



THE UN AND THE WORLD BANK: TIME FOR CLOSER RELATIONS

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UN Secretary-General Ban Ki-moon and World Bank President Jim Yong Kim, both Korean-born, recently undertook joint-missions to Africa in May and November 2013. Why is this even news? It is time to develop much closer relations between the two institutions. What are the options?

Many may have forgotten that at the 1944 Bretton Woods Conference, the clear intention was for the World Bank and the International Monetary Fund (IMF) to be an integral part of the United Nations, under the authority of the UN secretary-general. Although powerful voices in the United States pushed for autonomy, the Bank and IMF officially became part of the UN. Nonetheless, by the time of the Bank's first meeting in 1946, the *de jure* organizational chart gave way to a *de facto* separation. Reflecting on this relationship, UN historians John and Richard Tøye commented, "this tension between the formal UN status and the *de facto* operational independence of the IMF and the World Bank has been a constant feature of the international scene ever since."¹

Much has been lost over the years because of this separation and the resulting tensions. In the 1950s, a UN panel of distinguished economists—including two Nobel prize winners, Arthur Lewis and Theodore Schultz—recommended low-interest loans to poorer countries. This was delayed for nearly a decade, until in 1960 the World Bank set up the International Development Authority (IDA), which rivaled the UN. Beginning in the 1960s, the UN set various development goals with almost universal support. Only the Bank and the IMF ignored these goals until the late 1990s, when for the first time they accepted such goals in the form of the Millennium Development Goals (MDGs). Over the 1970s and 1980s, the Bank was a latecomer compared to the UN in recognizing the importance of supporting primary education, environment, action to protect vulnerable groups during structural adjustment, and, in general, the non-economic dimensions of development, including participation and even democracy.² Although recently, President Kim of the World Bank has made unprecedented efforts to reach out to the UN and encourage partnerships with different parts of

it, collaboration is still far from complete. More cooperation is desirable for developing countries, the institutions themselves and, I would argue, the donors and main Bank supporters.

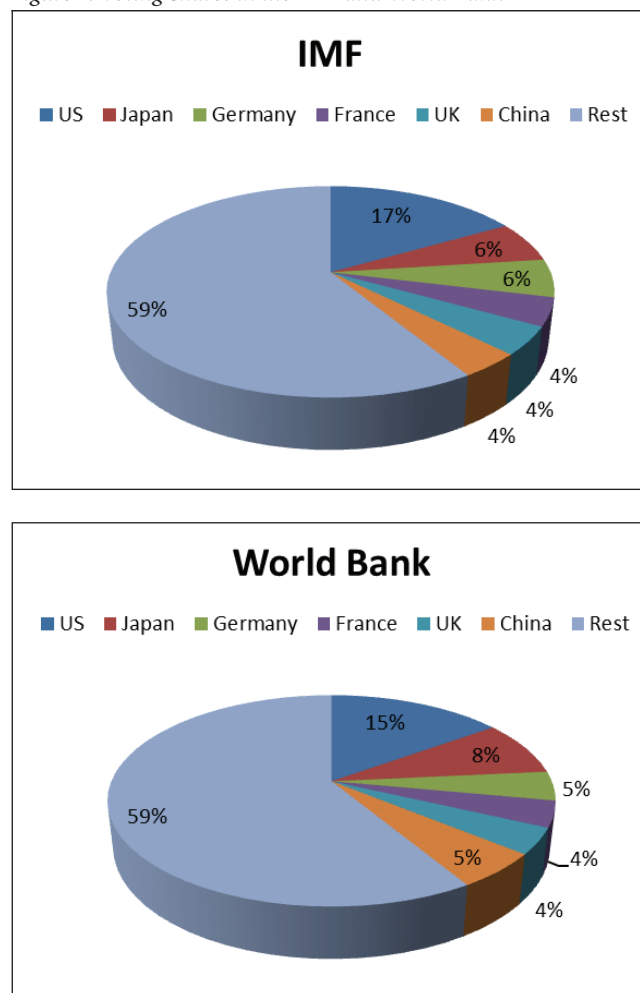
The UN has also suffered from a lack of closer working relationships with the Bank. There have been and are important differences in ideology, methodologies, and approaches to different development issues—with UN views closer to the mainstream of the global South, especially in resisting the dogmas of structural adjustment. But even allowing for this perspective, UN organizations have suffered from weak economic analysis, and attention to cost-effectiveness has often been lacking and sometimes non-existent, certainly more deficient than if collaboration had been as close as originally envisaged. For individual countries, the results often were contradictions in advice and support, and a tendency for economic strategy and policy to be unnecessarily separate from sectoral plans and priorities. Internationally, the separation has led to multilateral donor funding increasingly being channeled to the Bank or to Bank-led projects, leaving most UN organizations starved of core funding and ever more dependent on uncertain and limited amounts of supplementary funding.³ ECOSOC has never lived up to its institutional role of coordinating economic and social policy and actions within the UN, let alone with the Bretton Woods Institutions.⁴

Collaboration is difficult because of the total contrast in voting systems. In the UN, each country has one vote and developing countries have had an overall majority since the 1960s. In the Bretton Woods Institutions, votes are in proportion to shares, with the shares allocated by a formula that has always ensured a majority of votes to the industrialized countries, with the additional proviso

FUNDS supports and helps accelerate change in the UN development system to increase effective responses to global development challenges—especially after 2015, the target date for the Millennium Development Goals. Recognizing the many frustrations that have accompanied UN reform efforts, FUNDS envisages a multi-year process designed to help build consensus around necessary changes. Financial support currently comes from the governments of Denmark, Norway, Sweden, and Switzerland.

that on fundamental matters, votes must exceed such a high threshold that the United States has *de facto* veto power (see Figure 1). The Bank and the IMF thus are the preferred institutions of the donor countries and the West, while the UN has been more popular and generally received more consistent support from developing countries.

Figure 1: Voting Shares in the IMF and World Bank



Note: This graph presents voting shares for the IBRD. Shares in the IFC and IDA are slightly different.

In short, all parts of the UN and of the World Bank have suffered, with consequences for borrowing and investments, planning and delivery. Donor countries themselves have also been affected. The purpose of this briefing note is not, however, merely to underline the differences but to explore how closer collaboration might help all groups of countries in both the UN and the World Bank and lead to a stronger set of international institutions in relation to the needs and challenges of the twenty-first century.

ASSESSING THE STRENGTH OF THESE INSTITUTIONS

UN institutions are increasingly marginalized in effectiveness and lacking resources, especially core support, while commanding more confidence and support in most parts of the developing world, especially in comparison with the Bretton Woods institutions.⁵ In terms of global economic and social management, the Economic

and Social Council has never achieved the role envisaged for it, or even lesser roles which have been tried at different times.

The World Bank is and has always been more handsomely financed and still commands strong support from the United States and most of the West, although less from the emerging and developing countries. At the beginning of the current economic crisis, there was widespread questioning of the Bank's role in a world in which private flows of capital have grown rapidly. But access to capital by would-be borrowers is only one test. Arguably a test of ever-growing importance is whether the Bank provides the proactive leadership and resources for the supply of global public goods in such key areas as mitigation and adaptation to climate change, other environmental actions, support for least developed countries to achieve wider and deeper engagement in the global economy, and stimulus for regional actions.

But the real test of existing international institutions is their political, economic, and social adequacy to command the support, exercise the leadership and take the initiatives required for a more humane, more peaceful, and better functioning world economy. Oxford University's Ian Goldin comments that "if there is one thing that keeps us awake at night it is the absence of global leadership and even awareness of the scale of global challenges... Global politics is gridlocked." His book identifies five areas of global public goods where international action is urgently needed-but woefully missing or inadequate: climate change, cyber-security, pandemics, migration and finance.⁶

To identify such needs is to identify not only priority areas for action but, less emphasized, complementary strengths between the UN and the World Bank in the same areas. The United Nations may be weak in economic management but has long been stronger in non-economic areas of social analysis and action. The World Health Organization, for instance, provides professional assessments of global health, far beyond anything the Bank can or does provide. UNICEF operates for children in some 150 countries of the world, with a long tradition of mobilizing action for children and providing services at unit costs far below those of services provided by the Bank.⁷ The UN also has global legitimacy in a way which almost all other institutions lack.

WHERE IS MORE COLLABORATION POSSIBLE?

Four areas of action can be identified in which collaboration between the Bank and the UN could lead to stronger and more effective action than by either institution acting alone.

Human rights and human development are areas in which the UN has been active from the beginning. In contrast, the Bank has been constrained by its lawyers who have specifically argued that its Charter prevents formal support of human rights, or a political approach to development.

This has not prevented World Bank presidents, especially James Wolfensohn and Jim Yong Kim, from advocating boldly the importance of human rights. At the same time, direct support for a rights-based approach to development was left to the UN High

Commissioner for Human Rights and UN organizations and funds. Over the last two decades, UN funds have pioneered international action for a rights-based approach to development, an approach that embraces not merely the goals and objectives of development but also the ways and the processes used to pursue them. Closer collaboration between the UN and the Bank could thus lead to a real advance, but it would require recognition within the Bank that it had much to learn from UN organizations.

Human development is also an area in which for over two decades the UN Development Programme (UNDP) has produced a series of path-breaking reports elaborating a development paradigm, which sharply contrasted with neo-liberal economics. Unfortunately, the World Bank has used the term “human development” to describe its work in education and health, an important but much narrower concept. Some 700 National Human Development Reports have now been produced in about 140 developing countries, each applying the methodology to a specific theme in the particular country concerned. These reports provide at country level many areas for fruitful collaboration between the Bank and many agencies of the UN.

Climate change and environmental action is another priority. Since Stockholm in 1972, the UN has taken a lead in environmental matters, reinforced after the Rio conferences of 1992 and 2012. In particular, the International Panel on Climate Change (IPCC) has established a reputation for its periodic scientific reports, based on the consensus findings of world-class scientists from all parts of the world.

Although many organizations of the UN have programs of action, none has the resources and widespread donor support of the Bank. Much closer collaboration could do much for accelerating greater action on a global scale.

Pursuing equity and diminishing inequalities worldwide is a third arena for collaboration. The UN has long emphasized the need for greater equity in development, both in income and gender, and in terms of access to education, health and other social services. In its earlier years, the UN also emphasized the need for great equity in access to assets, especially to land. Recently, the Bank has recognized the need for much stronger action in these areas. The potential scope for collaboration at country, regional, and global levels is enormous, especially when awareness about untenable inequalities is growing as well as political consensus for taking more serious action.

The dogma of austerity and structural adjustment is a fourth priority. Europe’s pursuit of austerity policies over the last three or four years is an exception. The United States has pursued a limited Keynesian stimulus, as has China and much of Asia. But the devastating reduction in living standards across Europe is one result of austerity along with negative economic growth and record unemployment, especially among youth.

These results are reminiscent of the impact of structural adjustment on Africa and Latin America in the 1980s and early 1990s, led by the World Bank and the IMF. In Latin America economic growth over the 20-year period 1980-2000 fell sharply: from a 20-year total of 80 percent over 1960-1980 to a miserable 9 percent over 1980-2000. In Sub-Saharan Africa, over the same periods growth fell from 36 percent before 1980 to minus 15 percent afterwards. Perhaps the only mystery about Europe in the last few years is why countries were not able or willing to learn the lessons of Latin America and Africa twenty years before. Asia learned, however. After the Asian crisis of 1997-2000, when many countries experienced the rigors of IMF-led structural adjustment, the region, especially East Asia, said “never again.” Over the first decade of the 2000s, the Asia region adopted many regional policies and regional institutions to avoid the need for recourse to the Washington Institutions. The result has been that most countries in Asia have avoided the worst of the repercussions of the global crisis after 2007-8.

In terms of closer collaboration, it is worth remembering that the UN early in the 1980s expressed opposition to the orthodoxy of structural adjustment, notably the International Labour Organization (ILO), UNICEF, and the UN Regional Economic Commission for Africa (ECA). After 1990, UNDP’s Human Development Report Office eloquently joined the opposition, pointing out that it was illogical to attempt to rebalance a country’s economy while unbalancing the lives of its people. These lessons of structural adjustment need to be built into the basis of any program of collaboration.

THE NEW RELATIONSHIP

Much more is required than simple expressions of goodwill. On both sides, but particularly on the side of the Bank, there must be serious rethinking of current approaches and a willingness to listen and learn from other institutions. It must recognize the value of multi-disciplinary approaches and experience beyond neo-liberal orthodoxy, which has circumscribed so much of the Bank’s work, including its earlier neglect of health, education, and the human dimension in its work on structural adjustment. Above all, the Bank must moderate the professional arrogance that too often frames its advice and delivery. When the ILO pressed for greater policy coherence with the Bank, the IMF, and the WTO, the IMF representative asked whether coherence meant that “you are coherent with us or that we are coherent with you?”⁸ If such one-sided polarization remains, a new relationship will not go far.

The UN requires an openness and willingness to incorporate economic thinking within its own programs and analyses. Changes in both sets of institutions will require strong support from both donors and developing countries. Donors can help by bucking trends and pledging more core funds as incentives to those UN organizations and funds that develop practical approaches of two-way exchange with the Bank.

The positions taken by China, India, and other emerging powers will be critical. If these countries follow the patterns and precedents of industrialized countries, little of consequence will happen. But if emerging powers are willing to use their growing economic importance and leverage within the international institutions, serious change could follow. Without it, little can be expected beyond cosmetic tinkering.

In the longer run, only changes in voting structures at the UN and the Bank will ensure closer collaboration. Hans Singer, the distinguished international economist, argued many years ago that a change of voting formulas was necessary.⁹ Voting within the UN on economic matters should be adjusted to give greater weight to the size of a country's economy, not simply weighting by GDP but by categorizing countries—industrialized countries, emerging countries, developing countries, the least developed countries, for instance—into voting blocks. If possible, this change should parallel similar ones within the World Bank, not only to bring shares of votes into line with the present size of today's economies but also to pay attention to the overall distribution of votes so as to lay the basis for a genuine focus on global management of the world economy.

Kishore Mahbubani takes on the difficult issue of changing the voting structure in his recent book,¹⁰ noting that the developing countries, and those of Asia in particular, are still strong supporters

of the UN, more so than most of the West.¹¹ Asian optimism is heavily influenced by the region's economic successes; but other dimensions, moving from destructive war and outdated ideological structures to a pragmatic capitalism have also been important.

As regards voting structures, Mahbubani puts forward a proposal for fundamentally changing the membership of the Security Council, emphasizing that his proposal is linked to changes in the economic balance of the global economy. His formula gives permanent seats to each of the seven dominant political-economic powers in the world today—counting the EU as one—and semi-permanent seats to another seven elected from the next 28 countries (judged by their population and their GDP) and a final seven seats to those elected from the rest. Mahbubani makes clear that this change would open the door for deliberations by the Security Council on a wider range of economic as well as political issues.

Such an altered Security Council would also have the potential to play a much more active role in global economic governance, on its own or in closer collaboration with the Bretton Woods Institutions. This outcome would of course be accelerated if revisions to the voting structures in the World Bank would give weight to population as well as to GDP. If these changes could be brought together, the stage would be set for serious collaboration among intergovernmental organizations.

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NOTES

1. John Toye and Richard Toye, *The UN and Global Political Economy* (Bloomington: Indiana University Press, 2004), 23.
2. Richard Jolly, Louis Emmerij, and Thomas G. Weiss, *UN Ideas That Changed the World* (Bloomington: Indiana University Press, 2009). Other details on the UN Intellectual History Project are at www.unhistory.org.
3. Asmita Naik, "Can the UN Adjust to the Changing Funding Landscape?" *FUNDS Briefing No. 2*, March 2013, available at <http://www.futureun.org/en/Publications-Surveys/Article?newsid=8>.
4. Thomas G. Weiss, *ECOSOC is Dead, Long Live ECOSOC* (New York: Friedrich Ebert Stiftung, December 2010).
5. Kishore Mahbubani comments on the deep fissure that exists between the dominant Western narrative about the UN and the narrative of the rest of the world, with the former presenting the UN as a bloated, inefficient bureaucracy but "the majority of

those who live outside the West retain[ing] massive trust in the UN system." Kishore Mahbubani, *The Great Convergence: Asia, the West and the Logic of One World* (New York: Public Affairs, 2013), 91. But this common view actually may overstate the doubts of ordinary Americans in contrast to politicians and pundits. To cite just one recent survey, The Better World Campaign reported in May 2011 that 56-59 percent of US public held a favourable opinion of the UN, UNICEF, WHO and only 24 percent of the World Bank. (<http://www.betterworldcampaign.org/news-room/articles-editorials/full-findings.html>).

6. Ian Goldin, *Divided Nations: Why Global Governance Is Failing and What We Can Do about It* (Oxford: Oxford University Press, 2013), xii, 3, 178.
7. WHO and UNICEF are consistently ranked by FUNDS global perception surveys as the two most relevant and effective UN organizations. See <http://www.futureun.org/Surveys>.
8. Gerry Rodgers et al, *The ILO and the Quest for Social Justice 1919-2009* (Geneva: ILO, 2009), 231.
9. Hans Singer, "Revitalizing the UN: Five Proposals," in H.W. Singer, *International Development Cooperation: Selected Essays by H.W. Singer on Aid and the UN system* (Basingstoke, UK, Palgrave 2001).
10. Kishore Mahbubani, *The Great Convergence: Asia, the West and the Logic of One World* (New York: Public Affairs, 2013).
11. Kishore Mahbubani, "Why We – Especially the West – Need the UN development System," *FUNDS Briefing No. 4*, May 2013, available at (<http://www.futureun.org/media/archive1/briefings/Briefing-4-Mahbubani.pdf>).

