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A Mandate on Behalf of the Poor?

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A MANDATE ON BEHALF OF THE POOR?

INTERNATIONAL AGENCIES AND THE NEW WORLD ORDER

RAVI GULHATI

THIS essay is prompted by two recent discussions. In the first I was impressed by the scepticism of senior managers of private transnational firms about the role of international agencies (I.A.s), mostly associated with the United Nations, in promoting socio-economic development of Third World countries. In the second discussion, on the New World Order, there was disagreement on the extent to which I.A.s can play a role independent of the great powers and the newly established governments of ex-colonial areas. Having spent many years working in one of these organisations and also for the government of my own country, I wish to offer an analysis of the following issues:

(1) What are the distinguishing organisational characteristics of I.A.s? What functions have been entrusted to them, and why?
(2) What have been the successes and problems of I.A.s during the past twenty-five years?
(3) What role can I.A.s play in the New World Order?

Organisations operating across national boundaries can be placed in two broad categories. The first would consist of private transnational corporations producing and marketing in many countries, private business enterprises producing in only one country but exporting to many nations, and single or multi-nation public-sector commercial firms—all of which strive to make as much profit as possible consistent with law, standards of good practice and a reasonable time perspective. Managers of these organisations must evolve a strategy which fully exploits their advantages, allows them to cope with the vagaries of the international environment and secures a satisfactory rate of return on investments made by shareholders. Firms of this sort predominate in mining and manufacturing as well as in certain service activities, e.g. banking, hotels, etc.

The second group consists of private foundations such as Ford and Rockefeller, official bilateral foreign-aid agencies such as the Ministry of Overseas Development of the United Kingdom and I.A.s linked to the United Nations system. These organisations pursue a hierarchy of objectives within

The views expressed in this article are the author's own.
which profit-making does not occupy a dominant place, as it does in firms included under the first group. Organisations in the second group perform functions many of which would not normally attract profit-oriented enterprises obeying the signals of the market place. In a sense, concerns in the second group are repeating at the world level the history of capitalist development within nations. They are taking on functions performed by national government agencies or by the voluntary non-profit sector within the territory of single countries. The following are the major activities of the second group:

(1) Supervision and regulation of international communication and transport. Examples are Universal Postal Union which relies mainly on multilateral negotiation; the International Telecommunication Union which has emphasised technical expert regulations; the International Maritime Consultative Organisation which produces conventions with binding force on those who ratify them; and the International Civil Aviation Organisation which sets standards and maintains them by frequent inspection, assistance and pressure on members.

(2) Supervision and regulation of financial, balance of payment and trade policies of member governments. An example is the International Monetary Fund which conducts research, codifies the tenets of good policy, assembles up-to-date information on relevant topics, regularly consults with governments and provides them with short-term funds on stipulated conditions.

(3) Provision of a framework for exploiting technology at the global level. This is the case with the World Meteorological Organisation which started out as a mechanism for exchanging information but became the basis for using a sophisticated, expensive technology subject to economies of scale and necessitating international operation.

(4) Promotion of socio-economic development of low-income countries. Examples are United Nations agencies focusing on health, food and agriculture, education, labour, industry, etc. providing technical assistance and documentation, plus the World Bank and the regional development banks supplying long-term capital.

Few will dispute either the importance of these functions or the fact that profit-making firms would not be suitable organisations to supervise and regulate activities of governments. However, views are divided on the last enumerated function, namely the promotion of development; critics claim that the cause of development has not been advanced by foreign aid in general or by I.A.s in particular, and that the free play of market forces would have brought about better results. The reader will recall the history of this topic.

The nineteenth century saw the expansion of private foreign investment, particularly British investment in the New World as well as what are today the low-income countries. There was very little by way of foreign aid
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either bilaterally by governments or multilaterally through I.A.s. This situation was scarcely changed after the First World War and the establishment of the League of Nations. Also, during the early phase of the United Nations there was little emphasis on promoting development of low-income nations. The major bilateral effort was the Marshall Plan designed by the United States to reconstruct Europe. It is only during the last fifteen to twenty years that official foreign transfers have supplemented external private investment in low-income countries. On average, these transfers have been 50 per cent of the overall flow of external resources during 1970–74.

Limitations of the Profit Motive

UNDERLYING the decision to give foreign aid, there are three reasons which touch on the limitations of profit-oriented enterprises, given the aim of promoting the socio-economic development of low-income countries. First, overseas private investment has been drawn mainly to those Third World countries which are well-endowed with mineral resources or which have fairly high per capita incomes. This trend is hardly unexpected and makes very good sense as far as the profit-making firm is concerned. But it does mean that exclusive reliance on these firms will result in the inexcusable neglect of the most backward and unlucky countries, such as Bangladesh. Secondly, even countries which attract private foreign investment find that it does not enter large and important sectors of their economies such as education, health or rural development. Again, this is not surprising; conditions in these sectors are not conducive to the search for private profit and yet balanced socio-economic advance requires that these activities should not be starved of funds or managerial talent. Foreign investors seeking a profit tend to focus on narrowly defined projects rather than on the longer-term, more diffuse and more complex task of building institutions with capacity to learn from experience and adapt to the changing environment. Thirdly, foreign investment cannot be the instrument for redistributing income or wealth as between rich and poor countries. The relation between the enterprise making the investment and the host country is a business one and under ideal circumstances both parties will profit by the deal. This is a very different situation from that in which the modern welfare state seeks to help the handicapped citizen or the world community extends concessional assistance to the under-privileged member state. To the extent that socio-economic development of low-income countries requires an element of redistribution, it will be necessary to forge instruments and organisations other than the profit-seeking firm.

The bulk of concessional assistance in the post-war period has been transferred bilaterally. Even as recently as 1967, nearly 90 per cent of foreign aid to low-income countries was channelled by organisations such as the United States Agency for International Development or the United Kingdom Ministry of Overseas Development. The strong preference for bilateral
channels over I.A.s reflected the fact that in many cases foreign aid was intended by metropolitan powers to go to their former colonies where they wished to preserve their sphere of influence. Also, the rich countries wished to link their aid to their own exports, to protect their investments and to maintain strategic relationships.

The last few years have witnessed a relative increase in the role of I.A.s. They dispensed 15 per cent of foreign aid in 1974, compared to 10 per cent in 1967. This trend is consistent with the recommendation made by the Commission on International Development in 1969 urging donor countries to raise the proportion of their aid going to I.A.s to 20 per cent by 1975. It would be too much to claim that the Commission (on whose staff I served) actually engineered the course of events but it might be useful to recall the rationale for its recommendation. A bigger role was assigned to I.A.s because:

1. they could offset the glaring bias in allocation decisions of bilateral aid agencies;
2. they could place themselves between the rich and poor countries and thereby avoid the frictions inherent in a bilateral aid relationship;
3. they could provide a measure of participation in international decision-making to the Third World;
4. they could facilitate regional integration among Third World countries.

The Record of I.A.s

The record of I.A.s in the development field is mixed. Not only have these organisations survived the tumultuous period since the end of the Second World War; many have increased substantially the size of their operations. Nevertheless, their output remains inadequate in relation to the needs of mankind. Some have demonstrated a capacity to learn from experience and to cope creatively with changes in the environment, but this has not always been the case. New institutions have been established with astonishing rapidity and while each has been a response to an identified problem, the total system has lost its coherence. The history is one of considerable achievement and yet there remains considerable discontent which is reflected, for example in demands for a new world order.

We cannot examine the record of I.A.s in much detail here, but it is useful to summarise the major aspects in terms of growth of number of institutions; expansion in scale of operation; degree of flexibility and capacity to learn from experience; and the troublesome question of efficiency and co-ordination.

Seven I.A.s were established in the development field during the late 1940s. Each had a relatively narrow functional purpose—agriculture, health, etc.—rather than a comprehensive development mandate. The premise underlying this organisational design was that sovereign governments would find it easier to recognise concrete common interests in well-defined areas than to
agree on a more general transfer of their authority to international bodies. Each of these seven organisations was intended to be universal in scope, i.e. all nations big and small, developed and under-developed, capitalist and communist, were expected to become members. In fact, the U.S.S.R. and East European countries opted to stay out of some of these I.A.s.

The increase in the number of I.A.s during the last quarter of a century was, in the first place, an elaboration of the functional idea. The identification of the constraints of existing I.A.s led sometimes to the modification of their charter or to the creation of new institutions. The recognition of new problems (population and environmental pollution are examples) also led governments to construct new I.A.s. However, there was nothing automatic about this process. Each new institution was preceded by a long history of debate, consultation and negotiation and there were instances in which an international consensus could not be reached. A good example was the International Trade Organisation proposed by the United States executive branch of government, to avoid the recurrence of "beggar my neighbour" policies widespread in the inter-war period. However, no agreement could be reached on the scope of the organisation and the Havana Charter negotiated in 1947-49 was still-born; even the United States Senate failed to ratify it.

The second stimulus underlying the establishment of I.A.s was the desire to supplement world-wide organisations by regional ones. Some global I.A.s such as World Health Organisation made considerable use of their regional bureaux and decentralised many activities in this manner. However, others such as the International Bank for Reconstruction and Development maintained a unified pattern with most staff located at headquarters. In response to pressure for geographic specialisation, there came into existence a number of regional and sub-regional development banks. A related factor was the desire of Third World government to participate in the process of international decision-making. In many I.A.s they commanded large majorities and could influence the outcome of voting in assemblies and executive boards. However, the scale and character of activities performed by I.A.s depended heavily on their budgetary resources and these were largely outside the control of Third World countries. In the case of the IBRD, voting power was proportional to capital subscriptions and developing countries were in a minority. Their voting strength in the regional banks is somewhat higher but in most cases control remains with governments of rich countries.

**Scale of Operation**

The record showed not only a very rapid expansion in the number of I.A.s but also a sizeable increase in the scale of operation of most of them. The gross flow of capital plus technical assistance destined for Third World countries increased from $1.2 billion in 1965 to nearly $5 billion in 1974. Even allowing for inflation, these figures indicated that I.A.s transferred growing amounts of real resources to low-income countries. Managers
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of these organisations succeeded in raising funds either from rich-country government or from the financial markets of the world. The International Development Association, the United Nations agencies and the soft-loan windows of regional development banks have to depend on grant or concessional assistance from rich-country governments. By contrast, the IBRD and several of the regional institutions sell bonds more or less on commercial terms. Their success in tapping private savings in rich countries for investment in poor ones must be regarded as a major innovation against the background of the breakdown of international portfolio investment in the 1920s and 1930s.

To summarise the specific accomplishments of I.A.s during the past quarter century is not easy. The World Bank Group has made loans amounting to $43 billion for close to 1,900 projects (these figures exclude the International Finance Corporation). It has convinced institutional investors in major capital markets that money can be lent profitably to governments in all parts of the world for a wide variety of purposes. Completed projects have turned out, by and large, to be technically viable and economically productive. Each of the major United Nations specialised agencies has taken a lead in their respective fields in disseminating available knowledge and techniques; assembling authoritative statistics and documents; and establishing training facilities at the international level. In 1974 they sent more than 12,000 experts to the Third World to advise governments, make studies, help establish institutions and respond to other requests made by members. The United Nations also enabled selected individuals from member countries to improve their know-how by financing 9,000 fellowships in 1974. The WHO mounted a world-wide campaign to eradicate smallpox and seems to have succeeded. A similar campaign against malaria has made progress, despite setbacks. The UNESCO is leading a campaign against illiteracy and has made available to governments the results of pilot projects it has conducted in the field of adult education. The UNCTAD has provided a forum at which new concepts and approaches to development have been aired, studied and legitimised. These examples are illustrative; they do not purport to present a comprehensive or balanced picture of I.A. activities.

The Element of Flexibility

SOME I.A.s have demonstrated a capacity to learn from their experience and to innovate. The history of the World Bank Group (WBG) is a case in point. During the 1950s, the Bank set out to raise standards of living based on a concept of economic development which appears in retrospect to be rudimentary. Development was thought of mainly as repetition in the ex-colonies of the historical process that modernised Europe and the Americas. A key role was assigned in this process to the market mechanism and thereby to foreign and local private investment. By contrast, governments were expected to play a rather limited part; they were to pursue "sound monetary
and fiscal policies; build physical infrastructure complementary to private investment; raise public savings necessary for infrastructure investment; and avoid interfering in or entering "directly productive activities". Given this view of development policy, the WBG could assist by financing the foreign exchange component of government infrastructure projects and the relatively large industrial projects in the private sector. Its charter did not permit lending to private firms without government guarantee or the making of equity investments and it was felt that these constraints reduced the Bank's effectiveness. Management reacted to this experience by proposing the establishment of a new organization—the International Finance Corporation. The central premise continued to be that high quality stimuli in the form of selected projects embodying careful preparation and expert skills would launch low-income countries before long into a process of self-sustained economic growth. Once these countries had "taken-off", they would gain access to international capital markets and cease to depend on the WBG.

This notion of a relatively quick and easy solution to the development problem was buried towards the end of the 1950s. Even the relatively prosperous Third World countries in Latin America had not succeeded in emerging from the condition of economic backwardness, inflation and acute balance of payment difficulties. In India the implementation of the Second Five Year Plan had precipitated an unexpected foreign exchange crisis. African countries were just emerging from the colonial period and seemed very far behind. Faced by these realities, the management of the WBG recognised the complexity of the issues—inefficiency of the institutional framework in Third World countries, acute shortage of indigenous human skills, adverse international demand conditions encountered by traditional exports and the instability of world markets which undermined efforts of governments to plan systematically. It was clear that successful development required massive structural changes which could only be brought about over the "long-haul" and through a great deal of government intervention in many parts of the economy.

The new perspective caused the Bank management to reverse itself on many issues and from this process of learning from experience emerged a new operational programme. Perhaps the most important departure was the establishment of IDA aimed at transferring resources to very poor countries on concessional terms—near zero interest rate and fifty-year maturity. From being opponents of "soft" lending, Bank presidents became its major champions and they have pressed the case not only for generous replenishment of IDA resources by rich-country governments but also for a large expansion in total official aid from all sources. A second departure was the marked change in the Bank's approach to its business. In the early years, the Bank had tended to wait for project applications to come to its doors and had explained the small volume of operations in terms of the limited capacity of member governments to undertake investment projects. This posture was replaced in time by one of vigorous promotion as the Bank began to assist...
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governments in identifying and formulating projects, conducting pre-investment and sector studies, establishing investment institutions and training key staff. A third departure was the Bank’s decision to supplement lending for physical infrastructure and private industry by loans for agriculture, public sector industry, education, drinking water, sites and services in urban areas and family planning programmes.

Even today, the Bank is striving to probe further the development process and to adjust its operations accordingly. The 1970s have witnessed a major questioning of development goals and assumptions underlying policy. The expansion of GNP is no longer regarded as the only objective because higher GNP can go hand in hand with widespread and persistent poverty. The economies of Third World countries are so highly segmented that macro-analyses and general policies fail to get to the heart of the matter. Instead, it is essential to draw up profiles of poverty groups in rural and urban locations and to design projects which will directly benefit these groups. The Bank’s management has been quick to recognise the new imperative of development; whether or not it can make good its promises, and to what extent, remains to be seen.

Efficiency and Co-ordination

It is not easy to apply the concept of efficiency to I.A.s. Even in the case of profit-making firms, the subject bristles with difficulties. Problems of definition and measurement are compounded greatly in the context of organisations, such as I.A.s operating largely outside the commercial market framework. The costs of I.A.s can be established fairly readily; they consist very largely of staff salaries, consultants and travel. The outputs—services, training, research, forums for discussion, regulatory framework—are difficult to evaluate. There can be honest differences of opinion about the quality, relevance or impact of these outputs. The very meaning of development, which is the main aim of these enterprises, is not a constant. Moreover, there is no well-tested technology for promoting development and this makes the notion of efficiency even more elusive. Neither management science nor economics can provide unequivocal guidelines for decisions. To obtain funds from governments and private investors, I.A.s must be financially prudent, but the practical implications of this goal are controversial. For example, what does financial prudence mean for salary policies of I.A.s who compete for professional manpower with civil services and private firms of rich countries as well as poor? If they pitch their rates of remuneration at a competitive level, they are open to criticism from governments with lower scales and if they cease to offer attractive salaries they run the risk of staff demoralisation and inability to recruit quality personnel from high-income areas.

It follows that managers of I.A.s face an unstructured reality and their task is complex. They need technical expertise plus political acumen and leadership qualities to cater to several “stakeholders”; governments of rich
countries who control the purse-strings; recipient member governments who demand resources and services that fit into their own scheme of priorities; highly professional international staffs drawn from many nations and diverse cultures; rival organisations in the United Nations system; and private-sector concerns anxious to safeguard their special interests. The minimum aspirations of all these groups must be satisfied, for each can damage the organisation. However, these groups have unequal power and individual groups seldom speak with one voice.

After describing I.A.s as "... an undisputed achievement of the last decades and one of the strongest assets in the search for the future", the Commission on International Development (1969) underscored four basic shortcomings:

1. absence of a definitive review of progress, prospects and problems;
2. multiplicity of agencies and their lack of co-ordination;
3. the present structure neglects to link foreign aid plus technical assistance with trade flows, private capital and monetary questions;
4. the system lacks coherence and presents a picture of confusion.

Some improvements have taken place since the Commission reported but they are patchy in character. According to Evan Luard (1977), "... there has perhaps been more progress in improving coordination in the last few years than in all the previous history of the U.N.". First, much progress has been made in avoiding wasteful overlap and duplication. However, I.A.s tend to insist on writing their own economic reports and on conducting their own project feasibility studies despite the existence of basically similar assessments made by sister agencies. Not only is this practice wasteful of I.A. staff/consultant time, but it tends to monopolise the scarce high-level manpower resources of Third World governments. Secondly, the United Nations agencies now use common standards (e.g. salaries, promotions, pensions, classification of statistics) and common services (e.g. computer), thereby reducing costs and facilitating inter-agency communications and personnel transfers. Thirdly, several I.A.s have introduced procedures for long-term programming, functional budgeting and monitoring of implementation which have improved co-ordination within those organisations. Fourthly, the WBG attempts to co-ordinate aid from different sources to selected recipient nations through consortia and consultative groups which meet to discuss analyses prepared by Bank staff. Fifthly, the United Nations Development Programme has built up capacity to co-ordinate technical assistance activities of all specialised agencies who depend on it for funding. In principle, this enables UNDP assistance to be closely tailored to priorities established by recipient governments. However, the exercise is not a comprehensive one; it excludes technical assistance financed by regular agency budgets and earmarked funds.

Despite some progress, the Commission's basic criticism of I.A.s remains valid even today. A Group of Experts reporting to the United Nations in 1975 put it thus: "It must be recognized that the system is more a product
of historical circumstances than of a rational design... the proliferation of inter-governmental bodies and secretariats represents an increasing burden on Governments in terms of both cost and physical capacity to participate. Moreover the diffusion of responsibility among so many institutions, many of which are dealing with the same or related subjects, inevitably reduces the impact of all of them.

**I.A.s and the New World Order**

Given this assessment of I.A.s, what can reasonably be expected of them in the context of the New World Order? Ever since the sixth session of the General Assembly of the United Nations in 1974, discussions have focused on NWO, and gradually the agenda for basic reform of policies and institutions in many fields—transfer of resources, monetary, food, energy, research and development, trade, industry, environment, transnational enterprises and ocean management—has been defined. These recommendations are addressed to governments in rich and poor countries, I.A.s, transnational corporations and other parties. Major proposals relevant for I.A.s are the following:

1. New I.A.s should be established for debt settlements and additional liquidity; financing buffer stocks; raising Third World participation in processing, storage, banking, transport and marketing of export items; increasing bargaining power of primary commodity producers; establishing countervailing power of governments hosting transnational enterprises; development of technologies and high-level manpower in agriculture, marine, energy and industry geared to Third World needs; and exploitation of "international commons" (oceans, space) in the interest of the world's poor.

2. Resource transfers through I.A.s should be put increasingly on an automatic basis by linking them with creation of international liquidity and by introducing international taxes on undesirable forms of consumption in rich countries and on armaments. This would provide a measure of genuine autonomy to I.A.s and avoid uncertainty and costly disruptions in their programmes resulting from delays in agreeing on voluntary contributions.

3. The role of the Third World and of centrally planned economies in the management of I.A.s should be greatly increased.

4. I.A.s should direct their resources in support of anti-poverty programmes aimed at satisfying minimum human needs in the poorest nations.

Proposals to establish new I.A.s are controversial and in some case there is a long history of debate and lack of consensus, even among economists. There are some who remain confident of the efficacy of the free market and deeply sceptical of public interventions at local, national or international levels.
levels. Other economists are aware that international markets are constrained by immigration laws, tariffs and quotas, oligopolistic structures and captive transactions between subsidiaries and head offices of transnational corporations. These economists do not throw out of court the possibility of effective action in the public sector. For example, a Task Force of the Trilateral Commission (consisting of scholars from rich countries) visualises new I.A.s to oversee the international régime for oceans; regulate transnational corporations ("GATT for investment"); assure consumers access to overseas supplies of materials; and conduct buffer stock and income stabilisation operations for primary commodities. Nevertheless, the economic profession does not speak with one voice on these issues and it is scarcely surprising that positions adopted by governments tend to be coloured by ideologies and perceptions of national interest.

Proposals to make resource transfers automatic and to increase the managerial role of Third World governments would change the character of I.A.s enormously. The last twenty-five years show that control of the purse strings provided the ultimate sanctions held by the United States and major Western European governments over managers of I.A.s as well as over recipient Third World governments. In addition, the elite of most I.A.s was drawn predominantly from rich countries and they set the cultural and ideological tone of these organisations. This double dominance of I.A.s through money and key people enabled rich countries to manage the international economy in an orderly and sensitive manner without significantly changing the basic power structure. I.A.s could act independently but within the margins of tolerable established by key world powers and these margins varied, depending on the topic and the kind of decision involved. At the bottom of the decision hierarchy were the individual operations—e.g. to provide technical assistance or loans—in which international staffs enjoyed a large measure of discretion and in which interventions by rich governments were rare. Next in order of importance were changes in programme emphasis; these decisions, too, were largely made within I.A.s as a result of interaction among clients, staff and management. The role of the big powers was somewhat more conspicuous in the context of major programme departures such as WHO's malaria eradication campaign. Decisions bearing on mandates or the scale of operation of individual I.A.s involved the big powers; these issues could not be resolved internally in most instances. Finally, decisions on constitutional questions, membership and senior appointments were made primarily by the big powers. The NWO proposals are tantamount to requesting the big powers to relinquish their pre-eminence in the face of new trends—the rise of OPEC, the solidarity of the Group of 77 and the espousal of egalitarian ideas by several small rich countries such as Scandinavia and Holland. If the big powers agree to relax the purse strings and accept bigger management control by others, there will take place a virtual revolution in North-South relations.
SUPERIMPOSED on this North-South turnabout are proposals which involve a new deal for the poor inhabitants of Third World countries. In fact, the two issues are linked; the redistribution of income and power from the rich governments to the governments of the Third World cannot be justified in terms of economics or ethics unless the benefits accrue to people who are victims of underdevelopment and injustice. The I.A.s are asked, therefore, to support directly efforts to alleviate poverty. The implementation of this part of the NWO will require massive changes in operations of most agencies. Two kinds of problems can be foreseen in this context. First, there will be formidable technical difficulties in translating the general injunction to serve the poor into specific projects and programmes. Not much is known about the poor—their numbers, location, personal characteristics, occupation, time use, behaviour in households, factor markets, commodity markets and political organisation—and the manner in which they are linked to other parts of the economy and polity. This knowledge gap is a reflection of past neglect and poses a serious obstacle in designing relevant and effective interventions. I.A.s are even more handicapped than indigenous planners: the former have to contend not only with a scarcity of facts but also with distance—physical, socio-economic and cultural. While quick, airborne missions of international staffs were very appropriate when the focus was on modern organised, high technology segments of Third World societies, they may prove quite ineffective in the context of designing poverty redressal schemes requiring long and patient study. These international officials are drawn from the elite of many countries, including Third World countries, and they are well qualified in the conventional sense. It may be that their status, education and conceptual apparatus will make it difficult for international staffs to comprehend the universe of poverty and to prescribe suitable remedies.

These technical issues are not unimportant, but given determination and time they can be resolved. Much more fundamental are the second category of problems faced by I.A.s, which raise deep constitutional questions. Except for the ILO, which has three kinds of members—governments, employer organisations, trade unions—membership in I.A.s is confined to governments. It follows that I.A.s can redirect their operations to benefit the poor, only to the extent that Third World governments wish it. Poverty groups do not have an important political voice in many national governments and they certainly do not have any votes to cast in the councils of I.A.s. Judged on the basis of the rhetoric of leaders, the progressive legislation in the statute book or the aims of policy in plan documents, Third World governments seem determined to eradicate poverty. However, the history of the last quarter century does not support the optimism, except in a few cases. Much of the progressive laws have not been implemented and the egalitarian policies have not been put into practice. Loopholes in the law, laxity in administration
and widespread evasion make tax systems regressive in many instances. On
the public expenditure side, the picture is not dissimilar; elite groups already
enjoying incomes far above the poverty line, succeed in capturing the benefits
of government schools, hospitals, housing, water supply systems, credit as well
as technical assistance. Even specially designed projects aimed at generating
incomes and employment for the rural poor turn out to have large leakages
and tend to “mutate” in favour of elite groups during the implementation
phase. These stylised facts of history must be understood in terms of the
power structure within Third World societies. In most cases, power is in the
hands of the landed and propertyed groups while the poor are politically
unaware and disorganised.

From Zeal to Ardour

The discussion has now come full circle. Ever since the Geneva UNCTAD
of 1964, governments of the Third World have drawn attention to
defects in the post-war system of international economic relations and have
suggested a series of reforms. In fact, not many of these proposals have
found favour with rich countries. Inspired by OPEC, the frustrated reformist
zeal of the Third World has been transformed into revolutionary ardour and
the demand now is for profound changes in the international order. If this
demand is also ignored by the established powers, what will happen? Will
the Third World resort to unilateral solutions such as expropriation of foreign
investment and repudiation of external debt; withholding of key raw materials
from world markets; repudiation of agreements on patents and trademarks;
simultaneous boycott of selected I.A.S judged to be unresponsive to Third
World needs; trade preferences and payments unions among Third World
countries; and joint Third World planning and operation of industries, river
basins, shipping and organisations for R & D? Are Third World demands
for revolutionary change likely to be backed up by credible measures of
self-reliance?

The answer depends on the relative strength of North-South links as
against South-South connections. The former are firmly rooted in history,
both in the sphere of trade and investment. Ruling groups in the South
frequently have intimate commercial, economic and cultural ties with the
North which are extensions of the erstwhile colonial connection. These are
formidable obstacles against the strategy of collective self-reliance. Super-
imposed on all these structural impediments are the inherent difficulties of
collaboration among Third World countries, given their diversity and im-
perfect understanding of each other’s interests. Benefits of co-operation
within the Third World are not likely to accrue equally to all partners. Past
experiments, such as the central American Common Market and the East
African Common Market, broke down partly because there was the failure
to organise a fair distribution of costs and benefits. The solidarity of the
Third World will not be easy to sustain in the face of internal strains and

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external blandishments. The task is difficult but perhaps not impossible; much depends on the behaviour of OPEC. Will it succeed in containing its internal problems during the 1970s and 1980s? Will it continue to challenge the existing centres of power? Is it prepared to use its new wealth to buttress the solidarity of the Group of 77?

What happens to the New World Order will depend primarily on the dynamics of inter-governmental relations and these in turn will reflect the balance of internal political forces in nations of the North and the South. No large independent role can be played by I.A.s in restructuring power relations among states. These organisations have been useful in carrying out a number of functions which could not be handled equally well by other means. Their effectiveness has improved during their relatively brief history. They can be instrumental in implementing the New World Order if major governments agree to do so. I.A.s can be influential in building a consensus for change through their research, field work, dissemination of new ideas, discussions with governments and in other ways. Alternatively, if major governments are agreed on perpetuating the existing order, I.A.s can equally well serve this purpose. In the final analysis they are the creation of governments. If there is disagreement among key governments, this will be reflected in the work of I.A.s and can undermine their effectiveness. New I.A.s can be established to carry out mandates agreed on by small groups of governments or by members of the Group of 77. For these reasons it is best to view I.A.s as useful international machinery rather than as major actors on the world historical stage.
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