was more appropriate to this IDI's original mandate and membership. The Bank, at its inception, had far fewer member states; membership has since more than tripled. Originally, each member had a vote proportional to its stake. Now that the Bank makes highly conditional development loans only to developing and transition countries, the traditional voting structure is inappropriate and inadequate as a mechanism of accountability.[79]

The United States has a veto on constitutional decisions requiring either a three-fourths or two-thirds majority of regional members, and although the percentage of its

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[79]World Bank Group, "Boards of Directors" (no date). <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANIZATION/BODEXT/0,,pagePK:64020055~theSitePK:278036,00.html>[20 April 2005]; idem, "Executive Directors" (no date). <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANIZATION/BODEXT/0,,contentMDK:50004945~menuPK:64020014~pagePK:64020054~piPK:64020408~theSitePK:278036,00.html> [20 April 2005].

contribution to funding the concessional window has dropped to 8.22, the country still has its veto power. Even in the capital account of the IDB, where the United States does not have a blocking minority vote, it has worked out a procedure to delay loans that it does not endorse. The United States also has a more diffuse influence because the IDB is Washington-based, with about one-fourth of its top management positions occupied by native United States citizens.

By design, the World Bank is accountable to its largest shareholders, with the United States leading this wealthy group. As stated, the United States was present at and instrumental in the World Bank's creation during a heady period of post-World War-II victory. The establishment of the IMF involved many compromises between the United States and its European allies, the World Bank was mostly an American creation. The United States Treasury Department had already made extensive plans for such a World Bank that would ensure that countries could borrow foreign capital in order to build modern infrastructure and enter into global trade. Lessons had been realized from the experience of the 1930s, when borrowers had defaulted on hundreds of millions of dollars of loans and subsequently world banks and investment firms retreated. A global recession followed. With the United States leading in its creation, the World Bank was strategically located in Washington D.C., just blocks from the White House. This occurred despite Britain's John Maynard Keynes plea that it be located outside of the United States, or at least further from its political capital. The World Bank's Washington, D.C. location and the United States' ability to select the World Bank's president have always parlayed a strong American influence on and in the World Bank, which has only grown as America has adopted a wider world presence and influence relative to Britain and other World War II victors. Because the United States selects the institution's

president every five years, the country in essence sets the tone for what the World Bank will stand for and focus on in a renewable fashion. And this strong American authority is more than symbolic: as stated, the World Bank's voting structure is principally based on a system of one dollar, one vote. The politicization of World Bank lending decisions is created largely by this unbalanced voting structure, with its built-in convention that empowers the richest nations. America, along with other rich governments, controls 45 percent of the voting rights. Meanwhile, all the countries of sub-Saharan Africa combined have less than seven percent of the vote.[80] Fittingly, the World Bank has tended over the years to serve American and wealthy-nation interests. Providing even more relative power to the United States and other rich nation World Bank members is the fact that the World Bank's equity is comprised of capital subscriptions, rather than actual money, from its member countries. Only 10 percent of each subscription (or even less in some cases in recent years) must be paid in; the rest is "callable capital" for emergencies that has not yet ever been needed. Hence, wealthy countries do not even need to literally pay for their power positions within the World Bank. They simply have to be in a position where they are in fact able to pay. This further deprives poor country members, who might feasibly try to gain leverage within the World Bank by raising money simply to pay in to the World Bank. Certainly poor countries are in no position to compete with rich countries' abilities to pay. Further, the most significant source of the World Bank's funds actually comes from the sale of securities to central world banks and private investors. The Group of Eight (G-8, now G-9) nations clearly have the monopoly over these types of sophisticated transactions. Over time, the World Bank has cultivated a

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[80]World Bank Group, "Organization" (2005). <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,contentMDK:20040580~menuPK:34588~pagePK:51123644~piPK:329829~theSitePK:29708,00.html> [20 April 2005].

variety of borrowing and investment methods and tools and has become a vital and astute international capital market broker.[81] Poor countries usually have little experience understanding or influencing such matters.

Additionally boosting the G-8 countries' hold over the World Bank is the manner in which the institution's 24-member Board of Executive Directors is selected, meets, and operates. Although formally, the World Bank's powers are conferred to a board of governors, one from each member country, this group of mostly national finance ministers and central World Bank directors meets only once annually. The 24-member Board meets in semi permanent session at World Bank headquarters, every two weeks plus whenever the directors schedule sessions. These Executive Directors are World Bank employees appointed by and accountable to their home governments. They are hence direct channels for the use of national influence on the World Bank. They oversee financial and operational decisions, approve lending proposals and bond issues, create the annual budget, and initiate and track policy directives. The World Bank's partiality to its richest members is particularly evident in the make-up of this Executive Board. The World Bank's five largest shareholders appoint their own Directors, which in essence occupy permanent board seats. Other members' votes are combined into caucuses that select the remaining 19 Directors. The majority of the World Bank's membership hence does not have representation in the World Bank's foremost decision-making body. Further undermining the power of the majority of members is the fact that in the caucuses selecting the 19 members, a Director representing several countries speaks for this group as a whole. This permits not only the rich countries to control the World Bank, but also allows current world events or reigning economic and political trends to influence

[81] Bakker, 46-9.

lending decisions almost immediately. Additionally, many of the World Bank's most significant judgments, such as amendments to its Articles of Agreement, require a majority of the vote that less-developed nations are largely powerless to influence.

In recent years, the United States' voting power within the International World Bank for Reconstruction and Development (IBRD) has decreased, but its control over the World Bank as a whole has not been largely affected. The United States initially controlled 35 percent of the IBRD vote, yet this percentage has decreased by almost half, and a similar trend has occurred in IDA voting privileges. These declines are mostly the result of other states' lobbying for increased control. As noted, the United States, though, still possesses the power of veto, due to its insistence that 85, rather than 80, percent majority is needed to exercise this power.[82] Also, the reigning coalition of the powerful nation members is still intact, and in the IBRD, the United States, the United Kingdom, Germany, France, and Japan, control about 40 percent of the vote. Northern countries as a group control about 60 percent of the IBRD vote. For the IDA, "Part I" countries, or the World Bank's richest members, still direct and control the vote. Generally, a small group of wealthy nations control the World Bank's agenda.

This fact remains, despite the growing pains experienced by key Bank stakeholders in the early 1990s. No longer united by the desire to maintain a common alliance against communism, the normative division between the United Stares and Europe and Japan on the purpose of Bank lending became apparent. The state-led, welfare-oriented orientations of European countries and Japan stood in marked contrast with the United States' desire for neoliberal, laissez-faire policies seen as critical for opening up

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[82]Environmental Media Services, *World Bank Basics* (Washington, D.C.: EMS, 2000), 2.

emerging markets to American exports and foreign investment. The thirteenth IDA replenishment negotiations brought to light a strong difference between the Bank's major donor states about the extent to which IDA funds should be disbursed in the form of grants instead of interest-free loans. The United States largely won this battle, and most scholars on the World Bank agree that the United States still leads the World Bank in all important areas. The United States, for example, determines which issues are worthy of the World Bank's consideration and what choices are feasible.

The current Bank policy orthodoxy continues to be comprised of liberalization--opening up economies to international trade, privatization--reducing the role of the state; and deregulation--increasing the space for foreign capital to operate in developing countries. In the 1990s and beyond, many Bank loans have supported exchange rate and trade policy reforms that continue to serve rich country interests. Trade-related activities, such as telecommunications, ports, export corridors, customs reforms, and private enterprise development open the way for rich countries to profit from Bank programs and initiatives. The Bank's support for a global intellectual property protection regime based on the trade-related intellectual property rights (TRIPS) agreement is likely to serve rich country interests, as it promotes the exports of developed countries which The current Bank policy orthodoxy continues to be comprised of liberalization--opening up economies to international trade, privatization--reducing the role of the state; and deregulation--increasing the space for foreign capital to operate in developing countries. In the 1990s and beyond, many Bank loans have supported exchange rate and trade policy reforms that continue to serve rich country interests. Trade-related activities, such as telecommunications, ports, export corridors, customs reforms, and private enterprise development open the way for rich countries to profit from Bank programs and

initiatives. The Bank's support for a global intellectual property protection regime based on the trade-related intellectual property rights (TRIPS) agreement is likely to serve rich country interests, as it promotes the exports of developed countries which create new technologies. It actually may harm developing countries, whose industries, if in place at all, rely on the imitation of technologies. Whereas the UNDP's good governance programs are more concerned with social equity and equity generally (with emphasis, for example, on human rights, human development, women's rights, equal opportunities, and fair distribution of wealth), the World Bank's reveal concern with fostering conditions conducive to capitalist expansion. Equity and responsive governance are included in the World Bank's agenda because they indirectly support this neoliberal goal. The World Bank's G-8-dominated voting structure allows the North to use the World Bank to forward rich countries' political and economic goals. The primary emphasis of the World Bank's good governance programs and policies has been on the effectiveness of the state in managing economic affairs, rather than on the equity of a state's policies. The World Bank's governance programs focus primarily on public sector management, financial management, public administration modernization, and privatization. The World Bank, for example, implemented 169 civil service reform programs in 80 countries between 1987 and 1998. The majority of its governance programs since the early 1990s have promoted legal and judicial reform, decentralization, and anti-corruption (through strengthening accountability institutions such as ombudsmen and parliamentary oversight bodies).[83] These types of programs help ensure that governmental policies are aimed at facilitating the growth of market economies (with reliable institutions, laws, and law

[83]World Bank, *Reforming Public Institutions and Strengthening Governance: A World Bank Strategy* (Washington, D.C.: World Bank Public Sector Group, 2000).

enforcement), that discretionary market interventions will not occur, and that wasteful spending and rent-seeking do not proliferate. They, like SAPs, facilitate the repayment of World Bank loans, the availability of inexpensive resources and labor to developed countries, and open, reliable markets for rich countries' products. In the 1990s, these programs did come to evidence increasing concern with sufficient social spending, appropriate and equitable welfare programs, and legitimate leaderships. Some World Bank researchers advocated that more attention be paid to equity concerns as early as 1987, yet programs addressing them did not become popular until the 1990s.

Coalitions of NGOs critical of the Bank have succeeded with their lobbying of national parliaments, especially the United States Congress during IDA replenishments, to affect Bank guidelines and policies. Today new informational disclosure rules require the Bank to make public many of the documents it formerly kept private, and an independent Inspections Panel established in 1993 reviews social and environmental concerns about the Bank's policies. Though it contains some elements of variety and focus of the needs of the poor, the World Bank's good governance agenda largely continues to reflect an emphasis on a narrow group of interests—those conducive to making the market economy work for TNCs and rich countries. Much focus is directed towards state accountability to business interests.

Though some have accused the Bank of incorporating equity and responsive governance concerns as "tag-ons" to its programs simply to satisfy critics, the Bank has been more open about its rationale for including these elements in its good governance programs. The Bank has recognized that promoting peoples' empowerment relates directly to and defends participation in the market. Countries with high degrees of inequality tend to be less stable and their efforts to reform more difficult.

Considering that 49 percent of the world's top TNCs are based in the United States and that 86 percent are based in OECD countries,[84] countries that own and run the World Bank, this makes sense. The World Bank's institutional reform programs support liberalizing markets, prices, and trade and exchange regimes and are markedly similar to the World Bank's earlier SAP conditionalities. The World Bank's public sector reform programs aim to privatize state-owned enterprises so that client countries can become more market-oriented. Infrastructural and service-delivery reform programs also attempt to decentralize governments so that the market becomes more free and fluid.

All of this enables Northern-based TNCs greater access to emerging and potential markets and works to prevent Third World leaders from taking actions that could jeopardize the free flow of economic globalization. This economic globalization, of course, benefits the wealthy countries that are stakeholders in the Bank. Programs addressing corruption, a feature strongly emphasized in World Bank rhetoric, policies, and programs since 1997, also work to serve market expansion and hence Northern interests. Additionally, with less corruption, there is greater chance that Bank loans will be repaid. For the World Bank, improving good governance in client countries has become not only a goal for but also a requirement for development aid. The Bank's 1998 publication *Assessing Aid: What Works, What Doesn't, and Why,* [85] for instance, recommends a more deliberate targeting of assistance to client countries with "effective" institutions and policies, or pro-capitalist, democratic countries. Increasing conditionalities on assistance is possible using the veneer of political neutrality that good

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[84]Petras and Veltemeyer, 9.

[85]World Bank, *Assessing Aid,* 1.

governance promotion attempts to provide. The normative aspect of good governance is suppressed or ignored, as is the fact that in promoting its version of good governance, the World Bank increases its conditionalities and the instruments it uses to encourage, monitor, and enforce them. The World Bank's view of good governance continues to reveal a concern with the effectiveness of the state in promoting capitalist expansion and economic openness, rather than with the equity of a client countries' economic/political system and the viability of its power structure. The primary aims of the Bank's good governance programs have been public sector management, financial management, privatization, and modernization. The Bank's good governance agenda is operationalized in terms that further provide a sense of political neutrality or at least political benignity.

Good governance programs allow the World Bank to achieve its political objectives while conveying the appearance of apoliticality. The erudition of the World Bank's good governance design attempts to hide the World Bank's emphasis on the neoliberal economic policy model. The World Bank's own barometer for assessing the "soundness" of countries' economic policies is its own Country Policy and Institutional Assessment (CIPA), with its twenty criteria focusing on macroeconomic policies, structural conditions, public sector management, and social inclusion. The latter category emphasizes participation rather than social equity and comes close to approximating conditions conducive to democratic policy-making. The World Bank reports, for example, that participation "derives from an acceptance that people are at the heart of development.... Since development is both for and by people, they need to have access to the institutions that promote it (e.g., representative bureaucracies)" The Bank further notes that the "interface between public agencies and the private sector is conducive to the latter's participation in the economy, national economic performance (comprising the

combined contributions of the public and private sectors) will be enhanced."[86] It is not so much that the Washington consensus had fundamentally changed; rather, the World Bank's new good governance promotion is a deeper, more political version. Stiglitz, former chief economist at the World Bank, contends: "Views about development have changed in the World Bank....Today there is concern about broader objectives, entailing more instruments, than was the case earlier."[87] New World Bank documents, publications, policies, and programs addressing the subject of good governance, prescribing plans to implement them, and assessing this implementation have proliferated. The World Bank has not disregarded its earlier neoliberal economic model of its controversial SAP, but deepened and broadened it.

The World Bank has revised its own operational guidelines to take into account and emphasize good governance promotion. The Country Assistance Strategies the World Bank uses to determine aid allocation have been substantially revised, and the World Bank Poverty Reduction Strategy Programs have been amended to include good governance promotion. Further, beginning in 1999, the World Bank began formally reviewing what it deemed countries' good governance progress with "Institutional and Governance Reviews." Making World Bank aid even more selective and conditional is the twelfth IDA replenishment guidelines that good governance promotion be used as criteria for aid allocation to the poorest countries. Performance-based reviews are now used to determine which countries receive this aid and how much they receive. Debt relief, too, in the form of the World Bank Highly Indebted Poor Country (HIPC) status

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[86]Ibid.

[87]Stiglitz, "Millennium," 587.

now makes debt relief conditional upon good governance policy reform.[88] Donor governments have been given increased influence over the World Bank's development assistance policies through these increased criteria. The IDA funding has been especially used as a vehicle for aid selectivity, as donor grants are optional and flexible. The use of conditionality expanded over the course of the 1990s, giving donor governments greater power and control over development aid via the World Bank and over client countries policies and prerogatives.

The World Bank has even less tolerance for dissent from within, some claim. The "resignations" of chief economist Joseph Stiglitz and World Development Report team leader Ravi Kanbur, both astute economists who challenged the World Bank's "party line," reveal that the World Bank does not like challenges to its neoliberal ideology. This ideology sustains World Bank policies and program and is enforced by the voting power and influence of the World Bank's major shareholders. The World Bank has essentially allowed itself to have a liberal interpretation of its mandate to justify its intervention in political affairs of developing countries, and doing so supports its pro-market agenda. The World Bank, on the other hand, has a very restrictive approach to such interventions when they do not relate directly to pro-market reforms, such as in the area of human rights promotion.

A careful study of the World Bank's anti-corruption policies and programs reveals a World Bank belief that corruption subverts market institutions and interferes with a country's ability to repay loans. The World Bank proposes that accountable and

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[88]World Bank, *World Development Report 2002: Building Institutions for Markets* (New York: Oxford University Press, 2002); idem, *Beyond the Center: Decentralizing the State* (Washington, D.C.: The World Bank Latin American and Caribbean Studies, 1999).

transparent public institutions can help limit corruption's interference with the market economy. Since public institutions are more transparent and reliable and because political and economic sanctions are more easily imposed on corrupt leaders, the World Bank works diligently to teach client country populations to deplore corrupt officials. For the World Bank, promoting anti-corruption strategies is also a new way to encourage deregulation, or less state interference in the market, albeit under a more benign cover. The World Bank's SAPs received so much criticism for their perceived neoliberal, Northern-dominated agenda that new rhetoric was needed to soften criticism so that this agenda could continue. The anti-corruption language was different; the neoliberal agenda, however, was the same. The World Bank defined corruption as the capacity to seek rents, or as a 1998 study proposes that the "dynamics of corruption in the public sector can be depicted in a simple model." It further states that the "opportunity for corruption is a function of the size of the rents under a public official's control, the discretion that official has in allocating those rents, and the accountability that official faces for his or her decisions."[89]

State control is explicitly linked to corruption, and rent-seeking, by legal or illegal means, is portrayed as damaging to a country's economy. The World Bank's 1997 *World Development Report* asserts that the state's "monopoly on coercion, which gives it the power to intervene effectively in economic activity, also gives it the power to intervene arbitrarily." To make this power appear particularly egregious, the *Report* further contends that this "power, coupled with access to information not available to the general public, creates opportunities for public officials to promote their own interests, or those

[89]World Bank, "Helping Countries," 4.

of friends or allies, at the expense of general interest."[90] Wolfensohn further emphasizes the issue in a way that rouses public support and diverts attention from the contrived link between corruption and inequity: "In country after country, people are demanding action on this issue....corruption diverts resources from the poor to the rich," he states. "[W]e all know that corruption is a major barrier to sound and equitable development. Solutions can only be home-grown. National leaders need to take a stand. Civil society plays a key role as well."[91] Areas with a potential impact on corruption that fall into the Bank's mandate include civil service reform, legal reform, accountability for public funds, budget discipline and popular participation "in the design and implementation of a specific development project or program" (as opposed to popular participation in general).

This project proposes that the World Bank's good governance promotion reflects its power structure with its inherent neoliberal bias. The World Bank's new emphasis on good governance, with its concern with transparency, accountability, and openness to trade and other financial transactions, reflects its desire to (1) foster the smooth functioning of the global economy; (2) open up new regions and sites in the South to capitalism and a global market economy; and (3) shift the focus away from past World Bank criticism and accusations that the North is not concerned with the general quality of life in the South.

As to the World Bank's internal power structure, its policies have generally served the economic and political interests of its richest members, as the World Bank's votes are

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[90]World Bank, World Development Report 1997, 98.

[91]Ibid., "Corruption" (1997). <http://www.worldWorld Bank.org/html, 1997> [7 April 2005].

weighted according to member contributions. More specifically, World Bank aid, or loans, largely reflects economic and foreign policy goals of its most powerful members, the G-8 countries, and most particularly the United States. Some are less beholden to this view, yet clearly the G-8 countries and the United States in particular used preferential lending to support allies throughout the Cold War. The United States, for example, supported allies such as the Philippines, Guatemala, Zaire, Morocco, and Pakistan through bilateral and multilateral, specifically World Bank, aid.

The World Bank's good governance programs reveal the World Bank's Northern-dominated power structure in that they aim to foster the smooth functioning of the global economy. These programs aid a power structure concerned with the viability of World Bank loans and the prevention of trade and financial disruptions that could hinder the well-being of Northern economies. They also reflect the World Bank's belief that the market provides political stability conducive to the maintenance of the Northern-led status-quo. Due to the sometimes massive defaults on prior World Bank loans which often required bail-out packages and the deteriorating status of African economies in particular, the World Bank began permitting some African nations to repay high-interest loans with low-interest loans in the late 1980s and early 1990s. This coincided with the emergence of good governance promotion evident in World Bank literature and programs. This time period was also one of economic stress for several of the G-8 countries.[92] Additionally, during the 1980s, long-term developing country debt more than tripled, before reaching its peak in the mid-1990s.[93] The long-tern debt of the forty-

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[92]In 1990 and 1991, for example, the United States suffered an eight-month rec.

[93]M.A. Thomas, "Getting Debt Relief Right," *Foreign Affairs* 80:5 (September/October 2001): 37.

one poorest countries had grown from \$47 billion in 1980 to \$159 billion in 1990 and clearly was becoming a looming problem.[94] Private commercial World Banks that had issued considerable loans to poor countries in the 1970s and 1980s had retrenched on their lending by the mid-to-late 1980s, leaving the problem of poverty alleviation increasingly to bilateral and multilateral institutions. Kapur, Lewis, and Webb argue that at this time, there had been a "gradual erosion of activity through a retreat of both creditors and borrowers."[95] If the United States wanted the World Bank to be repaid and to simultaneously reduce its post-Cold-War role in supplying international public goods, private investment in developing countries would have to not only continue, but also increase and be spread more evenly throughout developing countries. In the mid-1990s, nearly 3/4 of private flows went to only twelve countries. Good governance promotion was meant to help promote foreign investment so that some of the World Bank's burden might be lifted.[96] Such developments intensified the pressure on the World Bank, the world's foremost development lending institution, to step in and work to help stop this trend. If the World Bank's loans were not repaid, its functioning would be threatened.

Also, due to the intensification of economic globalization in recent years, in the early 1990s the World Bank had come to realize that the spill-over effects from regional trade disruptions could be costly to the North. It increasingly made sense that a free market could not much benefit from an antiquated, distorted, poorly established, or

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[94]William Easterly, "Debt Relief," *Foreign Policy* (November/December 2001): 22.

[95]Devesh Kapur, John Lewis, and Richard Webb, *The World Bank: Its First Half Century*, vol. 1, *History* (Washington, D.C.: The Brookings Institution, 1997), 47.

[96]Smillie, 17.

undeveloped state system of governance. National leaders needed not only the will to promote development in their countries, but also the capacity, and that depended on the nature of the extant policy environment and state institutions. In the 1980s, neoliberalism had held out the promise that all countries, rich or poor, could rise in wealth simply by reducing state interference in the economy and adopting certain macroeconomic policies. The invisible hand of the market would eventually help raise everyone's standard of living. Judging by the impoverished conditions that persisted into the 1990s in many countries, this theory no longer seemed universally viable. Poor countries without certain types of leadership and policy environments could not easily adapt the way Western Europe had after World War 11. Adrian Leftwich, for example, argues that the World Bank could see the significance of good governance just by reviewing the results of its SAPs[97] (which had grown to account for about 30 percent of all World Bank loans) and other loans over the 1980s. States with more "capable and effective" institutions and with leaders who were committed to development priorities fared better overall.[98] The Bank learned that the unfettered market could improve lives, but that it had certain requirements beyond basic macroeconomic policies.[99]

As many development and economic theories lose credibility over time, so did the

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[97]As is fairly common practice, this project uses the terms "SAPs" to also refer to the more specifically-targeted Sectoral Adjustment loans (SecALs) and hybrid loans--combination of SAPs and SecALs.

[98] Leftwich, "Governance," 605-10.

[99]Harrigan, Mosely, and Toye write that the World Bank learned from experience that its SAP reforms of the 1980s had "more relevance to Thailand and Turkey, say, than to Malawi or Guyana. A policy of trade liberalisation works better if industry is already competitive in export markets; private incentives to commercial farmers work better if those farmers have access to credit, fertilizer, and good roads; privatisation works better if there exists a private sector able and willing to take over the public sector's assets." Harrigan, Mosely, and Toye, 309-10.

World Bank's faith in the ability of neoliberal economic policies alone to cure poverty.[100] During Japan's high-growth period, for instance, governments intervened when they believed it would be beneficial, with credit allocation, subsides, trade restrictions, public enterprises, and other measures to promote certain industries and to protect others.[101] As Dani Rodrik describes, government intervention in these economies was so deliberate and goal-oriented that some leaders even subsidized investment when they perceived that this might produce the desired results. It was not that such state intervention was positive in and of itself, in the World Bank's view. It was, rather, as the World Bank admitted, that the state could play a constructive role in helping its economy adapt to the growing forces of globalization. The state's leadership, institutions, and policies did matter. [102] The World Bank also conceded at least partially that Africa, on the other hand, was a case in point of its failures in outlook and policy prescriptions, though it transferred much of this blame to African leaders and their policy environments.[103] The few African states that did make progress took longer than expected.[104] Ed Brown adds that "to a certain

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[100] In 1993, the World Bank for the first time admitted that state intervention, its 1980s scapegoat, had played a role in the success in most of East Asia. World Bank, *The East Asian Miracle* (New York: Oxford University Press, 1993).

[101]Stiglitz, "Introduction," 1.

[102]Dani Rodrik, *The New Global Economy and Developing Countries: Making Openness Work* (Washington, D.C.: The Overseas Development Council, 1999).

[103]Frances Stewart, "Education and Adjustment: The Experience of the 1980s and Lessons for the 1990s," in *Market Forces and World Development*, eds. Frances Stewart and R. Prendergast (Basingstoke: MacMillan, 1994), 128-29

[104]The World Bank's *Sub-Saharan Africa: From Crisis to Sustainable Growth*, a review of Africa's development issues published in 1989, conceded that a "crisis in governance" had contributed to this region's lack of success. Illegitimate leadership, corruption, poor institutions, and other factors were cited as part of the crisis. See World

degree, this new focus on 'good governance' represents a recognition of the importance of political context to economic policy and a partial acceptance of some of the arguments concerning how SAPs in themselves have actually sometimes hindered the ability of the state to administer any sort of economic reform."[105] SAPs, of course, intended to reduce the state's role in the economy on the neoliberal premise that state intervention impedes economic growth.[106] Good governance, on the other hand, sees a role for the state in promoting smooth and equitable market activity. It sees not so much a reduced role for the state, but a different role in helping shape the forces of globalization in general and in regards to its particular constituency.

It also helped the World Bank substantiate its claims that particular countries were promising sites for investment. By the mid-to-late 1990s, private investment in a handful of more stable and market-oriented developing countries had begun to surge.[107] In 1996, for example, net private capital flows into developing countries increased by 30 percent, to reach $243.8 billion. This was a five-fold increase since 1990.[108] Good governance promotion was a way for the World Bank to attempt to broaden the narrow range of recipient countries.

The World Bank also promoted good governance in the 1990s in attempt to shift

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Bank, *Sub-Saharan Africa: From Crisis to Sustainable Growth* (Washington, D.C.: The World Bank), 1-15.

[105]Ed Brown, "Tinkering with the System: Adjusting Adjustment" in *Structural Adjustment: Theory, Practice, and Impacts*, eds. Ed Brown, Bob Milward, Giles Mohan, and Alfred B. Zack-Williams (New York: Routledge, 2000), 138.

[106]Ibid.

[107]World Bank, *Report on Adjustment Lending II: Adjustment Lending Policies for Sustainable Growth* (Washington, D.C.: The World Bank Country Economics Department, 1990).

[108]Ibid.

the focus away from past World Bank criticism and accusations that the North is not concerned with the welfare of the South. The World Bank wanted to stay in business and to continue its work of creating a liberal capitalist economic environment. Yet due to rampant criticism of the institution that ironically occurred right as capitalism's rival system was coming apart, the World Bank had to repackage its agenda to remain viable. As a powerful institution, the World Bank has always received its share, perhaps more than its share, of external criticism. Yet critical voices were particularly prevalent, energetic, and mobilized in the early 1990s.[109] Some surmise that the opening of another multilateral development World Bank, the European World Bank for Reconstruction and Development added some fervor to the invective.[110] Many outside of the Bank expressed concern that despite its power, it had not achieved helped countries move forward and improve the lives of those living in poverty. The perceived failure of the Bank's SAPs did not help: the Washington consensus of the 1980s had become Washington confusion by the early 1990s. Theorists had been wrong about many things, most importantly about how to help ease poverty. Others criticized the Bank of creating wider gaps between the rich and the poor between and within nations through policies favoring corrupt leaders in developing countries.[111] Some critics continued to disparage the Bank for being

[109]This was partly due to globalization, a trend the World Bank itself had worked to promote. Increased communication, travel, and other exchanges had been making the world smaller, narrowing the space between people and ideas. The Internet in particular had been a useful tool for uniting and galvanizing such criticism, which was decidedly strong as the World Bank's fiftieth birthday approached in 1994. Kapur, Lewis, and Webb, 1161-1216.

[110]Caulfield, 305-6.

[111]Harrigan, Mosely, and Toye, 12.

subservient to a "dispersement imperative."[112] The Bank was also accused of being elitist and disconnected from the true nature of the plight of the poor.[113] Others blamed the Bank for neglecting environmental concerns in favor of business interests.[114]

Also, as previously mentioned, the popularity of laissez-faire ideas of the 1980s helped contribute to a challenge to the authority, legitimacy, and usefulness of the state. This in turn led to increased disillusionment with multilateral institutions such as the World Bank. More emphasis was put on system-level phenomena like globalization. Kapur, Lewis, and Webb contend that ". . . central governments were faced with difficult times, and disillusionment with them, almost inevitably, spilled over to their international creations: multilateral institutions."[115] The United States' Congress' taking away of the president's fast-track trading authority in 1994, in place and little disputed since 1974, as evidence of this sentiment.[116] James Cypher argues that commercial World Banks were also pressuring the Bank. Its SAPs and other

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[112]Gustav Ranis, "On Fast-Dispersing Policy-Based Loans," Task Force on the United States and Multilateral Development World Banks background paper (Washington, D.C.: Center for Strategic and International Studies, 1996), 6; Vasquez, 275-86.

[113]L. Taylor, "The Revival of the Liberal Creed: The IMF and the World Bank in a Globalised Economy," World Development 25:2: 145-52.

[114]With the rise of several Green parties in Europe and of the environmental movement worldwide, new pressure was exerted on the World Bank to pay more attention to the results of its actions and the implications and ramifications of its soft power, as it did help shape the international development regime. News of global warming, deforestation, and other environmental hazards was becoming more widespread, as Cold War concerns no longer dominated the media and the public mind-set and as people communicated more extensively. In the developed countries, the environmental lobby was exerting intensified power on politicians to heed such concerns, and some of this pressure was then directed toward the World Bank. Rich, 11-12.

[115]Kapur, Lewis, and Webb, 46.

[116]Easterly, 20.

conditionalities had not made the poorer developing countries any more secure for private investment, and the Bank was a convenient if not deserved scapegoat.[117]

The World Bank's new focus on good governance, part of its "post-Washington consensus," was without doubt partly motivated by external criticism and pressures, yet scholars differ on whether this focus indeed reflected a change, or whether it was merely cosmetic. Preston in 1993 spoke of the World Bank's "increasingly negative external image" and called for a "proactive approach" to improving it.[118] Where Kapur, Lewis, and Webb see a genuine and substantive shift resulting,[119] Brown and others see an attempt to shift the focus.[120] They cite Fine, for example, who argues that the World Bank was insincere in its rhetorical promises to reform its priorities.[121] N. Hildyard and A. Wilks, too, are circumspect, calling the new focus an act of "astute political maneuvering." [122] Kiely, too, had doubts, asserting that the World Bank did not change

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[117]James Cypher, "The Debt Crisis as 'Opportunity': Strategy to Revive United States Hegemony," *Latin American Perspectives* 16:1 (winter 1989): 61. Some scholars also assert that all of this external criticism influenced World Bank policies in the early 1990s, leading it to assume new responsibilities and priorities, from environmentalism to good governance promotion. Even as an independent institution, the World Bank was to an extent beholden to its member countries and to maintaining its reputation as a useful institution. Kapur and others write that it was rather ingenious of World Bank leaders to take the mounting criticism of its neoliberal policies and SAPs and use it to help transform its own identity. Instead shirking from the criticism, leaders saw an opportunity to change and fill a vacuum, they contend. See Kapur, Lewis, and Webb, 1161-1216.

[118]Cited in Ibid.

[119]Ibid.

[120]Ibid.

[121]Ibid.

[122]N. Hildyard and A. Wilks, "An Effective State? But Effective for Whom?" *IDS Bulletin* 29:2: 50.

its goals, but simply its rhetoric.[123] In any case, good governance promotion was appealing to investors countries because it seemed to firm up the North's ideological win against Communism and to make the world safer and more rule-based. By promoting good governance, the World Bank was taking a cue from the normative values of the World Bank's wealthy shareholders at the time. The international environment was conducive to democracy and democracy promotion as the 1990s began. This gave the World Bank latitude in promoting good governance, though the World Bank did not rhetorically equate this democracy. Insisting on political conditions such as rule-based institutions, representative government, accountability, and transparency, as the World Bank did, was seen as appealing in a world where democratic values were flourishing and spreading. It suggested broad convergence, cooperation, and even peace and security to many. In addition to the fall of Communism in Eastern Europe, other factors helped make the global environment ripe for democracy and good governance promotion. The bandwagon effect of countries embracing democratic values, Northern attention to human rights, and the spread of liberal ideals favored democratization and similar values such as those under the World Bank good governance rubric.[124]

The global move toward democracy that peaked with the fall of Communism in Eastern Europe had begun in the mid-1970s and continued through the 1980s. The advance towards democracy with the demise of Western Europe's final three dictatorships, in Spain, Portugal, and Greece, continued through Latin America. The democracy and human rights impulses were given some impetus by the Carter

[123] Kiely, 68.

[124] Bruce Parrott, "Perspectives on Postcommunist Democratization" in *Politics, Power, and the Struggle for Democracy in South-East Europe*, eds. Karen Dawisha and Bruce Parrott (Cambridge: Cambridge University Press, 1997), 8

administration's focus on human rights, but also took on a life of their own. Most of Latin America's dictatorships fell or withdrew by the late 1980s, and China's democratic movement gained international attention with the Tiananmen Square massacre. In other parts of Asia evolution towards democracy was increasingly conspicuous in countries such as Taiwan and Thailand. South Korea and the Philippines witnessed clear democratic transitions, and democratic progress was made in Pakistan. India continued to struggle to implement democracy. In parts of Africa as well, as apartheid was weakened and then dismantled, democracies and democratic movements were increasingly evident. In the North, political liberalization could be seen in Tunisia and Algeria, and Egypt's government system continued to be partially liberalized, with multi-party elections and some quasi-democratic institutions. In the South, people continued to struggle to achieve non-racial democracy through nonviolent action, which included its newly empowered trade union movement. As Laurence Whitehead contends, "liberalizing measures tended to gather their own momentum as increased freedom of expression and organization led to the emergence of newly permitted organizations and demands" and soon "[l]iberalization passed into democratization...."[125] These trends bestowed an unprecedented legitimacy on the viability of democracy and its values, providing the World Bank with new license to promote more value-laden reforms such as those involved in its good governance promotion.

Not only was the world experimenting with democracy in unprecedented ways, but the nature of and nuances of this experiment were widely known, due to the increased

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[125]Laurence Whitehead, "Democratic Transitions" in *The Oxford Companion to Politics of the World,* 2d ed., ed. Krieger (New York: Oxford University Press, 2001), 195, 208-9.

socializing aspects of globalization, such as the technological revolution and more frequent international travel and other exchanges. This helped raise awareness about government repression and other sorts of human rights abuses. The World Bank's good governance promotion likely also stemmed from growing international sentiment about the need to protect human rights. The 1980s brought a remarkable growth in global concern for human rights. This included, notably, the right to choose political leaders and to voice one's political ideas and beliefs, but also a perhaps even darker side of such abuses. This served to reinforce some of the elements of democratic governance. As Larry Diamond, Juan Linz, and Seymour Martin Lipset contend, as

> torture, disappearances, and other grave human rights violations became more widespread but also more systematically exposed and denounced around the world, there developed a renewed and deeper appreciation for democratic institutions, which, with all their procedural messiness and sluggishness, nevertheless protect the integrity of the person and the freedom of conscience.[126]

As Stephen Haggard contends, this increased international normative concern with democracy and human rights only furthered the dissemination of Northern policy norms that structural adjustment was providing for, thus enabling institutions such as the Bank to impose their wills even more intently.[127] The Bank's good governance promotion in the 1990s also was bolstered by the increasing governance-related conditionalities levied by bilateral aid donors and other IDIs. The Bank would be less likely to be accused of political interference in sovereign nations if similar conditionalities were seen as commonplace. Trends in the academic world also helped encourage the Bank's shift. As Kanbur and Vines assert, the World Bank "is not

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[126]Diamond, Linz, and Lipset, 2.

[127]Stephen Haggard, *Developing Nations and the Politics of Global Integration* (Washington, D.C.: The Brookings Institution, 1995), 21.

independent of either the intellectual world or the political world in which it operates. The World Bank's thinking on poverty thus closely parallels academic concerns with poverty, and its actions with regard to policy relief reflect the political priority afforded to poverty in the world at large."[128] Changes in viewpoint and emphasis in economics, development studies, democratization studies, sociology, and other liberal arts studies, primarily in the developed countries, impacted the World Bank's conceptualization of its role.

In the field of economics, studies were increasingly pointing to the need for the state to take an active role in development. As Madhusudan Bhattarai contends, in the 1990s economics scholars were increasingly interested in new developments in "new institutional economics" and "new growth theory" that pointed to the need for the state to furnish and maintain sound institutions. Such institutions, it was believed, would help strengthen the market and help protect citizens from the potentially painful effects of liberalization. Additionally, this branch of economics paid attention to the view that domestic compensation, or some form of welfare state, can be an important component of increasing international openness. New empirical studies showed a positive relationship between trade openness and growth of government.[129] Also, the value of the protection of private property and contract rights became a popular topic in growth studies. Bhattarai contends that institutionalists in the field of economics have long argued about the value of state in development, but the renewed interest in the 1990s stemmed from

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[128]Kanbur and Vines, 87.

[129]Higgott, 27.

new data supporting and strengthening such ideas.[130] Richer empirical studies in economics also evidenced that there is a positive correlation between the level of equality in society and the level of GDP, reinforcing the need for some social welfare protection by the state.[131] As the World Bank is staffed with 800 or so economists with elite backgrounds, such academic and scholarly trends surely had impact.

In the field of development studies, new emphasis on alternatives to neoliberalism that considered the needs of the poor, women, and other marginalized groups emerged. Additionally, scholars studied the way cultural histories and norms made certain regions less prone to develop via Northern standards. As Christine Sylvester asserts,

> Alternative and post development tendencies have tried to push development studies in less distanced, abstract, and macroeconomic directions; and they have succeeded to the degree that the structural adjustment wing has enabled alternative thinking to be spoken in the corridors of the World Bank.[132]

Yet the most impactful trend in development has been the view popular in the1990s that political and economic liberalization not only can be endeavored at the same time, but that they can support one another. In 1993, Thomas Callaghy described this as the pervasive development viewpoint of the decade, reinforced by countless new studies.[133] Hence, the World Bank had little difficulty buttressing its claims of the indispensability of good governance when the academic world, with its rich supply of

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[130]Bhattarai Madhusudan, "Book Reviews," *Journal of Economic Issues* 33:1 (March, 1999): 204-8.

[131]Kanbur and Vines, 95

[132]Sylvester, 715.

[133]Thomas Callaghy, "Vision and Politics in the Transformation of the Global Political Economy" in *Global Transformation in the Third World,* ed. Robert Slater (Boulder: Lynne Rienner, 1993).

independent scholars and resources, was making similar claims. Developments in the growing field of democracy studies also supported the World Bank's shift toward good governance promotion. In the early 1990s scholars began to make the argument that democracy is a prerequisite for economic development or at least must be in place concomitant with economic development efforts. Previously it had been largely assumed that democratic conditions were an outcome of development, but scholars had increasingly come to see the usefulness of democratic conditions to facilitating economic reforms. Such conditions frequently cited included governmental accountability and transparency, the rule of law, open policy debates, and reliably enforced state institutions.[134] These included many of the same conditions the World Bank was advocating, lending additional backing to the World Bank's revised agenda.

In the 1990s, other trends in academia also reinforced the World Bank's shift. In the field of sociology, post-colonial studies built further barriers to casual acceptance of neoliberalism's tenets, with its attention to uneven structural relationships and the local and the specific rather than the general and universally applicable. In the field of literary theory, postmodernism called into question the nature of truth and reality, urging scholars to see the ideological underpinnings of common entrenched beliefs, like neoliberalism. Michel Foucault's work on the construction of uneven power relationships became an academic mainstay. In political science, the rise of constructivist theory and the debate about the new world order also tilted towards openness to new paradigms and the questioning of old ones. Many of these developments, of course, coincided with the

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[134]John Healey and M. Robinson, *Democracy, Governance, and Economic Policy: Sub-Saharan Africa in Comparative Perspective* (London: Overseas Development Institute, 1992).

fading of the Cold War. Nevertheless, the World Bank benefitted from the academic climate in the 1990s in many ways.

The World Bank also promoted good governance in the 1990s because this because the international political climate at the time was amenable to this. As Ngaire Woods writes, what is "significant about the World Bank's strong advocacy of the Washington consensus in the 1980s. . . is that it highlights the extent to which the institution is liable to sway towards the mind set and priorities prevailing in the US government in any period of time."[135] In the early 1980s neoconservative governments came to power in the United States, Great Britain, Germany, and beyond. The early and mid-1990s witnessed a sweep to power of social democratic, or "Third Way" governments in the leading developed countries. Bill Clinton, Tony Blair, Gerhard Schroeder, and others brought with them a fresh idealism and a hope of finding a new method of balancing the international political economy so that the market could flourish and citizens' needs, the rich and the poor, could be met.[136] Third Way values are surprisingly similar to the Bank's new development agenda: creating a state that complements market functions, building strong state institutions, increasing governmental transparency, ending corruption, granting a significant role to civil society, striving towards more social equality, connecting social and economic policy, reforming the welfare state, protecting the environment, and coordinating the efforts of governments

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[135] Ngaire Woods, "Multilateralism and Governance," in *The World Bank: Structure and Policies*, eds. Christopher Gilbert and David Vines (Cambridge: Cambridge University Press, 2000),142-43.

[136]Anthony Giddens, *The Third Way: The Renewal of SocialDemocracy* (Malden: Polity Press, 1998) and the essays in Giddens, ed., *The Global Third Way Debate* (Malden: Polity Press, 2001).

and international institutions.[137] It is not surprising that the World Bank, controlled or at least influenced, by its richest members, revealed a similar change in its political world view. Of course, because the World Bank shares the same world with wealthy developed nations, it would naturally see similar trends and learn similar lessons, but still, popular political ideas have a strongly-felt presence. As Catherine Gwin argues, the World Bank has always in particular been influenced by the political climate of the United States.[138] The fact that the United States and much of Western Europe had converged politically undoubtedly had a powerful impact on World Bank priorities.

Adding to its ability to enter into more political interventions in developing countries was the strengthening of the GATT, now the WTO. Clearly, the leaders of the new global environment were attempting to \impose a new supranational rule-based order that would protect the status-quo and limit crises as experienced in the past. This search for a wider mandate gave institutions like the World Bank more latitude in declaring policies that interfered with its liberal capitalist agenda as distortions."[139] Where there were rules and norms, there could be infractions and deviations. Developing countries were also increasingly at the mercy of World Bank decisions to intrude in their policy environments because of the leverage Northern states was gaining by imposing "conditional" member status on states, such as China, in the WTO. Conditional status

[137]Description of Third Way values summarized from Giddens, "Introduction," *The Global Third Way Debate,* 1-21.

[138]Catherine Gwin, *US Relations with the World Bank, 1945-92.* Washington, D.C.: The Brookings Institution, 1994.

[139]Osvaldo Sunkel, "Contemporary Economic Reform in Historical\Perspective" in *Rebuilding Capitalism: Alternative Roads After Socialism and Dirigism*, eds. Mario I. Bljer, Andres Solimano, and Osvaldo Sunkel (Ann Arbor: University of Michigan Press, 1994), 320; see also M. Agosin and D. Tussie, "Globalization, Regionalization, and New Dilemmas in Trade Policy for Development," *World Competition* (June 1992).

was used to impose policy guidelines on states favorable to open market interests as well as to establish global expectations and norms conducive to this interest. The World Bank took advantage of such growing expectations and norms, becoming part of a larger effort to impose order and maintain extant power structures. Additionally, the rise of regional trading blocs was making Third World countries in a sense more empowered, but also more vulnerable. The North American Free Trade Area (NAFTA) and the EU, for instance, promised great rewards for its developing country members, though requiring a stricter adherence to Northern policy guidelines. Of course, the growing accessibility of ideas and information due to the technological revolution only served to reinforce this trend toward more policy standards and convergence.

The precedent of SAPs and other conditionalities, negotiated by both the World Bank and the IMF, also provided the World Bank with an increased awareness of the need to change its past methods. With many countries, the World Bank learned that state leaders could not fully implement the World Bank's reform package proposals if they so desired. Firstly, many countries lacked the supportive panoply of political, managerial, legal, and economic institutions needed for such reforms, and secondly, state leaders were not always or even often in a political position to impose such sweeping reforms as were mandated.[140] Developmental problems had deeper roots and success encountered more obstacles than the World Bank had envisioned. Even when countries attempted to make the prescribed reforms, success was not always forthcoming. The World Bank also later learned that even in the cases of Mexico and East Asia, seeming success can be fragile without a certain type of political policy environment and the right institutions. A learning curve does exist, and the World Bank was moving further along it in its good

[140] Sandbrook, 278.

governance promotion, at least in so far as promoting its goal of integrating the developing countries more fully into the global economy. Richard Sandbrook writes that the World Bank's preoccupation with good governance "does represent an advance in adjustment thinking." Further, he contends, "Implicit in this notion is the idea that 'getting politics right' for capitalist development is as essential as getting prices right."[141] Not only had the World Bank learned from experience, but it had also gradually increased its ability to intervene more in developing economies. Scholar David Goldsworthy contends that previously, the World Bank had avoided politics because its presence was a potential obstacle to rapid and effective loan disbursement and to being able to influence developing countries.[142] But once SAPs, originally intended for short-term crisis management, became standard, it was easier to attach more and more political conditions to them (clothed in technical language). Matching other institutions such as the UN's rhetorical promotion of good governance gave it an easy way to extend the intervention it had begun into developing countries in the early 1980s, to a deeper and even more political intervention. As John W. Newark writes, before the 1990s, good governance promotion pronouncements would "surely not have been made, or they would widely have been condemned as acts of political interference or imperialism on the part of the developed nations."[143] The World Bank, as well as the policies of other aid donors, had eased the world gradually into more acceptance of deeper intervention. The

[141]Ibid., 280.

[142]David Goldsworthy, "Thinking Politically About Development," *Development and Change* 19 (1988): 505-30.

[143]John W. Newark, "Foreign Aid in the 1990s: The New Reality" in *The Changing Political Economy of the Third World*, ed. Manochehr Dorraj (Boulder: Lynne Rienner, 1995), 223-44.

World Bank's always sterile terminology for what were clearly political reforms also helped in this respect.

It was also increasingly clear that the World Bank's SAPs, originally so auspicious in the eyes of their designers, were not the solution in and of themselves. As has been stated here and well-studied generally, SAPs brought at best uneven results and at worst, poor overall results. Monitoring for SAPs also gave the World Bank a closer view of governance deficiencies in many developing countries. One of the lessons of the 1980s was that laissez-faire policies alone are insufficient to promote and sustain development in developing countries in the modern world. Removing the state from an un- or underdeveloped market brings little developmental success. The World Bank came to increasingly see that markets have requirements, institutions to support them, liberal progressive cultural values, trustworthy leaders, enforceable laws and contracts. They also saw that speedy, sweeping reforms are not always effective. The conditionalities of multilateral institutions that mandated sweeping economic liberalization and privatization as in Eastern European countries in the 1990s made it painfully obvious that policy environments needed both reform and development. Private incentive, it was evidenced, requires a reliable policy environment with laws and rules. Yet deciding on what these laws and rules should be has proven to defy simple technocratic analysis. As Stiglitz writes, for example, "different policies affect different groups differently. . . Outside advisors can clearly take strong positions against Pareto-inferior policies, but. . . [w]hat appears to be a Pareto-dominant policy in a static context may not be in a more dynamic one, and conversely."[144]

[144]Stiglitz, "Introduction," 4

The process of democratization itself called attention to the nature of political interactions and the characteristics of policy environments.[145] Scholars such as Mancur Olson describe how it was easy for Western European countries and the United States to inadvertently overlook certain features that make a country's policy environment conducive to development such as property rights protection.[146] Certain such features developed gradually and naturally in these regions and were largely taken for granted instead of being seen as intrinsic to a country's development. The World Bank learned from experience that such features matter.

Another factor leading the World Bank to revise its own sense of its role was its reinterpretation of the success of the East Asian tiger economies. In the early 1990s debate over the reasons behind East Asia's rapid development over the past three decades intensified as the region increasingly exemplified successful development. In the mid-to-late 1980s World Bank scholars and economists generically emphasized the basic neoliberal macroeconomic policies pursued by countries in the region: fiscal and monetary discipline, little regulation of the domestic economy, and a willingness to embrace international trade. Yet these policies had been pursued in other countries and regions with markedly less success. Upon closer view, the World Bank had to admit that other factors were in place that helped contribute to East Asian countries' success. As the World Bank acknowledged in its $1.2 million *East Asian Miracle* study, not only did many of these countries pursue macroeconomic stability with stable and competitive exchange rates, low inflation, careful management of their state budgets, and export

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[145]Stephen Haggard and Robert Kaufman, *The Political Economy of Democratic Transitions* (Princeton: Princeton University Press, 1995).

[146]Olson, 6.

promotion. They also invested heartily in education and social services.[147] The World Bank also acknowledged that in some of these countries, notably Northeast Asian states such as Japan and Korea, state industrialization policies were successful, partly because these states intervened when results were positive and withdrew when they were not. The World Bank did not grant a blanket acceptance to industrialization policy, noting that in Southeast East countries such as Hong Kong, it was in fact not successful. But the World Bank did acknowledge a role for the developmental or activist state. In a 1998 speech, Stiglitz acknowledged that despite East Asia's crisis beginning in 1997, this cluster of countries. . . had not closely followed the Washington consensus prescriptions but had somehow managed the most successful development in history."[148]

Ironically, yet another phase of Washington's reinterpretation of the East Asian story influenced its promotion of good governance. After the severe financial crisis in the region, with its global ripple effects, the Bank adopted the view that poor governance had allowed for this. The World Bank did not discount the region's successes, but in the wake of the crisis it blamed poor institutional infrastructure for the sudden trouble. In its 1999 *Road to Recovery* publication, the World Bank contends that the crisis was "best seen as a story of rapid growth built on incomplete foundations, which was left exposed to the winds of the international financial markets." It further noted that the region "will have to rebuild its success on new foundations in its trade competitiveness, in the financial sector, and in the governance of and financing of its corporate sector."[149] The

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[147]World Bank, *Miracle.*

[148]Stiglitz, "More Instruments and Broader Goals: Moving Towards the Post-Washington Consensus," *WIDER Annual Lectures*, 2 January 1998.

[149]World Bank, *East Asia: The Road to Recovery* (Washington, D.C.: The World

World Bank was in essence arguing that though some aspects of good governance had helped the region succeed, other aspects of poor governance had prevented this success from being sustainable. Though its language is technical and dry, the World Bank is acknowledging that political factors, not simply economic ones, were at play in both the successes and failure in the East Asia. Thus in both its success and in its failure, the East Asian crisis highlighted the need for good governance for developmental success.

The World Bank realized in the early 1990s that in order to stay in business, it needed to transform itself and its role to some degree. It needed to show that it would make good use of 1988 $75 billion funding increase. It also needed to prove its worth in the wake of the Cold War, as distinct from the IMF, in light of past failures, and in light of increased private capital flows to developing world. At the same time, the World Bank had to somehow discover a way to satisfy its growing number of critics. Satisfying shareholders and external critics would not be simple. The United States' new post-Cold War world position threatened many, and claims of World Bank elitism, its self-serving predisposition, that it was a tool to advance American interests, and that it was staffed with "idiot specialists" only continued to increase.[150] The growth of the NGO movement and mobilized environmental and humanitarian criticism increased the World Bank's need to transform its reputation and its role. If all of this criticism was not enough, the World Bank also faced increased United States Congressional and Treasury Department criticism with the new incoming administration in 1992.[151] The Wapanhans report opened the door to more internally-generated criticism on top of this, which was followed

Bank, 1999), 16.

[150]Woods, 143; see also L. Taylor, 145- 52.

[151]Global Poverty Research Group, "The World Bank" (April 2005). <http://www.gprg.org/news-comms/comm-001.htm> [20 June2005].

by increased criticism from academics and from the media. These critics accused the World Bank of being better at take-offs than landings, of offering carrots but "no sticks" in efforts to promote reform, and of being subservient to its own dispersement imperative.

One significant way in which the World Bank attempted to make itself more relevant and deflect criticism was to prioritize its role as a knowledge World Bank. Its use of economic conditionality of the 1980s had afforded it a closer view of challenges developing countries faced as they attempted to become more competitive in the world economy. Its general experience, expertise, and elite reputation gave it credibility to make broader suggestions, beyond economics into the political realm and it also make it a source of information for private investors looking for lucrative new markets or assessing the viability of existing markets. By supplying its knowledge function, the World Bank could capitalize on what it knew already, decreasing the pressure to make loans and raise funds and also diffusing criticism about its own acquisitiveness. The World Bank's increased reliance on its Knowledge World Bank functions also stems from the increasing need or social capital to attract investment in today's world. The World Bank clearly needs to help poor, strife-ridden countries improve their reputations. This helps them become more attractive to public and, even more importantly, private investors. As capital continues to become increasingly mobile and markets more vital, it is more and more evident that almost nothing matters more than promising returns. Promoting good governance has become a significant way for the World Bank to help countries market themselves.

With both the fading of the Cold War's temporary simplification of many political and economic issues and the world's growing interdependence and complex web of

relations, it became increasingly obvious during the 1980s and 1990s that the World Bank needed to consider as broadly as possible the ramifications of its stances and policies. As globalization intensified interconnectedness and shared social space, the efficacy of World Bank policies and practices was increasingly contingent upon factors beyond its control and worldwide perceptions of its legitimacy. One way the World Bank could take back some of this control and perhaps increase its reputation involved working to better coordinate its actions in regard to what other aid donors and IFIs were doing.

Initially, good governance promotion seemed like a feasible way to deflect criticism and shift the focus, as well as to excuse past failures. Morton Halperin, David Scheffer, and Patricia Small, warn, however, that the United States in particular "needs to recognize that some countries view the new U.S. interest in democracy . . . as yet another pretext for U.S. intervention in the internal affairs of other states in support of U.S. security and economic interests."[152] When the UNDP began rhetorically emphasizing good governance and democracy promotion, it became clear that working more broadly with the UN in this effort could enhance the World Bank's credibility and power. This heightened the World Bank's good governance promotion momentum. When the Organisation for Economic Cooperation and Development joined in the chorus of good governance promotion, this strengthened this impulse even more.

Various changes in the international economic environment helped motivate the World Bank to reassess its mission in the late 1980s and early 1990s. Developing countries had come to possess more wealth, more consumers, and more people than ever

[152]Morton Halperin, David Scheffer, and Patricia Small, *Self-Determination in the New World Order* (Washington, D.C.: Carnegie Endowment for International Peace, 1992).

before as the 1990s began. Many also had natural resources upon which the North increasingly depended.[153] These countries' abilities to affect the rest of the world were surprising. East Asian economies, for instance, helped fuel the growth of the rest of the world. Developed countries increasingly needed these markets. For the United States, exports to developing countries accounted for one-sixth of the nation's GDP between 1990 and 1996. This says nothing of the jobs provided to Americans working somewhere within this process. China, while still considered a developing country, could soon become the world's second largest economy.[154] This gave the World Bank increased stake in the success and in the stability of many developing countries, despite some claims that the Third World would be forgotten after its Cold War relevance ended.

World Bank members had growing corporate interests in acquiring exports and pursuing investment opportunities.[155] Members' trade policies were beginning to increasingly reflect the desire to further open foreign markets and to ensure that they would remain open and predictable. Economic liberalism had changed the world, and it had certain requirements that could not be assumed to be in place. Even smaller, weaker countries played important roles, and local politicians in the developed countries felt new pressures. In Washington, for instance, lobbying by financial service providers for more and better access to foreign financial markets had been growing since the 1980s, as

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[153]James W. Joseph, "Stasis and Change in the IMF and the World Bank:International Context and Institutional Dynamics," *Social Science Journal* 37:1 (2000): 43-66.

[154]Stiglitz, "Agenda," 342.

[155]Barbara Stallings, "International Influence on Economic Policy: Debt, Stabilization, and Structural Reform" in *The Politics of Adjustment,* eds. Stephen Haggard and Robert Kaufman (Princeton: Princeton University Press, 1992), 87-8.

financial services provided an increasingly large share of American GNP and needed international operating scales to control costs.[156]

Joseph James notes that somewhat ironically, some of the increased influence of developing countries on the industrialized countries stems from some of the former's debt burdens. These burdens have "forced changes in the ways major actors deal with them." The debt relief programs that the Bank has participated in in recent years have used good governance conditions as criteria for selecting countries and designating debt relief.[157] Citing prior work by W. Cline[158], Joseph notes that on separate occasions, Poland, Mexico, Peru, and Brazil have put their creditors at risk and eventually influenced the way they carry out business.[159] The World Bank was increasingly seeing the impossibility of turning a blind eye to any country.

The tightest conditions already being circumscribed were for the poorest countries,[160] and as Stephen Haggard describes, the number of poor countries and the severity of poverty in those already poor was growing. Osvaldo Sunkel contends that the "demise of the Second World has pulled the rug out from under the North-South confrontation, with the former Third World countries. . . being reabsorbed" into the new

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[156]Alice Amsden, *The Rise of 'the Rest': Challenges to the West from Late-Industrializing Economies* (New York: Oxford University Press, 2001), 252.

[157]Nancy Birdsall, Stijn Claessens, and Ishac Diwan, "Will Highly Indebted Poor Country (HIPC) Status Matter? The Debt Game and Donor Behavior in Africa." Discussion Paper 3. Washington, D.C.: The Carnegie Endowment for International Peace, 2001.

[158]W. Cline, *International Debt Reexamined.* Washington, D.C.: Institute forInternational Economics, 1995.

[159]Joseph, 43-66.

[160]Harrigan, Mosely, and Toye, 131.

international system, or simply being left in poverty and political disarray.[161] The early 1990s were similar to the early 1980s, in that slow and unpredictable growth in the developed countries, leading to severe fluctuations in import demand, added to developing countries' economic problems. Terms of trade for the developing countries were dismal in each of these time periods.[162] Countries formerly accustomed to receiving Soviet aid, though it had been declining throughout the 1980s, were left with none. This gave institutions such as the World Bank, with its keen interest in promoting an open world economy, more latitude in terms of forwarding its own agenda. This is similar to the conditions that make the introduction of SAPs possible in the late 1970s and early 1980s: developing countries had little choice but to accept new demands in return for financial support. The World Bank's good governance promotion was possible because developing countries were generally in a weakened state and could not object.

Further adding to the World Bank's capacity to intervene were the concessions it was increasingly making to developing countries. Debt forgiveness in particular, given a boost by the March, 1989, approval of the Brady Plan, gave the World Bank new authority to dictate its wishes in regard to developing countries. If it was to make concessions, surely it could require concession to match. As Miles Kahler contends, a bargain was stuck: "stringent adjustment for a modest amount of financing."[163] There were also potential incentives in the form of eased barriers to imports that some of the

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[161]Sunkel, 319.

[162]Haggard, 48.

[163]Miles Kahler, "Orthodoxy and its Alternatives: Explaining Approaches to Stabilization and Adjustment," in *Economic Crises and Policy Choice: The Politics of Adjustment in the Third World*, ed. Joan Nelson (Princeton: Princeton University Press, 1990), 47.

Northern countries were considering. Additionally, it was the World Bank's richest members that tended to have the most impact upon whether developing countries were admitted to the important global institutions like the WTO, which promised its own rewards. Developing countries were in a position where they could not defy the World Bank's dictates without losing the few advantages and benefits they enjoyed.

The fact that private investors, most notably commercial World Banks, were increasingly pulling out of developing countries added to the World Bank's potential to intervene more in the 1990s. Haggard writes that the "combination of increased multilateral lending and the evaporation of commercial credit placed the IMF and the World Bank in a strategic position to define the policy reform agenda."[164] A common criticism levied against the World Bank has been that in recent years, the bulk of its lending (often cited as 70 percent) goes to only a handful (eleven) of emerging market countries.[165] While it is true that this statistic is somewhat misleading because these eleven countries are home to more than half of the world's population (and almost 80 percent of the people who live in poor countries that are World Bank members), [166] it is still true that developing countries must increasingly compete for public and private funds.

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[164]Haggard, 22.

[165]Adam Lerrick, "Has the World Bank Lost its Way?" *Euromoney* 368 (December 1999): 34-37.

[166]Joanne Salop, "Has the World Bank Lost its Way? Au Contraire?"*Euromoney* 371 (March 2000): 98-101.

Heightened post-Cold-War ethnic conflict created both an exigency for political stability and an opportunity for IDIs such as the World Bank to intervene and begin to lay the groundwork for stable, market economies.[167] As Joanna Macrae asserts,

> The end of the Cold War added further impetus to this 'reunification' of aid and politics. There were increasing appeals to utilise the end of the superpower confrontation to harness political will to achieve peaceful resolution to conflict.[168]

The connection between commerce, aid, and foreign policy was increasingly made in the post-Cold War world, and as Macrae further contends, a presumption that the world's developed countries, notably the United States and Western Europe, wanted both peace and an open trading system existed.[169] This gave the World Bank new license to take on a more active role in conflict resolution via its aid policies.[170]

A general shift in the World Bank's leadership began in 1986. As has been noted, the World Bank's new president, Conable, was notably less conservative than had been his predecessor, Clausen. Conable began the important precedent of categorizing non-economic issues as directly relevant to economics with his statements and views on the environment.[171] This helped open the way for later World Bank arguments that political factors were within the purview of economic management. Conable's 1987 World Bank restructuring allowed for some fresh ideas to surface, and this trend continued into the

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[167]David Moore, "Leveling the Playing Fields and Embedding Illusions: 'Post-Conflict' Discourse and Neoliberal Development in War-Torn Africa," *Review of African Political Economy* 27:83 (March 2000): 11-28.

[168]Macrae, 30.

[169]Ibid.

[170]G. Perkovich, "The Plutonium Genie," *Foreign Affairs* 72: 153-65.

[171]Von Benda-Beckman. 56-7.

next decade. The election of Preston in 1991 as the World Bank's new president furthered its new openness. The World Bank began allowing more internal anti-elitist sentiment to be vocalized, partly out of a genuine desire for change and partly to enhance its credibility in light of growing external criticism. During Preston's tenure, the World Bank's Operations Evaluation Department (OED) presented new evidence that weakened the prevailing Washington consensus. In the OED's 1992 analysis of industrialization in industrialization strategies were ineffective; the report did, however, acknowledge that in Korea, such government interventions in the workings of the market were by and large highly effective and even instrumental in Korea's developmental success. For the era, the OED study made the unprecedented admission that state intervention can help direct a country towards developmental success. [172] This study also paved the way for the subsequent publication of the World Bank's study *The East Asian Miracle: Economic Growth and Public Policy,* which acknowledged the extent of the state interventions in this region and ascribed to many of them value.[173]

Yet it was the appointment of Wolfensohn as World Bank president in 1995 that clearly revealed the allowance for and the degree of the World Bank's shift. Wolfensohn from the start set about changing the World Bank's reputation and its role. He proposed unprecedented debt reductions for highly indebted countries, launched initiatives to involve more voices in policy making and implementation, including those of the private sectors, NGOs, other aid donors, and leaders of developing countries. He launched new initiatives in diverse areas such as institutional reform and

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[172]World Bank, *World Bank Support for Industrialization in Korea, India, and Indonesia* (Washington, D.C.: The World Bank, 1992).

[173]Lall, 645.

reducing corruption. The appointment of Stiglitz as the World Bank's chief economist in 1997 reinforced its openness to good governance promotion, as Stiglitz was increasingly known for his belief in a stronger role for the state in maximizing the benefits and decreasing the potential problems associated with liberalization and marketization.

In many ways, the World Bank of the late 1990s hardly resembled the World Bank of earlier decades. The World Bank's goals were purportedly the same, to fight poverty and help poor countries grow, yet the means had changed. It was almost as if the World Bank was attempting to absolve itself of past failure and overconfidence by changing its image and style. And this approach has worked at least to some degree.

Findings

Though some observers view this expansion of the Bank's governance promotion merely as "mission creep" or the tagging on of popular ideas and programs to a limited and static agenda, this was not the case. The expansion of the World Bank's agenda to include governance concerns and then the World Bank's subsequent widening and broadening of its governance programs and policies reveal informed reiterations of Northern power concerns. With the World Bank's allegiance to the interests of a small group of rich countries and to a common agenda of trade liberalization, deregulation and stringent intellectual property rights protection, there is very little room in its good governance promotion for prioritizing equity and help for the most marginalized. Increased protection of intellectual property rights serves to consolidate the technological monopoly of TNCs. It imposes the private rights of multinational companies over national constitutions, since TNCs and investors are able to take legal action against

national governments. International arbitration panels, controlled by wealthy countries, are not likely to favor the interests of poor, technologically backward companies.

The World Bank's governance concerns arose initially because its previous SAPs were not generally effective. Rent-seeking predatory states were reversing or meddling with the SAP economic reform process because of vested power interests and elites' strong desires to maintain the status-quo. The World Bank realized this at an opportune time for its increased political intervention, with the fading of the Cold War and increased international acceptance and even support for democracy promotion and political intervention. To its public sector reform programs, it added rhetoric and programs designed to empower civil society as a positive counterbalance to a (negative) state. This was somewhat effective, yet the World Bank came to understand that without certain broad social support for the reform process, it could not move forward and consolidate. Including equity and distributional concerns and programs built broader bases of support for good governance that facilitated its success. The World Bank never changed its goals of wanting to open markets, have its loans repaid, and remain in business; it simply changed its means. The fact that the resultant programs and policies appeared more socially conscious and more pro-Southern interests was a pleasant side effect for the often-maligned World Bank, as well as for many disempowered in the Third World. But the World Bank's Northern-country-dominated power structure remained intact.

In sum, while it is difficult to assess the workings of a large and complex organization such as the World Bank, a close reading of primary documents reveals that despite its claims to support pro-poor development, the Bank's good governance programs take the form of forging a capital-friendly agenda. By helping to construct a

positive relationship between the state, the market, and civil society in recipient countries, the Bank attempts to create a state that manages and regulates the market in a supportive way with its institutions. The focus of programs is to establish of a smooth functioning market economy with protected property rights, reliable contracts, high degrees transparency, and a low measure of corruption. This agenda represents the desires of international large corporate interests and of wealthy countries, notably the United States.

Though the Bank likely truly desires to improve the livelihoods of the poor, this is secondary to its allegiance to the market. To genuinely help empower the poor, the Bank's good governance agenda would be less focused on making poor countries market-ready. Most of the Bank's good governance policies and programs work to make the state amenable to international business transactions

While the World Bank's good governance promotion is clearly political, this IDI is careful not to recognize the resulting outcomes in political terms, thus falsely depoliticizing its own development agenda. The World Bank's good governance policies largely reflect the interests of its most powerful country members and TNCs; they avoid entertaining inquiries about the politics of development and carry forth the dominant economic growth paradigm that serves the institution's stakeholders. Unlike other IDIs, the World Bank's definition of good governance does not embrace political dimensions of the concept. Because of its non-political mandate and culture, promoting good governance without crossing a certain line has been challenging for the Bank.

CHAPTER V

THE EUROPEAN UNION

It is not surprising that EU development assistance has been widely criticized and controversial. Britain's development minister even went so far as to call the EU program the "worst development agency in the world."[1] Perhaps this was a bit unforgiving, but not wholly without warrant. The way development aid is allocated reflects an institution's core values and goals, and the EU is still in the difficult process of forming its identity. The same stresses that plague the union, such as whether to become more supranational or more inter-governmental and how to handle common security policies, complicate EU aid decisions.

Also, not only is EU foreign aid a continental issue, but it is highly symbolic of the IDI's larger world role. Hence, different countries and EU bodies have markedly divergent visions for aid that are not easy to reconcile, let alone cogently assess. The outcome has been aid policies that are often ad hoc, risk-averse, or at odds. This was particularly true before the EU notably reformed its aid programs, as will be discussed. Further making EU aid decisions complicated is the fact that assistance is apportioned along geographic lines, and each region has its own rules, procedures, programs, and set of agreements. Additionally, today the aid apparatus that is designed to further the development interests of twenty-five countries is divided between three Directorate Generals and one implementing agency within the ambit of the Commission. The Commission, in turn, is partially answerable to the Council and the Parliament.

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[1]Clare Short, "Aid That Doesn't Help," *Financial Times* (June 2000). Other critical reviews include S. Dearden, "The Reform of the European Union's Development Policy," *Journal of European Affairs* 2:2 (May 2004).

As noted, EU foreign aid in the 1990s was not only structurally complex, but also had a myriad of goals. Over the decade, the EU funded an increasingly complex mix of pro-market, security-motivated, and human rights-oriented programs and policies that reflected the EU's struggle to define itself and protect and promote its changing interests. The need to comply with WTO regulations as well as the desire to raise living standards in its own member countries challenged the EU's generosity, and worries about potential security threats increasingly conditioned aid policies, especially in proximate regions. Yet the EU continued to show its concerns with human rights, poverty alleviation, and the environment in its programs and policies. These multiple aims, backed by differing levels of prioritization in different regions, made EU foreign assistance disjointed and unconnected.

Despite this lack of focus, over the past fifteen years, European countries have slowly and begrudgingly agreed to channel more of their development assistance through the EU rather than their own bilateral aid programs. Nevertheless, EU aid, $6.8 billion in 2004, still constitutes only about one-fifth of total aid given by EU countries. Much of EU aid is, in turn, channeled through NGOs. A study of EU activities found that by 1999, for instance, in most areas over 90 percent of democracy and human rights expenditure went to advocacy NGOs. Most of these NGOs work within an umbrella organization that is not wholly independent of the EU's political influence and thus are not truly "independent" forces.[2] This heavy use of NGOs is reflective of the EU's limited in-house staff to introduce and help implement reforms. Using "non-partisan" NGOs is also a way

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[2]Richard Youngs, "Democracy Promotion: The Case of European Union Strategy." Centre for European Policy Studies, Working Document No. 167 (no date).15 April 2005].

of avoiding prickly issues such as the lack of consensus about a long-term strategic vision for EU aid.

Differences in vision are partially rooted in the EU's institutional dynamics. The more supranationally-oriented European Commission tends to want to use development aid to pursue European foreign policy and economic prerogatives, while the more intergovernmental Council of Ministers often prefers the use of funds for more distinctly humanitarian purposes. Yet within each of these bodies, disagreements persist. Currently EU aid reveals disparate aims. On the one hand, many aid programs and policies reflect a desire for bottom-up, locally owned development that truly represents European ideals about human rights, gender and racial equality, and humanitarian assistance. On the other hand, the way the new EuropeAid allocates development assistance reveals an increased emphasis on aligning aid goals with common security and foreign policy concerns, as well as with economic prerogatives. Much of EU's recent development assistance remains focused on the newly independent Eastern European countries, for example, and on middle-income countries, despite most member states requests that it be spent primarily to help the poorest and most marginalized. It is difficult to conciliate these uses of aid, but until there is more unity of purpose, EU aid will continue to serve its multiple purposes only fairly well. This helps explain why most EU members still prefer to allocate their development aid bilaterally, regardless of the heightened impact multilateral aid could potentially have if conscientiously directed.

Before further reviewing the history of EU development aid, it is useful to briefly track the history of the EU itself. The twenty-five-member EU, expected to grow with two new members in 2007, is an association of sovereign democratic states that voluntarily cede part of their independence in order to reap common benefits. Since the

latest wave of eastward expansion in May, 2004, Brussels has wielded an ever greater influence over another ten countries in Central, Eastern, and Southern Europe. Promoting trade was at the heart of the creation in the 1950s of what is now the economic and political union. That dedication continues, and the EU has also become an emerging political and economic force. The EU stands for democratic decision-making and cooperation, yet faces many of its own challenges, as will be examined.

The title of the European Community (EC) was changed to the EU when the member states' parliaments ratified the Maastricht Treaty in November, 1993, revealing member countries' desires to further strengthen economic and political ties.[3] The EC began as three separate organizations, the European Coal and Steel Community, the European Atomic Energy Community, and the European Economic Community, which became more and more united and cooperative as their aspirations and roles increasingly overlapped. The movement toward closer European integration had begun decades earlier during World War II and its aftermath, when cooperation between mostly the Western European countries was seen as vital to the continent's reconstruction. In the post-war years, the United States supported such efforts as it sought to strengthen its realm of influence in its growing struggle to contain the Soviet Union and communism generally. Early integration efforts derived impetus from John Monnet's Schumann plan and conviction that war between France and Germany must be prohibited at all costs to ensure the future well-being of the continent. Italy, Belgium, the Netherlands, and Luxembourg joined in negotiations, resulting in the formation of the European Coal and Steel Community (ECSC) in 1951, which consolidated the industrial sectors most often

[3]Successive treaties signaling desires for closer unification were subsequently signed in Amsterdam and Nice.

used to manufacture war materials, to help ensure that these six countries would never again go to war against one another. Great Britain opted not to join. The economic success of the ECSC helped motivate the six member countries to devise the Treaty of Rome in 1957, which established the European Atomic Energy Community (Euratom) and the European Economic Community (EEC). A common assembly and court for all three communities and a Commission and Council of Ministers for the two newest were created. The Commission would propose rules and laws that would require ratification by the Council of Ministers. The treaty was vague in areas where member countries had difficulty reaching agreement, yet it signified members' wishes to continue moving closer together in various realms.

Soon thereafter, the Brussels-based EEC became the primary engine for further European integration efforts. Soon a customs union, common tariff, and common trade policy were proposed and developed. At the insistence of the French, a Common Agricultural Policy (CAP), an impactful and expensive agreement designed to help modernize agricultural methods and support Western Europe's agricultural sector, was institutionalized.[4] The EU also developed a role in external affairs. Most EU countries

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[4]The antecedents of the highly protectionist CAP can be traced back to the first era of globalization (1860-1913), when European governments wanted to protect their farmers from new competition with the United States. The current incarnation of the CAP also gained impetus from the post-World-War-11 settlements, in which Russia was provided with large allocations of food aid and Germany was not. In the 1990s, the CAP consumed roughly half of the EU's budget. The major EU countries (except for Great Britain) have a much larger agricultural sector than the United States'. In France, for example, about 10 percent the work force is devoted to agriculture, as opposed to 2 percent in the United States. In recent years, due mainly to WTO obligations, the CAP has become slightly less protectionist. The economic policies of the George W. Bush administration have, conversely, recently made American agricultural policy more protectionist than in years past. David Feldman, "Food and Trade Policy," lecture delivered to the World Affairs Council of Greater Hampton Roads, Virginia Wesleyan College, Virginia Beach, Virginia, 8 February 2003.

continued to channel most of their foreign aid budgets bilaterally, but EU multilateral aid did fund some programs and projects. EU multilateral aid focused primarily on humanitarian assistance and relief projects and concessional trade and financial agreements with former members' colonies. The Yaoundé accords of 1963 were replaced in 1975 by the first Lomé Convention, and later succeeded by the Contonou Convention.[5]

The three European communities became increasingly intertwined over time. The EU's membership also was growing with the joining of the United Kingdom, Ireland, and Denmark in 1963, Greece in 1981, Spain and Portugal in 1986, Sweden, Austria, and Finland in 1994, and Poland, Malta, Latvia, Czech Republic, Hungary, Slovakia, Estonia, Lithuania, Slovenia, and Cyprus in 2004.[6]

In the past quarter century the manner in which the EU functions has markedly evolved. Integration has long been associated with market unification, yet there has also been a significant expansion in the nature of additional EU activities. The EU has moved beyond the area of economic regulation into areas such as environmental and consumer protection and health and safety issues. Although this expansion process was initially

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[5]The successor to the Yaoundé Conventions (1963 and 1969), five conventions at Lomé, Togo (1975, 1979, 1984, 1989, and 1998) have reinforced political and economic ties between EU countries and 71 African, Caribbean, and Pacific (ACP) states. The Lomé Convention discriminates in favor of these former colonies. Desmond Dinan, *Ever Closer Union,* 2d ed. (Boulder: Lynne Rienner, 1999); J. H. H. Weiler, *The Constitution of Europe* (Cambridge: Cambridge University Press, 1999).

[6]French President Charles de Gaulle initially vetoed the United Kingdom's application to join in 1963 and again in 1966, viewing the British as too closely aligned with the United States. He hoped for a "third force" to be created during the Cold War which would be largely an extension of French power. He also resisted efforts to make the EC supranational, fearing that the French would have insufficient influence in the organization. It was only when de Gaulle resigned in 1969 that the EC regained its early momentum.

founded on a rather fragile official legal base, the organization's constitution has been refined by successive treaties. The Single European Act and the Maastricht, Amsterdam, and Nice treaties helped consolidate European integration.[7] They explicitly recognized the competence of the European Community to deal with various issues, and they brought about a gradual shift to qualified majority voting that simplified decision-making. The Europeanization of economic, social, and political regulatory policies has been gradual, yet the EU has made significant progress at pivotal crossroads. This was particularly apparent during 1989-1991 with the fall of the Soviet Union and Germany's reunification, which stimulated the EU's resolve to both deepen and widen.[8] With the widening that continued in the next several years, the EU now covers the full geographic range of the continent, up to Russia's borders. The expected addition of Romania and Bulgaria in 2007, provided they make requested reforms, will further solidify the EU's dominance of the continent.[9] The completion of the single market program and the introduction of the Euro in 2002 were significant developments in the consolidation of

[7]The division of responsibility delineated in the Treaty of Romeresulted in deregulatory pressures as the EC set out to remove non-tariff trade barriers. It became increasingly obvious that the only way to conciliate market integration with social regulation programs, and to thus avoid trade distortions, was to create such programs at the European level. Combined with the fact that European firms often prefer to comply with a single European ruler than fifteen (now twenty-five) different rules, this generated growing pressures in favor of deeper Europeanization. The transfer of powers from the state to the European level has helped bring about a transfiguration of European policies. George Ross, "European Union" in *The Oxford Companion to Politics of the World,* 2d ed., eds. Joel Krieger and others (New York: Oxford University Press, 2001), 268-70.

[8]Ronald Tiersky, "Europe: State of the Union," *Great Decisions, 2003 Edition* (New York: Foreign Policy Association, 2003): 81-91.

[9]If Turkey were admitted, not only would the EU have a Muslim member, but the new Europe would border Syria, Iran, and Iraq, countries far different in many controversial ways from traditional EU members.

the EU. Since then, though, the volume of new primary EU legislation has decreased.[10] This reveals the delicacy of the road the EU is attempting to chart, with new pressures and new opportunities in abundance. Some worry that the EU's deepening will be stalled with widening, as intergovernmental discrepancies increase and the EU's demands grow. The EU, for example, cannot afford to apply its CAP to its many new members. Nonetheless, few would disagree that the EU is one of the most significant developments in the international sphere over the past half-century and that opportunities for an even more unified and strong union exist.

Currently, the EU is a formidable economic power, yet its political strength is somewhat less impressive. This is largely due to the uncertain nature of future political integration, as some members (notably Germany and many of the smaller countries) desire a more federalist union and others (particularly France, Britain, and Italy) fear such a commitment would weaken their power and desire a more intergovernmental structure. The issue of the size and character of a potential future EU military force has not been resolved, and demands on the union's budget continue to grow with the addition of new members. Also, many are concerned that the EU, considered by some an elitist project by design, has a growing democratic deficit that threatens its political legitimacy. Many claim the institution has lost touch with citizens, yet it is difficult for EU bodies to have any sort of momentum without some degree of insulation. Also, the nature of the union's future relationship with the world's reigning hegemon, the United States, is uncertain.[11]

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[10]European Commission, *Commission Launches EU Preparations for the World Summit on Sustainable Development in 2002* (Luxembourg: Office for Official Publications of the European Communities, 2001)

[11]For an insightful discussion of the relationship challenges between the EU and the United States, see Henry Kissinger, *Does America Need a Foreign Policy?: Toward a*

America was instrumental in helping rebuild continental Europe after World War II and in providing it with security during the Cold War. Since the fall of communism, though, Europe and the United States have often behaved more like rivals than friends, as has been conspicuous in the new millennium's war on terror. As the world is increasingly globalized and interconnected on many levels, the EU is still determining its desired roles and its political identity. The EU has come further than many would have predicted from its humble post-war beginnings, but clearly has many obstacles to overcome if it is to better meet its citizens' needs and assume a greater world role.

As mentioned, one such obstacle is the issue of governance within the EU itself. Of relevance is how to best guarantee that people throughout Europe are well represented in EU governmental bodies and institutions which more and more influence their daily lives. The subject of representation has been called into question particularly by large EU states that see the EU's efforts at granting equality to all states, no matter what geographical or population size, and equal jurisdiction in most voting matters as unfair. Proposals have been put forth to re-weight votes or to introduce a double-qualified majority vote, requiring a preponderant vote to reflect a majority of the EU's population. Studies are currently being undertaken to further explore these and other options that might increase the EU's real and perceived legitimacy. Another relevant issue facing the EU is the lack of direct representation and accountability in the organization generally. Some have accused the institution of lack of transparency and accountability. As the EU prescribes good governance and democracy in its development programs, it continues to struggle with these issues within its own leadership mechanisms.

Diplomacy for the 21st Century (New York: Simon & Schuster, 2001), 32-82.

Another large question about the future of the EU is how it will handle security concerns. The post-September 11, 2001 war on terror has forced the issues of the EU's security and military options to the forefront. Even earlier, the successive foreign policy crises of the 1990s called for some maturing of the EU in terms of foreign and security policy. There were lessons in realism to be learned from Yugoslavia, Somalia, and Rwanda. Gradually the EU has come to believe that its external policies need attention. This revelation was enhanced by a host of NGOs lobbying (for example, with the 1997 Amsterdam appeal) for the EU to play a greater role in the securities field. The same year saw negotiations finalized to strengthen the EU's much-debated Common Foreign and Security Policy (CFSP) and also saw the development of the European Commission's Conflict Prevention Network, which sets up and works to help implement political guidelines for addressing the root causes of violence.

In 2004, a new EU Constitution, a new EU Commission, the recently elected new European Parliament, and these new security strategies all created the momentum to reflect on the goals and desires of a future EU. Most would agree that within the Union, the European institutions must be brought closer to citizens. Also, Europe needs to increasingly accept its responsibilities in the governance of globalization. It is poised to be a weighty economic and political actor and a protector of human rights and freedoms if it can continue to unify and serve its members and strengthen not only its voice but also its world role.

History of Development Policies

The EU's development cooperation policy has a long tradition. Though the Treaty of Rome referred to the role of the EU in promoting economic and social development in

countries with special ties to France, Belgium, and the Netherlands and identified means of pursuing these objectives, negotiated agreements between the EU and developing countries represented the core of European development cooperation policy from the early 1960s onward. Yet other than the Lomé Conventions, EU development policies have largely been understudied until quite recently. This is most likely due to the complexity and lack of centralized planning for the EU's policies with other areas besides its former colonies. In 2000, for example, the EU had more than 60 different budget headings for its development aid, not counting European Development Fund (EDF) resources, which lie outside of the principal budget allocations. Another likely reason for the lack of scholarly literature on EU development policies is the fact that they are generally debated in private within the European Commission and between the Commission and the European Council. In fact, the Commission's tendency toward private decision-making was one of the factors in the Commission's resignation en masse in 1999 amidst allegations of mismanagement.[12] Fortunately, since the year 2000, in the wake of heightened criticism about the incoherence of many EU development programs, more documents and details have been made available to the public.

Even this new accessibility does not make EU development policies simple to decipher. The EU has over the years reached special development agreements and commitments with developing countries throughout the world in addition to the African, Caribbean, and Pacific (ACP) countries, but it was not until the early 1990s that most of these became formalized. It was not until the late 1990s that EU aid became centralized

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[12]John Peterson, "The Santer Era: the European Commission in Normative, Historical and Theoretical Perspective," *Journal of European Public Policy* 6:1 (1999): 46-65; Christopher Lord, *Democracy in the European Union* (Sheffield: Sheffield Academic Press, 1998).

and coordinated mostly under the auspices of the newly created EuropeAid, served by five Directorate Generals and reporting to the Commission. In response to several calls for reform, the EU assistance programs were streamlined and decentralized, with increased roles for EU development practitioners in the field. EuropeAid is organized into five geographic regions and five operational directorates which focus on thematic and administrative issues and provide human resources, finance, and management support for aid implementation, in close collaboration with country delegations. Organizationally, EuropeAid implements the assistance cycle, while the Directorate-General for Development (DG DEV) handles aid for the ACP countries and the Directorate-General for External Relations (DG RELEX) for other regions. Country Strategy Papers have in recent years been initiated to be created in a discussion process with recipient countries and other donors. Rolling programming has been instituted, along with greater power and responsibility sharing with local delegations. By 2004, deconcentration of EU staff to 61 delegations had been completed, and almost 1,600 additional staff transferred. Also, greater emphasis was put on achieving tangible results for assistance efforts. It was hoped that the EU's emphasis on dispersement would be replaced with a focus on the impact of policies and programs.[13] It is still too soon to tell how effective all of the recent reforms will be, but there are some promising signs, such as more data available to the public, more involvement of locals in recipient countries, fewer uncoordinated programs, and fewer coordination problems between programs.

EU aid in the 1990s certainly could have benefited from more organization and a clearer methodology. In that decade, the four main areas receiving EU aid were the ACP,

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[13]European Commission, *Communication from the Commission to the Council and the European Parliament: The European Community's Development Policy* (Brussels: European Commission, 2000), 31; S. Dearden, "Reform."

Asia and Latin America (ALA), the Mediterranean (MED), and East and Central Europe and the Commonwealth of Independent States (CIS), yet within these "areas," fourteen "regions" were targeted to receive EU aid flows. Within the regions themselves, often a confusing range of partnerships for different recipient countries existed. EU assistance was not only spread wider geographically over the course of the 1990s; it also increased substantially. Because EU aid budgets are convoluted and some disagree about precisely what constitutes aid, a surprising degree of contention persists about how much the EU actually spends on foreign assistance. Some contend that EU aid tripled over the 1990s, from United States $3.3 billion in 1990 to $10 billion in 2000. Others more accurately assess more recent figures to be much lower—about $5 billion in 2000 and about $6.8 billion in 2004. Even though even these latter figures sound relatively high as they do not include bilateral aid from European countries (about $25 billion altogether in 2000 and $32 billion in 2004), the proportion of EU development aid to the overall EU economy fell by about one-third during the 1990s. Over the 1990s, the EU decreased the percentage of its development assistance to the countries in the ACP region (from 55 to 44 percent), Asia (12 to 9 percent), and Latin America (8 to 7 percent). It increased the percentage of its aid to countries in the Mediterranean (14 to 20 percent) and Central and Eastern Europe (4 to 9 percent) and countries from the former Soviet Union (0 to 4 percent). These trends have continued into the new millennium.[14] The EU's development cooperation policy has focused more attention on wealthier or middle-income developing countries and the near-abroad. The EU has also more actively

[14]"Europe's Wasted Aid," *Economist* 355:8171 (20 May 2000) :60; Carlos Santiso, "Improving the Governance of European Foreign Aid: Development Cooperation as an Element of Foreign Policy." Working Paper (Brussels: Center for European Policy Studies, October, 2002); Youngs, "Democracy Promotion."

promoted neoliberal approaches to development, and subordinated some of its development objectives to foreign and security policy considerations. These trends in development policy have drawn attention away from the world's poorest countries and people and have reduced--but not eliminated--the poverty eradication and human rights orientations that have long dominated EU rhetoric about its policies.

Splinters in the EU's development aid interests can be traced back to the original member countries' differences. In the late 1950s through the first enlargement in 1973, divergence existed in the views of member countries. France and Belgium were intent upon the creation of a development policy concentrated on former colonies in Africa that emphasized aid, and Germany and the Netherlands desired a more global policy that emphasized trade. The latter two countries saw special concessions as unilateral attempts to increase countries', particularly France's, international power and viewed free trade as a more equalizing endeavor. Italy favored aid rather than pushing for more open markets, yet did not have the ties to Africa that France and Belgium had. Since the late 1950s, European relations with developing countries have faced two markedly different pressures: regionalism and globalization. A compromise between these two views represented by France and Germany incrementally emerged: the EU would come to have a world-wide development policy organized around regional programs, which would receive differentiated weighting. France's former colonies in the ACP region would receive more grants and privileges, and other regions would receive their aid with more conditions attached, often with more emphasis on trade. This division can be seen in the EU's development budget allocations and in the working arrangements of the European Commission and the Council of Ministers. The original privileges granted to the ACP countries made them the top priority. These privileges provided a framework for political

and economic cooperation between Europe and the ACP countries that promoted development through a combination of preferential market access, commodity price stabilization schemes, and development aid. Other countries and regions were granted aid on a more impromptu basis.

With the EU's first enlargement, there was a dramatic massive extension of the geographical scope of EU development cooperation (which the United Kingdom heartily endorsed), and Germany's position on promoting trade and globalization became stronger. Ireland and Denmark, less influential countries, wanted the EU to be more generous and less political with its aid allocations. Still though, the area that received the most focused attention by EU countries was the ACP region. The five-year-long Lomé Conventions, succeeding the 1966-1975 Yaoundé Conventions, were the first overt evidence of the way the EU viewed foreign aid. As colonialism progressed, EU members sought to continue their special relationships with former colonies through preferential economic relationships. It was agreed that the former colonies of the original six EU members, mostly France's former African colonies, and later former British colonies, would have special trading and economic relationships with the Community. This allowed the EU to retain a sense of control in former colonies and added to the EU's view of itself as a "third force" in the Cold War international environment.[15] The Lomé Convention's most significant aspect was its granting the seventy-one ACP states non-reciprocity in trading relationships, allowing these states to impose tariffs against European products while excluding them from European tariffs. Lomé also afforded the ACP states other benefits in the technical, financial, commercial, cultural, and political

[15]Trevor Parfitt, "The Decline of EurAfrica? Lomé's Mid-Term Review," *Review of African Political Economy* 23:67 (March 1996): 53-4.

realms.[16] Lomé aid had little conditionality attached. Under the framework of the first Lomé accords, the EU simultaneously dispersed aid to right-wing and communist governments, without demanding or even suggesting political changes. The EU did not attach economic conditions later, all the way up through the mid-1990s, for this region, even as the World Bank and the IMF introduced and came to depend more and more on their SAPs.

France in particular was insistent that Lomé remain as it was, despite persistent pleas from Germany and the Netherlands to make EU aid less Africa-focused.[17] During the Cold War, as the United States and the Soviet Union competed for power and influence throughout the world, including in the ACP region, holding onto its sphere of influence there remained important to France. Some EU members did complain that the Community's development funds were being misspent, as countries in the ACP region failed to develop by any measurable standard, corruption in many ACP countries persisted, and civil conflicts intensified. Lomé policies changed little throughout most of the Cold War, though, until towards the end. From the late 1970s on, however, the EU began gradually decreasing the benefits it accorded ACP countries. This was largely the result of GATT rules, which required generalized tariff reductions for all countries. Trade figures from EU data reveal that Lomé preferences eroded very slowly. The EU's Common External Tariff (CET) was nevertheless reduced from 10-12 percent in the 1970s to 3-4 percent by the early 1990s, making duty-free trade with ACP countries

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[16]European Union, *European Union's Development Policy* (16 February 2005).<http://homepages.uel.ac.uk/ben2417s/EUAid1b.htm> [22 March 2002].

[17]Grilli, 335.

relatively less significant.[18] Other non-Lomé developing countries received EU funding, but usually only in crisis situations. The EU remained committed to humanitarian assistance, yet did not express a particular interest in Asia, Latin America, the Middle East, or Eastern Europe. The EU did, though, begin trading more with countries within its own sphere and beyond as globalization intensified on many levels.

Along with other IDIs at the time, in the 1970s and 1980s, EU development programs emphasized fostering rural development and infrastructures. Yet poverty alleviation had been at the center of ACP-region development policies from the beginning, as had concerns about equity, human development, and strategies adapted to the local context. Even early on, the Commission's policy favored a horizontal approach and often blurred dimensions such as human development, democratization, minority and gender rights, and access to health care and education.

With the EU's southern expansions in 1981 and 1986, the integration of Greece and Spain increased EU interests in promoting development assistance policies in the Mediterranean. Spain and Portugal promoted the EU's development cooperation with Latin America, and Portugal increased interest in Portugese-speaking South Africa. Portugal also insisted that East Timor's human rights abuses hindered the EU's relationships with Indonesia and ASEAN and sought to enlist EU development policies that might ease this dilemma. Also, the EU's new southern members were protectionist countries with traditional exports competing with those of developing countries. These new members did not desire more trade with competitors. The EU remained Lomé-

[18]In many sectors relative advantages accorded to ACP countries have decreased. European Commission, *Guidelines for the Negotiations of the New Cooperation Agreements with the African, Caribbean, and Pacific (ACP) Countries* (Luxembourg: Office for Official Publications of the European Communities, 1997).

focused in the 1980s, but this would soon change. The dynamics of EU development cooperation would shift with the fading of the Cold War and the signing of the Maastricht Treaty. It was not until this treaty was signed in 1993 that development cooperation was formally observed as a shared responsibility between the member states and the EU. The treaty declared that EU development policy should complement the policies pursued by the member states. The shift towards a more global, less preferential development policy had begun in even the most reluctant member states such as France, and EU policies began to slowly mirror this trend. The EU's Humanitarian Aid instrument (ECHO), traditionally used to help countries in crisis, became more selective, and the EU began increasingly using its Macro Financial Assistance instrument to promote public sector reforms in line with traditional market-oriented SAPs. Also, since 2000, the EU has created a Rapid Reaction Facility, enabling it to allocate assistance funds quickly in crisis situation for up to 9 months and up to 12 million Euros. This facility was designed to improve the EU's reaction time in politically volatile situations; it is administered by DG RELEX.

Policies were shifting, too, towards the ACP countries. The goals of the EU's development policies towards the ACP region had been revealed incrementally in the successive ACP-EU Lomé Conventions – poverty reduction (Lomé III), gender equality (Lomé IV), human rights, good governance, and the rule of law (Lomé IV). As special preferences for ACP states eroded, fewer carrots were granted to these countries and more sticks were held out. The EU began insisting that ACP countries respect human rights and improve their government institutions. The EU, though, was inconsistent in its withholding of aid and special concessions, and thus ACP states changed their habits and practices minimally and for show.

In the years preceding and since the signing of the Maastricht Treaty, the EU also increasingly formalized relationships with other regions of the developing world. This expansion of the EU's development policies often built upon previous relationships, and it is difficult to track, as these relationships and the policy dialogue that accompanied them were not always clearly documented. Since the late 1980s and early 1990s, though, these new policies and programs have been and continue to be enacted to varying degrees throughout the world. One such program, PHARE (now being phased out), was created in 1989 to help Poland and Hungary with developmental needs, and it increasingly (and since 1997, officially) became a vehicle for helping new and prospective EU countries prepare for membership. PHARE programs focused on market reforms, institution-building, and democracy assistance, in the Central and Eastern European countries of Hungary, Poland, Estonia, Latvia, Lithuania, the Czech Republic, Slovakia, Slovenia, Romania, and Bulgaria.[19] The countries of the Western Balkans were once included in the program, but were later aided by the CARDS (Community Assistance to Reconstruction, Development, and Stability in the Balkans) program. Other accession candidates such as Cyprus, Malta, and Turkey received and continue to receive EU aid, but also through different programs. Through a process called "twinning," EU representatives visit prospective EU countries and help install and reform governance institutions and foster desired policies deemed compatible with EU functioning. About 200 representatives were assisting in PHARE countries in 2002. The EU pledged to spend $11 billion on PHARE between 2000 and 2006, when the program ends.[20]

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[19]European Commission, *The European Union and Development Policy* (Brussels: European Commission, 1997), videocassette.

[20]European Commission "What is PHARE?" (Luxembourg: Office for Official

Under another agreement reached in 1991, the TACIS program (also now being phased out), the EU began providing grant assistance to newly independent states that were once part of the Soviet Union. The recipient countries in this region included Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. Mongolia was also covered by the TACIS program from 1991 to 2003, and then by the ALA program. Between 1991 and 2002, $2.3 billion Euro was distributed through TACIS. The program has primarily aspired to help with the transition process in these countries and has been largely conditional upon democratic and market reforms. Additionally, in November, 1995, the EU signed the MEDA program agreement with 27 countries from both sides of the Mediterranean. It was agreed that EU resources would be allocated to these countries specifically to help them open up their economies to free trade. Part of this funding supported social programs to help make this transition less painful in the short-term. Most of this aid thus far has gone to nine countries: Algeria, Egypt, Jordan, Lebanon, Morocco, Tunisia, Turkey, and Palestine. Latin America also began receiving EU conditional aid, though programs in this region began and are still mostly administered on a case-by-case basis. Programs between the EU and the ASEAN countries are still less formalized than in other regions, yet the EU has been working to foster trade there.[21] These newer development cooperation agreements with new regions have generally received less concessional aid and more conditional assistance. The EU's growing

Publications of the European Communities, 2002).

[21]European Commission, "TACIS Programme—Overview" (Luxembourg: Office for Official Publications of the European Communities, 2002); idem, "What is TACIS?" (Luxembourg: Office for Official Publications of the European Communities, 2002); European Union, *A Guide to European Union Relations with Third Countries* (Luxembourg: Office for Official Publications of the European Communities, 1998).

interest in wealthier developing countries such as the emerging market economies of Latin America and East Asia and the desire to link development cooperation policy with the EU's foreign and security policy and economic agendas have further contributed to the EU's drift in attention away from many of the world's poorest countries and sub-Saharan Africa in particular.

Clearly in the 1980s and 1990s, EU development assistance grew in various directions. As mentioned, since 1999, the EU has also been instituting national Poverty Reduction Strategies. As with the World Banks PRSPs, the EU's new strategies mandate that countries devise and draw up their own development plans in consultation with representatives from the EU and civil society. The EU modeled these strategies after the Bank's and began using them with some of the poorest countries to which it dispenses aid. It is still too soon to ascertain how successful they will be, as most strategy papers take several years to devise, and even more time to put into action.

It is apparent that EU aid is a complex subject, and critics have been quick to point out that complexity often breeds confusion. Part of the rationale for creating the EuropeAid office was not only to consolidate aid programs but also to make EU aid more distinguishable. With all of its different program names and uses for aid, onlookers and aid recipients tended to forget its source. In early 2001, the EU began channeling about 80 percent of its aid budget through its newly created EuropeAid agency in Brussels. The 20 percent of remaining aid was earmarked for helping countries prepare for EU membership and also for ECHO programs, particularly those designed to help refugees. EuropeAid's managing board of five Commission members have been tasked with ensuring that EU aid flows reflect and support broader EU policies and goals through multi-annual programming requirements. Also, a further devolution of authority has

occurred as EuropeAid representatives in 128 offices around the world have gained new power and influence over their regional efforts. The new agency also has sent hundreds of its new staff of 1,200 to these offices abroad.[22]

The EU's recent 2004 enlargement will likely affect this IDI's development policies, as all previous enlargements have. New members include relatively poorer countries with less sophisticated government institutions and political practices. Already there are signs that the enlargement will strengthen the imperative within the EU for linking aid to issues of regional security and stability. Limiting or preventing further immigration from the East and strengthening existing immigration and trans-border-related legislation are also likely to be future issues as the new states are brought in closer to the union. Due to security concerns, the EU is expected to continue to expand its programs in the former Soviet Union states, South-East Europe, and Central Asia. This may further weaken the EU's emphasis on helping the poorest countries. While many countries in these regions have areas of severe poverty, economic ties or concerns about security and immigration could shift the EU's focus further from some poor regions previously receiving a relatively large percentage of EU aid.

One such region is the ACP. While using increasing humanitarian rhetoric, somewhat paradoxically, the once-privileged trade status of the Lomé states has been effectively downgraded. In the 1990s, the EU's preferential aid and trading relationships targeted mostly at the ACP region underwent new scrutiny, as did its overall development policies and programs. Many EU members increasingly saw Lomé preferences as more

[22]Carlos Santiso, "Improving," 1-6; European Commission Humanitarian Office, *ECHO Strategy 1997: Working Paper* (Brussels: European Commission Humanitarian Office, 1997).

of a hindrance than an asset. Nearly all of the former colonial powers except for France came to view Africa as marginal to their own well-being. Even France was pressured to rethink its commitment to the region due to its potential and then actual participation in the European Monetary Union and President Jacques Chirac's efforts to reduce the size of France's army. ACP countries, initially enthusiastic about Lomé, also gradually lost faith in the accords as their economies continued to lag behind and Lomé assistance lessened relative to the EU's other economic relationships. The EU had long been reevaluating its policies on aid and trade with the developing world when the Cold War ended. The European Community development policy declares "integration of developing countries into the global economy" as one of its objectives, yet one of the notable inconsistencies in EU policy is that its current trade agenda notably undermines a sustainable or equitable basis for that integration. The EU's trade policy forum, the Article 133 committee, is comprised of trade and industry specialists with no seat to represent development interests. Not surprisingly, in many instances the balance of decision-making power places the export potential of EU domiciled corporations over development policy.

European development cooperation has undergone notable other changes since the late 1990s as well, and more significant readjustments are both underway and forthcoming. In early 2004, the European Commission chose to replace its wide range of geographical and thematic instruments with a new framework comprised of six instruments only, four of them new. This is being gradually implemented and is expected to be fully operational by 2007, to continue until at least 2013. The four new instruments are known as Pre-Accession Assistance, the European Neighbourhood and Partnership, Development Cooperation and Economic Cooperation, and the Instrument for Stability.

Two existing instruments, for Humanitarian Aid, and for Macro Financial Assistance, have been continued. Pre-Accession Assistance is for the candidate countries Turkey and Croatia and the potential candidate countries in the Western Balkans. It replaces PHARE, and CARDS, as well as a number of other instruments and regulations. The European Neighbourhood and Partnership pertains to the countries of the south and eastern Mediterranean, Ukraine, Moldova, and Belarus, and the countries of the southern Caucasus, replacing MEDA and part of TACIS. This partnership also supports the EU's partnership with Russia. A specific and innovative feature of the instrument is its cross-border cooperation component, that brings together regions of the EU Member States with neighboring countries sharing a common border. Development Cooperation and Economic Cooperation is used for all countries territories and regions that are not eligible for assistance under either the pre-accession instrument or the European Neighbourhood and Partnership instrument, replacing ALA and other countries. The Instrument for Stability is designed to address crises and instability in recipient countries and help relieve transborder issues including crime, nuclear safety and non-proliferation, the fight against trafficking, and terrorism. The Humanitarian Aid instrument and Macro Financial Assistance will change little, except that food aid will be included under Humanitarian Aid.[23]

Even with all of these institutional transitions at hand, there are other key issues

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[23] Michael Dauderstadt, "EU Eastern Enlargement and Development Policy" (November, 2002). <http://64.233.161.104/search?q=cache:IroJggnJVJMJ:www.bond.org.uk/pubs/eu/euenlargement.pdf+michael+Dauderstadt+%22EU+Eastern+enlargement+and+development+policy%22&hl=en> [4 March 2005]; European Commission, *Communication from the Commission to the Council and European Parliament on the Instruments for External Assistance under the Future Financial Perspective 2007-2013* (21 October 2004). <http://europa.eu.int/eur-lex/en/com/cnc/en_cnc_month_2004_09.html> [1 May 2005].

facing EU development policy practitioners. These range from determining the desired relationship between EU foreign policy and development to handling the impact of enlargement and deciding whether to further shift development goals for ACP countries. Also, looming questions persist about the role of EU Commissioners and the structure of the Commission.

It is evident that the regional distribution of EU aid has changed. The EU now gives priority to the stability and development of neighboring countries and to aid for countries in crisis in the regions nearest to the EU. This is reflected in the rising share of aid to the Mediterranean region, Central and Eastern Europe (CEE) and the Newly Independent States (NIS). While these regions together accounted for only 18.5 percent of total EC aid in 1990, this share had increased to nearly 40 percent in 2004.[24] Despite criticism from all directions, EU development cooperation is increasingly becoming a vehicle for the foreign policy of the Union. On 21-22 June 2002 the European Council in Seville decided to incorporate development and humanitarian issues into a new General Affairs and External Relations Council. The merger was justified as a technical solution to increase policy coherence, but the underlying trend is for development to be subordinated to other political agendas. As the union's integration process becomes more politicized, such considerations come into play more in determining EU external actions, including development policies. Those perplexed by EU development policy have plenty of reason to be. It is a confusing tangle of programs representing European ideals, practicalities, concerns, and fears. Hopefully out of this muddle, experience is being gained, lessons learned, and priorities sharpened. And optimistically, helping poor countries and people

[24]European Union/Less Developed Countries Network, "European Union Development Cooperation Policy" (no date). <http://www.eu-ldc.org/themes/developmentcooperation/devcoop_policy_eu.php> [17 April 2005].

throughout the developing world will remain the primary goal once policies become more integrated and cohesive.

Focus on Good Governance

The EU's work to promote good governance and democracy in its own prospective and new members has had a carry-over effect into its development cooperation policies, and, as is often the case with the EU, programs and policies have blended in many cases. The allure of EU membership did not start transitions from authoritarian rule in the Southern or Eastern Europe, but after initial democratic breakthroughs, the EU played a notable role in fostering and establishing democracy in Portugal, Spain, and Greece.

Thus, from the early 1980s--and arguably earlier--on, the EU has been working to promote good governance and democracy amenable to its values and desires. Decades later, the enticement of EU membership helped to encourage the process of democratic consolidation in eastern central Europe and provided motivation for the democratic laggards in the region, Bulgaria and Romania, to expedite the processes of political reform. At the same time as it was courting friendly new members, this IDI was also increasingly institutionalizing and implementing its good governance and democracy agenda in its development cooperation programs.

Through treaties such as the European Initiative for Development and Human in Rights in 1999 and the European Neighborhood Policy in 2003, the EU has made the promotion of democratic values a primary policy objective of its internal and external relations. It is not reticent about making this known, either. In fact, the EU's website

claims that access to democracy is a universal human right and even a "moral imperative."[25]

The Maastricht treaty heralded the first time the promotion of good governance, democracy, and human rights were formally categorized as falling within the goals of EU development policy for all regions. Interestingly, the EU makes little attempt to separate these three categories, using the terms almost interchangeably. Unlike other IDIs, the EU perspective of good governance involves the need to continue improving policy coherence in all relevant areas. Despite a lack of conceptual clarity in its democracy promotion strategies, the EU has often stated that the goal of supporting democracy throughout the world must be understood within the general framework of also protecting social and economic development, referring to the indivisibility of human rights promoted and protected in the 1993 Vienna convention. This merging together of concepts occurs repeatedly in EU good governance and democracy assistance documents, policies, and programs.

In the year before Maastricht, in 1992, the General Affairs Council of foreign ministers created a funding provision for democracy assistance, with a focus on strengthening the involvement of civil society, especially that of both an umbrella of NGOs the EU has long been associated with and grassroots NGOs. The Council declared that all new cooperation and association agreements would include a clause allowing for aid suspension if democracy and human rights, as well as principles of an open market economy, were not respected. Interestingly, the EU's notion of good governance and democracy were broadly construed enough to include respect for human rights and

[25]European Union, *External Policy* (no date). <http://europa.eu.int/comm/external_relations/human_rights/eu_election_ass_observ/> [17 April 2005].

faithfulness to market economy principals within the same purview. Rarely in other IDI documents are terms and concepts so nimbly mingled and casually linked and even at times synthesized. The UNDP sometimes blends ideas, but not to the extent that the EU does. The World Bank and USAID, on the other end, carefully separate their concepts relating to good governance, almost in rigid ways. For the EU, good governance is a particularly expansive and roomy concept.

In the years after the Maastricht Treaty was signed, evidence of future conditionality, including good governance specifications, began to increasingly surface. The Treaty itself noted that EU development policy would be changed to focus more on the "general objectives of developing and consolidating democracy and the rule of law, and to that of human rights and fundamental freedoms." Another document, commonly known as the Horizon Report, asserted that in the future, the client state "must not neglect its role in creating the physical and regulatory environment which business needs in order to invest."[26] Such changes were occurring at the same time that the EU was considering shifting its whole development framework from past preferential agreements to a new more modern strategic focus.

Even before Maastricht and the Horizon report, small signs indicating recognition of the desire for a shift towards good governance promotion had emerged. In the early to mid-1980s, the Commission's Directorate General for Development (responsible for administering the EDF) initiated a call for "policy dialogue" with client states. It was an attempt to urge states to use aid for certain sectors of their economies, most often the agricultural sectors, usually to improve export rates to the EU countries. The EU also proposed a human rights protection clause to be attached to future aid. By 1990, the EU

[26] Parfitt, 54.

was also beginning to propose economic reform packages similar to those of the Bretton Woods institutions, yet with the added conditions that human rights and the environment be protected. Under Lomé IV, a new structural adjustment component was incorporated and blended with existing human rights and environmental clauses, with $1.15 billion to be allocated towards this ends. Additionally, a varying portion of each ACP recipient's individual National Indicative Programme (NIP) would be directed by the EU, in consultation with the country, towards specific good governance goals, usually dealing with the reform of import and sectoral programs. Significantly, the EU also formally introduced Article 5 into Lomé IV, stipulating that ACP countries promote human rights. The EU was not given the ability to use sanctions to enforce this Article, though.[27] The EU began its habit early on of proposing multiple ideals and stipulations, but not always reinforcing them with legal or other binding regulations.

Beginning in 1993, the EU began promoting good governance even more emphatically. More guidelines were proposed, yet enforcement mechanisms were rarely utilized, if created at all. An EU Council of Ministers resolution stipulated that EU aid would be only given to states with sensible economic and social policies, democratic decision-making, adequate governmental transparency and financial accountability, the creation of a market-friendly environment, measures to combat corruption, as well as respect for the rule of law, human rights, and the freedom of the press and expression.[28] The level of rhetoric was not reinforced, though.

[27]European Commission, *From Lomé III to Lomé IV: Review of Aid from the Lomé Conventions at the End of 1990* (Luxembourg: Office for Official Publications of the European Communities, 1992).

[28]European Commission, *Communication from the Commission on Challenges of the Partnership Between the European Union and the ACP States on Democratisation, the Rule of Law, Respect for Human Rights and Good Governance* (Brussels: European Commission, 12 March 1998).

Nevertheless, motions to institutionalize good governance and democracy promotion in the mid-1990s had unprecedented momentum. Furthering these early efforts, in 1994, proposals on new funds for democracy and human rights by the European Parliament were brought together under a new Initiative for the Promotion of Democracy and Human Rights. The Commission would manage this effort. In May of 1995, the EU deemed that all new country agreements would contain a standardized clause allowing for aid suspension if democratic practices were not utilized. This clause, though, did not state that aid would automatically and necessarily be withheld, and it did not include a clear description of implementation procedures. Despite these sometime instances of lack of clarity, developments did not stop there. A seperate agency for work on human rights and democracy assistance was created in June of 1999 after the Cologne Summit. This new Commission department assumed all responsibilities for coordinating democracy assistance efforts previously falling under the task of different geographical departments. The establishment of the EuropeAid Office in 2001 put democracy assistance efforts under the auspices of one central department.

Throughout this time, the EU began fine-tuning and formalizing its working definition of good governance. By the new millennium, this IDI had its definition fairly well articulated. According to the EU, governance "concerns the state's ability to serve the citizens....[It] refers to the rules, processes, and behaviour by which interests are articulated, resources are managed, and power is exercised in society." Further, EU documents contend that governance is

> a meaningful and practical concept relating to the very basic aspects of the functioning of any society and political and social systems. It can be described as a basic measure of stability and performance of a society.... good governance is the transparent and accountable management of human, natural, economic, and financial resources for the purposes of equitable and sustainable development.

Hence, the EU was clearly allowing for good governance to include political dimensions of society, as well as economic dimensions. The EU additionally noted that

> Democratisation is a gradual and continuous process which needs to take into account the country's socio-economic and cultural context. This process consists of a series of principles which include civil control, political equality, a pluralist system and the existence of collectively binding decisions which formalise the establishment of a non-violent dialectic between the aspirations of the majority and those of minorities according to a body of rules accepted by all and based on respect for human rights and fundamental freedoms.[29]

Democracy, for the EU, was idealized as being country-specific and inclusive. The EU backed up these very broad statements with its fair share of funding. In 2002, $EUR 104 million was spent on this line on human rights, democracy, and conflict prevention.[30] As stated, the EU's support for human rights, democracy, and the rule of law is established in the treaties. Article 6 of the Treaty on European Union states that the principles of liberty, democracy, respect for human rights, and the rule of law are basic European values. Human rights field missions and election missions are accepted as part of the mandate of the EU whose treaty considers the protection and promotion of human rights as well as support for democratization as components of EU foreign policy and EU development programs. Regulations 975/99 and 976/99 of 29 April 1999 provide the legal basis for EU activities designed to further and consolidate democracy, the rule of law, and respect for human rights. A complementary legal basis exists in the Lomé Convention.

The EU's overall development programs and policies prioritize four main principles

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[29]European Commission, *Communication from the Commission of the European Communities, the European Parliament, and the European Economic and Social Council* (Brussels: European Commission, 2003).

[30]European Centre for Development Policy Management, "InfoContonou 5: Building Social Capital" (Maastricht: ECDPM, 2004).

that all pertain to some degree to good governance promotion: developing and consolidating democracy, promoting economic and social development, fostering integration into the world economy, and alleviating poverty. Protecting human rights and the environment are subsumed within each of these categories. Many of the EU's programs are strongly oriented to the continental European values of emphasizing human rights and social democracies. A strong focus is placed on civic education, to improve understanding of the political process, political choices, and ways the marginalized can increase their influence in societies.

Along with its statements and policy directives about the ideal governance conditions in societies, the EU continues to consider countries eligible for aid on a case-by-case manner. This IDI has in severe cases suspended aid to the countries it has deemed most errant, and in 1994, it was withholding aid from eight states: Gambia, Equatorial Guinea, Liberia, Nigeria, Somalia, Sudan, Togo, and Zaire. Aid to Burundi and Rwanda was also being suspended temporarily due to crisis situations in these countries. EU aid was becoming increasingly conditional, at least discursively, upon good governance, and by 1994, conditionality clauses were at least considered in about one-fourth of all aid decisions.[31]

In the mid to late-1990s, new pressure was placed upon EU aid officials to align assistance with larger EU goals. In 1996, the European Commission sent a directive to the Council and Parliament urging a closer linkage of European aid, trade, and security policy. This document asserted that democracy and good governance promotion were increasingly vital as they affected Europe's economic health and security. Good

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[31] European Commission, *EDF Operations in 1994* (Luxembourg: Office for the Official Publications of the European Union, 1995).

governance promotion was presented as a means to help ease extant and potential regional, ethnic, and religious rivalries within and between states. A year later, in 1997, the EU issued the statement that the "Union must redesign its aid policy towards the ACP countries from scratch....the colonial and post-colonial era is over."[32] EU commissioner Joao de Deus Oinheiro asserted that future EU-ACP development aid must have three concerns: to help ACP countries become capable of integrating into the world economy, to build the necessary institutions and governance conditions for a market economy in these countries, and to continue providing a safety net for those countries unable to do so. It was not until 1997, though, that good governance conditions were officially described in a Green Paper on the relationship between the EU and ACP. In this paper, the Commission stressed that future policies would emphasize macroeconomic stability, the removal of trade barriers, realistic exchange rates, governmental transparency and accountability, and lawful behavior generally. This was a noteworthy move. The Commission explained its disengagement from past trading preferences and new emphasis on good governance in terms of pure economics. The value of Lomé preferences to ACP states had gradually declined, due to various EU measures. Further, this value was expected to be reduced further still, the Commission contended. One of the most impactful Lomé preferences, for instance, was the exemption of ACP states from the Multifibre Agreement governing the export of textiles. This agreement would

[32]European Commission, *Communication from the Commission to the Council and the European Parliament on Linking Relief, Rehabilitation, and Development* (Brussels: European Commission, 1996); idem, *Communication from the Commission to the Council: The European Union and the Issue of Conflicts in Africa: Peace-Building, Conflict Prevention, and Beyond* (Brussels: European Commission, 1996).

be phased out according to Uruguay Round stipulations.[33] Additionally and perhaps most significantly, the Commission asserted that it must be faithful to WTO rules that Lomé preferences be ended altogether in coming years. A subsequent Commission dispatch made it clear that ACP aid would be conditional upon the fulfillment of good governance requirements, such as respect for human rights and adherence to "democratic principals." These principals were defined in "terms of three fundamental characteristics: legitimacy, legality, and effective application" of the rule of law and good governance practices.[34] The Contonou Convention currently being phased in replaces the four previous Lomé Conventions. Its new five-year, $13.5 billion development resource endowment, the EDF, is designed to be used to achieve more balanced macroeconomic fundamentals, along with increased private entrepreneur incentives and social service delivery. Since the early 1990s, the trade preferences that had stood out as a prominent feature of EU development policies have been gradually replaced by free trade agreements between the EU and its partners in the developing world. New non-preferential ACP-EU partnerships are being forged. These new arrangements are removing tariff barriers reciprocally and progressively, and good governance stipulations are being included with the stated aim of helping the ACP countries attract more private investment. While some of the Lomé arrangements are being maintained during a preparatory period lasting until 2008, formal negotiations began in September 2002 on new economic partnership agreements. The Contonou Agreement does enable the EU to employ a more "flexible response" in terms

[33]European Commission, *Follow-up to the Rio Summit: Communication to the Council and the European Parliament* (Brussels: European Commission, 2000); European Commission, *Framework Partnership Contract*. (Brussels: European Community, 1998).

[34]European Commission, *Democratisation*, 2, 6.

of crisis management, and humanitarian assistance is still granted. Special treatment of the region, though, is no longer customary.[35]

The EU lobbied successfully for good governance to be an essential element of the new Contonou accord, the violation of which could result in the application of sanctions from Brussels. This was something which a large number of ACP states viewed as an intrusion on their sovereignty and were reluctant to accept. Political dialogue between the EU and each of the ACP partner states or regions will play a key role in determining the nature and objectives of the assistance provided, according to the Commission, which noted the agreement also establishes special consultation procedures and appropriate sanctions for dealing with human rights violations and serious corruption. Several ACP states have been outspoken against what they see as the developed nations' interference in internal matters of developing countries. Privately, ACP delegates complain about political conditionalities imposed by the EU upon countries wishing to sign on to the Contonou Agreement, through which the EU will disburse some 13.5 billion euros (US$12.7 billion) to the ACP states through its EDF in the next few years. The Contonou Convention adopted in June of 2000 convention now manages EU development cooperation with ACP countries. This cooperation with ACP countries comprises the largest aid program managed by the Commission: aid allocations reached €3.8 billion in 2001, which was 37 percent of overall EC development assistance.[36] Under the new Contonou partnership agreement, the system of trade preferences previously granted the ACP states will gradually be replaced by a series of new economic partnerships based on the progressive and reciprocal removal of trade barriers. Partly in

[35]European Union, *Union's Development Policy*.

[36]Ibid.

order to comply with WTO regulations, preferential access to the EU markets for bananas and other commodities produced by the ACP states may be dismantled as part of a broader strategy to improve the ACP states' ability to attract private sector investment.[37]

The late 1990s witnessed the rapid proliferation of EU documents defining, describing, and analyzing the topic of good governance and ways of promoting it.[38] Many workshops and forums on good governance and democracy were held.[39] The definitions of good governance became more and more broad and inclusive, and by 2000, included "a state of mind," "a moral concept," respect for human rights, sound institutions, reliable and fair laws and legal processes, participatory regimes, regimes that valued civil society's input, free presses, open access to information, equitable regimes, peaceful societies, non-corrupt administrations, pro-women conditions, pro-education administrations, and strong and accountable leaders. Commission President Romano Prodi stated in early 2000 that the EU's good governance policies were intended to help the EU "...project its model of society into the wider world."[40]

In preparation for this, in the 1990s the EU's democracy and good governance promotion programs and policies had five major emphases. These were public administration, legal and judiciary reform, local and national elections, civil society and citizen empowerment, and peace and security.

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[37]Ibid.

[38]European Union, *Good Governance for Sustainable Development* (16 February 2005). <http://homepages. uel.ac.uk/ben2417s/EUAid1b.htm> [22 March 2002].

[39]EU-sponsored good governance and democracy promotion workshops have thousands of links on the internet from the late 1990s, perhaps more than any other IDI.

[40]European Union, *Union's Development Policy*, 12.

Public Administration

Many of the EU's public administration reform programs and projects have supported neoliberal values, yet usually with social needs and rights clauses incorporated years before most other IDIs did this. Most every mention of administrative reform of the state includes a lengthy discussion of how social needs should be prioritized and equity concerns taken into account, and this was not a reaction to criticism, as has been alleged with the World Bank's proliferation of social clauses in the late 1990s and beyond. The EU has been prescribing attention to social needs in its development policies since its good governance agenda began emerging in the early 1990s. Also, the EU's good governance programs have been less inclined to promote smaller states, emphasizing better organization and balance, as well as more accountability. Little attention is given to downsizing the state, except for the purposes of decentralization programs that aim to spread state power more broadly.[41] For many other IDIs, downsizing is considered almost a prerequisite for good governance; this is not the case for the EU. Nonetheless, like other IDIs, the EU in the 1990s increasingly blamed poor fiscal management, excessive protectionism, and a restrictive investment regime for contributing to poverty. EU-supported NGOs provided technical and administrative advice, training, and support for building market institutions. Major aims of EU reform programs have included reliability of government administrations, sustainable reduction of budget deficits, the elimination of discretionary tax and tariff exemptions, and stabilizing the banking sector by curbing the practice of political loans. The EU has and continues to support various initiatives for trade liberalization, customs procedures, the removal of technical barriers to trade and investment promotion, and the development of regional capital markets and

[41] Ibid.

instruments for cross-border payments. Program goals have also aimed at improving the efficiency and competitiveness of national economies through deregulation of financial and labor markets, price liberalization, trade and exchange-rate reforms, the privatization of public enterprises, tax reforms, and transparency in fiscal or resource allocation. The EU has helped many countries prepare for open market local, regional, continental, and international trade negotiations. Most of the EU's anti-corruption programs support an enabling environment for business and the market economy, but without the view that this necessarily translates into smaller states. According to EU documents, in order to attract FDI, countries must build an institutional environment characterized by predictability, accountability, and transparency. The consistent application of sound (or neoliberal) economic policies and the promotion of a stable macroeconomic framework has been and still is prescribed. The EU's anti-corruption programs focus on banning the tax deductibility of bribes, rules on public procurement procedures, the introduction of accounting and auditing standards, and the blacklisting of corrupt companies. In addition to balance-of-payments support, the EU provides investment capital to advance market transitions through the European Investment Bank and the European Bank for Reconstruction and Development (EBRD).[42]

Most programs have also worked to make social spending more transparent and accountable. There has been an increasing use of tracking surveys that follow social sector expenditure to see to what extent central government funds meet citizens' needs. The EU sponsors many programs to help ensure that public funds go towards pressing

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[42]European Commission, *Digest of Community Resources Available for Financing the Activities of NGOs and Other Governmental and or Decentralised Bodies Representing Civil Society in the Fields of Development Cooperation and Humanitarian Aid* (Brussels: European Commission, April 1998).

social needs and uses consultation processes with NGOs, local officials, and local citizens to determine what these are. In Burkina Faso, for example, the EU, in consultation with citizens and civil society, helped devise plans for public money to fund teachers' salaries, school books, and medicine. The EU has also provided humanitarian aid of food and medicines to a number of countries to help ease the shock of economic adjustment.

There has been an emphasis on participation and ownership of EU-sponsored reform programs. The EU funds programs, for example, to increase inter-municipal cooperation to help improve dialogue between the city and federal levels through strengthening the administrative and resource capacity of city governments. The EU, for instance, has created decentralization training programs for more than 1000 district officials and 8,800 District Assembly members and local leaders in Ghana's 110 districts.[43] The EU helps local officials design and amend constitutions, with citizen input. The EU funds NGOs to increase citizen awareness and participation programs that are inclusive and that instruct people about their political rights and how they can influence policy. Women, the poorest in society, and other marginalized groups are encouraged to learn about government practices and to make their desires known.[44] In sum, the EU's public administration programs in the 1990s attempted to both foster open market economies and increase states' responsibilities and openness to meeting citizen needs.

Legal and Judiciary Reform

EU legal reform programs in the 1990s were also expansively construed. Some concentrated on fostering reliable open market economies with private law to secure

[43] European Union, *Guide*.

[44] Ibid.

property rights, including intellectual property rights, and reliable contracts. They involved public finance management and commercial property rights protection.[45] Others emphasized more humanistic elements of the legal system, such as fair and responsible criminal justice systems. PHARE/TACIS projects, for instance, both helped to establish a legal information program in Hungary for better monitoring of contract rights and supported NGO efforts to improve prison conditions in Ukraine, Estonia, and Lithuania.

EU legal reform programs also had a strong anti-crime component. For Russia and the Western NIS, special attention was given to initiatives addressing major cross-border problems including crime and corruption. The EU supported several initiatives to strengthen jurisdictions' capacities to combat organized crime in eastern European countries. To address the challenge of international crime, the EU is also moving toward a single area of justice for its own member countries with norms and guidelines for its development policies and programs as well. Since the adoption of the Amsterdam Treaty, which states that the creation of a common area of freedom, security, and justice is a goal of the EU, steps have been taken to mainstream criminal justice procedures within the EU which have had a carry-over effect. Definitions and descriptions of particular crimes and their proposed punishments have been formalized for EU countries, and the EU has transferred these to some of its aid recipients. This has been particularly true for crimes with transnational repercussions. Intense efforts are being put into the development of integrated border management. Migration and asylum are also key foci. In some countries such as Bangladesh, the EU has established a comprehensive criminal justice reform program, including improving policing services and separating the judiciary from the

[45]European Union,"Final Comprehensive Evaluation of Parliamentary Support Programme: 1996-2002." (no date). <http://www.eupsp.org.za> [17 April 2005].

executive. In the field of security, the EU has supported the institutional development of the South African Police Service (SAPS), the Department of Safety and Security (DSS), and assisted police forces in Eastern Cape.[46] Other EU legal and judicial reform programs have concentrated on enhancing the capacity of particular institutions. The EU has programs that train the elected members and professional staffs of parliaments, focusing on such functions as budgetary management, press relations, and research and library support. PHARE and TACIS democracy assistance projects have been working to establish a legal information and assistance program in Hungary. Other projects support a vast array of training programs for lawyers. In South Africa, the EU sponsored a justice system reform program (E-justice) to address the shortages of the legal system by ensuring training for public officials and by monitoring the respect of fundamental rights (such as rights to a legal defense, rights of detainees, and rights enshrined in the country's constitution).[47]

Local and National Elections

Despite progress in other areas like legal and judicial reform, electoral assistance constituted the most conspicuous form of EU democracy assistance in the 1990s. Responding to the growth in transitional democracies, the electoral assistance role the EU has played has served as a key entry point for undertaking a new generation of governance projects. Without imposing its own political agenda and allowing for a diversity of political models, the EU began observing elections in 1993 in Russia and in

[46]European Union, *Common Position on Human Rights, Democratic Principles, the Rule of Law and Good Governance in Africa* (Brussels: European Union, 1998),1.

[47]Development Gateway, "Momentum for Legal Aid Reform Builds Across Europe"(22 March 2005), <http://topics.developmentgateway.org/governance/rc/ItemDetail.do~1033898> [22 April 2005].

1994 in South Africa and followed a case-by-case approach throughout the 1990s. Over the rest of the 1990s, the EU funded many electoral observation missions throughout its aid-receiving regions. It was not until 1998, though, that the EU established criteria for evaluating the fairness and regularity of elections it observed. Also in 1998, the EU developed formal guidelines for electoral observation, and in 1999, it instituted criteria for the selection of electoral observers. The EU also has supported domestic elections monitoring and helped countries design and implement new electoral systems.

Unlike USAID, EU funding of political parties has been limited. Whereas USAID supports United States State Department calls for "regime change" and "new leadership," the EU uses softer language and a softer approach towards encouraging political reform in recipient countries. EU documents frame their efforts with descriptions such as "social modernisation" and "the transformation of society," and emphasize the importance of "partnerships" and "consensus." EU development officials have commonly argued that encouraging democracy requires building widespread and strongly embedded consent for democratic norms and that political liberalization adopted as a result of external pressure, reluctantly and in the absence of positive consent, is rarely sustained for a long period of time. A key focus has been to fund NGOs to help begin dialogues with state officials on "social development." Whereas USAID programs attempt to replace authoritarian regimes, the EU is more amenable to trying to democratize such leaderships. Democracy budgets have been used, however, to support local level social and environmental groups.[48]

The absence of uniformity and the rich diversity in institutions and procedures was

[48]European Commission, *Commission Communication on EU Election Assistance and Observation-Fava Report* (14 March 2001). <http://europa.eu.int/comm/external_relations/news/patten/speech_01_125.htm>[22 April 2005].

and still is an important EU component in its democracy assistance programs. For the EU, variety in social and political organization matters in furthering democracy. A European approach is therefore distinctive in sharing a range of experiences and by being relatively inclusive.

The EU has also been instrumental in developing various projects to raise support for democratic elections. Representatives helped create a Russian radio series to show the importance of local government and NGOs. Other EU projects have supported a vast array of programs educating lawyers, journalists, public opinion analysts, trade union representatives, women's rights activists, local administrators, employer association managers, civilian specialists in defense and security issues, and many others about the influence they might have in democratic politics.

The EU was particularly active in increasing awareness about and participation in local and national elections in Africa in the 1990s. Unlike the UN and other IDIs, in the early 1990s, the EU did not have a specific unit responsible for election involvement there. The EU Electoral Unit in South Africa (EUNELSA) was established on 24 January 1994 and a total of 307 officials were then deployed. Further assistance was granted across a range of sectors: additional European police officers were assigned to assist in security; and personnel were dispensed for mediation tasks, logistics, election administration and, most notably, voter education. Overall, the EU provided 12 million ECU specifically for the electoral process. The 307 observers were, on average, deployed for a considerably longer period (between one to three months) than the more numerous 1,800 or so UN observers, the bulk of whom were present for just one week. In terms of days spent in South Africa helping prepare for and carry out democratic elections, the EU

was the major player.[49] The support for elections forms an integral part of the political dialogue between the European Union, the government, opposition, and civil society representatives.[50] The EU has financed a wider range of civic and voter-education programs and journalist training programs than most other development agencies. Much attention is given to the democratic process.[51]

Civil Society and Citizen Empowerment

Both a strong orientation towards involving civil society in its development cooperation, including its good governance and democracy promotion programs, and a notable desire to protect and empower citizens, especially marginalized ones, during and after democratic reforms characterized EU good governance promotion in the 1990s and beyond. Much like the UNDP, the EU sees civil society's potential to humanize and localize development decisions. Also, the EU needs to employ NGOS to carry forth its agenda, because the union does not have the in-house staff available to do so. As much as working with and through NGOs has become a necessity, prioritizing citizen empowerment has become a compulsion. The EU's programs in this area are often embedded in or subsumed under good governance projects and policies.

The EU has long promoted the value of working in close collaboration with civil society and in the 1990s and beyond relied heavily upon NGOs to foster and implement

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[49] Ibid.

[50] Ibid.

[51] European Commission, *The EU's Human Rights and Democratisation Policy* (no date). http://europa.eu.int/comm/external_relations/human_rights/eu_election_ass_observ/ [11 June 2005].

its good governance and democracy promotion policies and programs. By 1994, the EU was allocating $US 1 billion annually to NGOs.

During the decade, the EU began to rely heavily on a small group of well-organized NGOs that understood its goals. The selection of this group stemmed from previous working relationships. The EU's cooperation with the NGO community goes back to 1976, with the establishment of Clong, a liaison committee of NGOs. Since then, the EU has involved this organization in all aspects of its democracy assistance. Clong by itself represents about 880 NGOs with at least 15 platforms. The EU has continued to work with and through Clong, as well as other networks of NGOs. These relationships evolved over time to become a strong linkage with organized consultation and communication on important development policy issues. The EU has NGOs it is comfortable working with meet with development officials in Brussels to devise programs and then sends these groups into communities to teach locals about the value of democracy and good governance and how to move toward these goals. NGO representatives then report back to Brussels on their progress.[52]

The EU's programs are characterized by a particularly strong focus on human rights, which these NGOs promote. These groups are also instructed to meet with locals and find out what needs in society are being neglected, so that these problems can be addressed. There is a focus on the demand-side perspective, which NGOs are presumably poised to discover. The EU tasks NGOs with developing strategies, implementing sustainable programs, and creating operational channels with local government that aim

[52]European Commission, Digest *of Community Resources Available for Financing the Activities of NGOs and Other Governmental and/or Decentralised Bodies Representing Civil Society in the Fields of Development Cooperation and Humanitarian Aid* (Brussels: European Commission, April 1998).

to improve the situations of citizens through democracy and good governance support. The EU has typically funded less overtly political NGOs than the United States and has tried to rely less and less upon its larger, more networked NGOs and more on local, grassroots NGOs. EU-funded NGOs are also decidedly more environmentally focused than USAID's or the World Bank's. Countless NGO and EU documents discuss the effects of EU's projects on the environment.[53] The EU has always been a vigorous advocate of not only protecting the environment but also of human rights and citizen empowerment, and this was evident in its democracy assistance and good governance promotion policies in the 1990s. Long before the World Bank and most other IDIs mentioned gender equality or the rights of indigenous people, the EU has enshrined such values in its development policy documents. The introduction of Council Regulation 975/199913 provides the EU's most detailed description of its human rights views and policies. This regulation includes a long list of EU-sponsored human rights activities, including programs to promote civil and political, as well as economic, social, and cultural, rights. It also furnishes a mandate to fund programs which support minorities, ethnic groups, and indigenous peoples; reinforce human rights institutions including NGOs; provide resources for victims of torture; foster human rights education; facilitate human rights monitoring missions; and support equality and non-discrimination and measures aimed at protecting specific civil and political rights, including freedom of opinion, expression, and religious belief. Gender issues are also mainstreamed in the EU's development cooperation policy as a whole, as described in the Council Resolution

[53]See the many links on the EPHA Environment Network's website. EPHA Environment Network (no date). <http://www.env-health.org/a/1586>[1 May 2005].

on the integration of equality between men and women of 1995. Gender equality and women's rights form another key part of the human rights dialogues between the EU and developing countries. Quite distinct from what one might find in USAID or many other development agency policies, the EU also sponsors programs to help protect the rights of lesbians and gays EU poverty reduction programs have focused on helping meet the needs of the most vulnerable in societies. The EU supports projects oriented towards skill development at the grass-roots level, including carpentry, sewing, baking, animal husbandry, and agroforestry. The EU has been particularly attentive to the rights of indigenous people and other marginalized groups. One of many similar EU resolutions calls for the "full participation of indigenous peoples in the democratic processes of their country," and states that "[I]ndigenous cultures constitute a heritage of diverse knowledge and ideas, which is a potential resource to the entire planet." A wide range of projects supporting the rights of indigenous people have been carried out, including demarcation of indigenous territories, community-based conservation and management of resources, capacity-building, workshops, studies, and seminars. Both PHARE and TACIS projects created a system to monitor and reduce racist acts and speech in Albania, Bulgaria, and Romania. EU democracy projects have also provide support for a variety of NGOs working for the reduction of interethnic and domestic violence and for the promotion of the rights of minorities and the disabled.[54]

Along with having the promotion of human rights as a key element of partnership, EU development cooperation also allows for the mainstreaming of fundamental social rights in the area of trade and labor standards. The EU uses the version of labor rights

[54]European Commission, *Report from the Commission on the Implementation of Measures Intended to Promote the Observance of Human Rights and Democratic Principles* (Brussels: European Commission, 1996).

described in the conventions of the International Labour Organization, which includes the freedom of association, the right to collective bargaining, the abolition of forced labor, the elimination of child labor, and non-discrimination with respect to employment. Some EU projects have helped create a network of trade union education centers in Russia, organizations to promote consumers' rights in Romania and Slovenia, and a new Russian radio series to showcase the importance of local government and NGOs. Further, a new "micro-projects" facility for Central and Eastern Europe makes available very small grants (of about $3,000 to $10,000) to stimulate activity more deeply at the grass roots and to enhance the development of a wider range of NGOs.[55]

Strengthening NGOs' representation of economic and social rights has been a key emphasis. EU programs have also shown helped countries incorporate EU social policy standards and legislation; social mobilization around job training; funding for cultural NGOs; and a community level focus built upon support for community leaders, youth councils, parents' associations, and links between citizens and local councils. In some countries, such as Russia, the EU has helped establish networks of trade union education centers. The EU has supported worker's unions by funding training for better employees' rights and bargaining techniques. The EU has also helped create organizations to promote consumers' rights; supported NGO efforts to monitor and improve prison conditions in Ukraine, Estonia, and Lithuania; and instituted a system to monitor violent racist acts and speech in Albania, Bulgaria, and Romania. Targeting the high rate of school non-attendance and drop-out among Roma/Sinti children in Hungary, the EU allocated EUR

[55]European Commission, *The European Union's Role in Promoting Human Rights and Democratisation in Third Countries* (Brussels: European Commission, 2001); idem, *The European Union and the External Dimension of Human Rights Policy: from Rome to Maastricht and Beyond* (Brussels: European Commission and European Parliament, November 1995).

9.6 million, co-financed by the Hungarian government, to support these childrens' inclusion in the educational system. In Slovakia, a minority tolerance program, co-financed by the Slovak government and totaling EUR 2.3 million, trained 450 local Slovak public administration representatives and opinion-makers on minority issues and conflict resolution.[56] Clearly, the EU's work with civil society and citizens' rights and empowerment has been and continues to be substantial.

Peace and Stability

It was a natural extension of EU policy to apply the good governance conditionalities it had been imposing on its own members to its neighbors. In the 1990s, EU's new purposeful blending of aid and security was particularly notable. Commission development documents emphasizing the connections between good governance and peace and security proliferated throughout the decade. The EU states that, "Security and development are complementary agendas; there can be no sustainable development without peace and security and development is an essential condition for security." For 2007-2013, the Commission has even proposed a coherent framework which includes a new separate instrument for "stability." The EU, though, began implementing policies of this nature years earlier.[57]

An illustration of the EU's new concern with geopolitics can be seen in the changes in its aid allocations to ACP states during the 1990s. Aid provided through the Lomé mechanism amounted to 52 percent of the EU's total external aid in 1990. The ACP only received one-quarter of EU aid in the year 2000. For the EU, assistance

[56] European Commission, *Promoting Human Rights*, 2.

[57] Ibid.

increasingly started close to home. The political/foreign policy element in EU development policies increased over the 1990s with more aid and focus going to Central and Eastern Europe, the Balkans, and the Mediterranean countries, and with greater emphasis on governance concerns in these regions. The rise over the 1990s of amounts of EU aid to middle-income countries in Central Eastern Europe, and South Eastern Europe and the Mediterranean at the expense of the poorest countries is reflective of the tendency. After the Cold War ended, EU countries faced newly destabilized countries to the East, just as the United States was withdrawing many of its troops from Europe and pulling out the security umbrella it had held out over Europe throughout the Cold War. Central and Eastern European countries were largely impoverished, unstable, and filled with peoples desiring to migrate to EU countries. The gradual elimination of border control within the EU had not only markedly facilitated the free movement of European citizens, but also made it easier for criminals to carry on operations transnationally. The EU responded by establishing development programs, such as TACIS, PHARE, and CARDS, in nearby regions with strong emphases on good governance, particularly rule of law programs with enforceable conditionalities.

EU good governance and democracy promotion programs heavily stressed peaceful resolution to conflicts. As a 1996 memo from the commission stated that the EU's new development policies should consider their potential for "balancing the interests and opportunities of different identity groups within a state, for encouraging democratic governments that enjoy widespread legitimacy among the population, for fostering consensus on key national issues...and for building mechanisms for the peaceful conciliation of group interests."[58]

[58] Ibid.

The EU in the 1990s began using conflict indicators that examine issues such as the balance of political and economic power, the control of the security forces, and the ethnic composition of the government for ethnically-divided countries to try to assess areas of potential conflict and respond to them. In conflict and post-conflict situations, the EU's development programs include peace-building initiatives and rehabilitation activities as well as demobilization and disarmament. Peace building and conflict prevention and resolution policies were intended to address the root causes of conflicts, strengthen the democratic legitimacy of governments, support the demobilization and reintegration of former combatants, and tackle the proliferation of small arms and light weapons. Development practitioners were urged to work towards balancing political, economic, social and cultural opportunities among all segments of society, strengthening the democratic legitimacy and effectiveness of governance, establishing effective mechanisms for the peaceful conciliation of group interests, and bridging dividing lines among different segments of society. Activities have included support for mediation, negotiation and reconciliation efforts; effective regional management of shared, scarce natural resources; and addressing the problem of child soldiers, as well as for suitable action to set responsible limits to military expenditures and the arms trade, including through support for the promotion and application of agreed standards and codes of conduct. Additionally, emphasis is given to the fight against anti-personnel landmines as well as to addressing an excessive and uncontrolled spread, illegal trafficking and accumulation of small arms and light weapons. In the 1990s, the Commission also began reviewing its Country Strategy Papers from a conflict prevention angle. When such papers were prepared, risk factors began to be checked in a systematic manner[59]

For the EU, good governance promotes stability and order, especially in nearby regions. This has increasingly been the case in the recent past.

Unique Program Features

In the 1990s, the EU had an approach towards promoting good governance and democracy reflective of the union's inexperience with this endeavor, competing desires and motivations of member states, and the fact that European development aid remains strongly compartmentalized across geographic lines. Much was seriously debated and documented in Brussels, yet due to the EU's highly formal and institutionalized partnerships, focus has been placed on individual missions, implementation issues, and funding decisions rather than on far-reaching strategic questions. Instead of targeting visible change when break-through opportunities presented themselves, as USAID often did, EU good governance and democracy promotion programs in the 1990s revealed internal institutional prerogatives, with little overall coordination and attuneness to the overall impact of internal dynamics or to outside events.

The EU's good governance and democracy promotion programs supply an apt display of how institutional realities affect the design of policies. The structure of European development cooperation is comprised of political leadership provided by the Council; the Commission in Brussels; the network of field offices usually occupied by an EU official or two and various NGO representatives; the supervision and decision-making arrangements for member states; and the European Parliament. As a rule, EU policies are decided by the twenty-five member states, each represented by politicians dependent upon the citizens of his or her own country for financial and political support.

[59]Ibid.

As stated, these member countries have different values and political constituencies, resulting in a divided array of independent goals. This helps explain why EU good governance programs have been lacking in cohesiveness. The misalignment of donor incentives has resulted in contradictory and poorly leveraged aid. Pressure to achieve select objectives is great, yet these objectives so far have failed to work together to support a common strategic vision for the goals and purposes of democracy and good governance assistance.

The EU's power structure is difficult to characterize, yet it clearly favors the interests of its four largest members: Germany, France, Italy, and Great Britain. Voting is weighted based on population size in the Council of Ministers. For 1995, the weighting was as follows:

10 votes (each)—France, Germany, Italy, Great Britain
8 votes -Spain
5 votes—Netherlands, Belgium, Greece, Portugal
4 votes—Austria, Sweden
3 votes—Finland, Denmark, Ireland
2 votes—Luxembourg

The Commission is represented by two members from each of these four largest countries rather than the customary single member. Also, France in particular has tended to be particularly influential in guiding and directing the EU, as the union was initially a Franco-German conception and project, with Germany the more acquiescent of the two due to its humble post-World War II position. France, which often has been assigned the Commission's presidency, agreed to enter into the European project in part to help contain potential future German ambitions within the continent, and Germany has willingly conceded to compromise in order to regain its repute. Together France and Germany set out to reshape Europe, and other countries have been invited to participate in the project. Italy, with about the same population size as France, has become an

increasingly influential member, and Great Britain, even as a late joiner, also holds clout due to its size. France in particular but also Germany and Italy have never allowed Great Britain to steer the EU's course, however, due to Great Britain's geographical distance from the continent and geopolitical distance from some of Europe's values. Great Britain, for example, has tended to side with the United States more readily than have the major continental countries.

Most EU development programmes are based on a financial agreement between the Commission and the recipient government, which presumably sets the objectives, rules, and conditions for aid implementation. This implementation is carried out on a contractual basis. Some funding vehicles such as that for emergency aid are not subject to the normal approval process. Proposals for aid decisions are examined by a member states' commission advisory committees. Member states' votes are weighted based on the country's population, and a certain percentage of votes, based on various factors, is required for approval. Since the latest Nice Treaty, votes for approval also need to represent at least 62 percent of the population of the EU Union as a whole.

Any influential institution tends to be subject to widespread criticism, and the EU's governing bodies have received even more than most. The fact that the EU even exists is remarkable given the complexity and controversial nature of the European project. In order to have created such a union, its bureaucracy has had to override many particular worries and concerns and set its sights on the larger picture of Europe in the present and future. Becoming more integrated and unified has in many ways mandated that the EU become more federal and less intergovernmental. In an ironic way, the EU has had to become less democratic in order to gain the unity and authority to represent and promote democratic ideals. From one perspective, the EU's progress has been masterfully guided.

Few believed that the Euro would ever be launched, let alone reach parity with the American dollar, as it did on July 15, 2002 for the first time. Yet as critics assert, in many ways the EU has become increasingly elitist in order to make the institution more powerful. It is difficult to track the locus of power within the EU. Some contend that the European Commission is the true seat of power, serving as the EU's executive branch and largely as its legislative arm as well. The European Commission does initiate most policies, but is accountable to the European Council and the European Parliament, either of which can veto or otherwise interfere with its plans. Many point out, though, that the latter two bodies have only negative power and that they rarely use it to block major initiatives. The member states do select the commissioners and the Commission president, who all must be approved by the Parliament. The Commission's leverage has grown in the recent past, and commissioners assume much of the credit for the EU's success thus far. A 2000, European Commission paper emphasized that this organ was

> established to act impartially in the interests of the European Community...notably by exercising its right of legislative initiative; controlling Member states' respect of Community law; negotiating commercial agreements...implementing the common policies and ensuring that competition in the Community was not distorted.[60]

The Commission then assumed credit for serving as the engine of change in the transformation from customs union to economic and then political union. The Commission does have only about 2,500 employees with decision-making jurisdiction, yet these 2,500 do hold much power over the approximately 450 million EU citizens. Up until the present, elite representatives from the larger European countries and the EU

[60]European Commission, *White Paper on Reforming the European Commission* (Luxembourg: Office for Official Publications of the European Communities, April 2000).

founders in particular help determine EU development policy. This still does not fully explain, however, how the EU's power structure influences development policy-making. Part of the dilemma in providing this explanation stems from larger EU rift between France and Germany. As stated, both have their own visions for the EU, with Germany favoring a more integrationist, federal structure and France preferring a more intergovernmental model.

Germany's version has received incremental validation since the fading of the Cold War, as Germany became more powerful with unification and as the addition of new Eastern European members to the EU made the country more centralized in the EU structure. It is not surprising then that France's developmental priorities, such as special preferences accorded to ACP states, have become less prominent since the beginning of the 1990s.

But from the late 1980s onwards, France, Germany, and the rest of the major EU powers, though disagreeing on the power balance within the EU, have more or less converged on a similar vision for the EU in world affairs. This vision is not surprising. The leaders of the EU want what they should be expected to want: greater prosperity and more security absolutely and relative to the larger international landscape. EU leaders have also converged on the belief that the EU countries need to participate more fully and more competitively in the global economy. A common cliché that Americans "seek equal opportunity" while Europeans "preach equal outcome" has become increasingly outdated, as European countries have decreased their welfare provisions and embraced the hallmarks of neoliberalism such as economic deregulation and privatization.

EU member countries in the 1990s disagreed about where foreign aid should be directed, however, and these disagreements persist. Country preferences can be seen by

examining bilateral aid programs.[61] France still favored high aid allocations for West Africa, where many of its former colonies including oil-rich countries such as Nigeria are located. Both France and Italy want more money to go to North Africa, to quell strife so close to their southern borders. Germany wanted greater allocations for Eastern Europe and the former Soviet Republics, to avert unrest to the east. Also, if the EU successfully continues to expand eastward, Germany will become a more centrally located and more powerful member. Spain and Portugal preferred that more aid be distributed to Latin America, where they have cultural ties. Britain wanted to spend less money altogether on EU aid, as its interests were often not paramount in EU decisions. Also, in the early and mid-1990s, Britain was increasingly losing faith in the value of foreign aid, as was evidenced by the reductions in its bilateral aid spending.[62] Overall, these varying priorities of EU countries created a fragmented aid regime, and this fragmentation affected the EU's good governance and democracy promotion. The EU was slower at imposing conditionalities on the recipient regions in the ACP favored by the EU's most powerful member country, France. Germany's favored recipient regions gained special attention as the 1990s progressed and new the prospect of new EU members to the east heightened security concerns. Eastern European and NIS good governance and democracy promotion programs has a strong geopolitical element. Spain and Portugal's

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[61]For reviews of bilateral aid spending, see the annual country reports at Organisation for Economic Cooperation and Development, "Country Reports" (no date). <http://www.oecd.org/dac> [12 February 2003].

[62]Britain also was highly criticized for some of its aid allocation decision in the 1980s and early to mid-1990s. Britain was accused of favoring corrupt leaders who were supportive of its policies in Kenya and Malawi and later blamed for sending large amounts of aid to help build the Paraguay dam in Malaysia, after which Malaysia spent about $1 billion on British-manufactured weapons. "Aid for Brussels," *Economist* 338: 7953 (17 February 1996): 52-3.

chosen areas to receive assistance in Latin America were much ignored: little aid was allocated there and good governance and democracy promotion programs were weakly conceived. Great Britain had little influence over EU aid decisions. By the end of the 1990s, the two regions representing the development interest of the EU's two strongest members, the ACP and eastern Europe, were receiving the most aid and the most good governance and democracy assistance. Despite its efforts to support good governance and democracy, though, the EU has been much less direct and forceful in its democracy promotion than USAID has been. This softer and gentler approach to democracy promotion mirrors in many ways EU countries' and the EU' foreign policy when compared to that of the United States. EU good governance policies reflect a distinctly European view about the role of the state. Western European countries tend to allow for and even expect the state to take an active welfare role. The way political leaders of recipient countries must define not only their economic but also their social goals in their CSPs is indicative of this, as is the EU's practice of calling for not a smaller state but a leaner, more responsive state. This is not surprising. A critique of capitalism has historical as well as political roots in Europe. Many European countries had active and sizable Communist parties throughout the Cold War. Most European countries have important Socialist or Social Democratic parties, which tend to support governmental intervention in the social and economic realm to more equitably distribute the costs and benefits of life within a country.

As many neoconservative governments came to power in Europe in the early 1980s, the early and mid-1990s also witnessed a sweep to power of like-minded regimes. Social democratic or "Third Way" governments were elected in the leading EU member countries. Gerhard Schroeder, Lionel Jospin, Tony Blair, and others brought with them

hopes of discovering new ways balancing the international political economy so that the market could flourish and citizens' needs, the rich and the poor, could be met. These Third Way governments each expressed particular concerns with promoting market reforms while at the same time mitigating the sharp social dislocations that sometimes accompanied economic reform and globalization. Third Way values can be seen in both countries' bilateral aid programs and in the EU's methods of promoting democracy and good governance. Third Way goals tend to include fostering socially conscious states that are also economically competitive with sound and reliable state institutions. These goals also include fostering transparent and responsive governments, inclusive and participatory civil societies, equitable states, states that connect social and economic policies, environmentally conscious societies, and states that embed their local values and goals in community and international institutions.

Further, the EU's stress on variety in social and political organization in its development policies reflects the diversity of its membership and western Europe's relatively liberal political ideology. As stated, the EU does not fund political parties and is willing to work with authoritarian regimes provided they show some level of cooperation and respect for human rights. The surprising mix of rhetoric about citizen empowerment and human rights protection coupled with a lack of punishment and even, in some cases, judgement reveals a European tendency towards idealism yet lack of exaction. The way the EU links democracy with social justice and tends to shy away from enforcing conditionality reveals these unique features. The EU's good governance promotion evidences many of the qualities of human development that Sen and other humanist economists espouse. At the same time, though, the EU itself has increasingly needed to become realistic in terms of economics and make adjustments to comply with

WTO rules and regulations. The EU values the opportunities afforded it by the global trading regime and the design of its good governance programs affirm this. The desire to promote trade and thus the economic well-being of member countries has always been at the heart of the EU project, but has naturally increased in recent years. Losing impediments to profitable economic globalization such as Lomé's preferences and distortions reveals this pro-market EU power structure in action. The EU's development cooperation agreements increasingly reflect the interests of European-based business, including transnational capitalists. The numbers, size, and influence of members' intercontinental and TNCs had grown rapidly and considerably by the early 1990s. The corporate lobby has always had a noteworthy impact within the EU. This impact had grown considerably over the years, and the stakes were particularly high for corporate leaders as the ending of the Cold War shifted the previous stats-quo. New business relationships and trade agreements signaled the need for stable Third World environments that good governance could likely help provide.[63] This was especially true to the newly independent central and eastern European countries. Trade between EU countries and this region grew exponentially after the Cold War, and these countries' economies and governance systems were generally in grave disorder. Trade liberalization opened up new relationships and dialogue between the EU and these countries, as well as exposing the former to the latter's governmental incapacities. Because the EU as a whole and individual EU countries on a bilateral basis immediately began new trading relationships after the Cold War and addressed problems as they surfaced, economists generally agree that EU countries reshaped this region's trade reorientation to their

[63] McGiffin, 136-40.

advantage.[64] Yet becoming the central and eastern Europeans most significant trading partner during the 1990s gave the EU the heavy burden of interacting with antiquated governance systems. In early 2000, Prodi described the EU's continuing goal: "The challenge is to radically rethink the way we do Europe. To re-shape Europe." His first concern with this project was fostering strong democratic institutions.[65] Imposing prescriptions for institution-building conducive to the market economy

of course was not relegated only to continental development partners; the EU funded public administration and legal and judicial reform programs that fostered pro-market conditions in regions throughout the developing world. Where there was more incentive to open markets, such as in oil-rich Northern Africa and resource-rich Southeast Asia, the EU did not shy away from imposing conditionalities that reinforced its agenda, especially in the late 1990s. The influence of capitalism on EU development policy grew substantially during the decade. As the power of EU institutions expanded, and the length of the policy chain increased, Brussels became the second largest lobbying capital in the world. An estimated 10,000 to 40,000 lobbyists worked to influence the decision-making process by the new millennium. Approximately 70 percent represented corporate interests, 20 percent NGOs, and 10 percent regional interests. The Commission was and still is the most important target for lobbyists, and lobbyist can greatly influence policy. Since its 1992 report on special interest groups, it has argued that in order to maintain its openness to all forms of dialogue, it must not introduce any binding requirements for

[64]Jarko Fidrmuc, "Restructuring European Union Trade with Cental and Eastern European Countries," *Atlantic Economic Journal* 28:1 (March 2000): 83-92.

[65]Romano Prodi, "Shaping the New Europe" (speech given to the European Parliament, Strasbourg) (15 January 2000), <http://europa.eu.int/rapid/start/cgi/guesten.ksh> [3 October 2002].

lobbyists. Despite taking note of cases of overly aggressive lobbyists, the Commission proposed that public affairs professionals themselves create a voluntary set of guidelines for behavior. Since then, associations have been created, including the Society for European Affairs Professionals (SEAP) and Public Affairs Practitioners (PAP). Members agree to voluntary codes of conduct.[66] These groups have successfully helped make neoliberal values a shaping force for the EU's development policies.

Another powerful facet of EU countries' increased impetus to form lucrative trading relationships with the South in the early 1990s concerned the EU's vision of itself in the newly competitive, less clearly defined post-Cold-War world. EU member countries had long spoken of the need to develop a European defense arm of the institution, and this issue had become particularly relevant as the Cold War faded and European cooperation increased. European protection from the United States was presumably less reliable without the Cold War's bipolarity, and many EU member countries expressed new concerns. It was difficult, though, to convince many EU country citizens to support a large, impactful European defense force, though, as many countries' debt, deficit, and inflation problems had already induced high unemployment levels and threatened further reductions social programs. Additionally, European integration was always haunted by the specter of another continental war and was perceived as fragile already. One way that EU countries opted to handle such disparities and the complexity of this situation was to focus on economic strength as a solvent to defense worries. The weakness of EU Europe's ability to project force outside its borders in the early 1990s became increasingly apparent, particularly when juxtaposed with

[66]European Commission, *Lobbying in the European Union: Current Rules and Practices* (no date). < http://www.google.com search?hl=en&lr=&q=Society+for+European+Affairs [2 May 2005]; Babarinde.

America's growing military preeminence. Yet instead of opting to compete in a Hobbesian sense, Europe in the early 1990s made a decision. Europe's new identity and power would come from its economic viability. Europe's new challenge would be economic rather than military.

It must be noted that while the European Community development policy clearly states that "integration of developing countries into the global economy" is one of its objectives, one of the great incoherencies in EU policy is that its current trade agenda fundamentally undermines a sustainable or equitable basis for that integration. The EU's trade policy forum, the 'Article 133' committee, is comprised of trade and industry specialists with no seat at the table for development. The balance of decision-making power places the export potential of EU domiciled corporations firmly over development policy. Hence, EU development practitioners are charged with prescribing free trade, yet they have no influence over the EU's own trading policies with developing countries.

EU development officials did believe in the need for good governance promotion in the 1990s, nevertheless. The processes of European integration inspired this. The EU's institutional and bureaucratic expansion required the organization to have more contact with the developing countries. This increased exposure to the inner polities of developing countries likely made more pertinent the need for and more imminent the desire for sound institutions, effective legal systems, and other elements of good governance. Due to this increased awareness, the EU was also becoming increasingly cognizant of its inability to achieve its development goals for poor countries due to its own handicaps. The EU's development programs in many poor countries were short-staffed and in some cases, notably inefficient. Also, if the EU was to widen, certainly the nature of governance in prospective new members and neighbors was all the more significant to EU members.

With the European Union in its formative stages, good governance was a priority on the minds of many in the 1990s. A general sense of agreement that liberal democracy was conducive to prosperity and peace had emerged. Officially, EU democracy and good governance programs were initiated in tandem with major new developments in the EU's aid programs and during the new political climate of the post-Cold War world. They were created at time when the EU was not only preparing to expand but also country members were attempting to reduce national budget deficits in preparation for the adoption of the single currency. Also, new potential threats and opportunities were emerging for EU member countries. The future of Central and Eastern Europe was uncertain, as were the effects of the rise of Islamic fundamentalism in parts of Northern Africa. Emerging markets in Asia and Latin America were promising. Many new challenges and possibilities faced the EU in the early 1990s. The democratic model is designed to diffuse uncertainties by installing familiar rituals, procedures, and rules. Certainly democracy promotion was hence a useful tactic for the post-Cold War world the EU faced.

Providing security to EU countries became a growing influence on EU development policies during the 1990s. In just six months, Eastern Europe's communist regimes collapsed, providing the West with an unforeseen, vast, and sudden victory in the extensive global contest against the Soviet Union. In the months between July and September of 1989, Hungary, Poland, Czechoslovakia, East Germany, Bulgaria, and Romania discharged Communist regimes. Their replacement leaderships pledged commitment to democratic policies and open, market economies, and Soviet troops began withdrawing from Europe. Within months, Germany had unified, and before the implications of this had begun to set in, the Soviet Union collapsed. The political

significance was enormous. Western Europe was increasing its encounters with the former Soviet countries and satellites, leading naturally to its desire for good governance throughout the continent.[67] One of the central tenets upon which the EU was based, that economic prosperity and cooperation lead to peace, was extended to the Third World, particularly with the fading of the Cold War. Democracy and good governance promotion, it was hoped, were means of spreading peaceful values, especially to Central Europe and newly independent Eastern European states. The EU was well aware of the "danger . . . that these new frontiers will create a demarcation line between ordered and stable Europe and an Eastern Europe characterized by instability and poverty."[68] Good governance promotion, it was hoped, would help prevent this from occurring and ease this transition along. The European Commission itself noted that the "EU's objective interests have led it to give priority to the stability and development of neighboring countries and to aid for countries in crisis in regions nearest to the EU."[69]

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[67]The collapse of communism in the early 1990s indicated not only the start ofan internal process of political and economic transformation for the Central and Eastern European countries, but also the beginning of political ramifications for wider Europe. Between 1990 and 1996, the EU adopted ten new associate members from Central and Eastern Europe: Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic, and Slovenia. The EU was concerned that these countries had many changes to make in order to successfully integrate into the structures of the EU. European Commission, *White Paper: Preparation of the Associated Countries of Central an Eastern Europe for Integration into the Internal Market of the Union* (Brussels: Commission of the European Community, 1995).

[68]Isabelle Bensidoun and Agnes Chevalier, "Indicators of Regionalisation in North America, Asia, Central and Eastern Europe and the Mediterranean Basin," in *Globalisation, Migration, and Development*, ed. the Organisation for Economic Cooperation and Development (Paris: Organisation for Economic Cooperation and Development, 2000), 19.

[69]European Commission, *Community's Development Policy*, 4.

Also, addressing global problems and potential problems such as overpopulation, the spread of HIV/AIDS, and drug trafficking required Third World cooperation. It was increasingly clear that political/economic affairs and decisions in one country or region increasingly affected the global landscape. The fact that globalization had intensified international interconnectedness on many levels made the stability of developing countries more pertinent to EU countries than ever before. This likely was part of the reason EU leaders began to increasingly promote good governance, in hopes of making the political and economic environments of developing countries more stable and more open to the West and its ideals. Also, immigration flows from Central and Eastern Europe to Western Europe were increasing in the 1990s.[70] In the Cold War's aftermath, millions of immigrants and refugees migrated worldwide, increasingly to the EU countries. New immigrants, who were needed as Western Europe faced an aging population, would be more easily absorbed if their host countries were moving in a more democratic or at least liberal and transparent direction.

Also fueling the EU's security concerns in the 1990s was the fact that the United States was clearly the world's predominant military power, and the Cold War security umbrella America had provided for western Europe was no longer as steady. The United States was reducing its presence on the continent, and the EU had not yet come forth with firm plans for its own defense policy and force. Further, EU member countries could not muster support for any increases in military spending in the years after the Cold War ended, whether it be through their contributions to NATO or toward an EU independent force. Despite some warnings that Europe could potentially face various forms of instability in the post-Cold-War environment, most EU member countries allowed their

[70] Ibid.

defense spending to drop to below 2 percent of GDP and plans for a Common Security and Defense Force languished. Simon Serfaty describes the "many pre-Cold War legacies of ethnic and territorial conflicts, overbidden after World War II by the competition between the two superpowers, but resurrected in parts f the Continent in the wake of the demise of one and the rise of the other" and the incapacity of EU countries to "attend to these conflicts by themselves...." In Bosnia in particular, Serfaty argues, the "clock stopped half before Europe, and the security debate switched from what the EU said (but failed to do) to what NATO did (but occasionally failed to tell)....."[71] With the ending of the Cold War, the EU began a new phase of development policy separate from Lomé, citing the need under changed to widen the Union's previous development focus to include countries of Eastern Europe, as well as countries in Latin America and Asia.

Summary

In contrast to the World Bank, the EU's position on the governance issue has been much broader and political since the early 1990s. The EU has openly and unapologetically endorsed democracy (neoliberal, social, and other types) and a version of good governance promotion that emphasizes conditions for reliable markets, peaceful societies, and protected human rights. These trends in EU development policy manifest EU institutional prerogatives and reveal stakeholders' agendas.

The EU's democracy and good governance promotion in the 1990s revealed concerns with economics, security, and humanitarianism. With viable trading partners,

[71]Simon Serfaty, "European Common Foreign Security and Defense Policies: Implications for the United States and the Atlantic Alliance," House Committee on International Relations Hearing, 10 November 1999, 1, 2.

sound institutions and laws protecting the market were encouraged. In regions deemed threatening, clear renderings of criminal law and punishment was stressed. In all regions but most particularly the ACP region, where France had special interests, human rights protection and citizen empowerment were emphasized. Human rights was conceived very broadly, to include indigenous people, minorities, women, children, the disabled, and lesbians and gays, all groups that citizens of European Union member states care about.

The EU's programs were distinct in other ways as well. Conditions were often not enforced, to avoid controversy, and development officials did not prescribe a "one-size-fits-all" model of democracy. Local civil society members were invited to participate in the conception of desired political regimes and conditions, which is characteristic of European continental values and norms. The EU's heavy use of NGOs to carry forth its development work helped make this diversity and particularity of political parties and regimes possible, as did the fact that the EU does not fund political parties.

The EU's democracy and good governance promotion in the 1990s had many promising qualities, such as its focus on local context and its stress on social and economic inclusiveness. The problem was that aid was poorly coordinated and conditionalities were so poorly enforced that they lost meaning.

In order to foster change, the EU needs a much more dynamic, cohesive, and unified approach to democracy assistance. It has to move beyond periodic policy dialogue at the administrative level and overseeing project funding within countries. It needs to improve it partnership approaches and its flexibility in response to reform opportunities and at the same time be more inclusive and democratic in its aid decisions

and aid delivery. There is also a need for the establishment of structured links between the official policy levels and the civil society agencies and actors to obtain complementarities in efforts.

CHAPTER VI

THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

Like most bilateral development organizations, the goals of USAID have always been tied to the host country's strategic interests. Yet the agency also has its own separate institutional identity. This identity tends to be more concerned with development for development's sake or with the efficiency of development programs in a less strategic sense.[1] Because it operates under the auspices of the State Department and the National Security Council, though, the agency must perform a balancing act between serving national interest and its own institutional motives. At different times in history, it has tended to lean further in one direction or the other, based on different pressures.[2]

USAID administers most foreign aid programs in Africa, Latin America, Asia, Europe, and the Middle East. Much of its money goes to middle-income countries like Egypt and Columbia, with only about 40 percent allocated to poorer countries. Though President Bush pledged fairly substantial increases to USAID's budget in 2002,[3] in the late 1990s American foreign assistance channeled through USAID averaged about $7 billion annually out of the country's roughly $10 billion overall foreign aid budget. At

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[1]Ruttan discusses this insightfully on pages 12-13.

[2]Packenham, 2-3.

[3]Bush announced on 14 March 2002 that the United States would spend $5 billion more on assistance, raising the total from $10 to $15 billion, over the years 2004-2006. These figures describe bilateral and multilateral aid combined. "A Feast of Giving: Europe and America are Suddenly Competing to be Generous" *Economist* 362:8265 (23 March 2002): 42.

present, the activities of USAID account for 0.5 percent of the federal budget.[4] USAID in the late 1990s had projects underway or completed in about one hundred countries, and this number has since grown. While such facts and figures may sound impressive, the United States is not among the most generous of the developed countries when it comes to development assistance. Throughout the 1990s, the United States ranked twentieth in terms of aid as a percentage of GNP, the smallest percentage of any developed country. The United States, with its .1 percent official development assistance (ODA), has not agreed to attempt to reach the United Nations target of .7 percent. It does, however, support the Development Assistance Committee's 1995 policy "Development Partnerships in the New Global Context" which affirms a commitment to "generating substantial resources for development cooperation to back the efforts of countries and people to help themselves."[5] Sen describes Americans lack of support for foreign aid aptly: "American social ethics seems to find it possible to be very non-supportive of the indigent and the impoverished, in a way that a typical Western European, reared in a welfare state, finds hard to accept."[6] This lack of public support is not without warrant,

[4]United States Agency for International Development, "USAID: About USAID" (7 January 2005). <http://www.usaid.gov/about_usaid/ United States Department of State> [1 April 2005]; "Natsios Confirmed as USAID Administrator" (4 May 2001). <http://www.usinfo.state.gov/regional/af/usafr/a1050201> [19 March 2002]; United States General Accounting Office, "Foreign Assistance: USAID Relies Heavily on Nongovernmental Organizations, but Better Data Needed to Evaluate Approaches" (Washington, D.C.: GAO, April, 2002), 2.

[5]The United States as a single country ranked second behind Japan in the 1990s for total aid given per year. Germany and France each reached parity with American aid levels in 1997. If America was as generous as Sweden with its foreign aid (as a percentage of GNP), it would give $76 billion a year. Borosage, 5.

[6]Sen, *Development as Freedom*, 95.

though, as American foreign assistance has unfortunately strengthened more than a handful of corrupt governments in developing countries over the past few decades.

Throughout its history USAID has had mixed reviews. Some maintain that the agency has been useful in both serving America's national interests and in forwarding the country's more humanitarian goals.[7] Others are more disapproving, asserting that USAID has lacked vision and the ability to articulate clear, measurable goals, qualities needed to convince the American people and government of its merit.[8] The agency's increasingly bureaucratic style and technocratic approach in the past two decades has also been criticized. The agency has always struggled for funding.[9] This fact likely is partly due to Americans' lack of commitment to dispensing foreign aid rather than the agency's own record. Observers correctly predicted early on that USAID would suffer from a lack of credibility with the State Department, which would make its work difficult.[10] Unquestionably, the agency has grappled to define its purpose and to garner support over the years. In many ways, its difficulties and trials have reflected both the United States' own ambiguities about the country's desired international role and the North's uncertainties about development as a worthwhile or even feasible endeavor. Uncertainties surrounding the "war on terror" in the wake of September 11, 2001, have revived interest in the agency, though, and for good reason. USAID, despite its bureaucratic tendencies, has a wealth of experience and insight into various dimensions

[7]M. Peter McPherson, "Advancing U.S. Interests with Foreign Assistance," *Foreign Service Journal* (December 1986): 22.

[8]John P. Birkelund, "Doing Good While Doing Well: The Unheralded Success of American Enterprise Funds," *Foreign Affairs* 80: 2001):14.

[9]Ruttan, 474.

[10]Packenham, 14.

of development that relate to security concerns as well as humanitarian impulses. The agency would benefit from an image reconstruction and more productive relationship with the State Department, top government officials, and the public. This, of course, would require funding, for which USAID continues to struggle.

Policy Evolution

USAID was established in 1961 during the height of the Cold War. The United States Congress passed the Foreign Assistance Act on September 4, 1961, which reorganized American aid programs. The stated intent was to unify existing aid efforts, combine economic and technical expertise and assistance, and separate strategic and non-strategic aid efforts. Essentially, Kennedy wanted the country's aid program to more clearly and effectively support America's foreign policy goal of containing communism. AID's three main responsibilities were to oversee three developmental programs: the Economic Support Fund, which transfers funds directly into public sector budgets; Development Assistance, which grants money and concessional loans for specified projects; and Food Aid, which supplies surplus agricultural products at concessional rates. USAID would allocate about $400 billion in aid over the course of its first thirty-five years. According to the agency, approximately $314 billion of this aid was used for economic assistance and the remaining $165 went towards security and military-related goals.[11] President John F. Kennedy declared that the new aid program was a vital component of United States foreign policy. Despite some obstacles and setbacks, United

[11]United States Agency for International Development, "USAID: About USAID," 7 January 2005. <http://www.usaid.gov/about_usaid/ United States Department of State.> [1 April 2005]; idem, "United States Overseas Loans and Grants and Assistance from International Organizations" (Washington, D.C.: USAID, 1996), 4.

States power and influence had grown steadily since the end of World War II, as America rose to meet the real and perceived Soviet challenge. When USAID was created, the country had never been stronger in terms of military, economic, and political strength. Kennedy pledged during his campaign to "pay any price, bear any burden, meet any hardship, support any friend, and oppose any foe to assure the survival and success of liberty." He also avowed to do so using a wider variety of means than had his predecessor, Dwight Eisenhower. Kennedy's flexible response strategy was designed to put less emphasis on nuclear weapons and more on conventional warfare methods as well as political and economic strategies.[12] Attempting to fulfill this promise after the election, Kennedy expanded non-traditional efforts to assert American influence, most notably in developing countries. Kennedy extended the policies that had been limited primarily to Europe throughout the world.[13] In the process, foreign aid became a durable if not always effective Cold War weapon.

To the frustration of European leaders wanting more security from the Soviets, Kennedy essentially viewed Europe as finished and turned his primary attention to the developing world. He and many of his advisors saw liberal democracy and socialism as two competing governmental and economic models. The more democratic and capitalist the world could become, they thought, the safer and richer the United States would be. Kennedy justified the new aid program on the premises that economic collapse in developing countries would harm American interests and that the United States had the power, position, and obligation to help such countries move forward. For Kennedy,

[12]Richard Reeves, *President Kennedy: Profile of Power* (New York: Simon & Schuster, 1993).

[13]Donald White, *The American Century: The Rise and Decline of the United States as a World Power* (New Haven: Yale University Press, 1997), 295-307.

providing American support was a way to win friends and leverage in strategic Third World locations as well as to forward the nation's humanitarian goals.

Modernization theory informed and directed many of USAID's early efforts. The 1961 Foreign Assistance Act actually included few restrictions on USAID's funds or organization. Fowler Hamilton, the agency's first administrator, put into effect various programs designed to help countries "take off" and subsequently move through various stages of development. USAID offered advice and resources to help countries make improvements in physical infrastructure, such as roads, water systems, and power plants. The agency also veered off course from this focus at times in its early years, providing equipment and technical advisors to security forces in Latin America and South East Asia in the 1960s and 1970s. Its rather loose early mandate provided it with a flexibility that it would later lose, as its Washington bureaucracy grew in relation to its field staff spread throughout the developing world.

In its first decade, USAID continued America's trend of allocating much of its foreign assistance to Asia, particularly South Korea, Taiwan, and later, South Vietnam. USAID hoped its assistance would help stop spread of communism, particularly in China. A large USAID effort grew in Vietnam, lasting until the last American troops withdrew from the region in 1975. Another key USAID program in the 1960s was the Alliance for Progress, a plan to modernize and democratize Latin American countries much like had been achieved with the Marshall Plan in post-war Western Europe. It was hoped that such "progress" would help contain Fidel Castro's growing influence in the region. The Alliance served as the cornerstone for USAID's many programs in Latin America throughout the 1960s. In Africa, many USAID programs were designed to educate leaders of the newly independent countries according to American standards and to help

spur economic development. In all of these regions, large cash and resource transfers were intended to build the infrastructure deemed necessary for industrial and hence economic progress. The agency's work attempted to spread American values to disparate countries around the globe, without much consideration paid to the countries themselves and their unique histories and challenges. Its methods were symptomatic of the United States' hubris and naivete at the time, as well as of the country's good intentions.

In the early 1970s, support for USAID and foreign assistance in general markedly declined due to general aid fatigue plus disillusionment with the Vietnam War and the American government. The "basic human needs" approach then popular with other bilateral and multilateral aid organizations also began to inform and guide USAID's efforts. This method was partly an effort to redirect foreign aid to its more altruistic goals and also an attempt to make aid more effective at helping poor countries develop. Congress directed the replacement of USAID's former aid categories of technical assistance grants and development loans with functional categories such as agriculture, education, and family planning. Instead of primarily financing infrastructure projects and transferring goods and funds, USAID focused on sharing expertise in these new assistance categories. USAID offered programs on health care, nutrition, education, and family planning.[14] These new basic needs programs were not largely successful, as few developing countries made notable strides out of poverty.

Partly due to its inability to help many countries rise out of poverty and to publicity about some of USAID's failed projects and wasted resources, from the 1970s on each succeeding administration had a more difficult time convincing Congress to allocate

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[14]United States Agency for International Development, "USAID: History" (7 January 2005). <http://www.usaid.gov/about_usaid/usaidhist.html> [12 April 2005].

foreign aid funding. This can also be attributed to general public disillusionment with federal programs after the Vietnam War, public resistance to taxation, and congressional struggles to meet new federal budgetary pressures. The neoliberalism that characterized much of the 1980s with its emphasis on leaner states greatly pressured efforts to fund USAID, considered by many to be more of a social program than a foreign policy tool.[15] Richard Nixon sought to generally reduce foreign commitments when he became president in 1968. This included a new compulsion to narrow and refocus American bilateral aid. USAID responded with a series of reforms designed to streamline operations, improve its efficacy, and gain support for its programs and policies.[16] Around the time that Robert McNamara was attempting to shift the World Bank's focus to poverty alleviation and "growth with equity," the United States Congress passed "New Directions" legislation. It was designed to reorient the work of USAID towards the needs of the poorest countries. The Foreign Assistance Act of 1973 mandated that USAID devote most of its resources and energy toward helping the most impoverished countries.[17] An effort was made to delink foreign assistance goals from America's foreign policy goals. The Carter administration increased USAID's budget and attempted to further raise USAID's focus on humanitarian concerns.[18] In 1979, instead of

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[15]Ibid.

[16]Congressional Research Service, "The New Directions Mandate and the Agency for International Development" in *Administrative and Management Problems in Providing Foreign Economic Assistance*, ed. United States Agency for International Development (Washington, D.C.: USGPO, 1981), 95-117; Donald R. Mickelwait, Elliott R. Morse, and Charles F. Sweet, *New Directions in Development: A Study of USAID* (Boulder: Westview Press, 1979).

[17]Lairson and Skidmore, 279.

[18]Paula Hoy, Players *and Issues in International Aid* (West Hartford: Kumarian

answering to the secretary of state, the agency began reporting to the director of the newly created International Development Coordinating Agency (IDCA). USAID's funds were still used for foreign policy purposes, though. The strategically located Israel and Egypt began receiving a large percentage of the agency's funds after the signing of the Camp David Accords in 1978.

Alongside these programmatic changes, USAID shifted its regional focus in the 1970s from Asia to the Middle East. The amount of aid given to Asian countries declined precipitously after 1975, after North Vietnam's victory over South Vietnam. USAID's level of assistance to Taiwan and South Korea had already been steadily declining since the early 1970s. After the 1979 Camp David peace accords between Israel and Egypt, USAID dramatically increased its aid to both of these countries, as well as to nearby Jordan, Tunisia, and Morocco. In the 1970s and early 1980s, USAID funding to Latin America and Africa remained low, as did these regions' levels of progress. In the 1980s, USAID to Central America, particularly El Salvador, Guatemala, and Honduras, rose as this region was perceived to be increasingly important from a strategic perspective.[19]

Studies conducted in the 1980s found that over the previous few decades, the pursuit of American strategic objectives had in many instances weakened the efficacy of American foreign assistance policies and programs. This in part led to the Reagan administration's announcement of its aim to be more conscientious of the interplay

Press, 1998), 25.

[19]Israel and Egypt together received nearly half of all United States foreign assistance between 1978 and 1996. Steven W. Hook and Robert Zimmerman, "The Assault on US Foreign Aid" in *Foreign Aid Toward the Millennium*, ed. Steven W. Hook, 57-74 (Boulder: Lynne Rienner, 1996), 62.

between development and security goals in its foreign economic assistance planning.[20] Reagan did not authorize staff members to the IDCA, which in essence became powerless. The pendulum had swung back, and USAID was newly pressured to serve America's foreign interests.

In the early 1990s, various efforts were made to trim USAID's bureaucratic procedures and to make the agency more effective. Great emphasis was placed on the role of the Inspector General within USAID. This person, nominated by the president and confirmed by the Senate, is quite influential, and his office carries significant authority. Coming from a quantitative, auditing perspective, the IG's role has been to support close adherence to the agency's mission statements in various regions In the early 1990s, due to pressure from citizens, Congress had become increasingly involved in the IG's and the overall agency's affairs, and by 1990, was imposing 288 separate reporting stipulations. It also was directing more than 90 percent of assistance funds to specific countries and programs. Support for the agency, already low when the Cold War ended, declined even further with the new Republican majority in Congress, and then-President Clinton reduced USAID's budget by 10 percent in 1994. The cuts were uneven, as funding for Israel, Egypt, the former Soviet Republics, and Russia remained constant, while aid to other regions was reduced. Aid to Central America, a region which was symbolically important during the Cold War, was markedly cut, as was aid to Cold War allies such as Pakistan and Turkey. Other changes in 1994 included the decision to channel more of USAID's funding through NGOs rather than through country governments and to take away some of

[20]Ruttan, xviii-xix.

Congress' previous ability to ear-mark aid for certain countries; instead, aid could only, for the most part, be ear-marked for programs.[21]

The first Clinton administration understood the need to redefine and restructure USAID because of growing budgetary pressures and with the absence of Cold War rationale. Although various promising steps were taken—including the new emphasis on slowing global environmental degradation, elimination of bureaucratic excess and unneeded country offices, and attempts to more deeply involve NGOs—the administration failed to establish a new foundation for post-cold war foreign aid and thus support for USAID programs and projects. During Clinton's second term, though, USAID funding began to rise to complement American military operations in Colombia, Haiti, Bosnia, and Kosovo.

One positive long-term feature of USAID over its history has been its use of overseas staff living in the developing world to carry out most of its field work, from initial design to implementation and later to appraisal. While this certainly has given and continues to give the institution certain advantages, such as familiarity with local communities and governmental tendencies, USAID is still handicapped to the extent that it must document its programs and practices to satisfy departmental guidelines and rules. Also, while USAID increasingly attempts to instigate reform in a bottoms-up, grassroots-oriented method, other American institutions such as the State Department use top-down methods such as visitor programs, high-level diplomatic visits, and temporary election observers which do not support, and in many cases work against, USAID's reform efforts. While

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[21]Clifton R. Wharton, "USAID and Foreign Aid Reform," United States Department of State Dispatch 4:30 (Washington, D.C.: United States Government Printing Office, 1993): 526-44; Henrik Bering-Jensen, "Foreign Aid: From Waste to Investment," *Insight on the News* 10:5 (31 January 1994): 6-10.

there have been rare cases, such as in Bulgaria, where USAID and the State Department have worked well together, usually their methodologies are at odds. Further, USAID, which lacks the research capabilities of the World Bank, is attempting to prove its sophistication, efficiency, and knowledge about development while not having the institutional license to take on political obstacles in developing countries overtly. For reasons of survival, it must categorize, define, and describe its endeavors so that methodology sometimes trumps genuine engagement. Maybe because of this, USAID has become an active outsourcer of reform, giving United States firms a large hand in designing and carrying out its agenda.

United States foreign aid declined rather precipitously in the 1990s. In the wake of the Cold War, when the Third World lost some of its relevance to strategic American national interest, USAID Administrator J. Brian Atwood announced in 1994 that the agency would be restructured, ending missions in half of the agency's more than one hundred countries, cutting 1,200 staff, and reducing the agency's number of primary goals from thirty-three to four (promoting democracy, protecting the environment, promoting sustainable development, and controlling population growth). In spite of such reforms, in 1995, the Republican majority in Congress sought to further cut USAID's funding substantially and to reduce its independence by making it part of the State Department. This was in lieu of suspending the agency all together. New hope arose for the agency in 2002, however. President George W. Bush, besieged by the multiple threats of possible war with Iraq and international terrorism, vowed in March to increase America's overall aid budget by $5 billion, from $10 billion to $15 billion, over the next four years. The monetary increase itself was not staggering. The administration's pledge, though, was an endorsement for the perceived value of foreign aid. Of the total $7.3

billion allocated to USAID's 1999 budget, $3.8 went to Development Assistance, ESF, and Child Survival and Disease; $1.4 billion to aid East Europe and former Soviet states; $867 million to Food for Peace; and $205 million to International Disaster Assistance, with the remainder to agency operating expenses.[22]

The advent of the "war on terror" and associated American foreign policy tendencies towards unilateralism have again challenged United States foreign aid rationales and debates. Since George W. Bush assumed the presidency and particularly after September 11, 2001, American development assistance has been increasingly viewed through the lens of national security interests, even more so than during Reagan's leadership. As early as September, 2000, the administration's introduction of the National Security Strategy closely linked American development assistance with the country's foreign policy goals. Probably the most important new foreign assistance initiative in decades — the Millennium Challenge Account—has been joined by more than twenty new presidential initiatives relating to or specifically pertaining to foreign aid. The MCA itself, which pledges billions in new development funding annually by 2006 to reward countries promoting economic development, good governance, and social investment, heralds a potential transformation in how the country allocates and utilizes development assistance. Congress provided nearly $1 billion in initial funding for 2004 and $1.5 billion for 2005. The president has requested $3 billion for 2006 and pledged to increase annual funding for the MCA to $5 billion in the future.[23]

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[22]Lairson and Skidmore, 299; "Feast," 42; United States Agency for International Development, "Summary of USAID Fiscal Year 1999 Budget Request" (Washington, D.C.: USAID, 1999).

[23]United States Department of State, "Millennium Challenge Corporation: A New

Clearly, since the beginning of the war on terrorism in the fall of 2001, national security prerogatives have become an even stronger influence on USAID's programming and activities in the developing world. As a result, the effort and resources of USAID have been directed toward reconstruction in Afghanistan and Iraq. This is illustrated by the fact that the $87 billion President Bush requested from Congress to rebuild Iraq is eight times the total yearly budget for all forms of American international assistance, and more than one hundred times the annual spending of USAID on good governance and democracy assistance.

In this increasingly pressurized foreign assistance arena, USAID is still searching for its role. The State Department and leading defense officials in the administration have tended to discount USAID's value or to merely pay it lip service at opportune political times, but there are signs that this might be changing. One of USAID's new, or perhaps renewed, missions is to help fragile, failing, and failed states that are viewed as potential but not imminent threats to the United States. Such states, including Nigeria, Zimbabwe, and Somalia, are often seen as marginal to the war on terror, but are still considered important to regional and global security that, of course, affects the United States. USAID is uniquely poised to do this important work. Successes in areas such as these provide the agency with opportunities to prove its value and secure a more prominent place in the minds of influential sectors of the political arena.

Dynamic leadership within USAID could go a long way towards granting the agency the validation it needs to be highly successful. Despite its tendencies to want to apolitical, USAID is indeed a political tool of the United States government. To be a useful political tool, this needs to be an accepted fact.

Partnership for Poverty Reduction and Growth" (17 May 2005).

Emphasis on Good Governance

While promoting democracy has long been part of United States foreign policy, it has not always been a primary objective of the country's foreign assistance policy. The governing legislation of the 1961 Foreign Assistance Act did not emphasize or even mention democracy as an objective of American foreign assistance. Even with its foreign policy decisions, historically, the United States' dedication to democracy promotion has been more rhetorically strong, yet tangibly weak. Promoting democracy and good governance was often if not always a stated goal, yet administrations throughout the Cold War supported democracies only when this coincided with other foreign policy interests. The American democracy assistance programs that did exist were usually ad hoc, covert, and run by the Central Intelligence Agency.

Though USAID's democracy and good governance programs did not become widespread until the 1990s, during the "third wave" of democratization in the mid-1980s the agency began gradually implementing some components of its current good governance agenda. The agency first began promoting rule of law programs, mostly in Latin America and the Caribbean mainly to help reduce human rights abuses and strengthen criminal justice systems.

Governments were encouraged to be accountable for human rights violations and to enact clear, enforceable laws that protected citizens' basic rights and freedoms. USAID officials were dispatched to help governments establish democratic legal frameworks. During the Carter Administration, human rights emerged as a foreign policy goal. Section 116 was added to the Foreign Assistance Act, prohibiting any assistance for countries with egregious or persistent violations of internationally recognized human rights.

When the Cold War ended, President Bush's administration looked for ways to promote democracy more systematically and effectively.[24] One of these ways was to tie foreign aid to democratic and good governance reforms. In February, 1990, the government announced that American aid would be used to promote democracy and would favor countries pursuing the "interlinked and mutually reinforcing goals of political liberalization and market-oriented reforms."[25] USAID was urged to take up the cause, and in 1989, the House Foreign Affairs Committee issued a task force report recommending a new formal reorganization of agency priorities. New emphasis would be placed on four main objectives: economic growth, environmental sustainability, poverty alleviation, and democracy assistance. The bill was not enacted into law, but reflected new thinking about American foreign assistance and USAID's purpose.

In 1990, USAID launched the Democracy Initiative to help promote and consolidate democracy in developing countries. The initiative established the promotion of democracy as one of the agency's central goals and involved it extensively in programs for free and fair elections, constitutional drafting, legal and judicial reform, anti-corruption efforts, regulatory reform, civic education, and the creation of independent organizations and media in civil society. USAID's involvement in democracy promotion was deepened further with the inauguration of President Clinton, who had featured democracy promotion as one of the few foreign policy themes in his 1992 campaign. The Clinton administration from the start put much emphasis on democracy promotion, proclaiming that the country's containment strategy of the past would be replaced with a

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[24]Elizabeth Cohn, "U.S. Democratization Assistance," *Foreign Policy in Focus* 4:20 (July 1999): 1-3.

[25]M. Clough, *Free at Last? US Policy Toward Africa and the End of the Cold War* (New York: Council on Foreign Relations Press, 1992), 57-9.

strategy of enlargement, or of enlarging the number and scope of the world's democratic states. In Africa alone, USAID funding for democratic assistance programs increased from $5.3 million in 1990 to $119 million in fiscal year 1994. Fittingly, in 1992, USAID established democracy promotion as a goal area.[26] The Office of Transition Initiatives was formed and would be jointly managed by the State Department and USAID.[27] This was a sign of changes to come, as the State Department was becoming more overtly involved in American development prerogatives. USAID began expanding its mission to include a greater focus on democracy promotion.[28] OTI was designed to help countries rebuild after conflict situations and to cope with political transitions. It included provisions for good governance and democracy promotion. OTI has helped with Guatemala's de-militarization after its 1996 peace accords and reinforced compliance with disinformation campaigns in Bosnia after the signing of the Dayton Accords.[29]In May, 1994, the Office of Democracy and Governance was formed to help design USAID field missions and guide its democracy assistance programs. The office, which also reported to the National Security Council, [30] was charged with coordinating the different

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[26]At about the same time, the Bureau for Democracy, Human Rights, and Labor was created at the State Department. Additionally, President Clinton attempted to create the position of Assistant Secretary of Defense for Democracy and Peacekeeping at the Defense Department, but Congress vetoed the idea. A Special Assistant for Democracy was selected in the National Security Council. Cohn, 1.

[27]Macrae, 30-1.

[28]Ruttan, 115-46.

[29]J. Brian Atwood, "After the Conflict Has Ended,"*Christian Science Monitor*89:126 (27 May 1997): 18.

[30]United States Agency for International Development,"Office of Democracy and Governance" (no date), ‹ http: www.usaid.gov democracy office index. › [6 March 02].

components of the nation's democracy assistance programs and helping ensure that they supported the efforts of NGOs like the Asia Foundation, National Endowment for Democracy, and Radio Free America. In the 1990s and beyond, USAID increasingly worked to promote democracy by financing elections, training political parties, strengthening legislatures, encouraging judiciary reform, supporting independent media, and building civil society organizations involved in human rights and democracy-related activities.

The agency has still not found a limited reliable set of indicators to measure the processes of democracy, yet the Office of Democracy and Governance is attempting to devise this. Currently, the office publishes a guide with approximately 300 democracy indicators, grouped under the categories of rule of law, elections and political processes, civil society, and governance. By the turn of the twentieth century, USAID's democracy and good governance promotion activities took place in 72 country and regional programs. USAID concedes, though, that "capturing the complex and dynamic process of democratization" is exceedingly difficult.[31]

By the end of the 1990s, the breadth and scope of the agency's good governance programs had widened and increased, with programs spread throughout the developing world focusing on various aspects of good governance reform. Helping make governments institutions more transparent and accountable had become a key priority. The most comprehensive of these programs were implemented in Europe and Eurasia. In Africa, the nature of these types of programs varied greatly, as countries differed widely

[31]Ibid., *USAID Fiscal Year 2002 Annual Performance Plan* (Washington, D.C.: United States Agency for International Development Bureau for Policy and Program Coordination, February 2000), 58.

in character and in their abilities to promote reforms. USAID programs in Asia and the Near East were generally of a more provisional and experimental nature.[32]

In the late 1990s and beyond in particular, USAID has also focused on promoting human rights, declaring that development and even democracy are basic human rights. USAID advisor Craig H. Baab, for example, writes that the "mission of USAID to foster long-term development is premised on functioning laws and democratic institutions. But USAID's work with NGOs and governments worldwide is guided not so much by laws as by the principles articulated in the Universal Declaration of Human Rights."[33]

USAID has increasingly focused on what it calls "second-generation" democratization activities, in addition to "first-generation" democratization activities. While first-generation activities are carried out in countries transitioning from war or civil strife to peace or from authoritarianism to a more open system, second-generation activities take place where the basic components of democratic governance--elections, representation, civil society, property rights, and a functioning legal system--are more advanced but could benefit from additional expertise. Efforts are made to try to help countries consolidate existing democracies, or make their democracies more representative and responsive.

Also, as part of its emphasis on the link between development and democracy, USAID began publishing *Democracy Dialogue* in 1994. For its first four years, the publication included articles revealing the regional and sectoral components of the agency's democracy and governance assistance programs. Subsequently, the focus has

[32]United States Agency for International Development, *Fiscal Year 2002*, 59.

[33]Craig H. Baab, "Human Rights: The Cornerstone of USAID," *Democracy Dialogue: Technical Notes from USAID's Global Center for Democracy and Governance* (November, 1998): 2.

been narrowed to a particular technical topic for each issue. Recent issues have highlighted media law reform, anti-corruption, conflict prevention, and political party development assistance.[34]

In the mid-1990s, USAID began increasingly designing and implementing democracy assistance programs for countries throughout Asia, Africa, and the Middle East. Mostly, however, these programs were largely isolated from USAID's central development efforts. The agency refrained from assuming an explicit pro-democracy agenda, believing such a political position would potentially jeopardize ongoing development efforts. As much as possible, development efforts were carried out in a technical, apolitical manner, separated from the interests of the State Department and American foreign policy goals. For instance, as USAID's democracy assistance program was in its early stages in the 1990s, USAID resisted State Department pressure to use Development Assistance funding and pushed for the less politically oriented Economic Support Funds account to be used to respond to increased demands for democracy assistance from the continent.

USAID's formal definition of good governance in the late 1990s was the same as it is today; good governance refers to "a government's ability to maintain social peace, guarantee law and order, promote or create conditions necessary for economic growth, and ensure a minimum level of social security."[35] Programs by the late 1990s fell under the categories of elections and political processes, civil society, rule of law, decentralization and institutional reform, and anti-corruption.

[34]United States Agency for International Development, *Democracy Dialogue*, "Office of Democracy and Governance" (no date). <http://www.usaid. gov/democracy dialogue.html> [6 March 02].

[35]Ibid.

Elections and Political Processes

In the 1980s and earlier, the CIA had routinely provided funds and guidance for political parties, business councils, trade unions, and student and civic groups in the countries in which the United States intervened. In the later 1980s, a notable portion of these programs was shifted from the CIA to USAID. USAID Elections and Political Processes programs from then on and throughout the 1900s grew to eventually include election planning and implementation, political party development, voter education, and support for domestic and international monitoring groups. Civil society development programs also supported the establishment of political infrastructure and fostered input into public policy dialogue. Largely through NGOs, the agency works to help countries install, develop, and maintain "participatory, representative, and accountable" democracies. USAID sponsors pre-election assessments; election commissioner training; the training of elected officials, poll watchers and local and international observers; and even the purchase of election equipment. USAID work also includes sponsoring programs to help structure post-conflict elections, support political organizations, and facilitate mediation between hostile ethnic communities. The agency's website states that, "In recent years, elections have been a principal vehicle for democratization, as authoritarian governments increasingly have fallen to democratic forces. Electoral campaigns also tend to foster political liberalization." USAID takes its elections work very seriously.[36]

USAID encourages developing countries to adopt pluralistic, multi-party

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[36]United States Agency for International Development Office of Democracy and Governance: Elections and Political Processes" (18 May 2005). <http://www.usaid.gov/our_work/democracy_and_governance/technical_areas/dg_office/epp.html> [19 May 2005].

democratic regimes, using fair and open laws and elections. The agency conducts programs in strengthening political parties, political campaigns, and legislatures; election monitoring; and voter education. Other programs work to reform the candidate selection process as well as political party legal and regulatory frameworks. Candidates are encouraged to remain issue-oriented and citizens are taught to be aware whether candidates work to fulfill campaign promises. Women are encouraged to vote and to run for offices. Rule of law consultants help create and implement judicial systems similar to those in the United States, often with attorney general offices, supreme courts, public ministries, and lower court systems staffed with public defense attorneys, prosecutors, judges, and administrators. These consultants work to keep judicial systems merit-based, with opportunities for women. Reform of criminal justice systems is encouraged, with programs targeting the police, criminal investigation system, criminal procedures code, and public defense attorneys. Local civil society is encouraged to monitor legal systems and to initiate and track legislation and its efficacy. National anti-corruption plans with local offices are established. Ombudsmen and auditors are trained. Anti-money laundering programs are held.

USAID's Democracy and Governance Office additionally supports regional programs to promote the exchange of information and experiences among countries. For example, it has sponsored the creation of regional associations of election officials in Asia, Eastern Europe, and the Caribbean. These associations are designed to promote the "professionalization," according to USAID criteria, of election administrators and create networks between countries' electoral commissions. USAID also helps finances projects that disseminate information on "successful" democratization strategies for donors and practitioners. An electronic publication containing 5000 pages of information has been

made available to assist election administrators conduct elections according to USAID standards.

Unlike the EU, which provides election support less strategically, USAID looks for "political openings," or opportunities to enact change before it channels high levels of resources. USAID also funds and attempts to shape political parties. The agency began its work developing political parties in 1989 in Hungary and has performed this work in at least fifty countries since then. Generally training seminars and conferences are held for candidates, political party leaders, and elected officials, but sometimes political parties are targeted individually. In the 1990s and beyond, almost all USAID funding has gone to two NED associates, the International Republican Institute and the National Democratic Institute for International Affairs. The NRI and the NDI are officially the foreign policy arms of the American Republican and the Democratic parties, respectively. These groups attempt to create political conditions amenable to United States interests in developing countries. This may involve supporting a particular political group or party over another. This was clearly the case in the early 1990s when the rubric of strengthening civil society was used to support conservative forces to confront the Sandinistas in Nicaragua. Often conservative, centrist, pro-American, pro-market parties and regimes are supported. Special attention has been given to areas of strategic interest to the United States for security and economic reasons. In the 1990s, much of USAID's Election and Political Processes support went to central and Eastern European countries. In the new millennium, much focus has been placed on Middle Eastern countries.[37]

[37] United States Agency for International Development, "USAID and Political

Civil Society

USAID contends that strong civil societies enable citizens to participate in policy formation and implementation, help ensure that governments are responsive to citizens' needs and desires, and safeguard citizens from unpredictable or arbitrary governmental recrimination. Supporting civil society has become a significant component of the agency's democracy and good governance promotion programs. USAID states that, "As the nexus for participation in governance, civil society is essential in a democracy for political expression and influencing government policy choices."[38] The agency allocates its democracy assistance funding either directly or through NGOs or organizations such as the NED and its affiliates and various "private" American groups that are closely linked to the United States' policymaking establishment and aligned with American foreign policy objectives. Between 1994 and 2000, USAID's staff was reduced by more than 30 percent, making the agency vulnerable to management weaknesses. Partly in response to budget difficulties, in mid-20001, USAID administrator Andrew Natsios announced plans for a new program, the Global Development Alliance. The program allows USAID to develop more partnerships with NGOs, private foundations, corporations, universities, and individuals to leverage funds and other resources for international development goals. The organizations that receive USAID and NED funds include, among others, the International Federation for Electoral Systems (IFES); the Center for Democracy (CFD), the Center for International Private Enterprise (CIPE); and the Free Trade Union Institute.

Party Development" (no date). <http://www.usaid.gov/ our_work/democracy _and _governance/ publications/pdfs/pnace500.pdf> [3 March 2005].

[38]United States Agency for International Development, "Office of Democracy and Governance: Civil Society" (17 March 2005). <http://www.usaid.gov our work/democracy_and governance/technical areas dg_office/civ.html> [19 May 2005].

Support for civil society is seen by some to be a measure of support for the privatization of the economy, and much of USAID's emphasis on civil society in the developing world approaches the debate from this angle. One USAID study openly notes that "the transition from statist to market-based economies can be more effectively consolidated with the growth of advocacy groups that champion such reforms."[39] Also, USAID's desire to support civil society has emphasized empowering societies that facilitate and foster American values and American-style democratic regimes. The United States is able to help shape the politics of a country while appearing relatively benign.

USAID's efforts to strengthen civil society are organized into five areas: creating an enabling legal environment to protect and promote civil society; increasing citizen participation; increasing the financial viability of civil society organizations; improving the flow of information through support for independent media; and fostering a democratic culture. USAID also supports trade and industry associations that desire good governance. The Democracy and Governance Office has actively helped civil society promote economic reform in developing countries. In Ghana, Uganda, and Zimbabwe, for instance, this office is examining whether national economic consultative bodies can help promote economic reform.[40]

USAID's use of NGOs has certainly served American strategic interests, and the agency relies heavily upon them. In 2000, USAID allocated about $4 billion of its $7.2

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[39]Gary Hansen, *Constituencies for Reform: Strategic Approaches for Donor-Supported Civic Advocacy Programs* (Washington, D.C.: USAID, 1996), 2

[40]United States Agency for International Development, "USAID: Policy" (4 February 2005). <http://www.usaid.gov/policy/ads/600/refindx6.htm > [2 April 2005];idem, "USAID: Democracy and Governance (April 2005). < www.usaid.gov/our_work/democracy_and_governance > [4 April 2005].

billion budget to NGOs.[41] American NGOs are selected for projects that would appear intrusive if implemented by the United states government. Many of these NGOs work in close consultation with the American government. Many are overtly political. By EU standards, if the American government was genuinely interested in promoting democracy, it would be willing to support leaders, regimes, and institutions preferred by a country's own citizens and not attempt to influence the political choices, so long as they were democratically achieved.

USAID-sponsored civil society work has also provided direct assistance to empowering disadvantaged groups such as poor women and helping them become increasingly active in the political process. Women, the poor, and others have been taught about how they might influence politics and have their needs better met.[42]

Rule of Law

Agency Rule of Law programs were among its first in the area good governance promotion. The earliest USAID involvement in political aid began in the early 1960s, when the agency and the Ford Foundation funded the development of law faculties in a number of Latin American, Asian, and African universities. This "Law and Development" program trained students of these countries in Western law to promote political and economic modernization. This program was short-lived, but paved the way for a focus in the 1970s on making legal services available to the poor, as part of USAID's new focus on poverty alleviation and basic needs. Women's rights and human rights received newfound attention in the late 1970s, but it was not until the Reagan

[41]United States General Accounting Office, "USAID Relies Heavily," 1.

[42]United States Agency for International Development, "Civil Society."

Administration that an "Administration of Justice" program was implemented, targeted at first at Central American countries. The current "Rule of Law" program, much broader geographically and conceptually, represents a fourth generation of USAID programs in this area.[43]

USAID's efforts to strengthen legal systems focus on supporting legal reform, improving the administration of justice, and increasing citizens' access to justice. USAID judicial reform programs work to increase the independence and competence of legal systems through assistance to the country and the police and to strengthen democracy by nurturing fair, efficient, and accessible legal systems. The agency trains judges and other court system personnel, supports bar associations in recipient countries, and trains police in investigative techniques. Legal areas where USAID was most active in the 1990s included general commercial law, especially in countries undergoing substantial economic transformation, as was the case with in the 1990s in Hungary, Russia, and Serbia. USAID-supported efforts included the revision of national constitutions, commercial codes, and contract law. Laws were created dealing with business entry and exit (company law and bankruptcy), accounting rules, corporate governance, employment (including labor and pension benefits), and taxation. Much attention was given to laws supporting financial services, including legal protection for capital markets and business insurance. Laws protecting foreign direct investment, WTO accession and compliance, customs rules, public procurement, anti-trust laws and

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[43]United States Agency for International Development, "USAID: Legal and Institutional Reform" (18 June 2003). <http://www.usaid.gov/our_work/economic_growth_and_trade/eg/lir.htm> [15 Jun2003].

consumer protection, and foreign exchange rules were also devised and made enforceable.[44]

Other areas that received much attention in the 1990s from USAID included mechanisms for commercial disputes and enforcement mechanisms, including judicial training, court administration, docket control, arbitration, mediation, and training for bailiffs and marshals. Laws were established that defined all forms of property and mandated the registration of property. Among the types of property encompassed were personal (or moveable) property, business property, and intellectual property.[45]

Decentralization and Institutional Reform

Through USAID's Decentralization and Institutional Support programs in the 1990s, much emphasis was placed on preventing state capture and misuse of public funds by local elites. Programs aimed to devolve cental authority, initiate privatization, and implement institutions that prevented the abuse of state power. Other related institutional support programs sought to create market-friendly state institutions in developing countries. In the initial stages, USAID would often document the failings and shortcomings of the existing governmental systems in areas of interest, provide support for a strategic intervention in the reform process, and monitor the reform's impact. USAID's decentralization programs supported efforts to devolve authority to local levels

[44] United States Agency for International Development, "Office of Democracy and Governance: Rule of Law" (17 March 2005). <http://www.usaid.gov/our_work/democracyandgovernance/technical_areas/dg_office/rol.html> [19 May 2005].

[45] United States Agency for International Development, "USAID Promotes the Rule of Law in Latin American and Caribbean Democracies" (no date). <http://www.dec.org/pdf_docs/PDACA630.pdf> [19 May 2005].

through training, technical assistance, and visits to other countries where decentralization had occurred. They also sought to strengthen the participation of civil society in local government decision-making and promote transparency in its financial operations. Budget codes were implemented in various countries. Many programs included the creation and distribution of citizens' guides to local government structures including roles, responsibilities, and information on how taxes are distributed.[46]

USAID is very strategic about timing its privatization and institutional reform programs that support open markets. USAID has developed three states of fostering privatization: pre-privatization (creating a facilitating, developing public awareness campaigns, implementing a conducive legal and regulatory framework), privatization (the transfer of assets), and post- privatization (restructuring corporate governance and encouraging compliance with international accounting standards). USAID's privatization programs have grown beyond asset transfer to also privatizing services which have traditionally been managed by the public sector, such as telecommunications, tourism, information technology, and transportation.[47]

USAID's economic portfolio has shifted from simply building domestic enterprises to also assisting developing nations in joining and adhering to international trade pacts and collaborating with the WTO. USAID's focus on restructuring the transitional states of the former Soviet bloc, for instance, was intended to help pave the way for American

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[46]United States Agency for International Development, "USAID: Decentralization" (24 February 2005). <http://www.usaid. gov/our work/crosscutting_programs/transition_initiatives/focus/decentrl.html> [1 April 2005].

[47]United States Agency for International Development, "USAID: Economic Growth and Trade: Privatization" (12 March 2004). <http://www.usaid.gov /our work/economic growth and trade/eg privatization.htm > [15 March 2004].

corporate investors and traders. The agency in the 1990s also increasingly incorporated conflict prevention concerns in its institution-building efforts. USAID notes that, "The development of key political and economic institutions serves as a panacea to combat the new set of post Cold War uncertainties." Efforts to build local capacity, engage multiple actors, and develop better mechanisms for coordination have been emphasized. Mechanisms that are built into state institutions that are perceived as fair and inclusive have been a key focus.[48]

Anti-Corruption

USAID defines corruption as "the use of entrusted authority for private gain." Throughout the 1990s, the agency continually worked to improve its ability to help fight such activity in developing countries. As at the World Bank, USAID officials increasingly used the "c" word to help explain past development efforts. Agency programs aimed to reduce hindrances to market economies and to develop leaner, more reliable states where investors could feel secure and citizens felt compelled to oversee their governments' activities. The agency spent $184 million in fiscal year 2001 on anti-corruption activities and $222 million in 2002.[49]

USAID-sponsored anti-corruption efforts in the 1990s worked to improve the

[48]United States Agency for International Development, "USAID Conflict Prevention" (8 January 2001). <http://www.usaid.gov/ pubs/confprev/> [20 May 2005].

[49]United States Agency for International Development, "USAID's Anti-corruption Strategy" (January 2005). <http://64.233.161.104/search?q=cache: dRlBWcb71KUJ:www.usaid.gov/our_work/democracy _and_governance/ publications/pdfs/ac_strategy_final.pdf+usaid+anti-corruption&hl=en> [2 March 2005]; idem,"The Anti-corruption and Good Governance Act" (11 November 2001). http://64.233.161.104/search?=Cache:TrZy5PxJHZkJ: www.ignet.gov/randp f01c01.pdf+usaid+role+of+ inspector+general&hl en +[12 May 2005].

capacity of NGOs to monitor and publicize government corruption and emphasized transparency and accountability in its support to financial management systems and audit and accounting systems. USAID works with governments to create and support audit and investigative oversight. The agency's program in Kazakhstan, for example, helped facilitate the adoption of and compliance with international accounting standards. Standardized accounting was established in the central and commercial banking system. In Russia, with the Chamber of Accounts (Russia's national accounting office), USAID has worked to achieve auditing and accounting reforms, with oversight from an educated public. Citizen groups in Russia and the former Soviet states have been taught about the importance of oversight of budgets, expenditures, and procurement activities. In Honduras, USAID has helped the Controller General to develop auditing plans for government programs by providing funds to train, and equip government auditors. With agency assistance, the Honduran Controller General makes inspection and audit reports available to the public via the Internet.[50]

USAID has worked to open up the budget-making process to public scrutiny in various countries. In Sumatra, Indonesia, for example, its Office of Transition Initiatives (OTI) supported public hearings at the district level that opened the annual budget process to public scrutiny. In Peru, to prepare localities to take on responsibilities that previously belonged to national officials, OTI supported public hearings and information campaigns to teach citizens about new budget and policy proposals and increase participation in the policy-making process. OTI engaged local businesses, municipal officials, and advocacy groups in formulating strategies for resource management, trade,

[50] Ibid., "The Office of Transition Initiatives" (17 May 2005). <http://www.usaid.gov/our_work/crosscutting_programs/transition_initiatives/focus/decentrl.html> [19 April 2005].

and regulatory reform, and for attracting new businesses and industries. OTI also funded training workshops and policy seminars to help build relationships and mechanisms for ongoing cooperation.[51]

USAID also relied on its corruption assessment of certain leaders, governments, or institutions to withhold funds or demand changes. In essence, by using the corruption barometer in making aid decisions, the agency assumed greater degrees of control and selectivity.

Distinctive Institution Features

USAID, usually forced to justify its existence to the right wing of the Republican party as well as to a critical public, discovered its new rationale in the early 1990s. By embracing good governance and democracy promotion, the agency adopted a cause important to the State Department, the Republican-controlled Congress, the American government generally, and the American people. As a former State Department advisor contended, in the post-Cold-War world, a "US stance in favor of democracy helps get the Congress, the bureaucracy, the media, the public, and elite opinion to back US policy. It helps ameliorate the domestic agenda, disarms critics...."[52]

USAID also discovered a domain it was well suited to occupy, making its position within the American government more secure. President Clinton's trial-and-error foreign policy was not always popular, but his emphasis on democracy promotion and free markets was lauded by many. Clinton often reiterated the popular view that democracies and free market economies are mutually supportive and that democracies do not go to

[51]Ibid., "Anti-corruption Strategy."

[52]Cited in William Robinson, *Promoting Polyarchy: Globalization, US Intervention, and Hegemony* (Cambridge: Cambridge University Press, 1996), 73.

war against one another. USAID, its continued existence tentative in the early 1990s without its Cold War rationale and with public sentiment for aid at an all-time low, adopted the popular cause of democracy promotion. It depicted its programs as creating new opportunities for wealth-creation and as imparting stability in a newly uncertain world. The agency's programs accordingly emphasized neoliberal economic reforms and stable regimes with familiar democratic traits and friendly or at least not unaccommodating leaders.

USAID's new emphasis on combating corruption in recipient countries had strategic implications for the agency's institutional survival. Over the course of the 1990s, blaming corruption for USAID's past development failures and raising hopes that such failures could be remedied was increasingly used in attempt to raise support for the agency. In a paper featured at the 1992 Washington, D.C. conference on "Limiting Administrative Corruption in the Democratizing States of Africa," Robert Charlick emphasized how in the past, corruption had cost taxpayers. Charlick, senior advisor for USAID's Africa bureau, contended that

> With the end of the Cold War in Africa, international donor agencies have begun to openly say what they could previously only mutter--that corruption, rent-seeking, or other such euphemisms, is a major threat to the economic development of many African countries. Perhaps, just as important, it is a threat to donor programs as well. Not only are taxpayers and their representatives displaying an increasing impatience with the waste of public resources which systematic administrative corruption entails, private sector actors are decreasingly willing to tolerate the high cost of doing business in societies where the 'informal' transaction costs are so steep.[53]

USAID could blame its past failures on corruption, but it still had to advance a compelling rationale for its continued existence. USAID had had to prove its merit many

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[53]Robert Charlick, "Corruption in Political Transition: A Governance Perspective," in *Corruption and Reform*, ed. Robert Charlick (Washington, D.C.: United States Government Printing Office, 1993), 177.

times, but before the early 1990s, it always had the Cold War as justification. After the Cold War, it was difficult to decipher how USAID could portray its relevance. American foreign policy unfolded as a wave of reactions against humanitarian abuses, debt crises, and acting out by rogue states. It often seemed that the locus of foreign policy was the Treasury Department rather than the State Department or the Pentagon. America's interests in promoting free markets was stronger than ever in the 1990s. Clinton negotiated NAFTA and then NAFTA enlargement. USAID had to transform itself so that it could appear useful during this heady but largely undefined time. Democracy promotion provided a solution as it appealed to economic and security objectives, albeit in a somewhat vague manner.

In the 1990s, particularly after 1997 when USAID was put under the State Department's command, USAID's new good governance and democracy assistance programs aimed at swift and demonstrable economic and political liberalization that was amenable to America's strategic political and economic interests. Many USAID programs fostered political structures and ideologies intended to legitimate and more securely entrench market relations.

Bill Clinton's administration, even more than Reagan's or Bush's, focused on establishing free markets around the globe. The Clinton administration cared a great deal about free trade. Dubbed the "globalization" president by some, Clinton positioned the United States firmly towards increased integration in the global economy. He understood more profoundly than many other leaders that free trade held out many benefits for the United States. The Clinton administration also asserted that there was a strong connection between free markets and democracy, stating, in fact, that the former were

integral to the latter. This administration early on coined the term "market democracies," emphasizing this relationship.

The first Bush and later the Clinton administration had a similar particular vision in mind with respect to promoting free trade and open markets that democracy assistance was useful towards. In order to create conditions conducive to increased relative and absolute prosperity for the United State, the Bush and most notably the Clinton administration sought to secure open markets and free trading arrangements in 1990s that maximized the United States' position. They sought to do this by promoting multilateral free trade, regional free trade that benefitted America, and to hinder regionalism that might impede America's access to particular markets, especially regional arrangements in western Europe and in East Asia. Multilaterally, the United States endorsed the formation of the Word Trade Organization as a multilateral economic referee and continued to play a if not *the* key role in the G-8 summit meetings. It remained involved in the other Bretton Woods institutions. Regionally, the United States pursued and formalized NAFTA, with the goals of enlargement to include Canada on the horizon. But the United States also worked to undermine any aspect of the EU trading bloc or of a loosely formed East Asian trading bloc that limited America's economic opportunities. This sort of calculated multi-tiered economic strategy required that the United States remain involved in the developing world and gave the United States high stakes in ensuring that it could secure lucrative economic opportunities with these countries. Good governance promotion and democracy assistance were ways for the United States to stay involved and help ensure that rules were in place to secure American interests. USAID's involvement in this work made the agency both pertinent and significant to the American government's agenda.

The American economy was increasingly dependent upon the stability of Third World political systems and economies, and as former Secretary of State Madeline Albright asserts, democracy is the "best political insurance" against conflict and the best way to ensure economic openness. It was only when Albright asserted that democratization "gives people a stake in society"[54] that one had to wonder to which people she is referring. The United Starts Commerce Department estimated that in the late 1990s, American foreign direct investment was more than $2 trillion, with about $500 billion going into developing countries. Approximately 35 percent of American exports in 1990 were to Third World countries, and in 1999, this figure had increased to about 41 percent. USAID had an increasing stake in ensuring that developing countries were viable sites for the business of American TNCs. Many contend that this concern dominates all others.[55] Their claims are not without merit.

USAID feels tacit pressure to cultivate transnationally-oriented elites who share Washington's interest in integrating states into the global capitalist system. During the 1990s, USAID increasingly allocated its scarce foreign aid funds towards business and investment promotion, favoring the interests of American-based TNCs and influential

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[54]Madeleine Albright, "Albright Delivers Remarks at 2000 U.S. Agency for International Development, Democracy, and Governance Partners Conference" (Washington, D.C.: *FDCH Political Transcripts*, 30 November 2000), 3.

[55]Sachs, ed., 192; Laurie Richardson, for example, argues that feeding the hungry in Haiti with inexpensive food opens new markets for American commodities, undercuts local production, and creates dependency. USAID policies also build up the urban work force that can be employed in the industrial sector dominated by American TNCs for low wages. Democracy promotion ensures that Haiti is a relatively stable place for American-based TNCs to conduct such business. She focuses particularly on two American NGOs, CARE and the Pan American Development Fund that receive much of the millions of dollars distributed for Haitian aid projects, claiming that four-fifths of the money meant to help Haitians ends up benefitting American TNCs and bureaucrats. See Laurie Richardson, *Feeding Dependency, Starving Democracy: USAID Policies in Haiti* (Boston: Grassroots International, 1997).

American special interest groups favoring big business, rather than meeting the Clinton administration's newly defined mission for USAID of fostering sustainable development. USAID good governance programs nurtured qualities necessary for reliable open markets. Privatization programs created openings for TNCs, as did lowered taxes and tariffs for trade and laws enforcing contracts and protecting business and intellectual property rights. Further, making government officials in developing countries follow budget codes and transparency obligations made more funds available for investing in societies and made countries more attractive to investors and international business. Reducing crime through enforceable, standardized criminal codes made business environments more secure as well. Having credible legal systems protected business transactions and helped curtail domestic problems that could interfere with peaceful communities that business seeks out. Additionally, tying the economies of developing countries to international standards such as WTO regulations gave the United States more control over developing countries under the mantle of legitimacy international rules provided. By fostering such conditions, USAID was able to serve United States government interests and satisfy the desires of the strong American business lobby that often helps underwrite government programs. USAID's increasing use of NGOs was seen by some as a potentially transformative force in promoting more equal, participatory, and sustainable development, yet the utilization of primarily American groups can be rightly viewed as a cooption by neo-liberalism.

Further, by linking development assistance to national security objectives, USAID was able to make itself even more relevant through its good governance and democracy promotion programs and policies. USAID did not hide these motives, though it was

careful not to sound over-reaching or imperialistic in its literature. Its statement on "Democracy and the U.S. National Interest" declared that in the post-Cold War world,

> No longer does the United States have one clearly defined adversary, and thus no one measure to calibrate foreign policy worldwide. While they may be more diffuse, dangers and threats to peace, stability, and economic prosperity persist in this new era.....The challenge now is to recognize and understand multiple and constantly-shifting sources of peril and to address complex and inter-linked causes of unrest...so that we may take advantage of new opportunities. One of these opportunities is to promote principles of democratic governance....[56]

There had been evidence in previous years that this position was indeed warranted. Economic crises abroad had of course led to state failure throughout history. More recently, though, the adverse consequences to the United States had been more strongly felt due to increased globalization of the world economy. Since 1960, most American military interventions occurred in developing countries experiencing state failures, and this trend had intensified by the early 1990s. By embracing democracy and good governance promotion, USAID was and still is attempting to appeal to public sentiment and hence to governmental sentiment. A recent USAID *Annual Performance Plan* contends that the agency believes a world of democratic nations provides a more stable arena in which to advance United States' values and interests. By equating democracy with stability, USAID was appealing to desires for a more secure world. Due to the need to remain viable in an increasingly pressurized institutional setting, in the 1990s, USAID's democracy assistance programs revealed a more emphatic geostrategic component than any of the other IDIs studied here. USAID has been an arm of American government policy that does not shy away from intervening in strongly authoritarian contexts or implementing democracy-related reforms in a rigid, top-down fashion.

[56]United States Agency for International Development, "Democracy and the U.S. National Interest" (30 January 2002). < http://www.usaid.gov/democracy/dusni.html > [6 March 2002].

USAID's democracy assistance programs support the State Department's analytical model that assumes a fixed set of conditions associated with three distinctive phases of transition from authoritarianism to democracy: opening, breakthrough and consolidation. The reorganization of USAID in 1994 revealed a new dedication to utilize USAID more emphatically to forward United States strategic interests. The decision to increase the use of funding through NGOs rather than through country governments and the removal of Congress' previous ability to ear-mark aid for certain countries gave the State Department more control over the agency. The agency's increased emphasis on democracy promotion and assistance followed from new American foreign policy beliefs and prerogatives.

Throughout the 1990s and beyond, USAID's democracy assistance programs have used their standard model described above for installing democracies to target countries with governments Washington has wanted to undermine, such as in Venezuela and Haiti, earlier in Nicaragua, and later in Afghanistan and Iraq. These programs have also been earnestly undertaken in countries such as El Salvador where nationalist or revolutionary groups have threatened the rule of local pro-United States elites or neoliberal regimes. Additionally, these programs have been applied in countries in transition, such as in South Africa and Eastern Europe. Over the course of the 1990s, USAID, worried about its own survival, portrayed foreign aid as a means of "preventative diplomacy" for American foreign policy. Democracy promotion was depicted as a key facet of the agency's usefulness at lending stability in an increasingly insecure world. In 1992, Atwood declared that USAID's mission would be redirected to focus on "preventative" diplomacy and agency literature and rhetoric became abundant with descriptions of brewing threats to the United States. Democracy was presented as a

safeguard to help lessen these threats, thereby helping secure the agency's viability and future funding. Programs featured stability-enhancing mechanisms, such as the conflict-resolving institutions mentioned previously. Agency literature emphasized that it was much less expensive for the country to work to prevent crises than for the United States to help pay for military operations, peacekeeping, humanitarian relief, and financial bailouts.

In the 1990s, USAID's programs began to increasingly concentrate on the perceived least stable regions, such as central Europe and the newly independent former Soviet republics, with democracy promotion the key focus and supposed key antidote. The agency's good governance and democracy promotion programs were designed to quickly install democratic or more democratic faces and features to transition and struggling states. USAID simultaneously worked on strengthening its relationship with the State Department and selling its good governance agenda to it, the administration, Congress, and special interest groups. As described, democracy and good governance promotion were also increasingly portrayed as being linked to economic liberalization, an issue favored by the Republicans in Congress.

The agency's democracy and good governance programs appealed to concerns with both challenges to the United-States-led world order and with opening up new markets for United States industry and exports. Thus the political map of a target country became reshaped by the institution's involvement. When promoting democratic movements and good governance would mean countering U.S. allies —as with the Zapatista peasants' struggle against the Mexican government—funding was denied. When it did not, and markets availed themselves, assistance was granted. Though in public agency officials denounced the use of United States' assistance to foster

political loyalties, as had often been the case during the Cold War,[57] aid to further entrenched strategic interests continued. Haiti, for example, escaped United States aid cuts despite its clear violation on good governance principles. Fiji and Zimbabwe, on the other hand, both were seen as less strategically relevant to American foreign policy goals, and both received USAID funding reductions. The reason cited was their failure to achieve democratic political systems.[58]

USAID's increased emphasis on good governance and democracy promotion in the 1990s was encouraged by a variety of factors. Its promotion of democracy and good governance was a means of continuing to support its entrenched foreign policy interests under a new, more interventionist guise, as well as to spread the United States' free market ideology and to firm up the American-led status-quo internationally.

Important and influential constituencies in the United States question the value of democracy assistance efforts, and this is reflected in congressional debates and decisions. Neo-isolationist sentiments persist, particularly when economic downturns are felt by Americans. Left-wing democrats and moderate or conservative republicans are also wary about intervening in the political affairs of other countries, which democracy assistance entails or at least approaches. Giving its good governance programs a human rights element, with programs to support women and the most marginalized in societies, helped satisfy the left-wing Democrats, and USAID's economic expediency arguments supported by its good governance reforms helped satisfy conservative republicans. The

[57]Pakistan, for example, has been awarded about $60 billion in foreign aid over the last four decades to help ensure its allegiance to American foreign policy goals. See Timothy J. Bork, "Make Foreign Aid Bring About Good Governance," *International Herald Tribune* (28 September 2001).

[58]Joseph Fitchett, "New Agenda in Aid: Governance," *International Herald Tribune* (23 April 2001).

peace dividend promised by using USAID's particular style of programs also helped relieve concerns of this latter group. There was also the question of how to show the success of democracy assistance efforts in quantifiable ways for all of USAID's stakeholders. In the post-Cold War world, United States foreign policy was increasingly driven by domestic political interests. In the early 1990s the Bush Administration and Congress developed a bipartisan framework intended assess the effectiveness of tax-payer funded democracy assistance programs – the Government Performance Results Act (GPRA). The GPRA, which was used for USAID's democracy assistance programs as well as for those of other agencies, mandated that such efforts be evaluated in an "objective, quantifiable and measurable form." "Strategic Objectives" were required for each field mission goal area, and "Intermediate Results" were reported to Congress on a yearly basis. USAID project officials had to strive to impress Congress and the White House in this way. This is largely why the agency's good governance and democracy promotion programs became so technocratic. The agency created its own very methodological assessment tool, something EU programs shy away from, World Bank programs do not see as urgent a need for, and UNDP programs have not embraced, perhaps since human development is not easily quantifiable. In the mid-1990s, USAID's Center for Democracy and Governance authorized the creation of a 277-page *Handbook of Democracy and Governance Indicators*.[59] Various dimensions of each focus area of the agency's programs are described and quantified, with charts and specific numerical indicators. USAID's ability to tangibly demonstrate its successes has shaped its

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[59]United States Agency for International Development's Center for Democracy and Governance, *Handbook of Democracy and Governance Indicators* (August 1998). <http://www.usaid.gov/our_work/democracy_and_governance/publications/pdfs/pnacc390.pdf> [20 May 2005].

democracy assistance strategies and programs. The GPRA process in particular has forced the agency to support American economic and foreign policy goals in its programming decisions.

American foreign assistance has never had the wholesale approval that European foreign assistance has often had. Instead, groups in American society have always struggled to control the United States' policy toward the Third World. Sometimes the motivation has been humanitarian, and often it has just been part of the drive for more power.[60] Over the years, pressures and constraints imposed on USAID grew, and the organization became more complex and more beholden to diverse groups with diverse goals. Also, all of a sudden, with the end of the Cold War, USAID faced the crisis of having to please groups and individuals who were in the midst of the process of forming their revised domestic and international outlooks, and with its complex and often less than clear system in place. Additionally, many of the previous motivations for supporting the development of the Third World ended with the collapse of communism as a viable alternative to liberal democracy. The world was no longer a chessboard played by the United States and the Soviet Union, with each country serving as a potential pawn. Unsurprisingly, this led to a crisis within USAID itself that in many ways mirrored the larger identity crisis of United States foreign policy and the country's national interests.

Even before George Bush became president in 1988, USAID's reputation and budget were approaching reaching their low points. In the late 1980s and into the early

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[60]Princeton N. Lyman, "Beyond Aid: Alternative Modes of Cooperation," in *Cooperation for International Development: The United States and the Third World in the 1990s*, eds. Robert J. Berg and David F. Gordon (Boulder: Lynne Rienner, 1989), 302.

1990s, USAID faced more criticism and perhaps more new pressures than ever before. Gridlock in the United States Congress since the 1970s impeded coherent policy-making in many realms, including foreign assistance. This gridlock over foreign aid particularly reached new heights in the late 1980s and early 1990s. Proposals were made to abolish USAID altogether or to move many of its functions to the State Department and other federal departments. This was at a time when the agency, still entangled in old commitments, faced unprecedented new demands. In the 1990s, former communist countries were attempting to make the transition to democratic regimes and ethnic violence was erupting in an alarming manner within state borders. Also, various trends exerted new pressures on United States foreign assistance generally, such as the country's tendency to assume the lead in peace-keeping and peace-making; the increase in prominence of global issues such as the environment, health, and human rights; and the potential turmoils of globalization. Further, the rise of the Internet was allowing the NGO movement to develop and mobilize in an unprecedented manner, which intensified pressure on politicians and government. The early 1990s was a heady yet precarious time for the United States, and the role its foreign aid would assume in the post-Cold-War world was far from clear. President George Bush barely had time to reorient himself or the nation to the new world that quickly unfolded during his presidency. His foreign policy showed at times deftness and at times lack of an overriding strategic vision. It was not until Bill Clinton became president in 1993 that a specific post-Cold-War American foreign policy doctrine began to be formulated. Foreign aid was potentially vital to this strategy of international engagement and leadership, and many of Clinton's top advisors greatly valued foreign aid as a diplomatic tool. Other factors, however, were gathering to diminish the perceived value of American foreign aid. Public support for it was at an all-

time low.[61] Further, the 1994 elections gave the Republicans the lead in the Senate, establishing further obstacles to the prioritization of foreign aid.[62] USAID needed to resurrect its image more than it ever had before.[63] USAID's rhetoric emphasizing the uncertain post-Cold-War world evidences concern that it was losing security in its position in the United States government. USAID needed to demonstrate its viability.[64] Democracy and good governance were portrayed as imparting stability.[65] By linking

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[61]Mandelbaum, 441. The Clinton administration attempted to increase support for USAID with its 1994 Peace, Prosperity, and Democracy Act, which would have radically restructured USAID and allocated all funding for American bilateral and multilateral assistance into a single account. This act, which was partly designed to overcome legislative obstacles to foreign aid allocation, was never introduced in the Senate and never discussed out of committee in the House of Representatives due to perceived resistance to it. See United States Agency for International Development, "A History of Foreign Assistance" (30 January 2002). <http://www.usaid.gov/about usaidhist.html.> [19 March 02].

[62]Hoy, 36. Some argue further that the role of Congress relative to that of the president had increased by 1990, as a result of the increased impact of foreign issues on American voters. See, for example, Barry Blechman, *The Politics of National Security: Congress and U.S. Defense Policy* (New York: Oxford University Press, 1990).

[63]Ibid., 35.

[64]When Andrew Natsios was confirmed as the new USAID Administrator in April, 2000, he was cited as saying that American development assistance was a "powerful instrument for the president to influence the course of events around the world." United States Agency for International Development, "A History."

[65]In the 1990s, USAID contended that the post-Cold-War world was at first glance much less dangerous than it was during the Cold War. At second glance, it argued, perhaps the threats were smaller but no less insidious. Terrorist incidents, regional conflicts, weapons proliferation, and illegal drug activities could and had threatened regional and international peace. Rising powers like China, a resurgent Russia, or regional coalitions of various forms could soon challenge the United States. Anti-Americanism had only grown since the Soviet Union collapsed, and even many democracies perhaps were not as stable as they appeared. See, for example, United States Agency for International Development, *Fiscal Year 99 Annual Performance Plan* (Washington, D.C.: USAID, 1998).

development with democracy and good governance, development efforts, specifically those of USAID, were given new relevance and utility.

In the post-Cold-War world, the United States was not only the key promoter but also the principal creator and major beneficiary of the world's liberal arrangements. The status quo was not at the time so bad. America was the world's preponderant power economically and militarily. It also had the most soft power, or cultural and ideological influence. The United States had a large national debt, but most people were comfortable, many were prosperous, and the country was the world's strongest power in virtually every measurable and immeasurable way. The United States government wanted to protect the status-quo internationally, and that meant protecting and defending the United States' hegemony. Similar to that of Bush, the Clinton administration's strategy of "engagement and enlargement" was based on the view that the US needed to remain heavily involved in international politics to prevent threats to unipolarity. Spreading liberal democratic values and market economics, it was believed, would help preserve and strengthen the United States's relative and absolute power. USAID's democracy and good governance promotion were part of this strategy. Spreading and firming up these American values helped reinforce American hegemony. Simply put, it was easier for the United States to lead like-minded nations, or at least nations with similar institutions and governance systems. Spreading liberal democratic values and market economics, it was believed, would help preserve and strengthen the US's relative and absolute power.

USAID's democracy and good governance promotion were part of this strategy. Spreading and firming up these American values helped reinforce American hegemony. Simply put, it was easier for the United States to lead like-minded nations, or at least

nations with similar institutions and governance systems. As then Joint Chiefs of Staff Chairman Colin Powell said in 1992,

> The decline of the Soviet threat has fundamentally changed the concept of threat analysis. . . . We can still plausibly identify some specific threats--North Korea, a weakened Iraq, perhaps even a hostile Iran. But the real threat is the unknown, the uncertain…the primary threat to our security is instability and being unprepared to handle a crisis or a war that no one expected or predicted.[66]

Determinations

Whereas EU democracy assistance tends to be too loosely construed and administered, USAID's democracy assistance programs follow an overly rigid model. USAID democracy assistance in the 1990s and beyond is based on an analytical model that assumes a fixed set of conditions associated with three distinctive phases of transition from authoritarianism to democracy: opening, breakthrough, and consolidation. Little attention is given to the underlying conditions in transitional countries—their economic levels, political characteristics, institutional legacies, cultural and ethnic make-up, sociocultural traditions, or other structural features.

USAID's definition of democracy assistance and its actually policies and programs tends to narrowly focus on promoting free markets and American -style democracy that imparts a sense of stability. USAID funds American NGOs to carry out politically sensitive projects that could damage United States bilateral relations if the American government funding went directly to foreign NGOs. In the 1990s, the focus of USAID's democracy assistance programs shifted between the concern to promote economic objectives and the concern to promote national security goals.

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[66]Cited in Amos Jordan, Michael Mazarr, and William Taylor, *American National Security* (Baltimore: Johns Hopkins, 1999), 544.

CHAPTER VII

CONCLUSION

The promotion of democracy and good governance in the 1990s and beyond has been largely portrayed as a generic endeavor that IDIs engage in for similar reasons. A more careful study reveals that different IDIs have and continue to sponsor democracy and good governance policies and programs that differ in substance in important ways that often reveal more about the donors themselves than their stated beneficiaries. Democracy and good governance promotion in the 1990s and later has often been a continuance of institutional priorities and prerogatives under new, impactful guises. The world in the1990s had changed markedly, and development programs were due to also change—yet IDI agendas often remained largely the same, perhaps similar but more interventionist, with new keywords and program areas. "Institutional reform" and "rule of law" programs may have appeared categorically the same for the UNDP, World Bank, EU, and USAID, yet these and other new development programs supporting democracy and good governance were quite distinctive and revealing of IDIs' particular motivations and aspirations.

In the 1990s, the UNDP concentrated on the human aspects of development, promoting programs that focused on people's choices and capabilities and that did not intentionally compromise the well-being of present or future generations. The UNDP's strategy recognized the limitations of a sole reliance upon market forces, and sought to promote the empowerment of the poor, equity, and environmental respect. The concept of good governance had been linked to the UNDP's core mission since the mid 1990s with the promotion of sustainable human development. Good governance was considered to be

the primary means for achieving this. The UNDP urged countries to develop their own views of good governance and sponsored programs that prioritized meeting the needs of the poor and those otherwise disadvantaged. Market reforms were encouraged, but not at the expense of protecting and enhancing human welfare. Environmental considerations were also given special attention in the UNDP's democracy and good governance promotion programs and policies.

The UNDP's good governance programs reflected this institutions' disdain for elevating neoliberal economic concerns above human welfare and environmental considerations. The UNDP has historically been and remained in the 1990s a forum and locus of power for middle-income and low-income country priorities. Helping shape globalization's effects so that the poor are not neglected or harmed has been a key aspect of the UNDP's agenda, and this agenda revealed itself in this IDI's democracy and good governance programs and policies in the 1990s.

The World Bank is an entirely different type of institution, and it is no surprise that the content of its good governance policies and programs was quite different from that of the UNDP. Though some observers view the expansion of the Bank's governance promotion merely as "mission creep" or the tagging on of popular ideas and programs to a limited and static agenda, this was not the case. The expansion of the World Bank's agenda to include governance concerns and then the Bank's subsequent widening and broadening of its governance programs and policies revealed informed reiterations of Northern power concerns. With the Bank's allegiance to the interests of a small group of rich countries and to a common agenda of trade liberalization, deregulation, and stringent intellectual property rights protection, there was very little room in its good governance promotion for prioritizing equity and help for the most marginalized. Increased

protection of intellectual property rights served to consolidate the technological monopoly of TNCs. It imposed the private rights of multinational companies over national constitutions, since TNCs and investors were able to take legal action against national governments. International arbitration panels, controlled by wealthy countries, were not likely to favor the interests of poor, technologically backward companies.

The World Bank's governance concerns arose initially because its previous SAPs were not generally effective. Rent-seeking predatory states were reversing or meddling with the SAP economic reform process because of vested power interests and elites' strong desires to maintain the status-quo. The World Bank realized this at an opportune time for its increased political intervention, with the fading of the Cold War and increased international acceptance and even support for democracy promotion and political intervention. To its public sector reform programs, it added rhetoric and programs designed to empower civil society as a positive counterbalance to a (negative) state. This was somewhat effective, yet the World Bank came to understand that without certain broad social support for the reform process, it could not move forward and consolidate reforms. Including equity and distributional concerns in its programs built broader bases of support for good governance that facilitated its "success." The World Bank never changed its goals of wanting to open markets, have its loans repaid, and remain in business; it simply changed its means. The fact that the resultant programs and policies appeared more socially conscious and more pro-Southern interests was a pleasant side effect for the often-maligned World Bank, as well as a sign of hope for many disempowered in the Third World. But the World Bank's Northern-dominated power structure remained intact.

In contrast to the World Bank, the EU's position on the governance issue has been much broader and political since the early 1990s. The EU has openly and unapologetically endorsed democracy (neoliberal, social, and other types) and a version of good governance promotion that has emphasized conditions conducive to reliable markets, peaceful societies, and protected human rights. These trends in EU development policy manifested EU institutional prerogatives and revealed stakeholders' agendas in the 1990s. The EU's democracy and good governance promotion in the 1990s revealed concerns with economics, security, and humanitarianism. With viable trading partners, sound institutions and laws protecting the market were encouraged. In regions deemed threatening, clear renderings of criminal law and punishment were stressed. In all regions but most particularly the ACP region, where France had special interests, human rights protection and citizen empowerment were emphasized. Human rights was conceived very broadly, to include indigenous people, minorities, women, children, the disabled, and lesbians and gays, all groups that citizens of EU member states care about.

The EU's programs were distinct in other ways as well. Conditions were often not enforced, to avoid controversy, and development officials did not prescribe a "one-size-fits-all" model of democracy. Local civil society members were invited to participate in the conception of desired political regimes and conditions, which is characteristic of European continental values and norms. The EU's heavy use of NGOs to carry forth its development work helped make this diversity and particularity of political parties and regimes possible, as did the fact that the EU does not fund political parties.

The EU's democracy and good governance promotion in the 1990s had many promising qualities, such as its focus on local context and its stress on social and

economic inclusiveness. The problem was that aid was poorly coordinated and conditionalities were so poorly enforced that they lost meaning. The EU lacked structured links between the official policy levels and the civil society agencies and actors to obtain complementarities in efforts. Part of the problem with EU good governance assistance has been that it has reflected the agendas of a union in its formative stages, representing twenty-five states with different goals. EU good governance and democracy promotion policies and programs were often not enforced due to the tentative nature of the EU itself in the 1990s. The concern for human rights evidenced in its policies was admirable and suggestive of EU aspirations, yet other priorities were inconsistently revealed as well as being inadvertently enforced.

Whereas EU democracy assistance tended to be too loosely construed and administered, USAID's democracy assistance programs followed an overly rigid model. USAID democracy assistance in the 1990s was based on an analytical model that assumed a fixed set of conditions associated with three distinctive phases of transition from authoritarianism to democracy: opening, breakthrough, and consolidation. Little attention was given to the underlying conditions in transitional countries—their economic levels, political characteristics, institutional legacies, cultural and ethnic make-up, sociocultural traditions, or other structural features. USAID's definition of democracy assistance and its actual policies and programs tended to narrowly focus on promoting free markets and American-style democracy that imparted a sense of stability the United States desired. USAID sponsored American NGOs to carry out politically sensitive projects that could damage United States bilateral relations if the funding went directly to foreign NGOs. In the 1990s, the focus of USAID's democracy assistance programs shifted between the concern to promote economic objectives and the concern to promote

national security goals. This of course was revealing of the American government's interest. USAID was more beholden than ever to the government due to faltering support for its mandate. Its good governance and democracy promotion emphasis had a strong institutional survival impetus, revealed in its pro-market and pro-American foreign policy programs.

Despite the agenda motivating IDIs, it would be a great loss if aid donors' concerns with good governance in the developing world were to decrease. While some good governance and democracy assistance programs are clearly self-serving, the governance issues in the South are real and in some cases acute, and these issues will continue to challenge aid officials for years. Large areas and populations of Amazonian and urban Brazil, Angola, Bolivia, Cambodia, Colombia, Nepal, Pakistan, Philippines, Sierra Leone, and many other countries are still be governed by gangs, thieves, and guerrillas instead of by any sort of legitimate government authority. Civil conflicts continue to be waged, terrorizing many and displacing large numbers of people. Public servants continue to be recruited and promoted according to personal and political connections rather than merit. Money still buys court rulings. Investors still need to pay heavily for political protection. Despite all the pitfalls of external involvement in sensitive and difficult political issues, aid donors can contribute to the welfare of millions in the South with democracy good governance support.

Democracy rests on rules, institutions, and political practices through which voters regularly and constitutionally replace or modify their leadership by the exercise of representative political power. As emerging democracies battle through their unfinished transitions and progressively move towards consolidation, democracy assistance needs to experience a qualitative leap forward. Second generation democracy aid requires moving

away from traditional technical assistance, often fragmented and mechanistic, to more comprehensive assistance and political modes of intervention. The concept of political dialogue based on pacts for democratic development appears to offer a promising avenue to reinvigorate the concept of partnership, a cornerstone of development cooperation and aid effectiveness.

Experience has confirmed the complexity of providing effective good governance and democracy assistance in support of societal transformation processes that also improve the daily lives and the well-being of citizens. Institutions can protect people as well as markets, and anti-corruption programs can save precious rare resources and dollars for social needs. Attention needs to be paid to people as democracy and good governance programs are devised and implemented. The UNDP has the right idea, but lacks funding to make the noteworthy difference it strives to make. The World Bank is improving by embracing some human rights concerns, but its reasons for doing this largely tie back to its market motivations. The EU lacks coordination and organization, but its insistence on human rights protection is admirable and substantial. USAID is what it is--a foreign policy arm of the United States government. It should not pretend to be otherwise.

The good governance and democracy promotion programs and policies in the 1990s reflected both broad international trends and the unique power structures of particular IDIs. Good governance promotion appealed to both poor and rich countries. It was a goal on which the Burkina-Faso and the United States could agree. It promised more independence to the South and less responsibility to the North. It held out a promise of more unity, more peace, and more prosperity for all. Even for corrupt Third World leaders, the idea was somewhat compelling, for it was less directly threatening

than strict conditionalities and it meant that potentially more aid would be forthcoming. In some sense, its broad agenda, subject to various translations and permutations, contained a widespread appeal.

Scholars of democracy agree that international actors have been able to influence the democratization process in a country when they have provided clear expectations and married them with incentives. Neoliberalism is fundamentally and principally a political project of embedding market values and structures within not only economic, but also within social and political life. Its goal is to reshape power relations. Nevertheless, among neoliberals, there have always been differences over how far this process should extend and by what means it should be achieved. Economic globalization, privatization, and free trade tend to widen the gap between rich and poor. The sufficiency of bottom-up paths to democracy have themselves been increasingly questioned. The democracy-generating ability of civil society certainly depends on there being effective links between civil society, locals representing different key interests, and the political arena. Without previous reform to the state and political institutions, it is unlikely that increased space for civil society can help a society advance towards more democratic ways. Democracy promotion requires for an appropriate balance between bottom-up and top-down dynamics. Democracy support requires operational instruments and procedures that can respond to newly arising opportunities for reform processes. The complexities of democracy and good governance promotion should not be understated, and now, as the new millennium progresses, there is a fairly long record of experience in diverse regions upon which it is important to draw. IDIs should advance neoliberal concerns, but they are not truly helping if people and the quality of their lives are not the most important aspect of the process.

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